



MINUTES OF THE SUPPLEMENTAL PENSION BOARD CITY OF HUNTINGTON BEACH

Tuesday, July 26, 2016
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 1:33 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. Colin Stevens, Treasury Analyst
Mr. Chris Rowey, Benefit Financial Services Group (BFSG)
Mr. Darren Stewart, BFSG
Mr. Richard Rosenthal, U.S. Bank
Mr. Yuval Selik, U.S. Bank

PUBLIC COMMENTS

None

RECESS TO CLOSED SESSION – DARYK ROWLAND REQUEST TO INITIATE BENEFITS

The Board recessed to closed session at 1:35 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 1:45 pm and announced that it had unanimously agreed to continue its determination on Daryk Rowland's request to initiate benefits to the next meeting.

AR 421: SUPPLEMENTAL RETIREMENT PLAN ELIGIBILITY REVIEW REQUEST PROCEDURE

The Board reviewed a draft of an Administrative Regulation detailing the process of the Board in reviewing benefit eligibility. The Board provided several changes to Ms. Warren, including changing the structure of the procedure from an Administrative Regulation of the City Manager's office to a Procedural Guideline of the Board. The Board will review the updated document and vote on approval at the next meeting.

APPROVAL OF MEETING MINUTES

The Board reviewed and unanimously approved minutes from the June 7, 2016 meeting.

BFSG PORTFOLIO REVIEW

The Board received and filed the Quarterly Investment Review dated June 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 June 30, 2016 is estimated to provide an annualized return of 6.58% over 10 years.

As of June 30, 2016, the Plan outperformed the Static Benchmark but underperformed the Passive Benchmark. A significant underweight to commodities compared to the IPS portfolio detracted from performance. On a 3- and 5-year basis the Plan has slightly outperformed both benchmarks.

U.S. Bank made several fund changes during the quarter, but made little change to asset class allocations. Cash leftover from a contribution made in the first quarter was invested largely in equities. Many of the funds removed from the Plan had been delisted from the U.S. Bank platform. One of the funds added utilizes a socially responsible management strategy. Goldman Sachs Commodities Strategy was replaced with an ETN meant to track the Bloomberg Commodity Index.

REQUEST FOR PROPOSAL

BFSG provided an updated draft of the Request for Proposal (RFP) for Discretionary Investment Management. The Board unanimously agreed to have Ms. Cutchen and Mr. Stevens work with BFSG to finalize the RFP and to have BFSG be the primary contact for all RFP items.

U.S. BANK PORTFOLIO REVIEW

The Board received and filed U.S. Bank's Quarterly Portfolio Review dated June 30, 2016. As of June 30, 2016, the portfolio consisted of 60% equity, 29% fixed income, 10% real estate, and 12% commodities. Total assets finished the quarter at \$45.6 million but have increased since the end of the quarter.

Mr. Rosenthal informed the Board of the addition of 5 funds to the portfolio and the removal of 6 funds from the portfolio. He is becoming more cautious about the current market environment and may look for ways to make the portfolio more conservative in the upcoming months.

Over the past 12 months, the portfolio returned -0.09%, which underperformed the custom benchmark by 0.74%. Fund selection has detracted in every asset class with the exception of real estate.

ADJOURNMENT

With no further issues to discuss the meeting was adjourned at 2:55 pm. The next meeting will be held on October 25, 2016.