

District Retirement Board

2011 Meeting Minutes

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MEETING MINUTES

SAN JOSE / EVERGREEN COMMUNITY COLLEGE DISTRICT RETIREMENT BOARD OF AUTHORITY MEETING

October 20, 2011
1:00 PM – 3:00 PM

San Jose Evergreen District Office
4750 San Felipe
San Jose, CA 95135
(408) 270-6426

I. CALL TO ORDER

The meeting was called to order by Board Vice Chairperson Danny Hawkins at 1:07 PM.

Subsequently, Board members introduced themselves via roll call. Chancellor Rita Cepeda was in attendance and was introduced to everyone present. An inquiry was made of Chancellor Cepeda as to when the District intended to fill the Vice Chancellor of Administration position on the Retirement Board of Authority. Chancellor Cepeda indicated that she will be working on filling the position immediately with an interim and hopefully will find a permanent staff member in the near future. She also noted that the District is eager to get their Actuarial Valuation Report completed.

II. ROLL CALL

RETIREMENT BOARD OF AUTHORITY (“BOARD”) MEMBERS

Vice Chancellor, Administrative Services	Vacant
Director of Fiscal Services	Peter Fitzsimmons
Faculty and President, Faculty Association, AFT 6157	David Yancey
Faculty and Member of AFT 6157	Mark Newton
Staff and Member CSEA, Chapter 363	Danny Hawkins

PROGRAM COORDINATOR

Senior Vice President	Gail Beal
Account Manager	Roslyn Washington
Account Manager	Ken Threeths

CONSULTANTS

Morgan Stanley Smith Barney	Cary Allison
Benefit Trust Company	Scott Rankin
Dolinka Group	(Via Phone) Ann Feng-Gagne

GUESTS

Retired Faculty/ AFT 6157 Member (RBOA Alternate)	Phil Crawford
Faculty and Member AFT 6157	Barbara Hanfling
Staff and Member CSEA, Chapter 363 (RBOA Alternate)	Beverly Lynch
Chancellor	Rita Cepeda
Department of Fiscal Services	Lori Krouse

OTHER

None

Those absent were:

Staff and Member of CSEA, Chapter 363 (RBOA Member)

Evelyn Rojas

III. APPROVAL OF AGENDA

A motion was made by Board member Peter Fitzsimmons to approve the Agenda as presented, seconded by Board member Mark Newton and unanimously carried by Board members present.

IV. APPROVAL OF MINUTES

A motion was made by Board member Peter Fitzsimmons to approve the July 14, 2011 Meeting Minutes as presented, seconded by Board member Mark Newton and unanimously carried by the Board members present.

V. CORRESPONDENCE

Gail Beal of Keenan Financial Services (KFS) advised that there was no correspondence to be presented.

VIII. ADMINISTRATION

ACTUARIAL VALUATION STUDY UPDATE

At this juncture, the Board dialed Anne Feng-Gagne of the Dolinka Group.

The Board advised that the District's new Actuarial Valuation Study is currently being completed and finalized by the Actuarial firm Rael & Letson. Relative to the District's new Actuarial Valuation Study, Anne Feng-Gagne of the Dolinka Group noted that as the District's Investment Trust funded ratio is currently at 157%, a lower discount rate could be assumed for the District's unfunded liabilities. Anne continued by commenting that should San Jose/Evergreen Community College District maintain the same actuarial assumptions, the District could probably decrease their discount rate to 4.73% and still stay fully funded. Board Alternate Barbara Hanfling wondered if it would be beneficial to the District to decrease the discount rate and why? Anne replied that Dolinka Group is not in a position to give an actuarial opinion but she indicated that the lower the discount rate, the less investment risk the District would be required to embrace. Gail Beal of Keenan Financial Services advised the Board to keep in mind that decreasing the discount rate increases the District's unfunded liability. Gail continued by noting that if the discount rate is reduced in the District's Actuarial Valuation Study, the unfunded liability goes up dramatically for each percentage point that the discount is reduced. A funded ratio of 157% may dramatically fade when a lower discount rate is assumed and negative market fluctuations are applied.

Anne replied that she had spoken to Vice Chancellor of Human Resources Kim Garcia and after reviewing the

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SWAP and evaluating the District's Futuris Investment Trust account, she noted that as the liability has stayed steady and the Investment Trust account is doing well, she feels that this could be an opportunity for the Board to take a look at the interest rates and perhaps consider reducing the investment rate from 7.88% (5% on the Short Term account and 8% on the Long Term account which is a blended 7.88%) to 4.73% and still stay in a fully funded position.

Board member David Yancey inquired relative to renegotiating the SWAP and what if anything the discount rate and unfunded liability have to do with it? Is there an advantage to a higher or lower discount rate going into that process? Gary Allison of Morgan Stanley Smith Barney and Anne Feng-Gagne of the Dolinka Group indicated that they are totally separate issues. Gail Beal of Keenan Financial Services responded by again reiterating that the lower the discount rate the higher the unfunded liability. The Actuarial Valuation Study is a snapshot in time and that picture is taken every two years per GASB guidelines. She continued by advising that the SWAP and the Actuarial Valuation Study are separate issues.

Chancellor Rita Cepeda asked the Board why the Actuary Valuation Study was seven weeks behind its anticipated completion date? Board member Peter Fitzsimmons responded by indicating that they will provide Rael and Letson the discount rate information soon. Peter continued by noting that delays were experienced because the Actuaries were waiting for information from Human Resources and the Vice Chancellor of Human Resources wanted to get the opinion of the Dolinka Group. Peter indicated that Kim Garcia (Vice Chancellor of HR) and he will work with Rael & Letson to assure that the Actuarial Valuation Study is finalized soon.

Board member Mark Newton asked for further explanation as to what the discount rate is and what it represents. Cary Allison of Morgan Stanley and Scott Rankin of Benefit Trust Company explained that the discount rate is an interest assumption applied to the unfunded liability by the Actuary.

Board alternate Barbara Hanfling asked that in these trying economic times which discount rate would be most beneficial for the District... higher or lower. Gail Beal and Scott Rankin both responded by indicating that a higher discount rate would be more beneficial to the District and that they should not consider lowering it at this time.

**STATUS OF UPDATES TO THE COMPREHENSIVE COMPLIANCE PLAN,
INCLUDING THE SUBSTANTIVE PLAN**

Roslyn Washington of Keenan Financial Services (KFS) reported to Board members that the updates to the Comprehensive Compliance Plan, including the "Substantive Plan" have been completed and delivered to the District.

Going forward, Roslyn noted that the District will be receiving their updates to the Comprehensive Compliance Plan, including the "Substantive Plan" in an electronic format. The District will be provided with a new electronic library which will include updates for fiscal 2010/2011 in January 2012. Relative to the protocols for updating changes and modifications in annual retiree benefits, an OPEB Questionnaire & Due Diligence profile will be sent annually to the District in August rather than in June. Information derived from this process will be incorporated into the Comprehensive Compliance Plan, including the "Substantive Plan" and will reflect all changes and modifications from the previous fiscal year. Under the new protocol, a new electronic library will be provided to the District in the January following the fiscal year-end.

ANNUAL REPORTING ON THE STATUS OF THE TRUST

Roslyn Washington of Keenan Financial Services (KFS) advised Board members that the California Government Code 53216.4 requires an annual reporting to participants and their potential beneficiaries of the funds held in the Investment Trust. At San Jose/Evergreen Community College District the OPEB Investment Trust's fiscal year end Annual Report reflects Annual Account Balances; Annual Fiduciary Transaction and Asset details; and an Annual Investment Summary. In compliance with the provisions of the California Government Code, the Annual Report is promulgated via posting on the District's Website.

A motion was made by Board member Mark Newton confirming the promulgation of the District's Investment Trust's Annual Report, seconded by Board member Peter Fitzsimmons and unanimously carried by the Board members present.

DISBURSEMENTS

Two disbursements have been made from the District's Investment Trust since the last RBOA meeting on July 14, 2011. Both disbursements were made for the reimbursement of retiree health benefits expenses. The disbursements occurred per the following schedule:

- July 25, 2011 for \$258,159.40.
- September 26, 2011 for \$242,169.78.

Reasonable fees for the ongoing administration and management of the District's OPEB Trust were also deducted from the Investment Trust funds.

A motion was made by Board member David Yancey to approve Investment Trust disbursements for the reimbursement of retiree health benefit expenses and reasonable administration and management fees deducted from Trust funds. The motion was seconded by Board member Peter Fitzsimmons and unanimously carried by the Board members present.

THE RETIREMENT BOARD OF AUTHORITY (RBOA) BYLAWS

To tailor RBOA Bylaws to the unique requirements of the District, the Board made adjustments and modifications to the provisions of the RBOA Bylaws through multiple previous meetings.

A motion was made by Board member David Yancey to approve the RBOA Bylaws as presented to the Board at this meeting. The motion was seconded by Board member Peter Fitzsimmons and unanimously carried by the Board members present.

RETIREMENT BOARD OF AUTHORITY MEMBERS ELECTION OF CHAIRPERSON

A motion was made by Board member David Yancey to nominate Board member Peter Fitzsimmons as the new Chairperson. The motion was seconded by Board member Mark Newton and unanimously carried by the Board members present.

RETIREMENT BOARD OF AUTHORITY MEMBERS ELECTION OF VICE CHAIRPERSON

A motion was made by Board member Mark Newton to nominated Board member Danny Hawkins as Vice-Chairperson. The motion was seconded by Board member Beverly Lynch and unanimously carried by the Board members present.

PRIVATE LETTER RULING

Gail Beal of Keenan Financial Services (KFS) advised the Board that the Private Letter Ruling (PLR) application is still in process at the IRS. Brian Johnston of Polsinelli Shughart PC recently met with the IRS where they requested additional information relative to fees coming out of the District's Public Entity Investment Trust. The requested information has been provided and we are still waiting for the Service to respond.

VI. INVESTMENTS

PORTFOLIO REVIEW

Cary Allison of Morgan Stanley Smith Barney (MSSB) provided an overview of the District's Change in Portfolio, Asset Allocation, and Time Weighted Return (Gross and Net of Fees) for period ending September 30, 2011.

1. The District's Short Term Futuris Public Entity Trust.

As of September 30, 2011, the District's Short Term portfolio had an allocation of 77.2% in fixed income funds and 22.8% in equity funds (equity funds comprised of 13.3% in domestic equity and 9.5% in international equity). The value of the portfolio as of December 31, 2010 was \$2,954,292.16 and with withdrawals of \$2,309,230.09, the value of the portfolio as of September 30, 2011 is \$688,521.76. The September 30, 2011 portfolio value represents an inception to date net rate of return of 10.50% compared to the S&P/Barclays Blend of 11.16% and the Barclays Aggregate of 7.72%. The investment results for the latest 12 months show a net increase 0.83% versus the S&P/Barclays Blend of 3.49% and Barclays Aggregate of 5.29%.

2. The District's Futuris Public Entity Investment Trust.

As of September 30, 2011, the District's Public Entity Investment Trust portfolio had an allocation of 34.2% in fixed income funds and 65.8% in equity funds (equity funds comprised of 41.7% in domestic equity and 24.1% in international equity). The value of the portfolio as of December 31, 2010 was \$46,957,071.90 and with withdrawals of \$58,385.53, the value of the portfolio as of September 30, 2011 is \$42,953,923.21. The September 30, 2011 portfolio value represents an inception to date net rate of return of 10.53% compared to the S&P/Barclays Blend of 11.16%. The investment results for the latest 12 months show a net decrease of -3.10% versus the S&P/Barclays increase of 3.49%.

Board members conducted a brief discussion relative to the dwindling funds in the District's Short Term account. Questions were raised as to whether or not to move money from the Long Term account into the Short Term account and continue to pay current expenses exclusively from the Short Term account. The Board members also reviewed the feasibility of combining both accounts and adjusting the expected rate of return to 7.88%.

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All Board members exhibited awareness that the minimal assets in the Short Term account may be exhausted by the next Retirement Board of Authority (RBOA) meeting date. Board members advised that as the assets of the Short Term account are depleted, expense reimbursements can be paid from the Long Term account.

Board members will review this issue again as an Agenda Item (IPS) at the next RBOA meeting and make a final decision at that time.

A motion was made by Board member David Yancey to accept the Portfolio Review as presented. The motion was seconded by Board member Peter Fitzsimmons and unanimously carried by the Board members present.

MARKET OVERVIEW

Cary Allison of Morgan Stanley Smith Barney (MSSB) provided Board members the Asset Allocation and Portfolio Updates from the Futuris Public Entity Investment Trust Model Portfolios for the period ending September 30, 2011.

In his comments relative to current market conditions, Cary Allison observed that banks are beginning to lend again and equities are about 35% cheaper than normal. Cary continued by expressing confidence that we are experiencing slow growth rather than facing a double dip recession.

In the "On the Markets" Report from Morgan Stanley Smith Barney (MSSB), the MSSB Global Investment Committee (the "Committee") indicated that on October 6, 2011 they changed their tactical asset allocation position reflecting an increased weighting in global cash, bonds and managed futures while decreasing exposure to global equities, commodities and real estate investment trusts. Despite these changes, the Committee feels that the MSSB balanced portfolios remain well diversified. The Committee continued by indicating that the primary source of the recent financial market distress has been a combination of policy inaction and ineptness in the US and Europe. Given this heightened degree of economic risk – plus the uncertainty regarding US and European policy responses that are contributing to that – the Committee feels it is prudent to position portfolios for continued bumpy times ahead.

VII. EDUCATION

Cary Allison of Morgan Stanley Smith Barney (MSSB) provided Board members with two articles from MSSB entitled "Behavioral Finance: Beware of Potentially Irrational Investment Decisions" and "A Case for Waiting-Out the Storm."

To obtain positive financial outcomes, the basic rules conveyed for governing prudent portfolio management are the following:

- Think and act strategically long-term.
- Adopt prudent diversification and asset allocation policies.
- Align investments with the Trust interest.
- Focus on prudent fiduciary oversight responsibilities and process.

IX. INFORMATION REPORTS

RETIREMENT BOARD OF AUTHORITY COMMENTS

There were no Retirement Board of Authority comments.

PROGRAM COORDINATOR/CONSULTANT COMMENTS

There were no Coordinator/Consultant comments.

VISITORS COMMENTS

There were no Visitor comments.

X. DATE, TIME AND AGENDA ITEMS FOR NEXT MEETING

The next Retirement Board of Authority meeting is scheduled as follows:

- April 26, 2012: 1:00 PM-3:00PM

Agenda Items for the next Retirement Board of Authority (RBOA) shall include the following:

- Actuarial Valuation Study
 - Review of the District's Investment Policy Statement(IPS)
 - Risk Tolerance Questionnaire
 - Private Letter Ruling (PLR)
-

XI. ADJOURNMENT

Americans with Disabilities Act The San Jose/Evergreen Community College District Retirement Board of Authority conforms to the protections and prohibitions contained in Section 202 of the Americans with Disabilities Act of 1990 and the federal rules and regulations adopted in implementation thereof. A request for disability-related modification or accommodation, in order to participate in a public meeting of the San Jose/Evergreen Community College District Retirement Board of Authority meeting, shall be made to: Vice Chancellor, Human Resources, San Jose/Evergreen Community College District, 2100 Moorpark Avenue, San Jose, CA 95128.

MEETING MINUTES

**SAN JOSE / EVERGREEN COMMUNITY COLLEGE DISTRICT
RETIREMENT BOARD OF AUTHORITY MEETING**

**July 14, 2011
3:00 PM – 5:00 PM**

**San Jose City College
Technology Center
Room T-112
2100 Moorpark Avenue
San Jose, CA 95128
408-288-3708**

I. CALL TO ORDER

The meeting was called to order by Gail Beal, Senior Vice President, Keenan Financial Services at 3:11 PM.

II. ROLL CALL

Those in attendance were:

RETIREMENT BOARD OF AUTHORITY (the “Board”) MEMBERS:

Vice Chancellor, Administrative Services
Director of Fiscal Services
Faculty and Member of AFT 6157
Staff and Member of CSEA, Chapter 363
Staff and Member of CSEA, Chapter 363

Jeanine Hawk
Peter Fitzsimmons
Mark Newton
Evelyn Rojas
Danny Hawkins

PROGRAM COORDINATORS:

Senior Vice President
Account Manager
Service Coordinator

Gail Beal
Roslyn Washington
Michelle Piche-Carlson

CONSULTANTS:

Morgan Stanley Smith Barney
Benefit Trust Company

Cary Allison
Scott Rankin

GUESTS

San Jose Evergreen CCD Faculty Retiree
Faculty and Member of AFT 6157 (Alternate Board Member)

Phil Crawford
Barbara Hanfling

Those absent were:

Faculty and President, Faculty Association, AFT 6157 (Board Member)
Staff and Member of CSEA (Alternate Board Member)
Account Manager (Program Coordinator)

David Yancey
Beverly Lynch
Kenneth Threeths

III. APPROVAL OF AGENDA

A motion was made to approve the Agenda as presented by Board member Danny Hawkins, seconded by Board member Mark Newton and unanimously carried by the Board members present.

IV. APPROVAL OF MINUTES

Changes were made to amend verbiage of the "RBOA Bylaws" section of the April 14, 2011 meeting minutes. A motion was made to approve the April 14, 2011 Meeting Minutes as amended by Board member Danny Hawkins, seconded by Board member Mark Newton and unanimously carried by the Board members present.

V. CORRESPONDENCE

Board members engaged in a brief discussion relative to the "grandfather" status of the District's health plans.

VI. INVESTMENTS

PORTFOLIO REVIEW:

Cary Allison of Morgan Stanley Smith Barney (MSSB) provided an overview of the District's Change in Portfolio, Asset Allocation, and Time Weighted Return (Gross and Net of Fees) for period ending June 30, 2011.

1. The District's Short Term Futuris Public Entity Trust.

As of June 30, 2011, the District's Short Term portfolio had an allocation of 77.5% in fixed income funds and 22.5% in equity funds (equity funds comprised of 12.7% in domestic equity and 9.8% in international equity). The value of the portfolio as of March 31, 2011 was \$1,952,067.96 and with a withdrawal of \$753,231.13, the value of the portfolio as of June 30, 2011 as of was \$1,229,601.97. The June 30, 2011 portfolio value represents an inception to date net rate of return of 14.13% compared to the S&P/Barclays Blend of 15.39% and the Barclays Aggregate of 6.79%. The investment results for the latest 12 months show a net increase 12.37% versus the S&P/Barclays Blend of 16.89% and Barclays Aggregate of 3.94%.

2. The District's Futuris Public Entity Investment Trust.

As of June 30, 2011, the District's Public Entity Investment Trust portfolio had an allocation of 34.3% in fixed income funds and 65.7% in equity funds (equity funds comprised of 40.8% in domestic equity and 24.9% in international equity). The value of the portfolio as of March 31, 2011 was \$48,458,712.45 and with a withdrawal of \$15,167.41, the value of the portfolio as of June 30, 2011 was \$48,752,517.11. The

June 30, 2011 portfolio value represents an inception to date net rate of return of 18.5% compared to the S&P/Barclays Blend of 15.39%. The investment results for the latest 12 months show a net increase 21.02% versus the S&P/Barclays of 16.89%.

A motion was made, to approve the Portfolio Review as presented, by Board member Peter Fitzsimmons, seconded by Board member Danny Hawkins and unanimously carried by the Board members present.

MARKET OVERVIEW:

Cary Allison of Morgan Stanley Smith Barney (MSSB) provided Board members with the Asset Allocation and Portfolio Updates for the Futuris Portfolio Models as of March 31, 2011. There have been no changes to the District's OPEB portfolio since the last Retirement Board of Authority meeting.

VII. EDUCATION

Cary Allison of Morgan Stanley Smith Barney (MSSB) provided Board members with an article entitled "States Begin to Address Long-Term Pension Obligations in Era of Fiscal Austerity", prepared by BlackRock, Inc.

This article presented a view that pension liabilities are a challenge to governments' long-term fiscal integrity, but maintains that the greatest risk to the municipal marketplace today is in the volatility sparked by headlines and not, as some project, in the likelihood of defaults.

This article provided key perspectives as follows:

- While pension liabilities are cause for concern, they will not by themselves generate a rash of municipal defaults.
- Each state is unique in its funding status, as well as its political climate, fiscal condition and legal framework.
- Many states have already begun the process of addressing pension liabilities.
- Local governments have multiple tools available to them to address pension funding issues, although those few municipalities with extremely underfunded pension liabilities may be put under state supervision or seek bankruptcy protection.
- Initiatives to establish consistent methodology to calculate liabilities and to improve transparency will likely lead to additional corrective actions.

Gail Beal of Keenan Financial Services (KFS) advised that on July 8, 2011 the Governmental Accounting Standards Board (GASB) had issued two exposure drafts of amended Statements Nos. 25 and 27. The exposure drafts largely reflect the positions taken in the Preliminary Views (issued in June 2010). In the Preliminary Views, GASB proposed that the discount rate used in financial reporting calculations be set equal to the expected long-term rate of return on plan assets to the extent that projected benefits would be covered by current and projected future plan assets. To the extent current and expected future assets are projected to be insufficient to pay projected benefits, the Preliminary Views called for them to be discounted at "a high-quality municipal bond index rate". The exposure drafts have clarified that the municipal bond index rate to be used for this purpose is the index rate for a 30-year, tax-exempt municipal bond rated AA/Aa or higher. GASB will be accepting written

comments until September 30, 2011 and will hold public hearings in October 2011. The GASB goal is to have final standards in place by June 2012.

VIII. ADMINISTRATION

COMPREHENSIVE COMPLIANCE PLAN, INCLUDING THE SUBSTANTIVE PLAN ELECTRONIC STORAGE & DISTRICT FTP SITE UPDATE

The electronic library incorporating Volumes I, II & III of the Comprehensive Compliance Plan which includes the “Substantive Plan” was presented to the Board members. Updates to the “Substantive Plan” are to be in electronic format only.

A motion was made to accept the electronic library as presented by Board member Jeanine Hawk, seconded by Board member Danny Hawkins and unanimously carried by the Board members present.

ACTUARIAL VALUATION STUDY UPDATE

Board member Jeanine Hawk noted that the District’s Actuarial Valuation Study is still being worked on. This project is approximately seven weeks behind due to the vacation schedules of multiple people required to complete the project.

THE RETIREMENT BOARD OF AUTHORITY (RBOA) BYLAWS

Board member Peter Fitzsimmons provided a Subcommittee Report relative to the RBOA Bylaws. Board members made two adjustments to the Bylaws Report as follows:

The Chapter entitled “Retirement Board of Authority – Member Appointments”, Section 2.2 should state that CSEA 363, Faculty Association AFT 6157 and Retirees should have three voting members rather than two voting members.

The Chapter entitled “Retirement Board of Authority – Member Appointments”, Section 2.2 should strike “The Board members of the” from this section.

A motion was made to approve the suggested changes by Board member Mark Newton, seconded by Board member Danny Hawkins and unanimously carried by the Board members present. The Bylaws will be presented again at the next meeting.

DISBURSEMENTS

Copies of the Withdrawal Request Forms were provided to the Retirement Board of Authority.

A motion was made, to acknowledge and accept the disbursements as presented, by Board member Danny Hawkins, seconded by Board member Mark Newton and unanimously carried by the Board members present.

COMMUNICATION

The Retirement Board of Authority requested that page numbers be added to each Agenda Item.

IX. INFORMATION REPORTS

RETIREMENT BOARD OF AUTHORITY COMMENTS

There were no Retirement Board of Authority comments.

PROGRAM COORDINATOR/CONSULTANT COMMENTS

There were no Coordinator/Consultant comments.

VISITORS COMMENTS

There were no Visitor comments.

X. DATE, TIME AND AGENDA ITEMS FOR NEXT MEETING

The next Retirement Board of Authority meeting is scheduled as follows:

- October 20, 2011 at 1:00 PM at the District Office
- .
- April 26, 2012 at 1:00 PM at the Tech Center.

XI. ADJOURNMENT

There being no further business to discuss the meeting was adjourned at 5:00 PM.

MINUTES

SAN JOSE / EVERGREEN COMMUNITY COLLEGE DISTRICT
RETIREMENT BOARD OF AUTHORITY MEETING

April 14, 2011
3:00 PM – 5:00 PM
San Jose City College
Technology Center, Room T-112
2100 Moorpark Avenue
San Jose, CA 95128
408-288-3708

I. **CALL TO ORDER**

The meeting was called to order by Board member Jeanine Hawk at 3:05 PM.

II. **ROLL CALL**

Those in attendance were:

RETIREMENT BOARD OF AUTHORITY (“BOARD”) MEMBERS:

Vice Chancellor, Administrative Services
Director of Fiscal Services
Faculty and President, Faculty Association, AFT 6157
Faculty and Member of AFT 6157
Staff and Member of CSEA, Chapter 363

Jeanine Hawk
Peter Fitzsimmons
David Yancey
Mark Newton
Danny Hawkins

PROGRAM COORDINATORS:

Senior Vice President
Account Manager
Account Manager

Gail Beal
Roslyn Washington
Ken Threeths

CONSULTANTS:

Morgan Stanley Smith Barney
Benefit Trust Company

Cary Allison (via phone)
Scott Rankin

GUESTS

None

Those absent were:

Staff and Member of CSEA, Chapter 363
Faculty and Member AFT 6157
Retiree

Evelyn Rojas
Barbara Hanfling
Phil Crawford

III. APPROVAL OF AGENDA

A motion was made by Board member David Yancey to approve the Agenda as presented, seconded by Board member Danny Hawkins and unanimously carried by the Board.

IV. APPROVAL OF MINUTES

Under the Retirement Board of Authority (RBOA) Bylaw minutes from the Meeting of February 3, 2011, the Board advised that the second sentence requires an adjustment from “Board member Jeanine Hawk asked the Board that....” to “Board member Jeanine Hawk asked the Board Subcommittee...”

A motion was made by Board member David Yancey to approve the meeting minutes of February 3, 2011 with the requested modification, seconded by Board member Danny Hawkins and unanimously carried by the Board.

V. CORRESPONDENCE

No Correspondence was presented.

VI. INVESTMENTS

PORTFOLIO REVIEW:

Cary Allison of Morgan Stanley Smith Barney (MSSB) provided an overview of the District’s Change in Portfolio, Asset Allocation, and Time Weighted Return (Gross and Net of Fees) for period ending March 31, 2011

1. The District’s Short Term Futuris Public Entity Investment Trust Account.

As of March 31, 2011, the District’s Short Term portfolio summary had an allocation of 76.8% in fixed income funds and 23.2% in equity funds (equity funds comprised of 13.1% in domestic equity and 10.1% in international equity). The value of the portfolio as of December 31, 2010 was \$2,954,292.16 and as of March 31, 2011 is \$1,951,977.10. The March 31, 2011 portfolio value represents an inception to date net rate of return of 15.15% compared to Barclays Aggregate 6.43% and the S&P/Barclays Blend of 16.82%. The investment results for the latest 12 months show a net increase of 8.89% versus the Barclays Aggregate of 5.14% and the S&P/Barclays of 10.89%.

2. The District’s Long Term Futuris Public Entity Investment Trust Account.

As of March 31, 2011, the District’s Investment Trust portfolio summary had an allocation of 33.8% in fixed income funds and 66.2% in equity funds (equity funds comprised of 41.2% in domestic equity and 25.0% in international equity). The value of the portfolio as of December 31, 2010 was \$46,957,071.90 and as of March 31, 2011 the portfolio value is \$48,449,685.09. The March 31, 2011 portfolio value represents an inception to date net rate of return of 20.73% compared to the S&P/Barclays Blend of 16.82%. The investment results for the latest 12 months show a net increase of 12.26% versus the S&P/Barclays of 10.89%.

The Board inquired as to why the District's Investment Trust results were down in March. Cary Allison of Morgan Stanley Smith Barney (MSSB) advised the Board that the entire market took a downturn in March due to the natural disaster in Japan and turmoil in the Middle East and North Africa (MENA).

Another inquiry from the Board wondered why the HARTFORD CAPITAL APPRECIATION Y (HCAY.X) and HARTFORD MIDCAP Y (HMDY.X) are reflecting a current yield of zero on the portfolio appraisal. Cary stated that the current yields listed were based on month end and that there is generally a yield reflected on these two funds. However, he will research the issue because he had anticipated some yield on these funds.

Cary advised the Board that the PIMCO TOTAL RETURN INSTL (PTTR.X) was no longer part of the District's Investment Trust portfolio. However, some residual dividends were posted and that was why this fund is still listed.

Cary continued by advising the Board that new funds have been added to the District's Investment Trust portfolio as follows:

- Fixed Income – Legg Mason BW Global OPPS BD IS (GOBS.X)
- Domestic Equity – Royce Special Equity Instl. (RSEL.X)
- International – Prudential Global Real Estate Z (PURZ.X)
- International -- Royce Global Value Invmt. (RGVI.X)

A motion was made by Board member Danny Hawkins to accept the Portfolio Review as presented, seconded by Board member David Yancey and unanimously carried by the Board.

MARKET OVERVIEW:

Cary Allison of Morgan Stanley Smith Barney (MSSB) presented the Board with market commentary entitled "On the Markets", provided by the MSSB Global Investment Committee.

Cary also provided an overview of the current capital market conditions.

VII. EDUCATION

There were no educational materials presented at the meeting.

VIII. ADMINISTRATION

COMPREHENSIVE COMPLIANCE PLAN, INCLUDING THE SUBSTANTIVE PLAN POLICIES AND PROCEDURES FOR THE MAINTENANCE OF THE PLAN UPDATE

Gail Beal of Keenan Financial Services (KFS) informed the Board that KFS will begin scanning Volume I, which is the last set of documents to be scanned into the electronic storage library. Board member Jeanine Hawk advised that the District could set-up a File Transfer Protocol (FTP) site.

ACTUARIAL VALUATION STUDY UPDATE

Board member Jeanine Hawk advised that another Actuarial Valuation Study will be due in about eight months. Also, it is possible that the Governmental Accounting Standards Board (GASB) will make an announcement regarding the discount rate that should be used in Actuarial Valuations Studies for these kinds of programs. Jeanine suggested that the District should request the Actuary to complete two Actuarial Valuation Studies. The one study would use the GASB suggested discount rate while the other would use the RBOA's discount rate. Some Board members wondered if it would be cost prohibitive to have the Actuary complete two studies. Jeanine noted that she did not believe there would be a significant increase in the cost of having two Actuarial Valuation Studies completed.

A motion was made by Board member David Yancey to approve the RBOA requesting two Actuarial Valuation Studies; one study using the GASB suggested discount rate and another study using the RBOA's discount rate. The motion was seconded by Board member Danny Hawkins and was unanimously carried by the Board.

RBOA BYLAWS

The Subcommittee reported their suggested revisions for the RBOA Bylaws. However, it was discussed that a new Board construction may possibly consist of three (3) groups with three (3) representatives for each group, with one of the three (3) representatives in two of the groups to be a retiree. The RBOA Bylaws were not accepted in their current format. The Bylaws will be redone in light of potentially having a newly constructed Board membership.

Initial suggested changes to the RBOA Bylaws are as follows:

Section 1.6 – Deleted everything after the first sentence. The RBOA Subcommittee advised that this section was repeated in sections 8, 9 and 10.

Section 2.2 – The RBOA Subcommittee decided to exclude MSC because there was only one employee subject to the provisions of the District's OPEB provisions.

Section 2.6 – The RBOA Subcommittee discussed adding a fourth group (retirees) to the list of signatures in this section. However, it was decided to exclude this group due to the possibility of lack of availability.

Section 3.2 – The RBOA Subcommittee recommended revising the minimum number of times to hold meetings from once a year to twice a year.

Section 4.1 – Keenan financial Services (KFS) suggested replacing "ratify" with "acknowledge". However, the RBOA Subcommittee preferred to not make this change.

Section 12.6 – An inquiry was made as to whether or not a RBOA member could attend the meeting by teleconference. Gail Beal of Keenan Financial Services (KFS) indicated that KFS will research this question.

Section 12.6 – The RBOA Subcommittee recommended defining a quorum as “at least one member from each group must be present or attend by teleconference to be considered a quorum.”

A statement was made that CSEA had indicated some concerns about providing MSC with a seat on the Retirement Board of Authority (RBOA) with the same status.

DISBURSEMENTS

Copies of the Withdrawal Request Forms were provided to the Retirement Board of Authority (RBOA).

A motion was made by Board member David Yancey to acknowledge the disbursements, seconded by Board member Danny Hawkins and unanimously carried by the Board.

PRIVATE LETTER RULING

Scott Rankin of Benefit Trust Company (BTC) informed the Board the Private Letter Ruling (PLR) has not yet been issued by the IRS. Brian Johnston of Polsinelli Shughart PC is still in discussions with the IRS. Although a PLR has not been issued Brian Johnston, an Attorney with the Polsinelli firm in Kansas City has received verbal indications from the IRS agent associated with our PLR application indicating that if the Investment Trust was audited, it would be considered in compliance with Section 115 of the Internal Revenue Code.

RETIREMENT BOARD OF AUTHORITY (RBOA) FIDUCIARY AND CONFLICT OF INTEREST PROTECTION FOR OPEB PLANS

Gail Beal of Keenan Financial Services (KFS) provided an overview of the Futuris Public Entity Investment Trust program and pointed out that the program is designed to obviate conflict of interest issues.

Scott Rankin of Benefit Trust Company (BTC) provided a White Paper entitled “The Fiduciary Duty to Avoid Conflicts of Interest in Selecting Plan Service Providers” by attorneys C. Frederick Reish and Joseph C. Faucher. Scott advised that while the White Paper is based on the provisions of the Employee Retirement Income Security Act (ERISA), it is very close to the provisions of California’s Constitution & Governmental Codes that are applicable to the District’s Public Entity Investment Trust.

COMMUNICATION

None

REPORT TO THE BOARD OF TRUSTEES

The RBOA made their presentation to the Board of Trustees on March 22, 2011. The RBOA provided the Board of Trustees with information relating to the status of the OPEB Trust and the OPEB Bond.

IX. INFORMATION REPORTS

RETIREMENT BOARD OF AUTHORITY COMMENTS

There were no Retirement Board of Authority (RBOA) comments.

PROGRAM COORDINATOR/CONSULTANT COMMENTS

There were no Program Coordinator/Consultant comments.

VISITORS COMMENTS

There were no Visitor comments.

X. DATE, TIME AND AGENDA ITEMS FOR NEXT MEETING

The Board decided that primary Agenda Items for the next RBOA Meeting would be:

- The Comprehensive Compliance Plan which included the Substantive Plan.
- RBOA Bylaws.
- Actuarial Valuation Study.

XI. ADJOURNMENT

A motion was made by Board member David Yancey to adjourn the meeting at 5:15 P.M., seconded by Board member Danny Hawkins and unanimously carried by the Board.

MEETING MINUTES
SAN JOSE / EVERGREEN COMMUNITY COLLEGE DISTRICT
FUTURIS RETIREMENT BOARD OF AUTHORITY MEETING

February 3, 2011
3:00 PM – 5:00 PM

San Jose City College
Technology Center
Room T-112
2100 Moorpark Avenue
San Jose, CA 95128
408-288-3708

I. CALL TO ORDER

The meeting was called to order by Board member Jeanine Hawk at 3:06 PM.

II. ROLL CALL

Those in attendance were:

MEMBERS:

Vice Chancellor, Administrative Services
Director of Fiscal Services
Faculty and President, Faculty Association, AFT 6157
Faculty and Member of AFT 6157
Staff and Member of CSEA, Chapter 363

Jeanine Hawk
Peter Fitzsimmons
David Yancey
Mark Newton
Danny Hawkins

PROGRAM COORDINATORS:

Senior Vice President
Account Manager
Account Manager

Gail Beal
Roslyn Washington
Ken Threeths

CONSULTANTS:

Morgan Stanley Smith Barney
Benefit Trust Company
RPM Consultant Group

Cary Allison
Scott Rankin
Chuck Thompson

GUESTS

AFT Alternate Member
Faculty and Member AFT 6157
District Staff Accountant

Phil Crawford
Barbara Hanfling
Loretta Krouse

ABSENT

Staff and Member of CSEA, Chapter 363
CSEA Alternate Member

Evelyn Rojas
Beverly Lynch

III. APPROVAL OF AGENDA

Board member Peter Fitzsimmons requested to change the Trust Bylaws Agenda Item from an Information Agenda Item to an Action Agenda Item. This request was not carried out by the Board.

A motion was made by Board member Mark Newton to approve the Agenda with modifications, seconded by Board member Danny Hawkins and unanimously carried by the Board.

IV. APPROVAL OF MINUTES

On the Meeting Minutes, Board member Peter Fitzsimmons noted a misspelling of “CERTAIN” in the October 7, 2010 Agenda Item “Information on a Proposed Resolution to Terminate the SWAP (Given Certain Market Conditions) for the other Post-Employment Benefits Bonds”. Also Board member David Yancey noted that “technology for” should be removed from the October 7, 2010 Agenda Item “Communication”.

A motion was made by Board member Danny Hawkins to approve the Meeting Minutes of October 7, 2010 with modifications, seconded by Board member David Yancey and unanimously carried by the Board.

V. CORRESPONDENCE

Board member Jeanine Hawk informed the Board that she received the Administrative Report from the Dolinka Group in December. She indicated that this Administrative Report will be on the Agenda for the next Board meeting.

VI. INVESTMENTS

PORTFOLIO REVIEW:

Cary Allison of Morgan Stanley Smith Barney (MSSB) provided an overview of the District’s Change in Portfolio, Asset Allocation, and Time Weighted Return (Gross and Net of Fees) for period ending December 31, 2010.

1. The District’s Short Term Futuris Public Entity Trust.

As of December 31, 2009, the District’s Short Term portfolio had an allocation of 75% in fixed income funds and 25% in equity funds (equity funds comprised of 13.6% in domestic equity and 11.4% in international equity). The value of the portfolio as of December 31, 2009 was \$5,352,295.24 and as of December 31, 2010 is \$2,956,291.73. The December 31, 2010 portfolio value represents an inception to Date net rate of return of 15.40% compared to the Barclays Aggregate of 7.04%. The investment results for the latest 12 months show a net increase 10.53% versus the Barclays Aggregate of 6.56%.

2. The District’s Public Entity Investment Trust.

As of December 31, 2009, the District’s Investment Trust portfolio had an allocation of 31.3% in fixed income funds and 68.7% in equity funds (equity funds comprised of 38.8% in domestic equity and 29.9% in international equity). The value of the portfolio as of December 31, 2009 was \$41,394,488.03 and as of December 31, 2010 is \$46,967,870.95. The December 31, 2010 portfolio value represents an inception to

date net rate of return of 21.85% compared to the S&P/Barclays Blend of 17.33%. The investment results for the latest 12 months show a net increase 13.46% versus the S&P/Barclays Blend of 11.49%.

A motion was made by Board member David Yancey to approve the Portfolio Review as presented, seconded by Board member Danny Hawkins and unanimously carried by the Board.

MARKET OVERVIEW:

Cary Allison of Morgan Stanley Smith Barney presented the MSSB Global Investment Committee Outlook for January 2011. MSSB provided outlook parameters for 2011 as follows:

- Global GDP recovery has now become business cycle expansion.
- Global economy growth of 4% with emerging economies expanding by 6% and developed ones by a much slower 2%.
- Low 1%-2% inflation in developed countries but 5% in developing ones.
- Developing economy central banks tighten; developed economy central banks are on hold until 2012.
- U.S. and European policy risk is asymmetric to the upside; EM policy risk is asymmetric to downside.
- Modest US trade-weighted dollar strength; broad developed country currencies weakness to developing country currencies, especially Asia.
- Longer-term prospects are good for a multiyear global business cycle expansion.

REVIEW OF INVESTMENT POLICY STATEMENT:

Scott Rankin of Benefit Trust Company (BTC) reviewed the Investment Policy Statement (IPS) for the Board members. He explained that Benefit Trust Company (BTC) is recommending changes to language contained in Appendix A as regards both Equity and Fixed Income Investments that reads “nor shall the trust assets be invested in any mutual fund that holds more than 5% of its portfolio in any single issue or issuer”. Benefit Trust Company recommends this language be deleted and replaced with “not more than 5% of the Trust assets shall be invested in any single equity issue or issuer”. Scott explained that by deleting this language, it will prevent a mutual fund manager from being fired for being temporarily over the 5% restriction. The IPS would maintain a requirement that the trust as a whole can not have 5% invested in any one security, looking at the underlying securities of each mutual fund. Technology allows this calculation to be done automatically and Morgan Stanley Smith Barney periodically runs these reports to monitor diversification.

Under Appendix A: Fixed Income Investments, Benefit Trust Company recommends that the following verbiage be deleted “Yankee Bonds” i.e. foreign government bonds or corporate bonds of foreign companies, issued in U.S. dollar denominations, and offered through registration and filing with the SEC and carry a minimum BBB rating” and that it be replaced with new verbiage as follows: “Investment grade foreign government or corporate bonds, whether or not denominated in U.S. currency, and whether or not hedged for foreign currency risk.” This recommendation is made as a concession to the evolution of the management of international fixed income funds as few of the top managers continue to invest in Yankee Bonds, preferring instead to buy bonds directly off of the foreign exchanges.

Under Appendix A: Fixed Income Investments Board member Jeanine Hawk requested that the language “or to a mutual fund that invests in such obligations of securities” be removed. Scott Rankin noted that he agreed and would remove this language from the Investment Policy Statement.

A motion was made by Board member Mark Newton to amend the Investment Policy Statement as presented, seconded by Board member David Yancey and unanimously carried by the Board.

REVIEW OF CASH FLOW STATEMENTS AND INVESTMENT OBJECTIVES

The Board discussed the necessity of transferring some of the funds from the District’s Short Term Futuris Public Entity Trust to the Long Term Public Entity Investment Trust. Cary Allison of Morgan Stanley Smith Barney (MSSB) informed the Board that he did not believe it was necessary but suggested that the Board should review the status of the Short Term Futuris Public Entity Trust at the next Board meeting.

No action taken on this Agenda Item.

VII. EDUCATION

Cary Allison of Morgan Stanley Smith Barney reviewed a presentation by OppenheimerFunds entitled “Oppenheimer International Bond Fund”. Cary explained why having International Bonds is good for the District’s Trust Investment Portfolio.

Cary discussed the importance of International Bond Funds relative to the District’s Trust per the following portfolio parameters:

- Potential benefits of overall portfolio diversification.
- May provide attractive long-term returns.
- Yields may be greater than domestic opportunities.
- Foreign currency exposure as an inflation hedge.
- Provide low correlation to other financial assets.

ACCOUNTING REPORTS

Gail Beal of Keenan Financial Services provided the Board with Activity Reports reflecting the accounting methods used for Trust expenses and other Trust activity which was created for the District’s OPEB Plan.

VIII. ADMINISTRATION

REVIEW OF THE COMPREHENSIVE COMPLIANCE PLAN, INCLUDING THE SUBSTANTIVE PLAN

Volumes I, II, and III of the Comprehensive Compliance Plan, which includes the Substantive Plan have been delivered.

Gail Beal of Keenan Financial Services (KFS) informed the Board that KFS is in the process of preparing an electronic library of the Comprehensive Compliance Plan, including the Substantive Plan.

COMPREHENSIVE COMPLIANCE PLAN, INCLUDING THE SUBSTANTIVE PLAN POLICIES AND PROCEDURES FOR THE MAINTENANCE OF THE PLAN UPDATE

Due to time constraints this Agenda Item was deferred to the next Board meeting.

ACTUARIAL STUDY

Board member Jeanine Hawk noted that the Actuarial Valuation Study is still in the process of being completed. Jeanine also asked the Board if it is necessary to get a Request for Proposal (RFP) for a new actuarial service provider. The Board briefly discussed keeping the current actuarial service provider, Rael & Letson Consultants and Actuaries and will revisit the need for an RFP after the next Actuarial Valuation Study has been completed.

TRUST BYLAWS

A copy of the Trust Bylaws was provided as an attachment to the Agenda. Board member Jeanine Hawk asked the Board Subcommittee that since the composition of the Retirement Board of Authority (RBOA) should have a representative from each constituency within the District, if Management, Supervisory and Confidential personnel should be added to the RBOA.

A final decision was not made.

DISBURSEMENTS

Copies of the Withdrawal Request Forms were provided to the Board. Withdrawal Request Forms now include the defined purpose of each withdrawal.

A motion was made by Board member David Yancey to accept and acknowledge the disbursements, seconded by Board member Danny Hawkins and unanimously carried by the Board.

PRIVATE LETTER RULING

Scott Rankin of Benefit Trust Company informed the Board the Private Letter Ruling (PLR) has not been completed. Brian Johnston of Polsinelli Shughart PC is in discussions with the IRS relative to which specific sections of the PLR need resolution in order for the IRS to issue the Private Letter Ruling.

Although the PLR has not been issued by the IRS, Scott Rankin of Benefit Trust Company has been able to obtain a letter from the IRS agent associated with our PLR Application indicating the Futuris Public Entity Investment Trust would pass an IRS Audit at this time.

RETIREMENT BOARD OF AUTHORITY (RBOA) FIDUCIARY AND CONFLICT OF INTEREST PROTECTION FOR OPEB PLANS

Due to time constraints this agenda item was deferred until the next meeting.

COMMUNICATION

Due to time constraints this Agenda Item was deferred until the next meeting.

REPORT TO THE BOARD OF TRUSTEES

A presentation to provide the District's OPEB Trust and the OPEB Bond Status Report will be made to the San Jose Evergreen Community College Board of Trustees on April 12, 2011.

No action was taken. The Agenda item was changed from an action item to an information item.

IX. INFORMATION REPORTS

RETIREMENT BOARD OF AUTHORITY COMMENTS

Loretta Krouse introduced as replacing Ngoz and will work with Peter Fitzsimmons. She will need access to internet to review statements of the Trust.

PROGRAM COORDINATOR/CONSULTANT COMMENTS

Gail Beal of Keenan & Associates informed the Board that they will receive invitations to the Futuris Investment Workshop in Walnut Creek on March 24 2011.

VISITORS COMMENTS

There were no Visitor comments.

X. DATE, TIME AND AGENDA ITEMS FOR NEXT MEETING

- Comprehensive Compliance Plan, including the Substantive Plan -- Policies and Procedures for Plan Maintenance.
- Retirement Board of Authority Fiduciary and Conflict of Interest Protection for OPEB Plans.
- Administration Report – Dolinka Group.

XI. ADJOURNMENT

A motion was made by Board member David Yancey to adjourn the meeting at 5:03 PM, seconded by Board member Danny Hawkins and unanimously carried by the Board.