



MINUTES OF THE SUPPLEMENTAL PENSION BOARD CITY OF HUNTINGTON BEACH

Tuesday, April 29, 2014
1:30 pm – 3:00 pm
Fourth Floor Conference Room #1
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. Joyce Zacks, Deputy City Treasurer
Ms. Michele Warren, Director of Human Resources
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

Roger Ham introduced himself to the Committee and explained his reasoning in applying for benefits from the Plan. The Committee will evaluate the request later in the meeting.

APPROVAL OF MEETING MINUTES

The Committee reviewed and unanimously approved minutes from the January 28, 2014 meeting.

ROGER HAM – REQUEST TO COMMENCE BENEFITS

The Committee reviewed the circumstance of Mr. Ham's request and unanimously agreed to send the request to external counsel for review.

BFSG PORTFOLIO REVIEW

The Committee received and filed the Quarterly Investment Review dated March 31, 2014. Mr. Rowey provided a brief overview of economic and market conditions as they related to the performance of the Plan's investments.

Mr. Rowey reviewed the impact of new capital market assumptions on expectations of the Plan. The largest change was an increase in the expected 10 year return of fixed income which resulted in an increase in the expected return for the allocation outlined in the Investment Policy Statement ("IPS"). The IPS allocation now closely resembles an allocation derived from the Plan's actuarial discount rate of 6.75%.

During the quarter, U.S. Bank made only one change to the funds utilized in the portfolio. Aberdeen Emerging Markets was removed from the Plan and assets were moved to Oppenheimer Developing Markets.

Domestic equity exposure is higher than the maximum range allowed by the newly adopted Investment Policy Statement, while foreign equity exposure is lower than the minimum. The Committee has given U.S. Bank until the end of the year to bring the portfolio in-line with the Investment Policy Statement.

Mr. Stewart reviewed the mutual funds being utilized by U.S. Bank on a quantitative basis and provided additional qualitative details on the following funds:

Nuveen Strategic Income performed well due to a heavy overweight in corporate bonds, especially high yield bonds. The portfolio is likely more highly correlated to equities than a typical bond fund.

PIMCO Total Return continues to underperform due to an underweight in corporate bonds and an overweight to Treasuries. The unexpected resignation of the Co-CIO is unlikely to have a significant impact other than on succession planning.

The long-term portfolio manager of Scout International announced that he will step down from the fund at the end of the year but remain with the company. The portfolio has struggled in the short term but outperformed significantly in the long term.

INVESTMENT MANAGEMENT SERVICES

The Committee unanimously agreed to table the discussion of a Request for Proposal for Investment Management Services until the October meeting.

U.S. BANK PORTFOLIO REVIEW

The Committee received and filed U.S. Bank's Quarterly Portfolio Review dated March 31, 2014.

The portfolio returned 2.2% for the quarter, outperforming the static benchmark detailed in the IPS but underperforming the passive benchmark. The portfolio has outperformed both benchmarks over the last year but underperformed since inception.

An overweight to domestic equity as well as strong performance of the fixed income portion of the portfolio contributed to performance during the quarter. Poor performance by Goldman Sachs Commodity Strategy detracted from overall performance. The fund lacks significant exposure to precious metals which performed well during the quarter.

Mr. Rosenthal has no portfolio changes planned in the short term, but does expect to bring the portfolio allocation in-line with the IPS parameters within the next few months.

ADJOURNMENT

With no further issues to discuss the meeting was adjourned at 2:38 pm.