

District Retirement Board

2016 Minutes

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MINUTES

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

APRIL 28, 2016
1:00 PM–3:00 PM

I. CALL TO ORDER

1. The meeting was called to order at 1:11 PM by RBOA Chair Peter Fitzsimmons.

II. ROLL CALL

1. All Retirement Board of Authority (RBOA) members were present except Kim Garcia, Yolanda Talavera and Maria Holguin. District guests Barbara Hanfling and Elaine Chapman were absent. District Controller Linda Wilczewski was also present.
2. All Coordinators/Consultants were present except Roslyn Washington. Cary Allison was present via phone.

III. PUBLIC COMMENTS

1. There were no public comments. This item is information only.

IV. APPROVAL OF AGENDA

1. David Yancey Motioned to accept the Agenda as presented, Motion was seconded by Mark Newton. The remaining RBOA members voted “Yes” to accept the Agenda.

V. APPROVAL OF MINUTES

1. David Yancey Motioned to accept the Minutes from October 8, 2015 as presented, Motion was seconded by Mark Newton. All of the remaining RBOA members voted “Yes” to accept the Minutes, except one abstention.

VI. INVESTMENTS

1. **Portfolio Performance Review**

- a. Cary Allison of Morgan Stanley Wealth Management (MS) reviewed the performance of the Trust’s Long-Term and Short-Term fiduciary accounts as of March 31, 2016.
- b. The Long-Term Portfolio Value as of March 31, 2016 was **\$43,788,298.72**.
- c. The Short-Term Portfolio Value as of March 31, 2016 was **\$811,294.88**.

Time weighted return net of fees – Long-term Fiduciary Account

Month to Date	Quarter to Date	Year to Date	Latest 1 Year	Annualized latest 3 Year	Annualized latest 5 Year	Annualized Inception to Date
5.94	0.96	.096	-2.62	4.53	4.66	8.89

Time weighted return net of fees – Short-term Fiduciary Account

Month to Date	Quarter to Date	Year to Date	Latest 1 Year	Annualized latest 3 Year	Annualized latest 5 Year	Annualized Inception to Date
3.25	1.25	1.25	-1.74	2.29	8.82	10.54

- d. Cary pointed out that on December 28, 2015 the Royce Fund was replaced with the Undiscovered Managers Funds Behavioral Value Ins. Fund due to performance. Funds are changed when Morgan Stanley feels it's in the District's best interest.
- e. The question was asked why the annualized Long-term Account eroded over the last three and five years.
- f. Cary explained we are in a slower growth economic environment globally. Morgan Stanley is left with a dilemma. Do they stretch and take higher risks to get higher returns or do they not?
- g. Scott Rankin stated that this is a long term investment program and it's not prudent to chase high rates of return given that the Investment Policy Statement and California law requires us to take so many more things into account. Must be diversified and have to manage to the benefit of employees, so we can't take a risk in order to chase a number.
- h. Mark Newton asked if there was a measure they can use like the rate of inflation that would tell them how their costs are increasing and how they can adjust.
- i. Cary suggested adding a CPI + index (i.e. measure of inflation + 3%)
- j. Scott will be adding CPI + 3% in indexes.
- k. Mark Newton motioned to approve and add CPI + 3% in indexes. David Yancey seconded. The remaining RBOA members voted "Yes" to approve and add CPI + 3% in indexes.

2. Market Overview

- a. Cary Allison of Morgan Stanley explained that global risk markets were highly volatile in the first quarter of 2016. The worst January in global stock market history gave way to a retracement in February and March, leaving US stockowners about even, and international positions down about 3% to 5% in US dollar terms. Investors grappled with fears of a global recession, ineffective central bank policy, a China-driven currency war and declining oil prices. For the quarter, gold, emerging market equities and REITs posted the strongest returns.
- b. The Department of Commerce estimated that Gross Domestic Product increased at an annual rate of 1.4% in the fourth quarter of 2015, in comparison to a 2.0% increase in the third quarter of 2015. Morgan Stanley & Co. economists forecast U.S. Real GDP will be 1.7% in 2016 and 1.6% in 2017.
- c. Inflation remained low in the U.S. According to the Bureau of Labor Statistics, the seasonally adjusted Consumer Price Index was flat in January and decreased 0.2% in February. Morgan Stanley & Co. economists forecast a 1.2% inflation rate for 2016 and 1.9% for 2017. Morgan Stanley does not feel the country will go into a recession. They just feel as if we are in a slow growth economy.

- a. This item is information.
- 3. Investment Policy Statement Review**
 - a. Scott Rankin went over the Investment Policy Statement.
 - b. The question was asked when was the last time a Risk Tolerance Questionnaire was done and is it time to go through the exercise at the next RBOA meeting.
 - c. The last time was October 2012.
 - d. Scott Rankin commented that the District has done well and he doesn't think any adjustments are needed at this time.
 - e. Mark Newton asked a question regarding Trump vs. Clinton. Which way is Wall Street running?
 - f. Cary Allison responded the market has not reacted to politics yet because we don't know who the candidates will be. It's hard to tell how it will affect the market at this point.
 - g. David Yancey Motioned to reaffirm the Investment Policy Statement as presented, Motion was seconded by Mark Newton. The remaining RBOA members voted "Yes" to accept the investment policy statement.

VII. ADMINISTRATION

1. The District's OPEB Plan Independent Auditor's Report

- a. The Auditor's report was received by the Board of Trustees as an action item at the January 12, 2016 board meeting.
- b. This is the last report that will be done by Crowe Horwath LLP. A new firm was hired, CWDL.
- c. This item is information only.

2. Disbursement Report

- a. A Trust disbursement report reflecting fiduciary withdrawals and fees paid to Keenan, BTC & Morgan Stanley for the period October 8, 2015-March 11, 2016 was presented.
- b. David Yancey Motioned to ratify the fee and withdrawal schedules for the period, Motion was seconded by Mark Newton. The remaining RBOA members voted "Yes" to ratify the fee and withdrawal schedules for the period.

3. Transfer of Assets

- a. The RBOA pre-authorized \$1 million to move from the long-term account to the short-term account around June 2016.
- b. The RBOA discussed authorizing another \$1 million to move around October 2016
David Yancey Motioned to authorize the move of an additional \$1 million from long-term to short-term around October 2016, Motion was seconded by Mark Newton. The remaining RBOA members voted "Yes" to move additional \$1 million.

4. Retiree Health Benefits Reimbursement Expenses.

- a. The RBOA reviewed list of itemized expenditures associated with Retiree Health Benefits in relation with GASB 43/45 compliance and the Management/Operations of the District's OPEB Investment Trust for Plan Year January 1, 2015 to December 31, 2015.
- b. This item is information only.

5. Retiree Benefit Cost Data for Fiscal Year 2016-2017.

- a. The RBOA reviewed the rate schedules associated with Retiree Health Benefit costs for fiscal year 2016-2017.
- b. This item is information only.

6. Annual Report to the Governing Board of Trustees Update

- a. The Annual Report on the status of the Trust will be presented to the San Jose/Evergreen Community College Board of Trustees at their meeting of May 10, 2016.
- b. Cary Allison will be present at the meeting.
- c. This is information only.

7. Private Letter Ruling Update.

- a. Amy Donovan, Esq., Keenan & Associates, VP of Legislative & Regulatory Affairs, joined meeting via telephone.
- b. Gail Beal commented that Keenan hired an attorney to take the application to the IRS and we've received nothing. Amy is in contact with a different attorney who has contacts with the IRS. She has 30 years of experience and deep relationships with persons in the IRS. The new attorney can speak on the District's behalf if she has Power of Attorney.
- c. There is no cost to the District.
- d. The RBOA agreed to sign Power of Attorney.
- e. Amy Donovan will send Power of Attorney to Peter Fitzsimmons for signature.
- f. This is information only.

VIII. INFORMATION REPORTS

1. Retirement Board of Authority Comments

- a. No comments.
- b. This is information only.

2. Program Coordinator/Consultant Comments

- a. No comments.
- b. This is information only.

IX. DATE, TIME AND AGENDA ITEMS FOR NEXT MEETING

- a. The next RBOA meeting will take place on October 27, 2016 1:00 PM-3:00 PM.
- c. This is information only.

X. ADJOURNMENT

- a. Motion to adjourn the meeting was made by David Yancey at 2:30 PM; Motion was seconded by Phil Crawford.

MINUTES

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

October 27, 2016

1:00 PM–3:00 PM

I. CALL TO ORDER

1. The meeting was called to order at 1:10 PM by Peter Fitzsimmons.

IV. APPROVAL OF AGENDA (Item moved before Roll Call)

1. Douglas Smith Motioned to approve the Agenda as presented; Motion was seconded by Maria Holguin and was unanimously approved by all of the Retirement Board of Authority members present.
2. **Private Letter Ruling Application Update (Item moved before Roll Call)**
 - a. Amy Donovan, Esq., Corporate Legal Department, Keenan & Associates joined meeting via telephone to discuss this item.
 - b. Amy advised the Board that a new Private Letter Ruling attorney has been hired.
 - c. A pdf draft will be sent to RBOA members and Peter Fitzsimmons will review and sign for Amy.
 - d. Amy said Keenan paid the new IRS application fees.
 - e. Amy also said approval should take approximately six months.
 - f. This item is information only.

II. ROLL CALL

1. All Retirement Board of Authority (RBOA) members were present except Kim Garcia, David Yancey and Yolanda Talavera. Alternate Barbara Hanfling was also absent:
Douglas Smith, Vice Chancellor, Administrative Services
Peter Fitzsimmons, Executive Director, Fiscal Services
Mark Newton, Faculty and Member, AFT 6157
Phil Crawford, Retired Faculty and Member, AFT 6157
Maria Holguin, Staff and Member, CSEA Chapter 363
Arlene Amelia, Retired Staff and Former Member CSEA, Chapter 363
Elaine Chapman (Alternate), Staff and Member CSEA, Chapter 363
2. All Coordinators/Consultants were present except Gail Beal:
Roslyn Washington, Senior Account Manager, Keenan Financial Services
Cary Allison, Senior Vice President, Morgan Stanley Wealth Management
Scott Rankin, Senior Vice President, Benefit Trust Company
3. Guest Linda Wilczewski, San Jose Evergreen CCD Controller was also present.

III. PUBLIC COMMENTS

1. There were no public comments.
2. This item is information only.

IV. APPROVAL OF AGENDA (moved before Roll Call)

V. APPROVAL OF MINUTES

1. Send a clear copy of minutes to Peter Fitzsimmons for posting.
2. Peter Fitzsimmons Motioned to approve the Minutes as presented; Motion was seconded by Douglas Smith and was unanimously approved by all of the Retirement Board of Authority members present.

VI. INVESTMENTS

1. Portfolio Performance Review

- a. Cary Allison of Morgan Stanley Wealth Management (MS) reviewed the performance of the Trust's Long-Term and Short-Term fiduciary accounts as of September 30, 2016.
- b. The Long-Term Portfolio Value as of March 31, 2016 was **\$44,352,479.90**.
- c. The Short-Term Portfolio Value as of March 31, 2016 was **\$638,274.08**.

Time weighted return net of fees – Long-term Fiduciary Account

Month to Date	Quarter to Date	Year to Date	Latest 1 Year	Annualized latest 3 Year	Annualized latest 5 Year	Annualized Inception to Date
0.58	4.59	7.02	9.96	5.10	8.44	9.12

Time weighted return net of fees – Short-term Fiduciary Account

Month to Date	Quarter to Date	Year to Date	Latest 1 Year	Annualized latest 3 Year	Annualized latest 5 Year	Annualized Inception to Date
0.17	2.59	5.51	6.74	3.75	10.32	10.40

- d. ACWI Ex US is far better than the EAFE because it includes emerging markets and they have done very well this past year.
- e. The CPI+3% is the index on inflation. This index has done average. CPI has been very low, but it's starting to do better.
- f. Mark Newton Motioned to approve the Portfolio Performance Review as presented; Motion was seconded by Douglas Smith and was unanimously approved by all of the Retirement Board of Authority members present.

2. Market Overview

- a. Cary Allison gave an overview of the Markets since the last RBOA meeting.
- b. Cary said people ask why are we growing. We really don't know because earnings follow growth and we really have not had any real earnings growth in 2-3 years. Also, economic data has gotten better. We think the US is consistently still in the 1.5-2.0% growth. Growth here in the Bay area is far better because this area has more technology.
- c. This quarter is going to be better than the last.
- d. Risk Markets emerged from June's historic Brexit vote with a vengeance, surging to new highs in the beginning of July and holding those gains

through the end of the third quarter. Japanese and emerging market equities were the top performers across asset classes, registering returns more than double that of the S&P 500. The laggards for the quarter included commodities and managed futures. For the one-year period ended September 30, 2016, Global REITs and emerging market debt and equities generated the strongest returns.

- e. With the relatively quiet third quarter, the market is now gearing up for the uncertainty that the US Presidential election and the US Federal Reserve meeting may bring. While there may be some short-term market volatility surrounding these events, the GIC does not believe they will derail the gains risk markets have made year to date.
- f. The Dow Jones Industrial Average increased 2.8% in the third quarter. The NASDAQ Composite Index was up 10% for the quarter. The S&P 500 Index increased 3.9% for the quarter.
- g. Seven of the 10 sectors within the S&P 500 generated positive returns in the third quarter of 2016. The top-performing sector was Technology, which was up 12.9%. Financials rose 4.6% and was also among the top-performing sectors. The biggest laggards were Utilities, which decreased 5.9%, and Telecom, which fell 5.6%.
- h. In the third quarter, emerging markets and international developed regions both delivered positive returns.
- i. The bond market registered positive returns during the third quarter.
- j. MS economists expect U.S. real GDP will be 1.7% in 2016 and 1.5% in 2017. They forecast global GDP growth to be 2.9% in 2016 and 3.2% in 2017.
- k. After posting strong second quarter returns, commodities registered negative returns in the third quarter.
- l. Mark Newton asked if they should consider adjusting their risk considering the 7% objective is far-fetched. Cary said we can definitely ask the actuary to run different scenarios with 2-3 discount rates.
- m. Peter Fitzsimmons mentioned the need to consider expenses with the increases at Blue Cross.
- n. This item is information only.

VII. ADMINISTRATION

1. Annual Reporting on the Status of the Trust

- a. Roslyn Washington presented the Annual Report on the Status of the Trust.
- b. Mark Newton Motioned to ratify the Annual Report on the Status of the Trust; Motion was seconded by Phil Crawford and was unanimously approved by all of the Retirement Board of Authority members present.

2. Disbursement Report

- a. Roslyn Washington presented a Trust disbursement report reflecting fiduciary withdrawals and fees paid to Keenan, BTC & Morgan Stanley for the period April 28, 2016-October 27, 2016.
- b. Phil Crawford Motioned to ratify the Disbursement Report for the period as presented, Motion was seconded by Mark Newton and was unanimously approved by all of the Retirement Board of Authority members present.

3. **Updating the “Substantive Plan” Annually, an Essential Component of the Comprehensive Compliance Plan**
 - a. Roslyn Washington addressed the RBOA and advised that the Service Rep. worked with the District to gather information to update the Substantive Plan for the fiscal year ended June 30, 2016.
 - b. This item is information only.
4. **Annual Report to the Governing Board of Trustees Update**
 - a. Peter Fitzsimmons and Cary Allison presented the Annual Report to the Governing Board of Trustees at their May 10, 2016 meeting.
 - b. This item is information only.
5. **Transfer of Assets**
 - a. Transfer from the Long Term Trust to the Short Term Trust happens when funds in the Short Term Trust are low.
 - b. A Transfer Request Form was signed by the RBOA and will be sent to BTC as needed.
 - c. Phil Crawford Motioned to ratify the Transfer of Assets presented, Motion was seconded by Arlene Amelia and was unanimously approved by all of the Retirement Board of Authority members present.
6. **Private Letter Ruling Update. (Moved before Roll Call)**

VIII. INFORMATION REPORTS

1. **Retirement Board of Authority Comments**
 - a. No comments.
 - b. This is information only.
2. **Program Coordinator/Consultant Comments**
 - a. No comments.
 - b. This is information only.

IX. DATE, TIME AND AGENDA ITEMS FOR NEXT MEETING

- a. April 27, 2017 1:00 PM-3:00 PM. EVC Library
- b. Include the following items on Agenda:
 1. Private Letter Ruling Update
 2. Consolidated Report
 3. Actuarial Valuation Study Update – RBOA make a recommendation to the District on Discount Rate. This will be an action item.
- c. This is information only.

X. ADJOURNMENT

- a. Motion to adjourn the meeting was made by Maria Holguin; Motion was seconded by Arlene Amelia.