

District Retirement Board

201+ Minutes

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MINUTES

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

April 27, 2017
1:00 PM–3:00 PM

I. CALL TO ORDER

1. The meeting was called to order at 1:15 PM by Peter Fitzsimmons.

II. ROLL CALL

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

III. PUBLIC COMMENTS

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

IV. APPROVAL OF AGENDA

1. Douglas Smith Motioned to approve the Agenda as presented; Motion was seconded by Kim Garcia and was unanimously approved by all of the Retirement Board of Authority members present.

V. APPROVAL OF MINUTES

1. Phil Crawford Motioned to approve the Minutes as presented; Motion was seconded by Yolanda Talavera 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 (MS) reviewed the performance of the Trust's Long-Term and Short-Term fiduciary accounts as of March 31, 2017.
- b. The Consolidated Portfolio Value as of March 31, 2017 was **\$45,469,421.99**

Time weighted return net of fees

Month to Date	Quarter to Date	Year to Date	Latest 1 Year	Annualized latest 3 Year	Annualized latest 5 Year	Annualized Inception to Date
0.75	4.55	4.55	10.84	4.38	6.47	8.98

- c. Cary Allison discussed the fact that April has been a good month so far.
- d. The board transferred \$1M from Long-Term to Short-Term and the Long-Term Account has made up that million thus far.
- e. Peter Fitzsimmons reminded the board that the Target Rate of Return is 7.88%. He also noted that another actuarial study is due. Two years ago the actuary was reluctant to use the 7.88% as the Discount Rate; however, when pointed out the annualized inception to date exceeded 7.88% they used it.
- f. Douglas Smith Motioned to approve the Portfolio Performance Review as presented; Motion was seconded by Phil Crawford 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. Risk markets globally continued to gain in the second quarter of 2017. Led by international markets, it appears the market is in the midst of the most synchronous global economic upturn since 2009.
- c. The bullish global equity outlook assumes earnings estimates will continue to move higher as the global economic recovery persists.
- d. For the quarter, U.S. equities posted strong performance.
- e. The Dow Jones Industrial Average increased 4.0% in the second quarter, the NASDAQ Composite Index was up 4.2%, and the S&P 500 Index increased 3.1%.
- f. The top performing sector was Health Care, which was up 7.1%. Industrials and Financials rose 4.7% and 4.3%, respectively.
- g. The biggest laggards were Energy, which decreased 6.4% as oil prices continued to decline, and Telecom, which fell 7.1% as delayed tax reform weighed on returns.
- h. While the U.S. had solid performance, the largest returns for the quarter actually came from abroad.
- i. The MSCI Emerging Markets Index increased 6.4% for US-currency investors; with China's 10.7% return (in USD) a clear standout.
- j. The bond market registered positive returns during the second quarter.
- k. Interest rates decreased, as the yield on the 10-year US Treasury note declined to a quarter-end 2.30% from 2.38%.
- l. This item is information only

3. Investment Policy Statement Review

- a. Phil Crawford Motioned to bring this item back to the October meeting once the updated actuarial study was complete; Motion was seconded by Kim Garcia and was unanimously approved by all of the Retirement Board of Authority members present.

VII. ADMINISTRATION

1. Disbursement Report

- a. Roslyn Washington presented a Trust disbursement report reflecting fiduciary withdrawals and fees paid to Keenan, BTC & Morgan Stanley for the period October 27, 2016 – April 27, 2017.
- b. Phil Crawford Motioned to bring back the fees from November 16, 2016 through the entire 2017 year-to-date; Motion was seconded by Kim Garcia and was unanimously approved by all of the Retirement Board of Authority members present.

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

- a. Peter Fitzsimmons discussed the most recent Independent Auditor's Report.
- b. This item is information only.

3. Actuarial Valuation Study Update

- a. Nyhart/Epler will be retained.
- b. They will take into account GASB 74/75. They will continue to use 7.88%. An off-chart study using the 5-yr. rate of 6.5% will also be requested.
- c. The actuary will present the updated study at the next meeting.
- d. This item is information only.

4. Retiree Benefit Cost Data for Fiscal Year 2017-2018

- a. Kim Garcia and Michelle McKay provided rate schedules associate with Retiree Benefit costs for fiscal year 2017-2018. Prescription rates are rising. Kim stated that the District plans to move to SISC in July 2018 and noted the SISC comparison data.
- b. This item is information only.

5. Retiree Health Benefits Reimbursement Expenses

- a. Peter Fitzsimmons reviewed the Retiree Health Benefit Expenses per vendor for Calendar Year 2016.
- b. This item is information only.

6. Transfer of Assets

- a. Peter Fitzsimmons reviewed the projected ending monthly balances and recommended authorization to make three \$1M transfers from the Long Term Trust to the Short Term Trust on an as-needed basis until the next meeting.
- b. Phil Crawford Motioned to ratify the Transfer of Assets presented; Motion was seconded by Kim Garcia and was unanimously approved by all of the Retirement Board of Authority members present.

7. Private Letter Ruling Application Update

- a. Gail Beal gave an update on the Private Letter Ruling.
- b. There is a \$28,000 cost to apply for each client. Keenan is contracted to pay this application fee for the District.
- c. This item is information only.

8. Annual Report to the Governing Board of Trustees Update

- a. The Annual Report regarding the status of the District's Public Entity Investment Trust will be presented to the Governing Board of Trustees at their May 9, 2017 meeting.
- b. Gail Beal will provide the draft report to the RBOA membership for review and approval.
- c. This item is information only.

VIII. INFORMATION REPORTS

1. Retirement Board of Authority Comments

- a. Peter Fitzsimmons advised that David Yancey retired.
- 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. October 26th 1:00 PM– 3:00 PM at Evergreen Valley College
- b. This is information only.

X. ADJOURNMENT

- a. Kim Garcia Motioned to adjourn the meeting; Motion was seconded by Maria Holguin.

MINUTES

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

October 26, 2017
1:00 PM–3:00 PM

I. CALL TO ORDER

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

II. ROLL CALL

1. **All Retirement Board of Authority (RBOA) members were present except Phil Crawford:**

Douglas Smith, Vice Chancellor, Administrative Services

Kim Garcia, Vice Chancellor, Human Resources

Peter Fitzsimmons, Executive Director, Fiscal Services

Bill Jacobs, Faculty and Member, AFT 6157

Chris Frazier, Faculty and Member, AFT 6157

Yolanda Talavera, Staff and Member, CSEA Chapter 363

Maria Holguin, Staff and Member, CSEA Chapter 363

Arlene Amelia, Retired Staff and Former Member CSEA, Chapter 363

2. **All Coordinators/Consultants were present:**

Gail Beal, Senior Vice President, Keenan Financial Services (via phone)

Roslyn Washington, Senior Account Manager, Keenan Financial Services

Cary Allison, Senior Vice President, Morgan Stanley

Scott Rankin, Senior Vice President, Benefit Trust Company (via phone)

3. **Guests:**

Elaine Chapman, Staff and Member, CSEA, Chapter 363 (Alternate)

Marilyn Jones, Nyhart Consulting Actuary

4. **Other:**

Linda Wilczewski, San Jose Evergreen CCD Controller

III. PUBLIC COMMENTS

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

IV. APPROVAL OF AGENDA

1. Douglas Smith Motioned to approve the Agenda as presented; Motion was seconded by Kim Garcia and was unanimously approved by all of the Retirement Board of Authority members present.

V. APPROVAL OF MINUTES

1. Kim Garcia Motioned to approve the Minutes as presented; Motion was seconded by Yolanda Talavera and was unanimously approved by all of the Retirement Board of Authority members present.

IV. ADMINISTRATION

1. Welcome of New Members

- a. The Retirement Board of Authority recognizes the newly appointed members from AFT 6157, Bill Jacobs and Chris Frazier.
- b. This item is information only.

2. Retirement Board of Authority - Election of a Chair

- a. Kim Garcia nominated Peter Fitzsimmons as Chair; Motion was seconded by Douglas Smith and was unanimously approved by all of the Retirement Board members present.

3. Retirement Board of Authority - Election of Vice-Chair

- a. Douglas Smith nominated Elaine Chapman as Vice-Chair; Motion was seconded by Kim Garcia and was unanimously approved by all of the Retirement Board members present.

4. RBOA Bylaws Review

- a. Update the address in Sec. 2.14.
- b. Kim Garcia Motioned to approve the RBOA Bylaws with changes; Motion was seconded by Maria Holguin and was unanimously approved by all of the Retirement Board members present.

5. Annual Reporting on the Status of the Trust

- a. Peter Fitzsimmons presented the Annual Report on the Status of the Trust.
- b. Kim Garcia Motioned to ratify the Annual Report on the Status of the Trust; Motion was seconded by Maria Holguin and was unanimously approved by all of the Retirement Board of Authority members present.

6. Disbursement Report

- a. Peter Fitzsimmons explained the Trust disbursement report reflecting fiduciary withdrawals and fees paid to Keenan, BTC & Morgan Stanley for the period April 2017 - October 2017.
- b. Kim Garcia Motioned to ratify the Disbursement Report for the period as presented; Motion was seconded by Yolanda Talavera and was unanimously approved by all of the Retirement Board of Authority members present.

7. 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, 2017.
- b. Peter Fitzsimmons gave an overview.

- c. This item is information only.

8. Annual Report to the Governing Board of Trustees Update

- a. Peter Fitzsimmons gave an overview of the Annual Report to the Governing Board of Trustees at their May 9, 2017 meeting.
- b. This item is information only.

9. Actuarial Valuation Study Update

- a. Marilyn Jones of Nyhart presented the Actuarial Valuation as of June 30, 2017. She said the plan has an excess funding of \$11M and an increase in cost of \$5M.
- b. Marilyn also pointed out the rate of return is \$7.5%, but the discount rate used was 6.5% and there is still an excess of \$8M.
- c. She discussed the new GASB 74/75 standards that were taken into account on the new study. There will be an update in a separate report.
- d. Peter Fitzsimmons gave an overview of the Actuarial Valuation.
- e. This item is information only.

10. 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. Chris Frazier Motioned to move \$2M from the Long Term Trust to the Short Term Trust; Motion was seconded by Arlene Amelia and was unanimously approved by all of the Retirement Board of Authority members present.

11. Private Letter Ruling Application Update

- a. Cary Allison gave a background of the Private Letter Ruling.
- b. Gail Beal gave an update and said Amy Donovan is on weekly calls with the IRS now. The new law firm is diligent and hopefully we will have some resolution by the next RBOA meeting. Keenan will give a monthly update.
- c. This item is information only.

V. INVESTMENTS

1. Portfolio Performance Review

- a. Cary Allison of Morgan Stanley Wealth Management (MS) reviewed the performance of the Consolidated and individual Trust's Long-Term and Short-Term fiduciary accounts as of September 30, 2017.
- b. The Consolidated Portfolio Value as of September 30, 2017 was **\$46,236,072.72.**

Time weighted return net of fees

Month to Date	Quarter to Date	Year to Date	Latest 1 Year	Annualized latest 3 Year	Annualized latest 5 Year	Annualized Inception to Date
1.36	3.36	11.71	11.82	6.22	7.63	9.28

- c. The Consolidated Portfolio Value as of October 26, 2017 was **\$46,503,704**.
- d. Chris Frazier 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 explained the Long Term rates will stay in the current range. They are dependent on growth and inflation. Short Term rates will go up one time this year and two times next year at most.
- c. The Trust has done really well but the expectation is not 11-12% in the next 3-4 years. MS thinks more in the 6-8% rates. Markets are currently trading at about 17 times earnings. We are nowhere near where markets were trading at during the dot com era.
- d. Global equity markets have continued to simply work their way higher this year with no more than a 2% to 3% correction. Economic data remain solid, with the second quarter recording the fastest global GDP growth in more than five years,
- e. We have an initial tax plan from the Republicans that our folks in Washington believe has an 80% chance of getting signed into law in some form.
- f. Equity prices are making all-time highs, with procyclical tilts leading the way – bank, small/mid caps, energy and technology stocks.
- g. Earnings are still up and is the primary reason the market is doing well.
- h. Following a rate hike in December we now see the Federal Reserve raising rates three times in 2018, versus four previously stated.
- i. We see technology as a longer-term disinflationary force. The rise of online retail for a host of goods and services has kicked off price wars and lowered sellers' pricing power. Services line Uber, Amazon and Airbnb have allowed consumers to purchase goods and services at a lower cost but similar quality.
- j. Measures of inflation expectations have fallen in recent years – which we estimate may be weighing on year-over-year growth in core consumer inflation to the tune of about 0.1 percentage points per year.
- k. Japan is where Morgan Stanley & Co.'s economic and strategy forecasts most differ from market consensus – and it is the region where global investor focus and interest appear the lowest.
- l. This item is information only.

3. Investment Policy Statement Review

- a. Scott Rankin presented the Investment Policy Statement.
- b. There was no RTQ. Bring back to the next meeting
- c. Kim Garcia Motioned to accept the Investment Policy Statement pending bringing the RTQ to the next meeting; Motion was seconded by Elaine Chapman and was unanimously approved by all of the Retirement Board of Authority members present.

VI. 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.

VII. DATE, TIME AND AGENDA ITEMS FOR NEXT MEETING

- a. April 26, 2018 1:00 PM-3:00 PM.
- b. Include the following items on Agenda:
 1. Private Letter Ruling Update
 2. Investment Policy Statement Review
- c. Chris Frazier Motioned to approve the Date, Time and Agenda Items for the next meeting; Motion was seconded by Douglas Smith and was unanimously approved by all of the Retirement Board of Authority members present.

X. ADJOURNMENT

- a. Meeting was adjourned at 3:00 PM.