

MINUTES

VENTURA COUNTY COMMUNITY COLLEGE DISTRICT RETIREMENT BOARD OF AUTHORITY MEETING SEPTEMBER 16, 2015 3:00 PM- 5:00 PM

VENTURA COUNTY COMMUNITY COLLEGE
DISTRICT BOARD ROOM
255 WEST STANLEY AVENUE, SUITE 150
VENTURA, CA. 93001
(805) 652-5500

I. CALL TO ORDER

The Retirement Board of Authority (RBOA) meeting was called to order at 3:01 PM by RBOA chair Dave Keebler.

Roll-call was conducted with all members of the Retirement Board of Authority (RBOA) reporting their presence except RBOA member **Steve Hall** who was unable to attend. All core “service entity” representatives advised of their attendance at the meeting. Account Executive/Keenan Consultant **Sharen Stanek-Lowe** joined the meeting in an observatory capacity.

II. ROLL CALL

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

Interim Vice Chancellor, Business & Administrative Services
Vice Chancellor, Human Resources
Director of Fiscal Services
Director of Human Resources Operations
American Federation of Teachers Local 1828/AFL-CIO
Service Employee International Union Local 99

Dave Keebler
Michael Shanahan
Emily Day
Gary Maehara
Steve Hall
Larry Maher

PROGRAM COORDINATOR:

Senior Vice President, Keenan Financial Services
Account Manager, Keenan Financial Services

Gail Beal
Roslyn Washington

CONSULTANTS:

Morgan Stanley Wealth Management (MS)
Benefit Trust Company (BTC)

Cary Allison
Scott Rankin

OTHERS:

Account Executive/Keenan Consultant

Sharen Stanek-Lowe

II. PUBLIC COMMENTS

There were no public comments or inquiries.

IV. APPROVAL OF AGENDA

A motion was made by RBOA member Emily Day to approve the Agenda as presented. The motion was seconded by RBOA member Gary Maehara and was unanimously carried by a roll-call of the RBOA membership present.

V. APPROVAL OF MINUTES

A motion was made by RBOA member Emily Day to approve the Minutes from the previous meeting on **April 21, 2015** as presented. The motion was seconded by RBOA member Gary Maehara and was unanimously carried by a roll-call of the RBOA membership present. RBOA chair Dave Keebler abstained advising that he was not present at the April 21, 2015 meeting.

VI. INVESTMENTS

PORTFOLIO PERFORMANCE REVIEW

Cary Allison of Morgan Stanley Wealth Management (MS), provided an overview of the District's Public Entity Investment Trust Account Change in Portfolio, Asset Allocation, and Time Weighted Return (Gross and Net of Fees) for period ending August 31, 2015. As of August 31, 2015, the District's Investment Trust portfolio had an allocation of 40.4% in fixed income funds and 59.6% in equity funds (equity funds comprised 39.6% in domestic equity and 20.0% in international equity). The value of the portfolio as of December 31, 2014 was \$16,015,550.12 and with contributions of \$803,987.08.00, the value of the portfolio as of August 31, 2015 is \$16,585,019.39. The August 31, 2015 portfolio value represents an Annualized Inception to Date net rate of return of 4.65% compared to the Barclays Aggregate of 3.57%; the Barclays Global Agg Bd. Unhedged of 0.81%; the MSCI EAFE of 3.45%; the MSCI ACWI Ex US Net of 0.79%; the S&P 500 Adj for Divs of 11.76%; the 50% MSCI ACWI/50% Barclays Agg of 4.81%. The investment results for the last (1) year show a net decrease of -3.14% versus the Barclays Aggregate of 1.56%; the Barclays Global Agg Bd. Unhedged of -6.46%; the MSCI EAFE of -7.47%; the MSCI ACWI Ex US Net of -12.36%; the S&P 500 Adj for Divs of 0.50% and the 50% MSCI ACWI/50% Barclays Agg of -2.28%. The annualized latest three (3) year results reflect a net increase of 5.82% versus the Barclays Aggregate of 1.53%; the Barclays Global Agg Bd. Unhedged of -1.35%; the MSCI EAFE of 8.53%; the MSCI ACWI Ex US Net of 5.26%; the S&P 500 Adj for Divs of 14.32% and the 50% MSCI ACWI/50% Barclays Agg of 5.53%. The current dividend yield on the District's Investment Trust portfolio fixed income investments was 3.6% while the current dividend yield on the aggregated portfolio was 2.2%.

To illustrate how August 2015 "roiled" the global capital markets, Cary Allison briefly discussed the District's Investment Trust portfolio performance report for July 31, 2015. The July 31, 2015 portfolio performance report showed year-to-date and one-year account returns of 2.49% and 2.75% respectively in contrast to the negative returns for the same periods profiled in the August report. Cary advised that this is the first 10%+ correction in the markets since 2011 and he positioned events in China as the main catalyst but also noted the divergence in the paths of different economy's growth and central bank policies as factors in unsettling global financial markets. Against this back-story, the perspective of taking a long-term disciplined approach to portfolio construction where risk is set at an appropriate level and the portfolio is properly diversified was reinforced.

A motion was made by RBOA member Gary Maehara to accept the Portfolio Performance Review as presented. The motion was seconded by RBOA member Emily Day and was unanimously carried by a roll-call of the RBOA membership present.

MARKET OVERVIEW

In his discussion of the global capital markets, Cary Allison of Morgan Stanley Wealth Management (MS) identified the following market themes:

China's Impact on Global Markets: While noting that the recent correction in the capital markets is not an indication of a global recession, Cary identified events in China as the main catalyst. Cary explained that China has been the growth engine of the world with an annual growth rate of 6%-7% but he believes their growth is currently much lower and in the 3%-4% range. Furthermore, he advised that their currency is pegged to the U.S dollar and their recent currency devaluation reflects China's ambitions for their own reserve currency which must be free flowing and de-pegged from the U.S. dollar. **Stronger U.S. Economy:** Cary advised that the benchmark 10-year Treasury yield is currently at **2.28%** while equivalent offerings in other economies are much lower i.e. in Germany the yield is **.78%**; in Italy the yield is **1.2%**; in France the yield is **1.1%** and in Japan the yield is **.37%**. In this connection, he advised that weaker economies typically provide offerings with higher yields; however, as profiled, yields in the U.S. are currently much higher than in other countries with weaker economies. Cary believes that the U.S economy will continue to grow at a slow but steady trajectory at around **2%-3%** annually. **Long-term Rates to Stay Low/Short-term Rates to Go Up Gradually:** Cary advised that the capital markets are anticipating the Fed will raise short-term rates gradually and towards the end of 2015, Cary anticipates that the Fed will raise short-term rates by **.25%-.50%** but he projects that long-term rates will stay low in the near term. **Inflation not on the Horizon:** Cary anticipates that inflation will continue to stay low and noted that Morgan Stanley's growth projections for the U.S economy is **2.5%** this year and **2.7%** next year and he anticipates global growth of approximately **3.0%** this year. In this connection, he advised that while growth projections in the U.S and globally have recently been revised downward slightly, there is no indication of a global recession.

INVESTMENT POLICY STATEMENT (IPS) UPDATE

As a key component of annual fiduciary governance, Scott Rankin of Benefit Trust Company (BTC) presented an overview of the structural provisions of the Investment Policy Statement (IPS). Scott also reviewed the current Target Rate of Return (TRR) of 7.5% with an additional 0.5% allocated to offset the costs of trust administration and the compliance duties associated with GASB Statement No. 43/45. In this connection, Scott inquired as to whether there were any District cash-flow or budget issues that would cause adjustments to current IPS provisions. The RBOA membership responded by ratifying and affirming the current provisions of the IPS.

A motion was made by RBOA member Michael Shanahan to ratify and reaffirm the current provisions of the District's Investment Policy Statement. The motion was seconded by RBOA member Gary Maehara and was unanimously carried by a roll-call of the RBOA membership present.

VII. EDUCATION

BENEFIT TRUST COMPANY'S DUE DILIGENCE MEETING WITH MORGAN STANLEY

Scott Rankin advised that it is incumbent on Benefit Trust Company (BTC) as Discretionary Trustee for the District's Public Entity Investment Trust Program to periodically perform due diligence on their Investment Advisory partner Morgan Stanley's Investment Advisory Research Consulting Group (CG IAR). Scott explained that CG IAR were formed 40 years ago and are currently tasked with reviewing more than 14,000 separately managed accounts, mutual funds and ETFs and winnowing this expansive catalog to about 300 funds approved for their Focus List. Scott noted that the Focus List provides advisors with a platform of Morgan Stanley's highest conviction strategies and provides the funds used by the District's Investment Trust Program. Using manager search, selection and monitoring disciplines developed and refined over four decades, Scott advised that CG IAR provides a process for continual oversight of the investment managers on the Morgan Stanley's Focus List platform in an effort to ensure that manager strategies meet the highest investment, business and compliance oversight standards. Scott concluded by explaining that BTC's due diligence review reaffirmed his belief in Morgan Stanley's investment research and money-manager monitoring schedules and provides the District's Futuris Program Discretionary Trustee with a superior investment advisory partner.

VIII. ADMINISTRATION

RETIREMENT BOARD OF AUTHORITY (RBOA) CHAIR ACKNOWLEDGEMENT

Roslyn Washington of Keenan Financial Services (KFS) presented the RBOA membership with the provisions of the District's Board of Trustees (BOT) Certified Resolutions 2011:01. Roslyn explained that RBOA membership is based on district titles and advised that the chair of the RBOA is appointed by the provisions of BOT Resolutions 2011:01. Toward this end, the RBOA membership acknowledged and welcomed the District's Interim Vice Chancellor Business & Administrative Services, **Mr. Dave Keebler** as the new chair of RBOA.

ANNUAL REPORTING ON THE STATUS OF THE TRUST

Roslyn Washington of Keenan Financial Services (KFS) presented the RBOA membership with the Annual Report with the District's transmittal letter. Roslyn explained the established processes for promulgating the Annual Report to the District's OPEB Trust beneficiaries.

A motion was made by RBOA member Larry Maher acknowledging that the Annual Report with the District's transmittal letter had been promulgated in July 2015 to the OPEB Trust beneficiaries according to established District protocols. The motion was seconded by RBOA member Michael Shanahan and was unanimously carried by a roll-call of the RBOA membership present.

DISBURSEMENT REPORT

Roslyn Washington of Keenan Financial Services (KFS) explained the period "service-entity" expenses

taken from the Investment Trust for ongoing GASB Statement No 43/45 compliance together with management and operational support duties.

A motion was made by RBOA member Larry Maher ratifying withdrawals and expenses associated with GASB Statement No 43/45 compliance & applicable regulatory mandates together with the management/operational support for period of May 13, 2015 through August 20, 2015. The motion was seconded by RBOA member Gary Maehara 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) advised that the **“OPEB Questionnaire & Due Diligence Form”** had been completed for fiscal year ended June 30, 2015. Roslyn noted that the OPEB Questionnaire & Due Diligence Form had been executed by Gary Maehara; the District’s Director of Human Resource Operations and advised that there are no changes to the Retiree Benefits for Fiscal 2014/2015 in comparison to what was offered in the 2013/2014 fiscal cycle.

FUTURE TRANSFER OF ASSETS INTO THE TRUST

Roslyn Washington of Keenan Financial Services (KFS) presented the RBOA membership with a transaction detail reflecting recent transfers of **\$250,000.00** per quarter to the Investment Trust. The RBOA membership acknowledged and ratified the District transfers and advised that the same deposit schedule is anticipated for fiscal 2015/2016.

GASB ISSUES FINAL OPEB STATEMENTS

Gail Beal of Keenan Financial Services (KFS) reviewed Keenan & Associates July 2015 Briefing on the Final OPEB Statements recently issued by GASB. Gail advised that changes to the accounting/financial reporting components for OPEB liabilities include:

1. A new method for calculating the discount rate.
2. Reporting OPEB liability on the face of the financial statements (Net OPEB liability).
3. Enhanced note disclosures and Required Supplementary Information (RSI).
4. Accelerated recognition of expense (OPEB expense replaces ARC).
5. GASB adopts a new approach whereby accounting and funding components are no longer linked (Under GASB 43/45 accounting equals funding).

Gail concluded by explaining that **GASB Statement No. 74** will replace Statement No 43 and will be effective for periods beginning after **June 15, 2016**. Gail noted that **GASB Statement No 75** will replace Statement No 45 and will be effective for fiscal years beginning after **June 15, 2017**.

IX. INFORMATION

RETIREMENT BOARD OF AUTHORITY COMMENTS

There were not any Retirement Board of Authority (RBOA) comments.

PROGRAM COORDINATOR/CONSULTANT COMMENTS

On behalf of Keenan Financial Services (KFS) as the Futuris Program coordinator, Gail Beal took a moment to express her gratitude to everyone for their participation in a successful meeting.

X. DATE, TIME AND AGENDA ITEMS FOR NEXT MEETING

The next Retirement Board of Authority (RBOA) meeting was scheduled as follows:

- **March 16, 2016: 1:00 PM–3:00 PM.**

XI. ADJOURNMENT

There being no further business to conduct, the Retirement Board of Authority (RBOA) meeting was adjourned at 4:00 PM by Board Chair Dave Keebler.

Americans with Disabilities Act: The Ventura County 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 modifications or accommodation, in order to participate in a public meeting of the Ventura County Community College District Retirement Board of Authority, shall be made to: Mr. Dave Keebler, Interim Vice Chancellor, Business and Administrative Services, Ventura County Community College District, 255 West Stanley Avenue, Suite 150, Ventura, CA. 93001.