



## MINUTES OF THE NCCSIF FINANCE COMMITTEE

SEPTEMBER 7, 2010

### Location:

701 Howe Avenue, Suite E  
Sacramento, CA 95825

### MEMBERS PRESENT

City of Marysville	Dixon Coulter
City of Red Bluff	Margaret VanWarmerdam
City of Willows	Tim Sailsbury

### MEMBERS ABSENT

None

### GUESTS & CONSULTANTS

Alliant Insurance Services	Stacey Weeks
Alliant Insurance Services	Marylin Kelley
Chandler Asset Management	Ted Piorkowski
James Marta & Company	Jim Marta
James Marta & Company	Alana Theiss
Perry Smith	Matthew Nethaway
Perry Smith	Elizabeth Sav

### A. CALL TO ORDER

The meeting was called to order at 10:05 am by Chair, Dixon Coulter.

### B. PUBLIC COMMENTS

There were no public comments.

### C. APPROVAL OF AGENDA AS POSTED

**A motion was made to approve the agenda posted.**

**MOTION:** Dixon Coulter

**SECOND:** Tim Sailsbury

**MOTION CARRIED**

## **D. FINANCE COMMITTEE BUSINESS**

### **D1. REVIEW OF FINANCE COMMITTEE POLICY & PROCEDURE # A-18 FINANCE COMMITTEE COMPOSITION AND DUTIES**

Staff reviewed P&P A-18 briefly with the Committee members.

### **D2. REVIEW OF INVESTMENT REPORT WITH TED PIORKOWSKI OF CHANDLER ASSET MANAGEMENT**

Ted Piorkowski presented the Committee with an investment report for the period ending August 31, 2010.

#### **SECTION 1 – Economic Update**

Ted began his presentation with an overview of the current economy. The financial markets concerns continue with respect to a double dip recession. Chandler feels that the likelihood for this is less than 20%, because manufacturing is strong and the combined effect of the fiscal and monetary stimulus has helped to ease credit conditions somewhat. Inflation does not appear to be a problem and deflation is considered a low probability event. The timing of the recovery is still suggested to be slow to moderate.

The Federal Reserve kept the federal funds rate at the target range of 0.00% and .25% at its August 10<sup>th</sup> meeting.

Ted also covered the following topics in detail:

- Employment
- Consumer
- Manufacturing
- Inflation
- Gross Domestic Product
- Retail Sales - Improving
- Interest Rates
- The European Debt Crisis

#### **SECTION 2 – Account Profile**

The investment objectives and Chandler's performance objectives were reviewed by Ted, and he noted that the current strategy remains to invest in "high quality taxable investments with a maximum maturity of ten years." He noted that the portfolio complies with NCCSIF's investment policy and reviewed the rebalancing that Chandler has instituted in order to respond to the instability of the economy. From the report:

During the time period reviewed, portfolio activity for the Self Insurance Fund consisted of a series of rebalancing transactions in order to maintain the portfolio's structure and duration target. Specifically, Chandler Asset Management purchased Corporate, Agency and FDIC



insured securities. Our portfolio structure has changed between the two program so that the Long Term and the Short Term are now at close to 50% each of assets.

### **SECTION 3 – Portfolio Holdings**

Ted reviewed the holdings for the Committee, noting that the strength of government programs has increased and that FDIC Insured Corporates were becoming more valuable than treasuries. These now represent 17.7% of the consolidated portfolio. Ted assured the Committee that Chandler is keeping a close eye on NCCSIF's holdings. He is looking forward to a more positive direction in the coming months, but is cautious of the volatility of the market at present. Ted felt that even though the funds held in LAIF are only at .5 basis points for earnings, that this is still a good place for the funds that have a short term liquidity for the JPA.

The Committee discussed if there should be any new directions given to Chandler with respect to the mix of investments or to the percentage of Long Term versus Short Term. The Committee gave direction to Chandler stating now that the funds are close to 50% each to keep the Long Term Funds separate from the Short Term Funds and allow the investments in each fund to develop on their own. The percentage mix will naturally shift over time because of this change.

### **D2. REVIEW AND APPROVE ACCEPTANCE OF THE NCCSIF FINANCIAL AUDIT FOR FY ENDING JUNE 30, 2010**

Matthew Nethaway and Elizabeth Sav from Perry Smith presented the results of the Financial Audit. They noted:

- No adjustments were made to the interim financial data.
- NCCSIF received an unqualified audit opinion.
- The provision for claims and claim adjustment expenses has decreased from almost \$8 million to \$3.6 million. Dividends increased from \$1.7 million to \$2.5 million.
- There was a slight operating income increase of \$229,445 compared to a loss last year of \$3,322,229.
- Investment income has dropped in the past year by \$667, 593.
- Net Assets at the end of the year increased \$2,653,803.
- Both Liability and Workers' Compensation change in IBNR amounts have decreased by a total of \$4.8 million.

A motion was made to recommend acceptance of the audit to the Executive Committee and the Board of Directors.

The meeting adjourned at 12:30 pm.