

**Finance and Investment Committee Regular Meeting  
Town of Los Altos Hills  
Town Hall, Monday, June 3, 2019**

**FINAL MINUTES**

The meeting was called to order at 4:00 pm by Chairman Silver

**Members present:** Allan Epstein, Betty Kayton, Kjell Karlsson, Susan Mason, Stan Mok, Chris Nam, Bill Silver and Roddy Sloss

**Member absent:** Chris Welborn

**Associate members present:** Jim Lai and Frank Lloyd

**Council present:** Michelle Wu, Vice Mayor

**Staff present:** Dave Sherwood, Administrative Services Director

**Guests and public present:** **PARS:** Mitch Barker, Executive Vice President and Randall Yurchak, Vice President / Portfolio Manager, Highmark Capital Management division of Union Bank.  
**Resident:** Medha Rishi

Mr. Silver, Chairman, called the meeting to order at 4 pm.

**Approval of minutes: Bill Silver**

The May 20, 2019 meeting minutes were approved by members who attended that meeting.

**PARS Investment Results and Annual Update: Mitch Barker / Randy Yurchak**

Mr. Barker introduced himself, reviewed information on the first ten pages of the PARS meeting handout provided before the meeting, and discussed recent developments including CalPERS information (that has not yet appeared in a public announcement) indicating changes not yet adopted to move their Discount Rate for MISC Plans (similar to the Town's) to 6.5% over the next few years, Mr. Barker believes, CalPERS will ultimately settle on a 6.2% discount rate. Mr. Barker also commented on recent Court action indicating pension liabilities survive bankruptcy but OPEB liabilities do not. He suggested that John Bartel of Bartel and Associates, the Town's independent actuaries, could provide the Town with more details.

Mr. Yurchak is standing in for Mr. Andrew Brown (the Town's assigned Portfolio Manager with PARS who is travelling abroad). Mr. Yurchak noted the Town selected the Moderate investment strategy Option and that the Moderately Conservative option is the most popular among PARS clients. Moderate Strategy results for the calendar year to date net of all fees except 35 basis points for PARs fees are 8.2% for the first three months of 2019 and 5.05% for the 11 months ending 3-31-2019. Recently Bonds are performing better than Stocks attributable to FED actions and domestic and REIT markets are performing better than international markets. Domestic economic growth and international trade concerns underlie these results. The 2019 outlook anticipates more volatility, lower interest rates, excessive leverage in selected foreign markets and political uncertainty.

Continued.

Q1 2019 calendar results for each of the available investment strategies were included in the handouts. Mr. Barker commented that client selection of a portfolio strategy had more to do with when clients planned to withdraw funds from PARS accounts than forecasting future investment results. Mr. Epstein recalled that the Town's decision to select the Moderate Strategy as compared to a strategy with a higher equity content was based in substantial part on the fact that the Town's OPEB investment portfolio managed by CalPERS was substantially larger and was invested in a strategy with the highest available equity content. The Committee did not propose changing the existing Moderate / Index Fund PARS investment strategy presently in use.

**Report on Council activities of interest: Michelle Wu, Vice Mayor**

Ms. Wu stated there was nothing to report as the FIC attended the Joint Council meeting on May 30, 2019.

**Report on Finance and Administration matters of interest: Dave Sherwood**

Mr. Sherwood reported that recruitment began for a finance staff position presently filled by a temporary contract employee. In response to questions, Mr. Sherwood stated he believes staff can move forward with the Matrix fee study when it receives responses posed to Matrix by staff at the end of April. Further work on the Cap Study is not presently scheduled and the Fee portion of the study has not started. Mr. Sherwood advised that \$4.5 MM had recently been placed in LAIF and that there was still a substantial balance at Wells Fargo.

**Election of Committee Officers for fiscal June 30, 2020 year: Bill Silver**

The attending Committee members unanimously approved the election of Mr. Sloss to serve as Chairman and Secretary and Mr. Epstein to serve as Vice Chairman of the Committee for the fiscal year ending June 30, 2020.

**Status and Review of Calendar 2019: Roddy Sloss**

A July 8, 2019 meeting with PFM is scheduled and will also include a Cash Report update from Mr. Sherwood. Mr. Sloss also stated no meeting is expected in August and a September meeting will be dependent on the availability of the Matrix report and new developments from CalPERS on their anticipated PARS style supplemental Pension Plan. The annual report of the FIC to the Council is scheduled for October 2019.

**Presentations from the floor:**

None.

**Adjournment:**

At approximately 5:30 pm, there were no further matters to be discussed and the meeting adjourned.

Respectfully submitted: Roddy Sloss, Committee Secretary