



District Retirement Board of Authority

2018 Minutes

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April 26

October 25

MINUTES

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

April 26, 2018
1:00 PM–3:00 PM

I. CALL TO ORDER

- a. The meeting was called to order at 1:07 PM by Peter Fitzsimmons.

II. ROLL CALL

1. **All Retirement Board of Authority (RBOA) members were present except Chris Frazier and Bill Jacobs:**

Douglas Smith, Vice Chancellor, Administrative Services

Kim Garcia, Vice Chancellor, Human Resources

Peter Fitzsimmons, Executive Director, Fiscal Services

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 except Gail Beal:**

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)

Jennifer Bills, Faculty and Member, AFT 6157 (Alternate)

4. **Other:**

Linda Wilczewski, San Jose Evergreen CCD Controller

Michelle McKay, San Jose Evergreen CCD Benefits Analyst

III. PUBLIC COMMENTS

- a. There were no public comments.
- b. This item is information only.

IV. APPROVAL OF AGENDA

- a. Dan Hawkins 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.

V. APPROVAL OF MINUTES

- a. Doug Smith Motioned to approve the Minutes as presented; Motion was seconded by Arlene Amelia and was unanimously approved by all of the Retirement Board of Authority members present.

VI. WELCOME NEW MEMBERS

- a. The Retirement Board of Authority recognizes the newly appointed members from CSEA Chapter 363, **Dan Hawkins** and from AFT 6157 **Jennifer Bills**.
- b. This item is information only.

IV. INVESTMENTS

5. Portfolio Performance Review

- a. Cary Allison of Morgan Stanley (MS) reviewed the performance of the Consolidated and individual Trust's Long-Term and Short-Term fiduciary accounts as of March 31, 2018.
- b. The Consolidated Portfolio Value as of September 30, 2017 was **\$46,362,321**.

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
-0.43	-0.53	-0.53	9.69	5.83	6.71	9.07

- c. The Consolidated Portfolio Value as of **March 26, 2018 was \$45,575,186**.
 - d. Doug Smith Motioned to approve the Portfolio Performance Review as presented; Motion was seconded by Maria Holguin and was unanimously approved by all of the Retirement Board of Authority members present.
- e. Market Overview**
- a. Cary Allison gave an overview of the Markets since the last RBOA meeting.
 - b. January stocks were almost up 6% for the month.
 - c. The bond market got spooked because of tax reform and inflation data.
 - d. Interest rates went up and the bond market went down. Higher interest rates mean stocks aren't worth as much.
 - e. Tarif talks with China had an effect on the market.
 - f. Last year stocks were up 15%, we are estimating they will be up 8% this year.
 - g. New technology is driving down cost.
 - h. We made one change in the portfolio. We moved real estate funds % to global equities.
- f. Investment Policy Statement Review**
- a. Peter discussed the history of what the target rate of return is and why it was changed.
 - b. Wants to change the target rate of return to 6.5% to correlate to the Discount Rate being used in the actuarial study.
 - c. Cary Allison said the projections at Morgan Stanley are much lower for the next three to five years, because we don't think it will produce.
 - d. Cary agreed that San Jose Evergreen should combine their accounts and reduce the target rate of return. .
 - e. Linda Wilczewski asked how the portfolio would change. Cary said we still like stocks over bonds, but with fewer stocks your returns will be less. You will also avoid larger loss if a big correction happens.

- f. Scott Rankin will redraft the IPS and close the second account. Once complete he will email to Peter to obtain signature of all RBOA members.
- g. Roslyn Washington will update withdrawal and transfer forms.
- h. Doug Smith motioned to accept the Investment Policy Statement pending Scott's changes; Motion was seconded by Arlene Amelia and was unanimously approved by all of the Retirement Board of Authority members present.

VII. EDUCATION

- a. Cary discussed that we have had quite a run in the market, so things are costly and projected returns are lower on the bond side if interest rates go up so do bonds projected rates. Please read the handout included with the meeting material and contact Morgan Stanley with any questions.
- b. This is an information item only.

IX. ADMINISTRATION

8. Disbursement Report

- a. Trust disbursement report reflecting fiduciary withdrawals and fees paid to Keenan, BTC & Morgan Stanley for the period November 2017 - April 2018.
- b. Danny Hawkins Motioned to ratify the fees for the period as presented; Motion was seconded by Kim Garcia and was unanimously approved by all of the Retirement Board of Authority members present.

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

- a. RBOA discussed the most recent independent auditor's report.
- b. This is an information item only.

10. Retiree Benefit Cost Date for Fiscal Year 2018-2019

- a. Kim Garcia and Michelle McKay provided rate schedules associated with retiree benefit costs for fiscal year 2018-2019
- c. This is an information item only.

11. Retiree Health Benefits Reimbursement Expenses

- a. the RBOA reviews a list of itemized expenditures associated with retiree health benefits.
- b. This is an information item only.

12. Updating the "Substantive Plan" Annually, an Essential Component of the Comprehensive Compliance Plan

- a. Roslyn Washington addressed the RBOA and worked with the District to gather information to update the Substantive Plan for the fiscal year ended June 30, 2018.
- b. Information on question #10 was corrected by the RBOA .
- c. We will update the Electronic Library with the revised questionnaire.
- d. This item is information only.

13. Transfer of Assets

- a. The Long Term & Short Term Accounts will be combined into one account
- b. No action taken

14. Private Letter Ruling Application Update

- a. An update on the Private Letter Ruling was given to the RBOA.
- b. Roslyn Washington advised the RBOA that PLR was approved by the IRS.

15. RBOA Bylaws Review

- a. Proposed language updates were presented by Roslyn Washington replacing any reference to GASB 43/45 with GASB 74/75 and deleting irrelevant language like the ARC, which is no longer used with the new GASB requirements.
- b. Danny Hawkins Motioned to approve the RBOA Bylaws with proposed changes; Motion was seconded by Kim Garcia and was unanimously approved by all of the Retirement Board members present.

16. 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 June 12th, 2018 meeting.
- b. This item is information only.

X. INFORMATION REPORTS

17. Retirement Board of Authority Comments

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

18. Program Coordinator/Consultant Comments

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

XI. DATE, TIME AND AGENDA ITEMS FOR NEXT MEETING

- a. **October 25, 2018 1:00 PM-3:00 PM.**
- b. Danny Hawkins Motioned to approve the Date, Time for the next meeting; Motion was seconded by Douglas Smith and was unanimously approved by all of the Retirement Board of Authority members present.

XII. ADJOURNMENT

- a. Meeting was adjourned 2:47 PM.

MINUTES

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

October 25, 2018
1:00 PM–3:00 PM

I. CALL TO ORDER

- a. The meeting was called to order at 1:12 PM by Peter Fitzsimmons.

II. ROLL CALL

1. **All Retirement Board of Authority (RBOA) members were present except Chris Frazier and Maria Holguin:**

Douglas Smith, Vice Chancellor, Administrative Services

Peter Fitzsimmons, Executive Director, Fiscal Services

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 except Gail Beal:**

Roslyn Washington, Senior Account Manager, Keenan Financial Services

Cary Allison, Senior Vice President, Morgan Stanley

Mark Payne, Morgan Stanley Advisor

Scott Rankin, Senior Vice President, Benefit Trust Company

3. **Guests:**

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

Paul Fong, Faculty and Member, AFT 6157 (Alternate)

4. **Other:**

Linda Wilczewski, San Jose Evergreen CCD Controller

III. PUBLIC COMMENTS

- a. There were no public comments.

IV. APPROVAL OF AGENDA

- a. Dan Hawkins Moved to approve the Agenda as presented; Motion was seconded by Doug Smith and was unanimously approved by all of the Retirement Board of Authority members present.

V. APPROVAL OF MINUTES

- a. Danny Hawkins Moved to approve the Minutes as presented; Motion was seconded by Doug Smith and was unanimously approved by all of the Retirement Board of Authority members present. Paul Fong Abstained

VI. INVESTMENTS

5. Portfolio Performance Review

- a. Cary Allison of Morgan Stanley (MS) reviewed the performance of the accounts as of **September 30, 2018**.
- b. The Portfolio Value as of September 30, 2018 was **\$45,190,198.61**

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
-0.25	1.70	2.55	5.90	9.24	6.60	9.07

- c. Elaine Chapman Moved to approve the Portfolio Performance Review as presented; Motion was seconded by Paul Fong and was unanimously approved by all of the Retirement Board of Authority members present.

6. Market Overview

- a. Cary Allison gave an overview of the Markets since the last RBOA meeting.
- b. Why have we seen a correction? The District is worried about earnings growth next year. This year Earnings have been up 20-25% over last year. We are also concerned about tariffs. We don't think there will be a trade war, but the fear is still affecting the market.
- c. We think they are raising rates because they are afraid of inflation.
- d. With the 10-year US Treasury yield rising more rapidly and piercing 3% for the first time since 2011, stocks have started to struggle in a way investors haven't had to face in a long time.
- e. Rising interest rates have reached a point at which they have become a constraint on valuations.
- f. Gross domestic product is up to 4.2%. Morgan Stanley feels the GDP will hit 3% and we are not too concerned about inflation.
- g. The Federal Reserve has been the largest buyer of treasuries. You would think the cost of treasuries would go down, but it hasn't yet.
- h. Cary also advised that short term rates are controlled by the Federal Reserve. Last year they raised interest rates 1x. This year rates have been raised 2x's and we expect them to raise another two more times this year and 2-4 more times next year.
- i. Stocks are still controlled by earnings. Earnings are still doing very well.
- j. The mid-term elections should bring a positive effect in the market. Historically markets have always done well in the 12 months following mid-term elections.
- k. This item is information only.

7. Investment Policy Statement

- a. The Retirement Board of Authority (RBOA) was presented with a final copy of the IPS showing the changes to the Target Rate of Return that was made and approved By the RBOA at the April 2018 meeting.
- b. This was an Information Item Only.

IX. ADMINISTRATION

8. Election of Chair of the Retirement Board of Authority (RBOA)

- a. Doug Smith nominated Dan Hawkins to serve as Chair of the RBOA, motion was seconded by Arlene Amelia and approved by all RBOA members.

9. Review of Board Resolution 091118-3

- a. Peter Fitzsimmons presented a new Resolution signed by the SJECCD Board of Trustees showing the change in title names to represent the RBOA.
- b. This was an Information item only.

10. Annual Report on the Status of the Trust

- a. Trust disbursement report reflecting fiduciary withdrawals and fees paid to Keenan, BTC & Morgan Stanley for the period April 2018 - October 2018.
- b. Dan Hawkins Motioned to ratify the fees for the period as presented; Motion was seconded by Phil Crawford and was unanimously approved by all of the Retirement Board of Authority members present.

11. Disbursement Report

- a. Trust disbursement report reflecting fiduciary withdrawals and fees paid to Keenan, BTC & Morgan Stanley for the period November 2017 - April 2018.
- b. Phil Crawford Motioned to ratify the fees for the period as presented; Motion was seconded by Dan Hawkins and was unanimously approved by all of the Retirement Board of Authority members present.

12. Update to the Substantive Plan, including the Comprehensive Compliance Plan

- a. Roslyn Washington of Keenan presented the OPEB Questionnaire and advised the RBOA that there were no significant changes to the Retiree Health Benefits offered in Fiscal Year 2017/2018 in comparison to Fiscal Year 2016/2017.
- b. Roslyn Presented the Retirement Board with a new E-Library.
- c. This was an Information item only.

13. Annual Report to the Governing Board of Trustees

- a. Peter Fitzsimmons advised the RBOA that he and Roslyn Washington of Keenan presented the Board of Trustees with a report on the status of the Trust and the Board acknowledged.

14. Future Transfer of Assets into the Trust

- a. The San Jose/Evergreen Community College District (SJECCD) received a notice of eligibility from Deutsche Bank that the district was eligible to share in an “out of court” settlement between Deutsche Bank and 45 State Attorney General, including the California Attorney General. The Settlement Agreement describes the details of an investigation by the State Attorneys General concerning alleged violation of various state and federal antitrust laws, unfair and deceptive acts and practices laws, false claims statutes, commodities and securities laws, and fraud statutes, by Deutsch Bank and others regarding London Interbank Offered Rate (“LIBOR”),

- and financial instruments
- b. This was an Information item only.

X. INFORMATION REPORTS

Retirement Board of Authority Comments

- a. No comments.

Program Coordinator/Consultant Comments

- a. No comments.

XI. DATE, TIME AND AGENDA ITEMS FOR NEXT MEETING

- a. April 25, 2019 (1:30pm – 3:00pm) at San Jose City College

XII. ADJOURNMENT

- a. Meeting was adjourned at 2:15 pm by Peter Fitzsimmons in memory of former Retirement Board of Authority member Mark Newton