



**OPEN MEETING**

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

**Tuesday, July 12, 2022- 9:30 a.m.**

**BOARD ROOM/VIRTUAL MEETING**

Laguna Woods Village Community Center, 24351 El Toro Road,  
Laguna Woods, California

**ADDENDUM TO THE AGENDA**

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The attached document was added after the agenda packet was printed for distribution. Please add the agenda item in your open packet:

**13a. Discretionary Investment Change to Treasuries ( July Initial Notification – Must postpone 28-days for member review and comments to comply with Civil Code §4360)**

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## STAFF REPORT

**DATE:** July 12, 2022  
**FOR:** Board of Directors  
**SUBJECT:** Discretionary Investment Change to Treasuries

### RECOMMENDATION

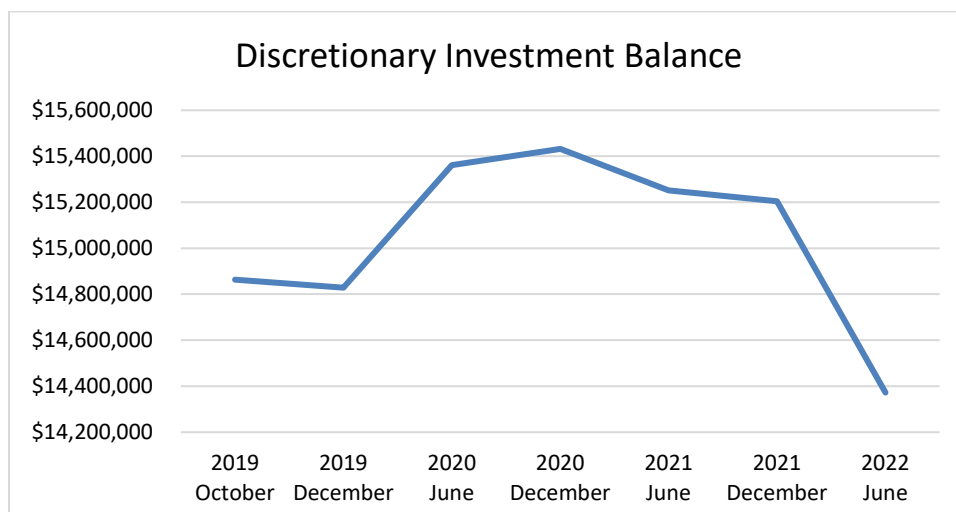
The Finance Committee recommends transferring the total Discretionary Investment account balance held by Fidelity Investments to Bank of America where the funds will be immediately used to purchase federally insured treasuries with maturities of: 25% 6 months; 25% 12 months; 25% 18 months; 25% 24 months. Concurrently with the transfer, the Finance Committee recommends the Board approve a ninety-day termination notice of investment advisory services performed by SageView Advisor Group.

### BACKGROUND

On November 6, 2018 an Investment Task Force was formed and chartered to conduct an in-depth analysis of investments on behalf of United Laguna Woods Mutual, Third Laguna Hills Mutual and the Golden Rain Foundation (Corporations) to ensure exceptional service from a professional investment manager, maximize yields within the Board-approved investment policies, and minimize fees.

Representatives from SageView presented their proposal (issued to all board members on June 13, 2019) to GRF Finance on June 19, 2019 and by a unanimous vote, the Committee recommended that all investment management services for the Corporations be awarded to SageView Advisory Group with investment balances to be held by Fidelity Investments. Applicable fees from SageView were 7 basis points for a portfolio of index funds or 20 basis points for an actively managed bond portfolio. Fees from the preceding investment manager were 26 basis points for an actively managed portfolio. On July 19, 2019, the Board approved entering into an agreement with Sageview Advisor Group for investment management services. In October 2019 all discretionary investments were transferred from the previous investment custodian Merrill Lynch to Fidelity Investments.

Since October 2019 when the funds were first transferred to Fidelity, the account balance has ranged from a high of \$15,431,999 in December 2020 to its current low of \$14,372,440.



On May 31, 2022 the United Finance Committee approved a motion to sell the existing investment portfolio of bond index mutual funds held by Fidelity in exchange for treasury bills and bonds to be held by Bank of America. The committee’s recommended laddering of treasuries is:

Portfolio	Maturity
25%	6 Month
25%	12 Month
25%	18 Month
25%	24 Month

**DISCUSSION**

During the May 31, 2022 United Finance Committee meeting, the committee members expressed concern over the decreasing investment values since December 2020. To avoid the uncertainty that comes with investing in index mutual funds, the committee expressed their desire to maintain United’s investments in an account fully insured by the federal government. If approved, the resulting sale and exchange for treasuries held by Bank of America would cause the advisory services performed by SageView to longer be needed.

**FINANCIAL ANALYSIS**

A transfer of approximately \$14,400,000 from the current index fund portfolio to treasuries may yield an estimated \$416,160 based on treasury rates available through Bank of America as of July 8, 2022. Additionally, approximately \$10,000 of expense would be avoided by no longer needing SageView to provide advisory services at a cost of 7 basis points.

Maturity	Percent	Amount	Yield	Return
6 Month	25%	3,600,000	2.65%	95,400
12 Month	25%	3,600,000	2.84%	102,240
18 Month	25%	3,600,000	2.97%	106,920
24 Month	25%	3,600,000	3.10%	111,600
		14,400,000		416,160

As unrealized losses have accumulated since January 2021, a sale of the current portfolio would lead to a realized loss of approximately \$1,011,000 in 2022 as of the writing of this report. As the bond market will continue to fluctuate until sale date, the estimated realized loss will change.

**Prepared By:** Steve Hormuth, Director of Financial Services

**ATTACHMENT**

ATT1 - Resolution



## **RESOLUTION 01-22-XX**

### **DISCRETIONARY INVESTMENT CHANGE TO TREASURIES**

**WHEREAS**, the United Laguna Woods Mutual Discretionary Investment balance as of June 30, 2022 was \$14,372,440.12; and

**WHEREAS**, the discretionary account is an investment account that allows the Corporation's investment manager to buy and sell investments without the Board's consent for each trade; and

**WHEREAS**, the funds maintained in the discretionary account, in the opinion of the managing agent, are not required within a reasonable time to pay obligations of the corporation; and

**WHEREAS**, the Board desires to transfer discretionary investment funds to Bank of America where the funds will be used to purchase US treasuries insured by the federal government;

**NOW THEREFORE BE IT RESOLVED**, August 9, 2022 that the Board of this corporation hereby authorizes the full discretionary investment account balance, currently held by Fidelity Investments, be transferred to the Bank of America reserve bank account; and

**RESOLVED FURTHER**, that the Board of this corporation hereby authorizes the managing agent of this corporation to purchase US treasuries at the current available rates with the following maturities: 25% of account balance maturing in 6 months; 25% of account balance maturing in 12 months; 25% of account balance maturing in 18 months; 25% of account balance maturing in 24 months; and

**RESOLVED FURTHER**, that the Board of this corporation hereby authorizes the managing agent of this corporation to provide old investment manager, SageView, a ninety-day termination notice as outlined in the investment advisory services agreement dated October 1, 2019; and

**RESOLVED FURTHER**, that the officers and agents of this Corporation are hereby authorized on behalf of the Corporation to carry out the purpose of this resolution.

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