



MINUTES OF THE SUPPLEMENTAL PENSION BOARD CITY OF HUNTINGTON BEACH

Tuesday, June 7, 2016
2:00 pm – 3:00 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 2:04 pm.

ROLL CALL

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

Guests: Mr. Colin Stevens, Treasury Analyst
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

None

APPROVAL OF MEETING MINUTES

The Committee reviewed and approved minutes from the January 26, 2016 meeting.

BFSG PORTFOLIO REVIEW

The Committee received and filed the Quarterly Investment Review dated March 31, 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 Committee for Columbia Corporate Income to be considered in the Intermediate Bond category.

BFSG presented updated capital market assumptions and the expected return for the IPS portfolio. The long-term expected return dropped slightly from 6.6% for 2015 to 6.5% for 2016. Because the 6.5% is in-line with the actuarial rate and the investment policy objective in the IPS, no recommendations were made for changes to the portfolio. The Plan as invested by U.S. Bank is expected to return a slightly lower percentage due largely to an overweight in cash.

As of March 31, 2016, the Plan underperformed the Static and Passive Benchmarks for the quarter. Over the intermediate and long term, the Plan has outperformed the Passive Benchmark but underperformed the Static Benchmark.

REQUEST FOR PROPOSAL

BFSG provided a draft of the Request for Proposal for Investment Management, Trust and Custody services (RFP). The Committee unanimously agreed to the content and layout and asked BFSG to work with Mr. Solobjan on finalizing the RFP with a goal of reviewing RFP results at Committee meeting scheduled for October 25, 2016.

U.S. BANK PORTFOLIO REVIEW

The Committee received and filed U.S. Bank's Quarterly Portfolio Review dated March 31, 2016. As of March 31, 2016, the portfolio consisted of 57% equity, 29% fixed income, 9% real estate, 1% commodities and 4% cash. Total assets finished the quarter at \$44.7 million but have increased since the end of the quarter.

Mr. Rosenthal informed the Committee that Dodge & Cox Stock, Laudus International Market Masters and Oppenheimer Developing Markets have been delisted by U.S. Bank. Mr. Rosenthal will likely replace these funds during the upcoming quarter. Golden Large Cap Core merged with Wells Fargo Large Cap Core in May, resulting in a slightly lower expense ratio.

The Committee discussed continued concerns with the significant underperformance of Goldman Sachs Commodity Strategy. Mr. Rosenthal stated that another commodities fund is available on the platform, but it has a significantly higher expense ratio that he is somewhat uncomfortable with. An Exchange Traded Fund (ETF) is also available. Mr. Stewart will review the IPS to ensure it allows for ETF inclusion.

Over the past 12 months, the portfolio returned -2.61%, which outperformed the custom benchmark. A significant underweight in commodities contributed to performance while fund selection detracted from performance in every asset class except foreign equity.

The Committee informed U.S. Bank of the pending RFP.

ADJOURNMENT

With no further issues to discuss the meeting was adjourned at 3:10 pm. The next meeting will be held on July 26, 2016.