



MINUTES OF THE SUPPLEMENTAL PENSION BOARD CITY OF HUNTINGTON BEACH

Wednesday, January 29, 2020
10:05 am – 11:05 am
4th Floor Conference Room #2
Civic Center, 2000 Main Street
Huntington Beach, California 92648

CALL TO ORDER

The meeting was called to order at 10:05 am.

ROLL CALL

Present: Ms. Alisa Backstrom, City Treasurer
Mr. Dahle Bulosan, Acting Chief Financial Officer
Mr. Travis Hopkins, Interim Assistant 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 (via phone)

PUBLIC COMMENTS

None

APPROVAL OF MEETING MINUTES

The Board reviewed and approved the minutes of the October 30, 2019 meeting as written.

INVESTMENT MANAGER REQUEST FOR PROPOSAL PROCESS

The Board reviewed an update timeline for the Investment Manager Request for Proposal (“RFP”) process and unanimously agreed to issue the RFP once an updated actuarial report is completed. After discussion the Board also agreed to add questions on liability-driven investment capabilities. Ms. Backstrom and BFSG will work with the procurement team to finalize the RFP once the actuarial report is completed.

BFSG PORTFOLIO REVIEW

The Board received and filed the Quarterly Investment Review (the “Report”) dated December 31, 2019. 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 portfolio as of December 31, 2019 fell within the permissible ranges as set forth by the Investment Policy Statement (“IPS”). There were no investment changes made during the quarter. BFSG recently reached out to see if U.S. Bank would be willing to switch investment from Hartford Capital Appreciation to Prudential Jennison Growth as the manager and strategies are the same and the change would provide modest cost savings. Mr. Rosenthal is inquiring with his team about the request.

For the quarter, the portfolio outperformed both of its benchmarks resulting in outperformance against both benchmarks during 2019. Performance on a 3- and 5-year basis is in-line with benchmarks. The portfolio benefitted from a tilt toward growth versus the benchmark during the quarter and year.

U.S. BANK PORTFOLIO REVIEW

The Board received and filed U.S. Bank's Portfolio Review dated December 31, 2019. As of the end of the quarter, the \$63 million portfolio consisted of 76% equity, 20% fixed income, 4% real estate, less than 1% cash and 0% commodities.

For the quarter, manager selection in fixed income and foreign equity was beneficial while domestic equity selection lagged. Mr. Rosenthal stated that the gains in risk markets for the quarter were impressive and likely fueled by accommodative central bank policies but that he would like to see more outperformance in small caps in order to fully buy into the stock market rally.

When asked about the portfolio's growth tilt, Mr. Rosenthal stated that he tried to achieve a balance between growth and value and that the tilt is not purposeful. In fact, the P/E ratio of the portfolio falls roughly inline with that of the S&P 500.

ADJOURNMENT

With no further issues to discuss the meeting was adjourned at 11:05 am. The next meeting will be held April 29, 2020.