

AGENDA  
REGULAR MEETING  
BOARD OF DIRECTORS

EAST BAY REGIONAL PARK DISTRICT

Tuesday, April 19, 2011

C. BUSINESS BEFORE THE BOARD

7. BOARD COMMITTEE REPORTS

- b. Finance Committee Minutes and Recommended Actions from  
the March 29, 2011 Meeting (Sutter)

Attendees

Board Committee: Director John Sutter (Chair), Ayn Wieskamp, Whitney Dotson

Staff: Dave Collins, Cinde Rubaloff, Pam Burnor, Deborah Spaulding, David Sumner, Bill Louie, Susan Gonzales, John Escobar, Ted Radosevich, Sharon Corkin

PARS : Mitch Barker, Executive Vice President

Union Bank: Andrew Brown, CFA, Vice President/Senior Portfolio Manager

Milliman: Bob Helliesen  
Timothy Price

Public: None

**Agenda Item No. 1**

**Other Post Employment Benefits (OPEB) Trust Client Review:**

CFO Cinde Rubaloff welcomed Mitch Barker representing PARS and Andrew Brown representing Union Bank.

CFO Rubaoff reviewed that the OPEB Trust was established in 2007 and is administered by PARS. The trust was funded through an initial \$6 million contribution in August 2007. By the end of 2010, the District's contributions totaled \$20,453,000.

Plan assets are invested with Union Bank as the trustee and HighMark Capital Management as the investment manager in the "moderate plus pool", which was chosen at the inception to the OPEB Trust.

As of 12/31/10, investment returns since inception of the trust, year to date for 2010, and 4<sup>th</sup> quarter of 2010 were 1.76%, 12.5%, and 5.68% respectively.

Since the inception of the plan, the annualized return, net of fees is 1.58%. The actuarially required long term return is 6.25%.

CFO Rubaloff informed the committee of the need to develop an investment policy covering our OPEB Trust. The new investment policy would be in addition to the current District asset Investment Policy and the policy covering the EBRPD Retirement Plan assets.

Director Ayn Wieskamp questioned if we have control over setting the trust investment goals. CFO Rubaloff responded that we need to consider demographics of plan participants when setting investment goals and investment asset allocation. The OPEB Trust investment plan could very well differ from the EBRPD Retirement Plan Investment Plan currently in place, and definitely will differ from the District's own Investment Plan approved annually by the Board.

Mitch Barker gave a presentation which included graphics of the PARS program and responsible parties.

Director John Sutter wanted to know if there are funds on deposit from private companies. Mr. Barker responded that no private funds are accepted at PARS because the company only works with public agencies. Mr. Barker also stated that "open architecture" is used, which allows use of any investment fund in the universe that makes sense and meets our investment goals and policies.

Andrew Brown with Union Bank presented an investment review.

The District's current portfolio as of 12/31/2010 is:

- 2.5% Cash
- 43.0% Domestic Fixed Income
- 32.5% Large Cap Domestic Equity
- 4.5% Mid Cap Domestic Equity
- 6.5% Small Cap Domestic Equity
- 9.5% International Equity
- 1.5% Real Estate

Mr. Brown discussed the four portfolio investment objective choices offered through Highmark at Union Bank, and the "moderate plus" which was adopted in 2007 when the District began funding OPEB. He emphasized that the District can design their own investment objective, if desired.

Director Sutter noted that 25% of the asset allocation is in Highmark Funds. Mr. Brown responded that performance and fees are considerations and Union Bank does not charge any additional investment fees. This equates to a better rate of return when compared to other types of investments.

AGM Dave Collins wanted to know what other public agencies are using as their discount rate, as the District is using 6.25%. Mr. Brown responded that the majority of agencies are in the 7-

7.5% range, which is consistent with CalPERS. The higher the discount rate, the lower the annual required contributions. The District is in the “moderate plus” portfolio, which is the one most chosen by other agencies.

**Recommendation: None. This is An Informational Only Item.**

**Agenda Item No. 2**  
**EBRPD Retirement Plans (Transamerica) 2010**  
**Pension Investment Report and Issues:**

CFO Rubaloff welcomed Bob Helliesen and Tim Price of Milliman, Inc. who discussed the EBRPD Retirement Plan (formerly Transamerica) 2010 investment performance and future strategies related to the District’s sole employer retirement plans.

The Investment Policy for the EBRPD Retirement Plans states that the Board Finance Committee will annually receive a report on investment status and performance.

CFO Rubaloff reported that the District employs Milliman, Inc. as an independent investment advisor to assist with the review and analysis of the pension investments. Milliman staff reports annually to the Finance Committee on investment status and performance as required by the Investment Policy.

Plan assets allocation strategy compared to actual at the end of 2010:

	<u>Strategy</u>	<u>12/31/10</u>
Domestic Fixed Income	48.0%	45.0%
Fixed Income	47.0%	50.0%
International	5.0%	4.9%

Plan assets are invested in funds managed by Transamerica, Vanguard, PIMCO and EuroPacific.

As of 12/31/10, investment returns for the past 5 years, year to date for 2010, and 4th quarter of 2010 were 5.0%, 13.3%, and 5.2% respectively.

Bob Helliesen with Milliman Inc., gave a background overview of the retirement plan:

- Until 1999, EBRPD Funded all with Transamerica in a “fixed dollar” contract.
- Moved from “fixed dollar” to Transamerica market-priced investments.
- Consultant hired 2000, outside managers added.
- In 2001 and further in 2006, the bulk of assets and participants transferred to PERS.
- Asset allocation reviewed in 2004. Fund is diversified and, with its older participants, less aggressive (less equities) than average.

Bob Helliesen reported on the dissolution of Transamerica Investment Management:

- Aegon, the parent of TIM, decided in January, 2011 to close Transamerica Investment Management (TIM).
- Aegon plans to continue to manage fixed income assets through another subsidiary, Aegon USA, which is located in Baltimore, Md.
- Aegon will no longer manage equity assets.
- The Transamerica Equity Fund will be managed by Wellington Management in Boston beginning in late March, 2011.

Mr. Helliessen reported that there appears to be no need to take immediate action, though this is a major change for both funds. He recommended that the District consider possible replacements for the formerly-Transamerica fund portfolios.

Mr. Helliessen also recommended that the District review the Trust's asset allocation. Milliman will work with Bartell Associates on an asset allocation study.

**Recommendation: None. This is An Informational Only Item.**

### **Agenda Item No. 3**

#### **Write off 2010 Accounts receivable Greater Than \$25,000:**

CFO Rubaloff requested that the Finance Committee recommend to the Board the write off of uncollectible receivable related to a 2005 and 2006 grazing lease in the amount of \$33,729.31. She explained that the debtor passed away and a lien was placed upon his estate. Due to the decline in the real estate market and the general lack of funds in the estate, as of December 31, 2010 the collection of this debt is deemed to be highly unlikely in the foreseeable future.

CFO Rubaloff continued that, in order to be in compliance with accounting requirements, this receivable will be written off as not collectible.

Nevertheless, the District will continue making efforts to collect the amount due from the Ginochio estate, and if successful in the future will record the recovery as revenue in the recovery period.

Per the Board Operating Guidelines, VIII I, the Board is required to approve adjustment to value of assets for items over \$25,000

**Recommendation: Finance staff recommends that the Ginochio grazing lease receivable, in the amount of \$33,729.31 be written off as uncollectible, and that this adjustment be reflected in the 2010 financial statements.**

**Moved by Director Ayn Wieskamp and seconded by Director Whitney Dotson to have staff prepare the item for favorable consideration at a future Board of Directors meeting.**

**Agenda Item No. 5**  
**Public Comment**

**None to report.**

**Meeting adjourned at 2:20PM**

Respectfully submitted:

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Bob Stagnaro  
Confidential Secretary