



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

Wednesday, July 24, 2019  
11:00 am – 12:00 pm  
4<sup>th</sup> Floor Conference Room #2  
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 Backstrom, City Treasurer  
Ms. Carol Molina-Espinoza, Acting Assistant Chief Financial Officer

Absent: Mr. David Kiff, Interim City Manager

Guests: Mr. Colin Stevens, Treasury Analyst  
Mr. Darren Stewart, Benefit Financial Services Group ("BFSG")  
Mr. Christopher Rowey, BFSG  
Mr. Richard Rosenthal, U.S. Bank  
Mr. Yuval Selik, U.S. Bank

### **PUBLIC COMMENTS**

Public comment was given by Resident Warnock.

### **APPROVAL OF MEETING MINUTES**

Ms. Backstrom approved the minutes of the April 24, 2019 meeting by proclamation, as the other attending members are no longer employed by the City.

### **BFSG PORTFOLIO REVIEW**

The Board received and filed the Quarterly Investment Review (the "Report") dated June 30, 2019. Mr. Rowey provided a brief overview of economic and market conditions as they related to the performance of the Plan's investments.

In accordance with the Board's request at the previous meeting, U.S. Bank adjusted portfolio allocations to comply with the permissible ranges provided in the Investment Policy Statement. As of June 30, 2019, the portfolio is slightly underweight foreign equity and commodities in favor of domestic equity and cash. During the quarter, U.S. Bank eliminated holdings of Nuveen Short Term Bond and American Century Diversified Bond. Proceeds of the sales were spread among other bond holdings already included in the portfolio.

For the quarter, the portfolio slightly outperformed its passive benchmark but underperformed the static benchmark, which has less equity exposure. The portfolio has underperformed both benchmarks on a one-year basis, primarily due to poor performance during the market downturn at the end of 2018. The portfolio performed in-line with both benchmarks on a 5-year basis.

Mr. Stewart informed the Board that a recent manager change has occurred on T. Rowe Price International Value. In addition to the turnover, the fund received the lowest quantitative ranking of any fund in the portfolio based on BFSG's Evaluation Methodology. The Board agreed to ask U.S. Bank of their perspective on the recent change and the fund's overall performance.

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

The Board received and filed U.S. Bank's Portfolio Review dated June 30, 2019. As of the end of the quarter, the \$59 million portfolio consisted of 75% equity, 20% fixed income, 4% real estate, 1% cash and 0% commodities.

Domestic equity fund selection remains a strength. The only material detractor for the quarter and one-year period was fund selection within foreign equity. Mr. Stewart asked about exposure to T. Rowe Price International Value and Mr. Rosenthal stated that the fund is not currently on Watch List at U.S. Bank but that he would inquire as to whether an assessment of the new manager is being conducted.

Mr. Rosenthal informed the Board he had eliminated the short-term bond exposure due to the recent decline in interest rates. He also prefers funds with more traditional government and investment grade corporate exposure and has a negative outlook for high yield bonds.

### **ADJOURNMENT**

With no further issues to discuss the meeting was adjourned at 12:10 pm. The next meeting will be held on October 30, 2019.