



Good Neighbors

San Diego
Housing Commission

MINUTES

*(NOTE: THESE MINUTES ARE AN ABRIDGED SUMMARY,
NOT A VERBATIM TRANSCRIPT OF THE MEETING DISCUSSION).*

**San Diego Housing Commission
Minutes of the Pension Investment Committee Meeting
Wednesday, June 8, 2005
1625 Newton Avenue, San Diego, California**

ATTENDEES

Investment Advisory Committee Members: Joe Correia, Kadee Gonzalez, Gary Hoffman (Chair), Gene Schwisow, Steve Snyder, Ed Mauk, Nancy Deeds, and Bill Luksic

Absent: Betsy Morris, Carrol Vaughan, Dolores Crawford, and Myrna Herbias

Other Attendees: C. Terry Whitesides, Chuck Christensen, John Steggell (Great-West), and Kent Morris (Great-West)

CALL TO ORDER

The meeting was called to order by Chair Hoffman at 10:05 a.m.

PUBLIC COMMENTS

None.

COMMITTEE MEMBER COMMENTS

Ed Mauk asked if the HarrisDirect Investment option was now available. Kadee Gonzalez responded that issue would be discussed during Item No. 3, Annual 457 Plan Fund Review, on today's agenda.

Chair Hoffman stated counsel for the Pension Investment Committee's S.E.I.U.-represented members agreed to provide assistance for them in the event a lawsuit or legal action is filed against the Pension Investment Committee (see Agenda Item No. 1).

Joe Correia requested clarification on the Pension Investment Committee's (PIC) role as an advisory body and if any liability attaches to its decisions. Chuck Christensen confirmed the PIC advises and makes recommendations to the Chief Executive Officer, and he reviewed his examination of recently-procured liability insurance that will be extended to committee members soon. He reiterated there is only a remote chance of individual exposure for claims, such as those relating to due diligence or to the Housing Commission's conflict of interest provisions (see Agenda Item No. 2).

Kadee Gonzalez discussed the steps taken by her office to communicate Plan Fund information to Housing Commission employees, and Joe Correia proposed the PIC meetings be held during the lunch hour so that more employees could attend. She also suggested the PIC minutes be more detailed, and Steve Snyder recommended that the minutes be posted on the Intranet.

APPROVAL OF THE MINUTES

Kadee Gonzalez moved the approval of the December 16, 2004, Pension Investment Committee meeting minutes. Nancy Deeds seconded the motion and it passed unanimously.

AGENDA ITEMS

Item No. 1: Pension Investment Committee Liability Coverage

This matter was discussed by Chuck Christensen in the *Committee Member Comments* section above.

This Item was informational only and no action was taken.

Item No. 2: Pension Investment Committee Union Representation

This matter was discussed by the Chair in the *Committee Member Comments* section above.

This Item was informational only and no action was taken.

Item No. 3: Annual 457 Plan Fund Review

John Steggell and Kent Morris of Great-West provided a comprehensive overview of the Housing Commission's Deferred Compensation Plan, including information on the Plan's assets, fund performance and contribution history.

Mr. Steggell noted there was a positive net growth by \$785,000 during calendar year 2004, which equates to about a 14 percent growth for the year, with 226 participants contributing to the Plan. He stated a majority of the Plan is invested in Large Cap Mutual Funds (34 percent), and employees' contributions totaled an average of \$4,134 in 2004. Kent Morris

remarked there is better balance today with respect to fund investment than in previous years.

Mr. Steggell said the Plan invests in funds that are in the top one-third of its peer group and that have a Morningstar rating of 3 or higher. Great-West's investment methodology also includes a long-term rolling analysis that examines a fund's performance during the last 12 quarters. With respect to three of the funds that are underperforming (Maxim Templeton International, AIM Small Cap Growth A, and Maxim MFS Small Cap Growth), Chair Hoffman asked how the funds will be replaced and if employees will be notified of the changes. Mr. Morris replied generally the money is mapped into the new fund replacing the terminating fund, and a letter is mailed to all participants identifying the failing funds and the process by which the funds are replaced. He added Plan participants will be given adequate time and options to decide how best to handle their individual accounts.

The Great-West representatives provided technical answers to questions from Ed Mauk and Joe Correia relating to the ranking of Index Funds and how they are analyzed and compared against other fund choices. Mr. Morris explained that even though current year performance may outscore historical data for a particular fund, Great-West's policy in screening funds is to take the equal weighted average of the 3, 5 and 10 year category return percentiles. They discussed the methodology that examines fund performance - especially as it relates to peer group benchmarks in the same asset class - and ended their presentation with a review of the Profile Series Funds, which allow investors to diversify among several different funds and asset classes with one holding.

This Item was informational only and no action was taken.

Item No. 4: Revisions to 457 Plan and to Service Agreement

Kadee Gonzalez provided an overview of optional and mandatory legislative changes made to the Section 457 Deferred Compensation Plan, among them: allowing the transfer of 457 Plan assets to a governmental defined benefit plan for purchase of service; a "roll-in" provision to the Plan from other employer-sponsored plans; designation of Great-West as the IRA provider for small account balances; and other Service Agreement administrative options.

Chuck Christensen asked if the In-Service Transfer would allow an employee leaving the Housing Commission to transfer plan assets into another company's defined benefit plan, and he requested copies of the amendments to the plan. He also asked if the IRS has granted approval for such transfers. John Steggell replied that even though the IRS has not acted on this particular amendment, certain entities are allowing the transactions with disclaimers that the transfers might be rejected by the IRS in the future.

This Item was informational only and no vote or action was taken.

Item No. 5: Update to SDHC Pension Plan Document

Kadee Gonzalez summarized proposed changes to the Housing Commission's Pension Plan that are intended to simply, enhance, and update the Plan document. A list of these proposed revisions is available for review in the Housing Commission's Office of Human Resources.

Steve Snyder asked if these changes are to make the Plan document consistent with an alternative, prototype plan developed by Diversified Investment Advisors (DIA). Ms. Gonzalez responded in some cases the changes are to make the Plan more consistent with the prototype and to make it easier to outsource other options of the Plan. She added the PIC could recommend adopting the prototype plan. Several committee members agreed it may be easier to use the model plan developed by DIA and adopt amendments to it when changes or customization is needed.

Motion by Steve Snyder to request a consultant study the issue of adopting the prototype plan and return the matter to the PIC for final consideration, at which time authorization to periodically update the Plan in accordance with Internal Revenue Code requirements would be considered.

Ed Mauk seconded the motion and it passed unanimously.

NEXT MEETING

The Committee members will be notified of the next meeting date once it has been determined.

MEETING ADJOURNED

Given there was no further items, the Chairman adjourned the meeting at 11:40 a.m.