



## MINUTES OF THE SUPPLEMENTAL PENSION BOARD CITY OF HUNTINGTON BEACH

Wednesday, April 24, 2019  
11:00 am – 12:00 pm  
4<sup>th</sup> Floor Conference Room #1  
Civic Center, 2000 Main Street  
Huntington Beach, California 92648

### **CALL TO ORDER**

The meeting was called to order at 11:00 am.

### **ROLL CALL**

Present: Ms. Alisa Cutchen, City Treasurer  
Mr. Gilbert Garcia, Chief Financial Officer

Absent: Mr. Fred A. Wilson, City Manager

Guests: Ms. Michele Warren, Director of Human Resources  
Mr. Colin Stevens, Treasury Analyst  
Mr. Darren Stewart, Benefit Financial Services Group (“BFSG”)  
Mr. Christopher Rowey, BFSG  
Mr. Richard Rosenthal, U.S. Bank

### **PUBLIC COMMENTS**

None

### **APPROVAL OF MEETING MINUTES**

The Board reviewed and unanimously approved the previous meeting minutes.

### **ERIK KRAUSE – REQUEST TO INITIATE BENEFITS**

The Board reviewed the request to initiate benefits by Erik Krause, as well as the recommendation of the City Attorney, and the members in attendance voted unanimously to commence benefits for Mr. Krause effective September 4, 2018.

### **BFSG PORTFOLIO REVIEW**

The Board received and filed the Quarterly Investment Review (the “Report”) dated March 31, 2019. Mr. Rowey provided a brief overview of economic and market conditions as they related to the performance of the Plan’s investments.

As of March 31, 2019, the portfolio’s holdings were slightly outside of the permissible ranges based on the newly adopted Investment Policy Statement which takes effect April 1, 2019. The allocation to intermediate bonds was approximately 10%, which is below the 12% minimum. U.S. Bank made several

changes to the portfolio during the quarter including the addition of three new bond funds and the removal of all commodities exposure. The two actively managed bond funds, DoubleLine Total Return and PGIM Total Return, have strong management teams and performance track records. The changes to the bond portfolio provide additional yield but reduce the effectiveness as an equity hedge during an economic downturn.

For the quarter, the portfolio performed in-line with its passive benchmark but outperformed the static benchmark, which has less equity exposure. The portfolio performed in-line with both benchmarks on a 5-year basis.

### **U.S. BANK PORTFOLIO REVIEW**

The Board received and filed U.S. Bank's Portfolio Review dated March 31, 2019. As of the end of the quarter, the \$57 million portfolio consisted of 74% equity, 20% fixed income, 4% real estate, 2% cash and 0% commodities. The Board informed Mr. Rosenthal that the asset allocation would need to be altered to conform to the new Investment Policy Statement.

For the quarter, fund selection was positive across the major asset classes with the largest benefit coming from fixed income where the portfolio returned over 4% relative to 3% from its benchmark, the Barclays Aggregate Bond Index.

Mr. Rosenthal stated the elimination of commodities exposure was done in conjunction with U.S. Bank changing its model portfolios. The new fixed income exposure was added as Mr. Rosenthal currently favors funds with a total return methodology that can use a variety of tools to navigate a low-yielding bond market. Although Mr. Rosenthal does not foresee a significant increase in interest rates, he does not expect significant economic downturn in the near future, as the 2-year and 10-year Treasury yield have not yet inverted.

### **ADJOURNMENT**

With no further issues to discuss the meeting was adjourned at 11:55 pm. The next meeting will be held on July 24, 2019.