



MINUTES OF THE SUPPLEMENTAL PENSION BOARD CITY OF HUNTINGTON BEACH

Wednesday, July 29, 2020
10:04 am – 11:10 am
Via Zoom Teleconference
Civic Center, 2000 Main Street
Huntington Beach, California 92648

CALL TO ORDER

The meeting was called to order at 10:04 am.

ROLL CALL

Present: Ms. Alisa Backstrom, City Treasurer
Mr. Dahle Bulosan, Chief Financial Officer

Guests: Mr. Darren Stewart, Benefit Financial Services Group ("BFSG")
Mr. Christopher Rowey, BFSG
Mr. Richard Rosenthal, U.S. Bank
Mr. Timothy Banach, U.S. Bank

PUBLIC COMMENTS

None

INVESTMENT MANAGER REQUEST FOR PROPOSAL

Mr. Stewart noted the RFP Investment Manager Request for Proposal ("RFP") was posted on July 20th. Questions are due on July 30th and the RFP responses are due on August 20th. BFSG will schedule an interim meeting with the Board to review the RFP responses.

BFSG PORTFOLIO REVIEW

The Board received and filed the Quarterly Investment Review (the "Report") dated June 30, 2020. Mr. Rowey provided a brief overview of economic and market conditions as they related to the performance of the Plan's investments.

Assets increased from \$51.4 million to \$56.0 million due to a rebound in equity markets. Cash flow was negative as distributions were used to pay benefits for the first time.

The allocation of the portfolio as of June 30, 2020 fell within the permissible ranges as set forth by the Investment Policy Statement ("IPS"). U.S. Bank did not change funds or significantly alter the allocations during the quarter.

The portfolio significantly outperformed both benchmarks during the quarter and is outperforming the custom passive benchmark across all periods measured in the Report except for plan inception. Significantly strong performance among two funds contributed heavily to outperformance: Harbor Capital Appreciation and Vanguard International Growth. Each investment in the portfolio as of June 30, 2020 ranked above average relative to their category peers based on BFSG's Evaluation Methodology which examines returns, risk, style, and expense.

U.S. BANK PORTFOLIO REVIEW

The Board received and filed U.S. Bank's Portfolio Review, which also included performance data through June 30, 2020.

Mr. Rosenthal informed the Committee that the portfolio was now valued over \$61 million and that he had made the changes necessary to comply with the updated IPS without changing the underlying investments options. For the quarter, fund selection across all asset classes contributed to performance as did an overweight to domestic equity relative to foreign equity. Foreign equity fund selection has been the key driver of relative portfolio performance over all measured periods.

Although the internals of the market, including recent outperformance by small cap stocks, suggest an appetite for risk and continued strength, Mr. Rosenthal remains cautious due to uncertainty related to COVID-19 and the upcoming election. He informed the Committee that the target allocation for real estate seemed high and that he would likely stay significantly underweight. He would like to put the allocation into large cap domestic equity but his allocation is already approaching the top of the permissible range.

ADJOURNMENT

With no further issues to discuss the meeting was adjourned at 11:10 am. The next meeting will be held October 21, 2020.