



MINUTES OF THE SUPPLEMENTAL PENSION BOARD CITY OF HUNTINGTON BEACH

Tuesday, April 30, 2013
1:35 pm – 3:00 pm
Civic Center, Conference Room B-7
Civic Center, 2000 Main Street
Huntington Beach, California 92648

CALL TO ORDER

The meeting was called to order at 1:35 pm.

ROLL CALL

Present: Mr. Fred A. Wilson, City Manager
Ms. Alisa Cutchen, City Treasurer

Absent: Ms. Lori Ann Farrell, Director of Finance

Guests: Ms. Joyce Zacks, Deputy City Treasurer
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 minutes from the January 29, 2013 meetings. Mr. Wilson moved to approve the minutes and Ms. Cutchen seconded. The minutes were unanimously approved.

BFSG PORTFOLIO REVIEW

The Committee received and filed the Quarterly Investment Review dated March 31, 2013. Mr. Rowey provided a brief overview of economic and market conditions. The broad bond market as measured by the Barclays Aggregate Index was negative for the quarter while equities as measured by the S&P 500 performed well. Domestic equities continue to outperform foreign equities by a significant margin.

U.S. Bank continues to hold an overweight to growth-oriented equity. The tilt of the portfolio has detracted from performance as value-oriented equity has significantly outperformed over the last year. The portfolio outperformed both benchmarks for the quarter due to the overweight in domestic equity and strong manager performance in fixed income. The portfolio has underperformed both benchmarks on a 1- and 3-year basis.

Mr. Stewart reviewed the mutual funds being utilized by U.S. Bank. During the quarter, two funds were added to the portfolio and four were removed including the change from passive to active commodity exposure. RiverPark/Wedgewood Institutional underperformed significantly for the quarter due to a large position in Apple. Scout International underperformed for the quarter due largely to a significant overweight in emerging markets equity.

INVESTMENT POLICY STATEMENT REVIEW

The Committee discussed several provisions which they would like to include in the Investment Policy Statement ("IPS"). Mr. Stewart will draft an IPS based on the parameters determined and distribute to the Committee prior to the next meeting.

U.S. BANK PORTFOLIO REVIEW

Assets in the portfolio increased to almost \$37 million during the quarter. The equity portion of the portfolio underperformed for the quarter while the fixed income portfolio outperformed. The real estate and commodities portions also underperformed.

Mr. Rosenthal discussed the reasoning for the movement from passive to active commodity exposure. Commodity markets are inefficient and active managers are able to make tactical shifts to take advantage of the inefficiencies. The Invesco Balanced Risk-Commodity Strategy was chosen for its larger stake in precious metals compared to energy and agriculture. The fund does not have a 3-year track-record. Mr. Rosenthal will look into whether the manager has a longer track-record managing a similar strategy.

Mr. Rosenthal informed the Committee that he is considering removing T. Rowe Price Real Estate from the portfolio and splitting the proceeds among a new domestic and a foreign real estate fund. Mr. Rosenthal will provide more information to the Committee about the benefits of investing in foreign real estate. Earlier in the meeting, the Committee agreed to permit only domestic real estate in the portfolio.

During the quarter, Mr. Rosenthal moved Nuveen Large Cap Growth into RiverPark/Wedgewood Equity. The Committee expressed concern about the fund serving as the only Large Cap Growth exposure due to its concentrated nature. Mr. Rosenthal stated that the other two large cap equity holdings are well diversified.

ADJOURNMENT

With no further issues to discuss, Mr. Wilson moved for adjournment and Ms. Cutchen seconded. Meeting was adjourned at 3:00 pm.