



MINUTES OF THE SUPPLEMENTAL PENSION BOARD CITY OF HUNTINGTON BEACH

Tuesday, November 29, 2016
1:30 pm – 3:30 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 1:30 pm.

ROLL CALL

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

Guests: Ms. Michele Warren, Director of Human Resources
Mr. Chris Rowey, Benefit Financial Services Group (BFSG)
Mr. Darren Stewart, BFSG
Mr. Richard Rosenthal, U.S. Bank

PUBLIC COMMENTS

None

APPROVAL OF MEETING MINUTES

The Board reviewed and unanimously approved minutes from the July 26, 2016 meeting.

RECESS TO CLOSED SESSION – DARYK ROWLAND REQUEST TO INITIATE BENEFITS

The Board recessed to closed session at 1:40 pm to review and consider the request by Daryk Rowland to initiate benefits from the City of Huntington Beach Supplemental Employee Retirement Plan & Trust.

RETURN TO OPEN SESSION – DARYK ROWLAND REQUEST TO INITIATE BENEFITS

The Board returned to open session at 1:50 pm and publicly announced its unanimous decision that Daryk Rowland will receive ongoing benefits from the Plan as well as back pay beginning March 11, 2015, as detailed in a memorandum drafted by the City Attorney on July 26, 2016. The decision is contingent on verification from PERS that Mr. Rowland did not have subsequent employment by a PERS agency.

BOARD PROCEDURAL GUIDELINE

The Board unanimously agreed to continue this item to the next meeting.

BFSG PORTFOLIO REVIEW

The Board received and filed the Quarterly Investment Review dated September 30, 2016. 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). This includes the exception granted by the Board for Columbia Corporate Income to be considered in the Intermediate Bond category.

The current IPS Allocation is estimated to provide an annual return of 6.50% over the next 10 years based on capital market assumptions. This return is in-line with the actuarial discount rate of 6.50%. As managed by U.S. Bank, the portfolio as weighted on September 30, 2016 is estimated to provide an annualized return of 6.59% over 10 years.

As of September 30, 2016, the Plan slightly underperformed the Static Benchmark but outperformed the Passive Benchmark for the quarter. A significant underweight to commodities compared to the IPS portfolio contributed to performance, as did an overweight to small- and mid-cap domestic stocks. On a 3- and 5-year basis the Plan has outperformed both benchmarks.

There were no fund changes made during the quarter and the only allocation change was a slight increase in cash.

REQUEST FOR PROPOSAL

BFSG provided an update on the Request for Proposal (RFP). The RFP was made publicly available on the City's website and responses were due on October 28, 2016. Four proposals were submitted including U.S. Bank as the incumbent. The Board unanimously agreed to hold a special meeting in January to review the proposals and to have BFSG send out an email to those who submitted a proposal letting them know that the effective contract date has been delayed to March 1, 2016.

U.S. BANK PORTFOLIO REVIEW

The Board received and filed U.S. Bank's Quarterly Portfolio Review dated September 30, 2016. As of September 30, 2016, the portfolio consisted of 60% equity, 28% fixed income, 9% real estate, 2% cash, and 1% commodities. Total assets finished the quarter at \$48.0 million.

Mr. Rosenthal informed the Board that he continues to be cautious about market opportunities. Fixed Income exposure is near the high permitted by the IPS but is allocated largely to non-traditional bonds. He is specifically concerned with the Real Estate holdings of the Plan as interest rates are rising, and may look to reduce exposure. He is also concerned with the performance of T. Rowe Price International Growth & Income and may look for a replacement.

Over the past 12 months, the portfolio returned 10.24%, which was in-line with the custom benchmark. Fund selection in commodities and equity has detracted from performance while fund selection in fixed income and real estate has contributed to performance.

ADJOURNMENT

With no further issues to discuss the meeting was adjourned at 2:40 pm. The next meeting is yet to be scheduled.