



MINUTES OF THE SUPPLEMENTAL PENSION BOARD CITY OF HUNTINGTON BEACH

Tuesday, April 28, 2015
1:30 pm – 2:30 pm
Fourth Floor Conference Room #2
Civic Center, 2000 Main Street
Huntington Beach, California 92648

CALL TO ORDER

The meeting was called to order at 1:40 pm.

ROLL CALL

Present: Mr. Fred A. Wilson, City Manager
Ms. Lori Ann Farrell, Director of Finance
Ms. Alisa Cutchen, City Treasurer

Guests: Mr. Chris Rowey, Benefit Funding Services Group (BFSG)
Mr. Darren Stewart, BFSG
Mr. Richard Rosenthal, U.S. Bank
Mr. Yuval Selik, U.S. Bank

PUBLIC COMMENTS

No members of the public were present for comment.

APPROVAL OF MEETING MINUTES

The Committee reviewed and approved minutes from the January 27, 2015 meeting.

BFSG PORTFOLIO REVIEW

The Committee received and filed the Quarterly Investment Review dated March 31, 2015. Mr. Rowey provided a brief overview of economic and market conditions as they related to the performance of the Plan's investments.

The allocation of the Plan is within the permissible ranges set forth in the Investment Policy Statement (IPS) with the exception of the Columbia Corporate Income fund being classified as a Corporate Bond Fund. The Committee voted unanimously to allow the Columbia Corporate Income Fund to be considered an Intermediate Bond Fund for the purposes of the IPS. Based on new capital market assumptions, the 10-year expected return of the IPS portfolio and the actual portfolio are close to the return used for actuarial purposes.

As of December 31, 2014, the portfolio has outperformed the Static Benchmark across all measured time periods with the exception of the 1-year time period. The portfolio has outperformed the Passive Benchmark across all measured periods with the exception of the 5-year time period.

During the quarter, U.S. Bank removed RiverPark Wedgewood Equity from the portfolio and added American Century Diversified Bond and Columbia Corporate Income. Mr. Stewart identified several funds where less expensive share classes could be used. These included Columbia Corporate Income, First American Government Obligations, Nuveen Strategic Income, and Nuveen Short Term Bond.

REQUEST FOR INFORMATION RESULTS

Mr. Stewart presented the results from the Request for Information conducted by BFSG on behalf of the Plan. U.S. Bank's fees are significantly lower than the respondents with the exception of one. The exception does not charge an overlay fee because all proprietary investments would be used in implementing the portfolio.

In implementing the IPS, U.S. bank heavily utilizes active management, which has lead to higher investment costs. However, since taking over the portfolio, Mr. Rosenthal has largely been able to outperform the benchmarks, net of all fees. Ms. Cutchen will research the municipal code to see if a formalized RFI or RFP is required.

U.S. BANK PORTFOLIO REVIEW

The Committee received and filed U.S. Bank's Quarterly Portfolio Review dated March 31, 2015. As of March 31, 2015, the portfolio consisted of 60% equity, 29% fixed income, 9% real estate, 1% commodities and 1% cash. Plan assets totaled \$44.9 million.

Mr. Rosenthal believes that the upcoming year may be especially volatile and as a result adjusted the portfolio to be more conservative. RiverPark Wedgewood Equity was removed from the portfolio due to its concentrated and aggressive nature. Fixed Income holdings were expanded including the utilization of American Century Diversified Bond, a fund which tends to be more conservative than the other bond funds used in the Plan.

Mr. Rosenthal will look into whether the lower cost share classes can be used. If the funds are not available on U.S. Bank's platform, the Committee may need to sign a letter instructing their use.

Over the past 12 months, the portfolio returned 5.23%, which outperformed the custom benchmark at 4.96%.

ADJOURNMENT

With no further issues to discuss the meeting was adjourned at 2:40 pm.