

District Retirement Board

2014 Minutes

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April 10, 2014

October 16, 2014

MINUTES

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

April 10, 2014
1:00 PM – 3:00 PM

San Jose City College
Room: SJCC – Technology Building Room T-112
2100 Moorpark Avenue
San Jose, CA 95128
(408) 288-3708

I. CALL TO ORDER

The Retirement Board of Authority (RBOA) meeting was called to order at 1:05 PM by RBOA Chair Peter Fitzsimmons.

Roslyn Washington of Keenan Financial Services explained that effective January 1, 2014, new regulatory protocols require individual votes or abstentions are recorded in the minutes for actions taken at future RBOA meetings.

Roll call was conducted with all members of the Retirement Board of Authority (RBOA) affirming their presence except **Douglas Smith**, Vice Chancellor, Administrative Services; **Phil Crawford**, Retired Faculty and Member of AFT 6157 San Jose/Evergreen Federation of Teachers; and **Barbara Hanfling**, Faculty and member AFT 6157 San Jose/Evergreen Federation of Teachers (Alternate), and **Arlene Amelia** Retired Staff and Former Member CSEA, Chapter 363 who were absent from the meeting. All Service Organization representatives indicated their presence except **Gail Beal**, Senior Vice President, Keenan Financial Services who was absent from the meeting.

II. ROLL CALL

RETIREMENT BOARD OF AUTHORITY (“Board”) MEMBERS

Vice Chancellor, Human Resources

Kim Garcia

Director of Fiscal Services

Peter Fitzsimmons

Faculty and President, AFT 6157 San Jose/Evergreen Federation of Teachers

David Yancey

Faculty and Member of AFT 6157 San Jose/Evergreen Federation of Teachers

Mark Newton

Staff and Member CSEA, Chapter 363

Yolanda Talavera

Staff and Member CSEA, Chapter 363

Maria Holguin

PROGRAM COORDINATOR

Account Manager

Roslyn Washington

CONSULTANTS

Morgan Stanley Wealth Management (MS)

Cary Allison

Benefit Trust Company (BTC)

Scott Rankin

GUESTS

Staff and Member CSEA, Chapter 363 (Alternate)

Elaine Chapman

OTHER

San Jose Evergreen CCD Controller
San Jose Evergreen CCD Benefits Analyst

Linda Wilczewski
Michele McKay

ABSENT

Vice Chancellor, Administrative Services
Retired Faculty and Member of AFT 6157 San Jose/Evergreen Federation of Teachers
Faculty and Member AFT 6157 San Jose/Evergreen Federation of Teachers (Alternate)
Retired Staff and Former Member CSEA, Chapter 363
Senior Vice President, Keenan Financial Services (KFS)

Douglas Smith
Phil Crawford
Barbara Hanfling
Arlene Amelia
Gail Beal

III. PUBLIC COMMENTS

There were no Public comments or inquiries.

IV. APPROVAL OF AGENDA

A motion was made by RBOA member Mark Newton to approve the Agenda as presented. The motion to approve the Agenda was seconded by RBOA Vice-Chair David Yancey and was unanimously carried by a roll call of the RBOA membership present.

V. APPROVAL OF MINUTES

A motion was made by RBOA member Mark Newton to approve the October 17, 2013 Minutes with a correction of the typo in the narrative of the Investment Policy Statement Review. The motion was seconded by RBOA member Kim Garcia and was unanimously carried by a roll call of the RBOA membership present. RBOA member David Yancey abstained from voting as he was not present at the previous RBOA meeting.

VI. INVESTMENTS

PORTFOLIO PERFORMANCE REVIEW

Cary Allison of Morgan Stanley Wealth Management (MS) discussed the Performance Report for the Long-Term Account and the Short-Term Account for the quarter ending December 31, 2013 and also provided the following overview of the District's Public Entity Investment Trust Change in Portfolio, Asset Allocation, and Time Weighted Return (Gross and Net of Fees) for quarter ending March 31, 2014.

1. The District's Short-Term Public Entity Investment Trust.

As of March 31, 2014 the District's Short-Term Public Entity Trust Portfolio had an allocation of 68.9% in fixed income funds and 24.5% in equity funds (equity funds comprised 12.9% in domestic equity and 11.6%

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in international equity). To facilitate District retiree health reimbursement requirements, the Investment Trust Portfolio also reflected a 6.6% cash and receivables position. The value of the portfolio as of December 31, 2013 was \$4,325,412.96 and with withdrawals of \$825,624.66 the portfolio value as of March 31, 2014 is \$3,579,981.12. The March 31, 2014 portfolio value represents an annualized inception to date net rate of return of 14.51% compared to the Barclays Aggregate of 4.79% and the S&P 500 Adj for Divs of 19.30%. The investment results for the last year show a net increase of 4.23% versus the Barclays Aggregate of -0.09% and the S&P 500 Adj for Divs of 21.86%. The annualized latest three (3) year results reflect a net increase of 14.11% versus the Barclays Aggregate of 3.76% and the S&P 500 Adj for Divs of 14.65%. The current dividend yield on the District's Short-Term Public Entity Trust Portfolio fixed income investments was 3.3% while the current dividend yield on the aggregated portfolio was 3.0%.

2. The District's Long-Term Public Entity Investment Trust.

As of March 31, 2014 the District's Long-Term Public Entity Investment Trust Portfolio had an allocation of 31.5% in fixed income funds and 68.5% in equity funds (equity funds comprised 41.4% in domestic equity and 27.1% in international equity). The value of the portfolio as of December 31, 2013 was \$45,672,427.35 and the portfolio value as of March 31, 2014 is \$46,514,008.90. The March 31, 2014 portfolio value represents an annualized inception to date net rate of return of 12.14% compared to the Barclays Aggregate of 4.79% and the S&P 500 Adj for Divs of 19.30%. The investment results for the last year show a net increase of 11.33% versus the Barclays Aggregate of -0.09% and the S&P 500 Adj for Divs of 21.86%. The annualized latest three year (3) results reflect a net increase of 6.97% versus the Barclays Aggregate of 3.76% and the S&P 500 Adj for Divs of 14.65%. The current dividend yield on the District's Public Entity Investment Trust Portfolio fixed income investments was 3.4% while the current dividend yield on the aggregated portfolio was 2.1%.

In response to an inquiry from RBOA member Kim Garcia, Cary advised that the withdrawal of \$825,624.66 from the District's Short-Term Account was a current withdrawal for retiree healthcare reimbursements. Cary explained that the line item titled "Income Received" from the change in portfolio statement in both the Short-Term Account and the Long-Term Account is attributable to dividend accruals for the reporting period. In discussing the capital market results from the previous year, Cary explained that 2013 was an anomaly, observing that portfolio returns came exclusively from stocks while bond yields for the year were minimal with May 2013 the worst month for bonds in 40 years. By way of contrast, Cary noted bonds' modest outperformance for the current year to date but advised that equities are still likely to outperform bonds over the next 12 months as he anticipates that stocks will have single digit increases this year. Replying to an inquiry from RBOA Vice-Chair as to how the RBOA can determine if the District's portfolio is meeting their Target Rate of Return (TRR), Cary advised that the best data to review for this information is the Net Annualized Inception-to-Date performance report.

A motion was made by RBOA Vice-Chair David Yancey to accept the Portfolio Performance Review as presented. The motion was seconded by RBOA member Kim Garcia and was unanimously carried by a roll call of the RBOA membership present.

MARKET OVERVIEW

Cary continued by advising RBOA members of some recent manager changes in the District's Investment Trust Model Portfolio platform. While the District's Trust portfolio maintains a balanced position relative to the capital markets, these manager changes are designed to provide the portfolio with slightly more

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Emerging Market (EM) and REIT positioning for 2014. Cary identified India, Brazil and Indonesia as examples of Emerging Markets in response to an inquiry from RBOA Vice-Chair David Yancey and he noted that REITs are up 10% this year.

He advised the RBOA membership that the following funds have been added to the District's Model Portfolio platform:

- American Funds New Perspective Fund (ANWFX).
- American Funds New World Fund (NFFFX).
- Brandes Emerging Markets Fund (BEMIX).

To enhance the District's Model Portfolio Fixed Income platform, he noted that the Oppenheimer International Bond (OIBYX) has been replaced by Hartford's World Bond Fund (HWDIX).

VII. ADMINISTRATION

DISBURSEMENTS

Roslyn Washington of Keenan Financial Services presented the RBOA membership with the Disbursement Report which reflected District reimbursement claims for period September 2013 to February 2014 and the expenses associated with the management/operation of the District's Investment Trust for the period October 2013 through March 2014.

A motion was made by RBOA Vice-Chair David Yancey to ratify District reimbursement claims for period September 2013 to February 2014 and the expenses associated with the management/operation of the District's OPEB Investment Trust for the period of October 2013 through March 2014. The motion was seconded by RBOA member Mark Newton and was unanimously carried by a roll call of the RBOA membership present.

THE DISTRICT'S OPEB PLAN INDEPENDENT AUDITOR'S REPORT

RBOA Chair Peter Fitzsimmons presented the Independent Auditor's Report provided by Crowe Horwath for year ending June 30, 2013. The Report narrative to the San Jose/Evergreen Community College District Board of Trustees advised that the Audit was conducted in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. The Report narrative continues by explaining that tests were performed as to the Investment Trust's compliance with certain provisions of laws, regulations and contracts to obtain reasonable assurance about whether the Trust financial statements are free of material misstatements. The Report indicated that the results of the tests performed disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

RBOA Chair briefly reviewed the Independent Auditor's financial analysis noting net asset positions for fiscal years ending June 30, 2013 and June 30, 2012. The \$1.9 million increase in investments from one reporting cycle to the subsequent cycle reflects market fluctuations and investment income that positively impacted the fair value of investments (\$5.1 million), net of payments for retiree benefits (\$3.2 million).

RETIREE BENEFIT COST DATA FOR FISCAL YEAR 2014-2015

RBOA member Kim Garcia and the District Benefits Analyst Michelle McKay presented the RBOA membership with information regarding retiree benefit rates for fiscal year 2014/2015. RBOA members were advised that rates will increase approximately 13.41% from their current position for 2014/2015. Kim Garcia advised that through Medicare Advantage, she anticipates that retirees will see an increase in benefits and there will be a slight return of premium.

PRIVATE LETTER RULING APPLICATION UPDATE

Scott Rankin of Benefit Trust Company (BTC) advised that our attorney Brian Johnson has been in constant contact with the IRS through the PLR application process. He noted that Brian has recently sent an update memo advising of a meeting with the Service to “discuss the content of the PLR documentation language that will serve as the official publication of the final approval letter being released”. Brian advised “that the review and discussion of proposed PLR language was productive and he awaits final feedback on the drafted PLR as proposed” In this connection, Scott anticipates that final approval should be completed by the end of the year.

VIII. INFORMATION REPORTS

RETIREMENT BOARD OF AUTHORITY COMMENTS

RBOA Chair Peter Fitzsimmons took the opportunity to show the RBOA membership the new section of the District’s website displaying their OPEB Plan benefit information. He advised that it also reflects the current RBOA Meeting Agenda and Minutes.

PROGRAM COORDINATOR/CONSULTANT COMMENTS

There were no Program Coordinator/Consultant comments.

IX. DATE, TIME AND AGENDA ITEMS FOR NEXT MEETING

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

- **October 16, 2014: 1:00 PM-3:00 PM.**

X. ADJOURNMENT

A motion was made by RBOA Vice-Chair David Yancey to adjourn the Meeting at 2:22 PM. The motion was seconded by RBOA member Kim Garcia and was unanimously carried by a roll call of the RBOA membership present.

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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: Peter Fitzsimmons, Director of Fiscal Services, San Jose/Evergreen Community College District, 4750 San Felipe Rd, San Jose, CA 95128.

MINUTES

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

October 16, 2014
1:00 PM – 3:00 PM

District Office Conference Room
4750 San Felipe Road
San Jose, CA 95135
(408) 531-6130

I. CALL TO ORDER

The Retirement Board of Authority (RBOA) meeting was called to order at 1:04 PM by RBOA Chair Peter Fitzsimmons

RBOA Chair Peter Fitzsimmons conducted roll call with all members of the Retirement Board of Authority (RBOA) affirming their presence except **Douglas Smith**, Vice Chancellor, Administrative Services and **Barbara Hanfling**, Faculty and member AFT 6157 San Jose/Evergreen Federation of Teachers (Alternate) who were absent from the meeting. RBOA member **Phil Crawford** presence at the meeting was recorded at approximately 2:00 PM. All Service Organization representatives indicated their presence.

II. ROLL CALL

RETIREMENT BOARD OF AUTHORITY (“Board”) MEMBERS

Vice Chancellor, Human Resources

Kim Garcia

Director, Fiscal Services

Peter Fitzsimmons

Faculty and President, AFT 6157

David Yancey

Faculty and Member of AFT 6157

Mark Newton

Retired Faculty and Member of AFT 6157

Phil Crawford

Staff and Member CSEA, Chapter 363

Yolanda Talavera

Staff and Member CSEA, Chapter 363

Maria Holguin

Retired Staff and Former Member CSEA, Chapter 363

Arlene Amelia

PROGRAM COORDINATOR

Senior Vice President

Gail Beal

Account Manager

Roslyn Washington

CONSULTANTS

Morgan Stanley Wealth Management (MS)

Cary Allison

Benefit Trust Company (BTC)

Scott Rankin

GUESTS

Staff and Member CSEA, Chapter 363 (Alternate)

Elaine Chapman

OTHER

San Jose Evergreen CCD Controller

Linda Wilczewski

ABSENT

Vice Chancellor, Administrative Services

Douglas Smith

Faculty and Member AFT 6157 San Jose/Evergreen Federation of Teachers (Alternate)

Barbara Hanfling

III. PUBLIC COMMENTS

There were no Public Comments or inquiries.

IV. APPROVAL OF AGENDA

A motion was made by RBOA Vice-Chair David Yancey to accept the Agenda as presented. The motion was seconded by RBOA member Kim Garcia and was unanimously carried by a roll call of the RBOA membership present.

V. APPROVAL OF MINUTES

A motion was made by RBOA Vice-Chair David Yancey to approve the Minutes of the previous meeting on April 10, 2014 as presented. The motion was seconded by RBOA member Kim Garcia and was unanimously carried by a roll call of the RBOA membership present. RBOA member Arlene Amelia abstained as she was not in attendance at the previous RBOA Meeting on April 10, 2014.

VI. INVESTMENTS

PORTFOLIO PERFORMANCE REVIEW

Cary Allison of Morgan Stanley Wealth Management (MS) discussed the Performance Reports for the Investment Trust's Long-Term Account and the Short-Term Account for quarter ending September 30, 2014. Cary also provided the following overview of the District's Public Entity Investment Trust Change in Portfolio, Asset Allocation, and Time Weighted Return (Gross and Net of Fees) for period ending September 30, 2014.

1. The District's Short-Term Public Entity Investment Trust.

As of September 30, 2014 the District's Short-Term Public Entity Trust Portfolio had an allocation of 73.8% in fixed income funds and 26.2% in equity funds (equity funds comprised 14.2% in domestic equity and 12.0% in international equity). The value of the portfolio as of December 31, 2013 was \$4,325,412.96 and with withdrawals of \$2,472,485.76 the portfolio value as of September 30, 2014 is \$2,005,957.47. The September 30, 2014 portfolio value represents an annualized inception to date net rate of return of 13.48% compared to the Barclays Aggregate of 4.76%; the Barclays Global Aggregate of 4.37%; the S&P 500 Adj for Divs of 18.73% and the MSCI EAFE of 11.74%. The investment results for the last year show a net increase of 6.31% versus the Barclays Aggregate of 3.95%; the Barclays Global Aggregate of 1.20%; the S&P 500 Adj for Divs of 19.73% and the MSCI EAFE of 4.25%. The annualized latest three (3) year results reflect a net increase of 15.88% versus the Barclays Aggregate of 2.44%; the Barclays Global Aggregate of 1.14%; the S&P 500 Adj for Divs of 22.99% and the MSCI EAFE of 13.65%. The annualized latest five (5) year results reflect a net increase of 11.80% versus the Barclays Aggregate of 4.13%; the Barclays Global Aggregate of 2.67%; the S&P 500 Adj for Divs of 15.69% and the MSCI EAFE of 6.56%. The current dividend yield on the District's Short-Term Public Entity Trust Portfolio fixed income investments was

3.1% while the current dividend yield on the aggregated portfolio was 2.7%.

2. The District's Long-Term Public Entity Investment Trust.

As of September 30, 2014 the District's Long-Term Public Entity Investment Trust Portfolio had an allocation of 31.9% in fixed income funds and 68.1% in equity funds (equity funds comprised 41.9% in domestic equity and 26.2% in international equity). The value of the portfolio as of December 31, 2013 was \$45,672,427.35 and the portfolio value as of September 30, 2014 is \$47,170,934.16. The September 30, 2014 portfolio value represents an annualized inception to date net rate of return of 11.25% compared to the Barclays Aggregate of 4.76%; the Barclays Global Aggregate of 4.37%; the S&P 500 Adj for Divs of 18.73% and the MSCI EAFE of 11.74%. The investment results for the last year show a net increase of 8.26% versus the Barclays Aggregate of 3.95%; the Barclays Global Aggregate of 1.20%; the S&P 500 Adj for Divs of 19.73% and the MSCI EAFE of 4.25%. The annualized latest three year (3) results reflect a net increase of 11.82% versus the Barclays Aggregate of 2.44%; the Barclays Global Aggregate of 1.14%; the S&P 500 Adj for Divs of 22.99% and the MSCI EAFE of 13.65%. The annualized latest five year (5) results reflect a net increase of 8.50% versus the Barclays Aggregate of 4.13%; the Barclays Global Aggregate of 2.67%; the S&P 500 Adj for Divs of 15.69% and the MSCI EAFE of 6.56%. The current dividend yield on the District's Long-Term Public Entity Investment Trust Portfolio fixed income investments was 3.2% while the current dividend yield on the aggregated portfolio was 2.0%.

Cary provided an overview of the Model Portfolio allocations as of June 30, 2014 explaining to the RBOA membership that no changes have been made to the Trust's portfolio balanced allocation strategy since the last RBOA meeting. Relative to the capital markets structural formula for the Trust's current portfolio performance, Cary advised RBOA members that a major takeaway from 2013 is that the portfolio's equity positions more than offset the non-performance of the fixed-income positions. However, he noted that solid U.S. economic data throughout the course of this year has aided in bolstering financial markets which is reflected in the broad based performance (both Equity & Fixed Income positions) record of the Trust's portfolio in 2014. He explained that District's Trust fixed income portfolio has shown significant gains that were not anticipated at the beginning of the year. He noted that fixed income yields have come back down as investors have been buoyed by ongoing monetary accommodation by central banks (QE3 weaning is anticipated to be completed in October 2014), low inflation and continued incremental global economic growth. However, some fear has crept into the markets recently and this is due to the recent Ebola outbreaks as well as uncertainty regarding downturns in established economies overseas (i.e. Germany) that have caused a capital market hiccup and has pushed 10-year Treasury Notes to sub-2% yields. Cary anticipates a slight hike in interest rates as the Feds stop buying bonds but he believes interest rates will remain relatively low in the near-term. He noted that the unemployment rate continues to come down; he does not see inflation as a major worry and he believes that we are experiencing a growing economy but advised that we should anticipate market corrections periodically.

A motion was made by RBOA member Mark Newton to accept the Portfolio Performance Review as presented. The motion was seconded by RBOA Vice-Chair David Yancey and was unanimously carried by a roll call of the RBOA membership present.

MARKET OVERVIEW

The Morgan Stanley's Capital Markets Overview ("Market Overview") for the second quarter of 2014 was presented in the Board materials. The Market Overview noted that in the second quarter, equity performance in the United States continued its upward climb. The Dow Jones Industrial Average rose 2.8% in the second quarter. The NASDAQ Composite advanced 5.3% for the quarter. The S&P 500 rose 5.2% for the quarter. The primary driver of the rally was ongoing monetary stimulus by major central banks throughout the world. Investor enthusiasm was also bolstered by the Federal Reserve's (the "Fed") indication that short-term interest rates could remain in their current low range for some time after Quantitative Ease 3 (QE3) tapering is complete. Morgan Stanley and Co. LLC economists expect that U.S. real GDP will be 2.1% in 2014 and 2.8% in 2015. Morgan Stanley economists forecast global GDP growth to be 3.2% in 2014 and 3.7% in 2015. For the quarter, the seasonally adjusted unemployment rate fell from 6.3% for both April and May to 6.1% for June. Job gains in the quarter took place in retail trade, health care, professional, business services and food services. Inflation remained low in the U.S. with the seasonally adjusted Consumer Price Index rising 0.3% in April and 0.4% in May. Morgan Stanley & Co. LLC economists forecast a 1.9% inflation rate for 2014 and 1.7% for 2015. The Census Bureau reported that private-sector housing starts in May 2014 were at a seasonally adjusted annual rate of 1,001,000.00—9.4% above May 2013 housing starts. The rise in housing starts over the past year indicates that despite some recent setbacks, the housing market is steadily rebounding. The Market Overview indicated that emerging markets (EM) and global equities advanced. The MSCI EAFE (a benchmark for developed markets) rose 4.3% for U.S.-currency investors and 3.7% for local-currency investors, as the U.S. dollar depreciated in relation to the currencies of many nations in the index. In the second quarter, the bond market extended the gains of the first quarter of 2014—the Barclays U.S. Aggregate Bond Index, a general measure of the bond market, increased 2.0% for the quarter. Interest rates declined during the second quarter, as the yield on the 10-Year U.S. Treasury note fell to a quarter-end 2.51% from 2.7% at the end of the first quarter.

INVESTMENT POLICY STATEMENT REVIEW

Scott Rankin of Benefit Trust Company (BTC) advised that fiduciary best practices require ongoing adjustments to certain provisions of the District's Investment Policy Statement (IPS). In a brief background overview, Scott noted that the IPS is constituted of two parts – the first part details governance principles which are mandated pursuant to the California Government Code Sections 53620 through 53622 which draws extensively from the Employee Retirement Income Security Act (ERISA). He explained that this part of the IPS incorporates fiduciary and governance mandates related to the "Prudent Person Standard"; the "Exclusive Benefit Standard"; the delegation to qualified experts and the duty to diversify investments "so as to minimize the risk of large losses". Within this fiduciary structure, Scott explained that the District's Trust portfolio investments are designed per a prudent decision-making process; selected by qualified expertise to provide benefits exclusively to the OPEB Plan participants and invested so as to minimize the risk of large losses. Scott also discussed the Trust's portfolio regulatory requirement to have "a broad range of investment choices that have distinctly different risk return characteristics". He explained that the short-term portfolio account is invested with the objective of achieving a net annual Target Rate of Return (TRR) of **5.0%**. The portfolio's long-term account is invested with the objective of achieving a net annual Target Rate of Return of **8.0%**. Both portfolio accounts are invested with the objective of achieving an additional 0.50% return above the stated targets for the purpose of covering of covering the costs of the Trust's administration and GASB 43/45 compliance.

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Scott explained that the second part of the IPS addresses permitted and non-permitted investments and strategies. He advised that additional language is required to detail the Trust's portfolio Equity and Fixed Income restrictions in tracking current institutional investment practices.

On the Equity side, Scott advised that the restrictions listed in the IPS shall be permitted in the context of "open-end or closed-end mutual-end mutual funds, comingled funds, or ETFs, if in the opinion of the Trustee these activities are consistent with fund objectives and prudent management, and the investments provide for daily liquidity." He continued by explaining that "additionally, certain securities may not be held directly, but only in open-ended or closed-end mutual funds, comingled funds, or ETFs i.e. common stocks, preferred stocks, and securities convertible into common stocks and securities that carry the right to purchase common of non-U.S. companies traded on global exchanges, traded in any currency, as well as restricted securities of U.S. and non-U.S. companies, including securities issued through private offerings, and forward currency contracts or currency futures to hedge foreign currency exposure". Benchmarks included for the measurement of the District's Investment Trust equity performance are the S&P 500 for Domestic Equities and MSCI EAFE and ACWI ex. U.S for International Equities. Cary explained that this latter benchmark tracks developed & emerging markets globally excluding the U.S. domestic markets.

On the Fixed Income side, Scott continued by advising that the restrictions listed in the IPS shall be permitted in the framework of "open-end or closed-end mutual-end mutual funds, comingled funds, or ETFs, if in the opinion of the Trustee these activities are consistent with fund objectives and prudent management, risk mitigation, and the investments provide for daily liquidity." He further explained that "investment in non-investment grade bonds or loans by such funds shall be permitted so long as the average aggregate rating of the funds are investment grade, and in the opinion of the Trustee the proportion of non-investment grade bonds to investment grade bonds in the portfolio is prudent." Benchmarks included for the measurement of the District's Investment Trust fixed income performance are Barclay's Aggregate Bond Index for Domestic Fixed Income Securities and the Barclay's Global Bond Index for International Fixed Income Securities.

A motion was made by RBOA Vice-Chair David Yancey to approve the additional provisions of the Investment Policy Statement (IPS). The motion was seconded by RBOA member Kim Garcia and was unanimously carried by a roll call of the RBOA membership present.

VII. EDUCATION

Gail Beal of Keenan Financial Services discussed the Governmental Accounting Standards Board (GASB) approval of two new draft standards that, when finalized, will impact the financial accounting and reporting of OPEB for state and local agencies. She advised that the proposed standards are intended to bring OPEB accounting and reporting in line with the standards GASB issued for public pensions in 2012.

The **Employer Draft Standard** is entitled "*Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*" and is intended to supersede GASB standard No. 45.

The **Plan Draft Standard** is entitled "*Financial Reporting for Postemployment Benefit Plans other than Pension Plans*" and is intended to supersede GASB standard No.43.

Gail presented a 'Keenan Briefing' to the RBOA membership which explains that the **"Employer Draft Standard"** proposes using a discount rate that applies: (a) the expected long-term rate of return on OPEB Plan investments for which plan assets are expected to be available to make projected benefit payments and (b) the use of an interest rate on a 20-year tax-exempt, high-quality general obligation municipal bond yield or index to project benefit payments for which plan assets are not expected to be available for long-term investment in a qualified trust (c) the use of a single actuarial cost allocation method – "entry age normal" – rather than the current choice among six actuarial cost methods. The **"Plan Draft Standard"** addresses financial reporting for *defined benefit* OPEB plans that are administered through a qualified trust. The proposed standards would require governmental employers and OPEB plans to present much more extensive note disclosure and Required Supplementary Information (RSI) about their OPEB liabilities.

Gail informed the RBOA membership that GASB has set effective dates for the new standards as follows:

- December 15, 2016 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.*
- December 15, 2015 – *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.*

VII. ADMINISTRATION

ANNUAL REPORTING ON THE STATUS OF THE TRUST

Pursuant to the regulatory requirements of California Government Code Section 53216.4, the Annual Report on the Status of the Trust reflects the total assets in the Trust, the market value, the book value, all contributions and distribution activity (including all fees and expenses associated with the Trust), income activity, purchase activity, sales activity, and realized gains and losses for fiscal year ending June 30, 2014.

A motion was made by RBOA Vice-Chair David Yancey acknowledging that the Annual Report and District Cover Letter have been promulgated to the Trust's beneficiaries according to established District protocols. The motion was seconded by RBOA member Mark Newton and was unanimously carried by a roll call of the RBOA membership present.

DISBURSEMENT REPORT

Roslyn Washington of Keenan Financial Services presented the RBOA membership with the Disbursement Report which reflected District reimbursement claims for period March 2014 to August 2014 and the expenses associated with the management/operation of the District's Investment Trust for the period May 2014 through October 2014.

RBOA Chair Peter Fitzsimmons requested that a comprehensive Disbursement Report reflecting all withdrawals and fees for the year January 2014 through December 2014 be brought back for review at the next meeting.

A motion was made by RBOA Vice-Chair David Yancey to ratify District reimbursement claims for period March 2014 to August 2014 and the expenses associated with the management/operation of the District's OPEB Investment Trust for the period of May 2014 through October 2014. The motion was seconded by RBOA member Kim Garcia and was unanimously carried by a roll call of the RBOA membership present.

**UPDATES TO THE COMPREHENSIVE COMPLIANCE PLAN,
INCLUDING THE “SUBSTANTIVE PLAN”**

Roslyn Washington of Keenan Financial Services (KFS) explained that the **“OPEB Questionnaire & Due Diligence Form”** in the RBOA meeting materials is a significant part of a dedicated process designed towards updating the “Substantive Plan” for the 2013/2014 fiscal year end. **In this connection, it was suggested that the “OPEB Questionnaire & Due Diligence Form” be populated with updated and pertinent district data to be brought back for discussion at the next RBOA meeting.** Roslyn advised that the “e-Library” will also be updated and delivered to reflect the District’s OPEB Investment Trust compliance with GASB protocols and regulatory requirements for fiscal year ending June 30, 2014.

TRANSFER OF ASSETS

The RBOA membership suggested repositioning \$2 million in fiduciary assets from the Trust’s long-term account to the short-term account to meet District retiree medical reimbursement requirements. A request was made that this Item be brought back for review at the next RBOA meeting.

A motion was made by RBOA Vice-Chair David Yancey to approve repositioning \$2 million in fiduciary assets from the Trust’s long-term account to the short-term account to meet District retiree medical reimbursement requirements. The motion was seconded by RBOA member Phil Crawford and was unanimously carried by a roll call of the RBOA membership present.

ANNUAL REPORT TO THE GOVERNING BOARD OF TRUSTEES UPDATE

RBOA Chair Peter Fitzsimmons and Gail Beal of Keenan Financial Services advised the Retirement Board of Authority membership that they attended Governing Board of Trustees meeting on May 12, 2014. Representing the Program’s Discretionary Trustee, Scott Rankin provided a letter detailing the Trust’s portfolio’s structure and performance. Scott’s letter advised that the portfolio’s capital market structure is comprised of 34.9% bond funds and 65.1% common stock funds. Relative to the Trust’s performance, Scott provided a consolidated report reflecting results for the previous quarter, the previous 12 months and since inception of the Trust’s portfolio. The Trust’s portfolio performance was compared to various Equity and Fixed Income benchmarks representing the capital market performance both globally and domestically.

PRIVATE LETTER RULING APPLICATION UPDATE

Gail Beal of Keenan Financial Services advised that our attorney Brian Johnson continues to be in contact with the IRS relative to the District’s PLR application process. Gail explained that all discussions point toward a successful outcome and she believes that the Service will issue a Private Letter Ruling soon.

VIII. INFORMATION REPORTS

RETIREMENT BOARD OF AUTHORITY COMMENTS

The Retirement Board of Authority suggested that the District’s Investment Policy Statement (IPS) be brought back at the next meeting for further discussion relative to the current Target Rate of Return (TRR).

PROGRAM COORDINATOR/CONSULTANT COMMENTS

There were no Program Coordinator/Consultant comments.

IX. DATE, TIME AND AGENDA ITEMS FOR NEXT MEETING

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

- **April 30, 2015: 1:00 PM-3:00 PM.**
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X. ADJOURNMENT

A motion was made by RBOA member Kim Garcia to adjourn the Meeting at 2:35 PM. The motion was seconded by RBOA Vice-Chair David Yancey and was unanimously carried by a roll call of the RBOA membership present.

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: Peter Fitzsimmons, Director of Fiscal Services, San Jose/Evergreen Community College District, 4750 San Felipe Rd, San Jose, CA 95128.