

## MINUTES

### CITY OF DELANO PENSION COMMITTEE – SPECIAL MEETING January 12, 2016

#### CALL TO ORDER

Chairman Lennon called the meeting to order at 4:00 p.m. in the City Hall Council Chambers, 1015 – 11<sup>th</sup> Avenue.

#### ROLL CALL

Committee Members present: Don Campbell, Gregory Funk, Gerald Gruver, Carlton Lennon, and Abel Moreno.

Committee Member absent: None.

#### OFFICIALS PRESENT

City Manager Reyna, Finance Director Lara Rios, Assistant Finance Director Bermudez, City Clerk Kraft, City attorney Garcia, Recording Secretary Villarreal.

Others Present: Barthus J. Prien and Tiao-Tiao Hsu from Prien Associates;

#### REGULAR AGENDA

- 1) Request made to Prien Associates by the pension Committee members at the Special meeting on December 8, 2015.
  - Analysis of the pension funding, when the plan will run out of money, anticipated cost, going forward. Forecast of status of the plan in 2026.

Committee Abel Moreno asked if Prien Associates has prepared what was requested on the previous meeting, about the funding of the plan.

Mr. Prien referred to the Actuarial Valuation as of June 30, 2015. He said that on page 38 it shows a funded ratio of 68%, which reflects a 4.8% increase from 63.2% a year early. Also, he mentioned that the Actuarial Valuation reports of the past 10 years reflect funding ratios above 60% which remains economically secure for government pension programs.

Mr. Moreno said that he would like to know what is going to happen in the future and not hearing about what happened in the past. He would like to know how the liability will be funded.

Mr. Gregory Funk said that he would like to see a table showing those calculations. Mrs. Hsu said that she will provide that information in a while. She said that she didn't know that this question was supposed to be addressed at this meeting, she misunderstood.

She explained what those tables contain. There are different assumptions over a 10 years period.

Mr. Funk asked if this information include the electronic information for a retiree to find out how much his/her benefits will be.

Mrs. Hsu said it has not been included in the agenda and she mentioned that she didn't talk with any staff until today when she talked with Mrs. Rosa Lara Rios.

Mrs. Rosa Lara Rios said that the request has been done by the Committee members on December 8, 2015 and she just engaged in a conversation, with Tiao-Tiao, today, and all the questions should be answered in today's meeting.

Mrs. Maribel Reyna said that any request that the Committee made at the December 8, 2015 meeting will be cover in the first agenda item, doesn't have to be listing specifically every request.

Mr. Lennon stated that one of the issues we are having is that the requests made by the Committee are not being answered in a timely matter, looks like we are going in circles and we are standing at the same point as we were at the last meeting.

Mr. Campbell said that what staff wants is to be able to access the information at any time, not only once a year. What we have to do is to be very specific in writing and list exactly what we want.

Mrs. Hsu said that the information will come from payroll. Staff from payroll and IT have to be involve in the project.

Mrs. Reyna said that is exactly what the request was: what are the options, what are the challenges, what are the costs. All that is part of the information that you will be supplying to the Committee. It appears you didn't do any research, even that you come back and saying it is not possible, but you did nothing.

There was a brief discussion and at one point Chairman Carlton Lennon in order to expedite time, while we wait for the copies, suggested to tabled agenda item 1 and quickly address agenda number 2.

2) Update of the Pension audit as of June 30, 2015.

Mrs. Rosa Lara Rios said she would like to bring this item to your attention, because at the last meeting there was some reports that were required to be submitted for the financial audit that pertain to the implementation of GASB 68. That report was given to the auditors and they said there were some errors, some issues with the information on the report. Those concerns were sent to Prien Associates in a timely matter and they recently responded to that. That information was sent to the auditors and they responded that there are still issues with the report. Staff spoke with the auditor and she gave the City 3 options in respect of what can be done now because our financial report are being delay. The options were:

- Go back and have Prien try again.
- Seek another actuaries to do the GASB 68 reporting for us.
- Leave everything as is but the auditors will not issue a qualified opinion on the report and that will be really bad for the City.

The City, in order to get the financials done on time, decided to hire another actuaries to do the GASB 68 reporting requirements and we provide, to the committee members, some information with respect to what the auditors were requesting.

Rosa Lara Rios also mentioned that she received an e-mail from Mr. Prien saying that they were working on the responses on December 28.

Committee member Abel Moreno said that he called the auditors and they told him what the situation was. Committee members can call directly to the auditors to get information instead of asking somebody else. He also explained in detail, clearly and understandable which are the GASB 68 requirements.

Mrs. Maribel Reyna said that the City choose to go with a new actuaries, even though there is going to be additional cost. This was done because there was no other option, we were running out of time.

Mr. Carlton Lennon asked what would be the additional cost and Mrs. Reyna said that it is \$12,000.

Mr. Gruver asked who is going to pay this additional cost. Mrs. Reyna said that the Pension Plan is responsible for it.

Chairman Lennon decided to go back to agenda item 1.

Mrs. Hsu explained the different projections that they prepare for the Committee. They assumed a City contribution of 25%, an increase of 2% on the benefits payment and a 4.32% investment return. In the other tables they change the assumptions on the investment return, city contribution and benefit payment.

Committee member Carlton Lennon and committee member Abel Moreno said that the information provided on those tables are not what they have been asking. There is no link to the mortality table, also it was assume that there won't be any new retiree.

Committee member Don Campbell mentioned that even with historical information the only thing we can do is speculate with the numbers. Committee member Gregory Funk said that his only concern is that they have 4 variables and one of them doesn't change. They have 100 retirees now and in 10 years shows the same 100 retirees, so the assumptions are not right.

After more discussion, Chairman Carlton Lennon made a motion to vote on this item. Seconded by committee member Abel Moreno. The question was: Is the analysis, presented by Prien Associates, acceptable?

*AYES:* Gerald Gruver.

*NOES:* Carlton Lennon, Abel Moreno, and Gregory Funk.

*ABSTAIN:* Don Campbell.

Mr. Lennon went back to agenda item 2, which is Update of the Pension audit as of June 30, 2015.

Chairman Lennon asked if there is any more discussion concerning agenda item number 2. He said that his only question to the City staff is if the \$12,000 that needs to be paid to the new actuaries is a duplicate payment, because it was also paid to Prien. Mrs. Rosa Lara Rios said yes, that is correct.

Mr. Prien said that they provided the information related to GASB 68 to the auditors. Mrs. Hsu mentioned that after provide the information to the auditors, they didn't hear back from them.

Chairman Lennon summarized the issues of this item: Prien presented a report to the auditors, which was rejected because it didn't comply with the GASB 68 requirements. The auditors asked for additional information, which was forwarded to Prien Associates, so they can revise the report. Prien sent a letter with new numbers, not a full new report. The auditors said that is not what they were asking for, they need a new report complying with GASB 68 requirements.

Mr. Carlton Lennon ask if the Committee needs to approve the \$12,000.00. Mrs. Maribel Reyna said that as soon we receive the invoice, it will be present to the committee.

After more discussion and moved by Committee member Carlton Lennon, seconded by Committee member Gregory Funk and *unanimously carried* to close this item.

### 3) Competitive Bids for Service Providers of the Delano Pension Plan.

Committee member Gregory Funk said that he feel it is prudent for any oversight committee to compare services provided and fees paid on a periodic basis to ensure the quality of the services received and competitiveness of fees meet the highest industry standards. Based on historical committee meeting minutes that it has been several years since the competitive bids were obtained for service providers to the Delano Pension Plan.

Through review of the historical information and observations from the last committee meeting Mr. Funk stated concerns about the services currently being provided. There have been instances where:

- Service providers were non-responsive to committee member's requests in a timely manner
- Service providers did not work with City staff as directed
- Service providers did not answer committee member's questions, told them why they did not want the question answered, or directed each other not to respond
- Rolls of service providers seem to be blurred

A motion was made by Mr. Gregory Funk and seconded by Mr. Carlton Lennon to adopt a policy to have all plan service provider positions have competitive bids held at least every 5 years, starting now, from the day of the last award or when their contract expires. This doesn't exclude any current service provider being awarded as the winning bidder. It is also not meant to preclude the committee from requesting competitive bids more frequently than identified in the policy.

Mr. Don Campbell asked if the investment advisors will be included on it. There was a brief discussion.

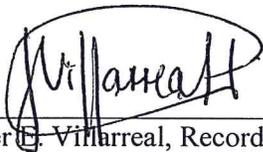
*Motion passed with the following vote:*

AYES: Carlton Lennon, Abel Moreno, Gregory Funk

NOES: Gerald Gruver, Don Campbell.

#### **ADJOURNMENT**

Moved by Committee member Lennon, seconded by Committee member Moreno, and unanimously carried to adjourn the meeting at 5:17 p.m. *Motion passed unanimously.*



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Javier E. Villarreal, Recording Secretary