



SPECIAL OPEN MEETING

**SPECIAL OPEN MEETING OF BOARD OF DIRECTORS
OF UNITED LAGUNA WOODS MUTUAL,
A CALIFORNIA NON-PROFIT MUTUAL BENEFIT CORPORATION**

**Monday, November 14, 2022 – 1:00 p.m.
BOARD ROOM/VIRTUAL MEETING**

Laguna Woods Village Community Center, 24351 El Toro Road
Laguna Woods, CA 92637

<https://zoom.us/j/95563492734>

NOTICE OF MEETING AND AGENDA

The purpose of this meeting is to conduct the special open United Mutual Board Meeting in accordance with Civil Code §4930 and was hereby noticed in accordance with Civil Code §4920

1. **Call Meeting to Order / Establish Quorum – President Ross**
2. **Approval of Agenda**
3. **New Business**
 - a) **Advisor presentation**
 - i. **Investment Ad Hoc Committee**
 - ii. **Pacific Financial Planners**
 - iii. **Bank of America**
 - b) **Presentation Q&A**
 - c) **Discretionary Investment Change**
4. **Member Comments**
5. **Director Comments**
6. **Adjournment**

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STAFF REPORT

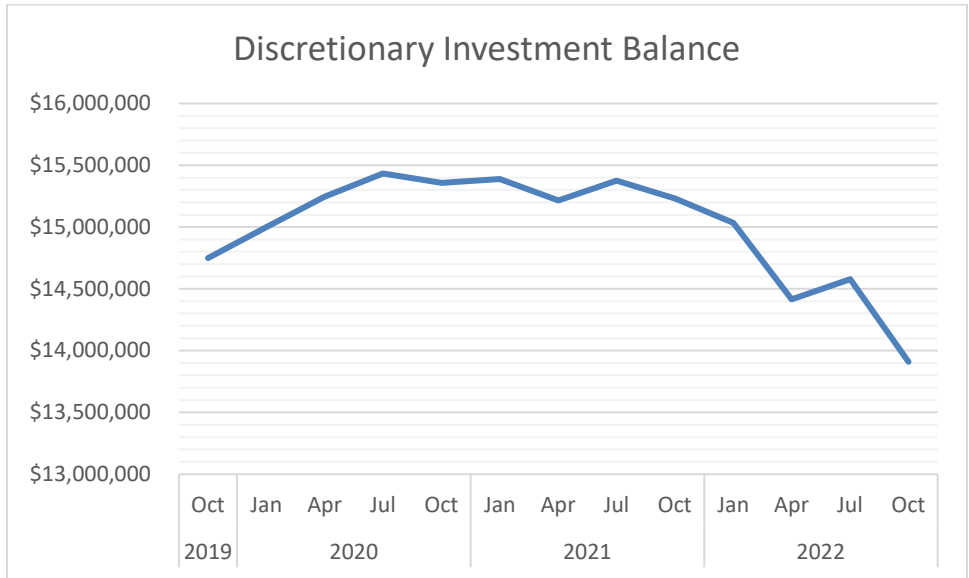
DATE: November 14, 2022
FOR: Board of Directors
SUBJECT: Discretionary Investment Change

RECOMMENDATION

Staff recommends the board approve selling the current discretionary investment portfolio and temporarily holding the funds in cash until the board approves an investment recommendation from the Investment Ad Hoc Committee.

BACKGROUND

During October 2019, the board approved transferring all discretionary investments totaling \$14,779,441 from Merrill Lynch to a Fidelity Investment Account. Within the new account, the investment balance climbed to a high of \$15,433,843 in July 2020 and remained above \$15,000,000 through the end of January 2022. However, as a result of multiple interest rate increases in 2022, the discretionary investment has seen a decline from \$15,033,946 in January 2022 to \$13,909,810 on October 31, 2022.



On July 12, 2022 the board reviewed a proposal to move the \$14,372,400 investment balance out of their current bond index fund holdings into laddered treasury bills. At the time treasury bills were yielding between 2.65% for a 6-month term treasury to 3.10% for a 24-month maturity treasury. Based on guidance from United’s investment advisor stating the principle loss was projected to recover in 18 to 24 months, the proposal was voted down.

In early October 2022 the board approved establishing an Investment Ad Hoc Committee made up of United members with professional investment experience. The committee first met on October 20, 2022 and began discussing both the investment portfolio makeup and the investment policy. During their subsequent meetings held on October 28 and November 3, the committee welcomed two outside

investment professionals to attend their upcoming November 10 meeting and to present to the entire United board on November 14. At both the November 10 committee meeting and November 14 board meeting, the outside advisors from Pacific Financial Planners and Bank of America Private Client Advisor were invited to attend to share their concerns for the existing investment portfolio and recommendations for the future. During the October 28 and November 3 meetings, the committee and mutual president scheduled a special open session board meeting for November 14 for the expressed purpose of sharing the committee’s investment recommendations supported by the presentations of the two outside investment advisors.

DISCUSSION

While United’s current investment advisor anticipates the investment balance will return to the initial principle balance within 18 to 24 months by leaving the funds in place, alternate investment strategies are available offering a safer and quicker return. Alternate strategies will be presented at the November 14 board meeting.

Staff’s recommendation is to sell the investment portfolio upon approval from the board. The investments will be transferred to United’s bank account where they will be immediately transferred to the investment vehicle approved by the board at the November 14 meeting.

FINANCIAL ANALYSIS

The October 2022 investment balance of \$13,909,810 represents a decline of (\$869,631), or (5.9%), compared to the opening balance of \$14,779,441 as of October 2019.

Opening Balance: October 2019	\$14,779,441
Dividend Income and Investment Expense	
2019 – 2021	512,110
2022 Year-To-Date	171,245
Unrealized Loss on Investments	
2019 – 2021	(86,678)
2022 Year-To-Date	<u>(1,466,308)</u>
Ending Balance: October 2022	<u>\$13,909,810</u>
 Change In Principal	 (869,631) (5.9%)

US Treasuries available for purchase through Bank of America as of November 10, 2022 were as follows:

Maturity	Yield
1 Month	3.28%
6 Month	4.05%
12 Month	4.39%
18 Month	4.40%
24 Month	4.23%

Prepared By: Steve Hormuth, Director of Financial Services

Reviewed By: Jose Campos, Assistant Director of Financial Services