

**MINUTES**

**VENTURA COUNTY COMMUNITY COLLEGE DISTRICT  
RETIREMENT BOARD OF AUTHORITY MEETING**

**MARCH 4, 2014  
1:00 PM- 4:00 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 1.05 PM by RBOA Chair Brian Fahnestock.

Roll call was conducted with all members of the Retirement Board of Authority (RBOA) reporting their presence. All Service Organization representatives indicated their presence at the meeting.

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**II. ROLL CALL**

**RETIREMENT BOARD OF AUTHORITY (the "Board") MEMBERS:**

Vice Chancellor, Business and Administrative Services

Brian Fahnestock

Vice Chancellor, Human Resources

Michael Shanahan

Director of Fiscal Services

Mary Anne McNeil

Director of Human Resources Operations (Interim)

Gary Maehara

**PROGRAM COORDINATOR:**

Senior Vice President

Gail Beal

Senior Vice President

Rossanne Wetzel

Account Manager

Roslyn Washington

**CONSULTANTS:**

Morgan Stanley Wealth Management (MS)

Cary Allison

Benefit Trust Company (BTC)

Scott Rankin

**OTHERS**

Ventura County CCD, AFT President

Steve Hall

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**III. PUBLIC COMMENTS**

Steve Hall, president of the AFT indicated his presence at the meeting and made suggestions relative to the positioning the District's OPEB Investment Trust portfolio with a more conservative allocation strategy; the expansion of constituencies represented on the Retirement Board of Authority and anticipated schedules for

withdrawals from the Investment Trust to meet retiree premium payment requirements.

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**IV. APPROVAL OF AGENDA**

The Agenda platform for this Retirement Board of Authority (RBOA) meeting was reviewed and approved as a consent item.

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**V. APPROVAL OF MINUTES**

The Minutes from the previous Retirement Board of Authority (RBOA) meeting on February 5, 2013 were reviewed and approved by the RBOA as a consent item.

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**VI. ADMINISTRATION**

**REVIEW OF RETIREMENT BOARD OF AUTHORITY RESPONSIBILITIES**

Gail Beal of Keenan Financial Services (KFS) provided an overview of protocols for the governance of the Retirement Board of Authority (RBOA) fiduciary structure.

Governance of the RBOA fiduciary structure includes the following duties:

- Adoption and implementation of the terms of OPEB Trust Documents and the provisions of the Investment Policy Statement (IPS).
- Facilitate the processes necessary to ensure the Plan Administrator (the “District”) executes applicable written agreements.
- Deliver contributions and allocation instructions to Benefit Trust Company in a timely manner.
- Hold periodic meetings of the Retirement Board of Authority (RBOA), for the purpose of reviewing investment performance and compliance with Investment Policy Statement (IPS) provisions.
- Engage in an annual review and analysis of any applicable modifications to the Investment Policy Statement (IPS) through meetings and discussions with the Discretionary Trustee and its Registered Investment Advisor (RIA).
- Provide on a timely basis any necessary OPEB Plan participant information to Benefit Trust Company to include personal identification information (including Social Security numbers).
- Provide names of individuals authorized to act on behalf of the District’s OPEB Investment Trust in writing.
- Benefit Trust Company and any delegated Investment Advisor shall be entitled to rely upon the accuracy and completeness of all information furnished to them by the Retirement Board of Authority (RBOA) or any person designated to act on behalf of the RBOA.

The RBOA were advised that the provisions of California’s Governmental Code and the Constitution of the State of California entrust the Retirement Board of Authority (RBOA) with additional fiduciary requirements. Subject to ongoing monitoring by the RBOA, many of these mandates may be prudently delegated to third parties with financial, fiduciary and administrative expertise. Per the provisions of the California Governmental Code and the California Constitution, fiduciary and governance mandates include the following:

- Determine the anticipated liability for future benefits.
- Prudently invest the funds in order to safeguard principal, meet liquidity needs and achieve an appropriate investment return.
- Administer the program for the exclusive purpose of providing benefits to participants and their beneficiaries; and
- Engage in a prudent process for making all decisions related to the operation of the plan, including (1) the selection of investments and services for the program, (2) monitoring of the decisions periodically to ensure that they remain prudent and (3) documenting the process used to make the decisions.

### **REVIEW OF THE DISTRICT'S INVESTMENT TRUST PROGRAM AND THE ROLES OF THE PROGRAM COORDINATOR AND CONSULTANTS**

Gail continued by reviewing the fiduciary structure of the District's Public Entity OPEB Investment Trust. Gail noted the Program's strong "separation of function" through the layering of Keenan Financial Services (KFS), Benefit Trust Company (BTC) and Morgan Stanley Wealth Management (MS) with the Retirement Board of Authority (RBOA) providing oversight duties.

The role Keenan Financial Services as Program Coordinator includes the following:

- Preparation of the Retirement Board of Authority (RBOA) Meeting Agendas, Cover Pages and Board Packages.
- Preparation of the RBOA Meeting Minutes and assisting with the District's OPEB responsibilities as necessary.
- Facilitating and resolution of Action Items resulting from RBOA Meetings.
- Assisting the RBOA with administration and oversight of the District's OPEB Investment Trust program.
- Facilitating District compliance with GASB protocols and Regulatory compliance through the creation and maintenance of the Comprehensive Compliance Plan, including the "Substantive Plan".
- Maintenance of the District's OPEB Program documentation.

Scott Rankin of Benefit Trust Company (BTC) profiled the role of BTC as the Discretionary Trustee. Regarding the District's OPEB Investment Trust portfolio, Scott explained the integration of Benefit Trust Company (BTC) and its Registered Investment Advisor (RIA) Morgan Stanley Wealth Management (MS) in the financial and fiduciary process.

The duties of Benefit Trust Company (BTC) as Discretionary Trustee and Program Custodian include the following:

- As Discretionary Trustee, BTC will select of the District's OPEB Trust investments pursuant to the provisions of the Investment Policy Statement (IPS) and advice received from its Registered Investment Advisor.
- As Program Custodian, BTC will safe-keep the District's Public Entity Investment Trust securities.
- As Program Custodian, BTC will maintain accurate records of all financial transactions.
- As Program Custodian, BTC will provide periodic accrual accounting report production reflecting all deposits or receipts, disbursements, purchases, sales and income transactions, current asset holdings and the market value of the District's Investment Trust's portfolio.

Morgan Stanley Wealth Management (MS) as Registered Investment Advisor provides services as follows:

- Recommending Asset Allocation Models to Benefit Trust Company as Discretionary Trustee for the District's Target Rate of Return (TRR) portfolio.
- Recommending specific investments to Benefit Trust Company as Discretionary Trustee for the TRR Portfolios.
- Perform due diligence on all potential and recommended investments for the District's Public Entity Investment Trust.
- Provide a quarterly report to Benefit Trust Company (BTC) as Discretionary Trustee on the status of all current investments in the District's Public Entity Investment Trust.

### **DESIGNATION OF NEW MEMBERS TO THE RETIREMENT BOARD OF AUTHORITY**

Gail Beal of Keenan Financial Services (KFS) explained that the Retirement Board of Authority (RBOA) and its Chair had been duly established by the District through the provisions of the Governing Board's Resolution 2011:01. Gail noted that as Vice Chancellor, Business and Administration Services, Brian Fahnestick has been designated as Chair of the Retirement Board of Authority.

A motion was made by REBOA member Gary Maehara acknowledging the RBOA membership and the RBOA Chair Brian Fahnestock. The motion was seconded by RBOA member Michael Shanahan and unanimously carried by a roll call of the RBOA members present.

### **ELECTION OF A VICE-CHAIR OF THE RETIREMENT BOARD OF AUTHORITY**

A motion was made by RBOA member Gary Maehara to nominate Mary Anne McNeil as Vice-Chair of the RBOA. The motion was seconded by RBOA member Michael Shanahan and unanimously carried by a roll call of the RBOA members present.

### **STAFF ON-LINE ACCESS TO OPEB TRUST ACCOUNT**

The Retirement Board of Authority (RBOA) may provide authorization to Benefit Trust Company for District staff to have access to the books and records of the OPEB Investment Trust through the Benefit Trust Company website. In this connection, on-line access to the OPEB Investment Trust was authorized for District staff associates Jennifer Holst and Jillian Sturek.

A motion was made by RBOA member Gary Maehara to authorize on-line access to the OPEB Investment Trust for District staff associates Jennifer Holst and Jillian Sturek through the Benefit Trust Company (BTC) website. The motion was seconded by RBOA member Michael Shanahan and was unanimously carried by a roll call of the RBOA members present.

### **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, 2013.

A motion was made by RBOA member Gary Machara ratifying that the Annual Report on the Status of the District's OPEB Investment Trust has been promulgated to the Trust's beneficiaries according to established protocols. The motion was seconded by RBOA member Michael Shanahan and unanimously carried by a roll call of all the RBOA members present.

### **STATUS OF UPDATES TO THE COMPREHENSIVE COMPLIANCE PLAN, INCLUDING THE "SUBSTANTIVE PLAN"**

Board materials included a Retirement Board of Authority executed "Ongoing OPEB Questionnaire & Due Diligence" Form indicating updates to the District's "Substantive Plan" for period ending June 30, 2013. Roslyn Washington of Keenan Financial Services briefly reviewed the procedures and process for updating the District's "Substantive Plan" and she certified delivery of the "Electronic Library" reflecting GASB and Regulatory compliance for Plan Year ending June 30, 2013.

### **DISBURSEMENTS**

Roslyn Washington of Keenan Financial Services presented the Board with the Disbursement Report which reflected period expenses associated with the management & operation of the District's Investment Trust for the period March 8, 2013 through February 21, 2014.

A motion was made by RBOA member Mary Anne McNeil to ratify the expenses associated with the management of the District's Investment Trust for the period of March 2013 through February 2014. The motion was seconded by RBOA member Michael Shanahan and unanimously carried by a roll call of the RBOA members present.

### **ACTUARIAL VALUATION STUDY UPDATE**

The current Actuarial Valuation Study has an effective date of March 1, 2012 and was provided by the District's consulting actuary Geoff Kischuck of Total Compensation Systems, Inc. The Board explained that the District anticipates starting the actuarial valuation update process within six months to maintain compliance with GASB protocols. Gail Beal of Keenan Financial Services noted that new employees hired subsequent to July 1, 2014 will not qualify for retiree benefits. There was a brief discussion relative to the District's current estimated Actuarial Accrued Liability (\$140 million approximately) anticipated schedules for future withdrawals from the District's OPEB Investment Trust.

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## **VII. 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 December 31, 2013. As of December 31, 2013, the District's Investment Trust portfolio had an allocation of 49.6% in fixed income funds and 50.4% in equity funds (equity funds comprised 30.4% in domestic equity and 20.0% in international equity). The value of the portfolio as of December 31, 2012 was \$12,575,454.90 and with contributions of \$950,000.00 the portfolio value as of December 31, 2013 is \$14,866,525.80. The December 31, 2013 portfolio value represents an Annualized Inception to Date net rate of return of 6.48% compared to the Barclays Aggregate of 3.42% and the S&P

500 Adj for Divs of 15.32%. The current dividend yield on the District's Investment Trust portfolio fixed income investments was 3.3% while the current dividend yield on the aggregated portfolio was 2.4%. Cary also provided an overview of the District's Public Entity Investment Trust Portfolio Performance Report as of January 31, 2014. He noted that January 2014 performance in the capital markets was a reversal of December 2013 – bonds rallied while equities backed off their end-of-year highs.

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

## **MARKET OVERVIEW**

Cary presented portfolio updates for the Public Entity Investment Trust Model Portfolios. He advised Board members that there were manager changes in the District's Trust Model Portfolio platform in November 2013. While the District's portfolio will maintain a balanced stance, these changes will serve to provide the portfolio with slightly more Emerging Market (EM) and REIT exposure going into 2014.

In this connection, he explained that the following funds have been added to the Model Portfolio International/Global Equities platform:

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

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

## **INVESTMENT POLICY STATEMENT REVIEW**

Scott Rankin of Benefit Trust Company (BTC) provided a brief overview of the current provisions and capital market parameters profiled in the District's Investment Policy Statement (IPS). He advised that the District's Investment Trust portfolio has a Target Rate of Return (TRR) of 7.0% with an additional 0.5% allocated to expenses related to the GASB compliance as well as the management and operation of the District's Trust. Subsequent to a brief discussion relative to the TRR profiled in the Investment Policy Statement (IPS), Scott advised that the District's IPS capital market parameters give the Board the opportunity to review and modify the TRR as conditions and requirements change. In this connection, RBOA members requested that a Risk Tolerance Questionnaire (RTQ) be conducted at the next meeting

A motion was made by RBOA member Gary Maehara to reaffirm the current provisions and Target Rate of Return parameters reflected in the District's current Investment Policy Statement (IPS). The motion was seconded by RBOA member Mary Anne McNeil and unanimously carried by a roll call of all the RBOA members present.

## **FUTURE TRANSFER OF ASSETS INTO THE TRUST**

Gail Beal of Keenan Financial Services noted that at this juncture, the District has transferred \$950,000.00 to their OPEB Investment Trust for fiscal year 2013/2014. RBOA member Mary Anne McNeil explained

that she anticipates that the District's budgeting process as it relates to funding their OPEB Investment Trust is moving towards a quarterly transfer schedule. In this connection, she advised that they are currently working on an asset transfer for March 2014.

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**VIII. INFORMATION**

**RETIREMENT BOARD OF AUTHORITY COMMENTS**

There were no Retirement Board of Authority (RBOA) comments.

**PROGRAM COORDINATOR/CONSULTANT COMMENTS**

There were no Program Coordinator/Consultant comments.

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**IX. DATE, TIME AND AGENDA ITEMS FOR NEXT MEETING**

Future Retirement Board of Authority (RBOA) meetings are scheduled as follows:

- June 18, 2014: 1:00 PM - 3:00 PM.
- November 21, 2014: 10:00 AM – 12:00 PM.

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**X. ADJOURNMENT**

There being no further business to conduct, the Retirement Board of Authority (RBOA) meeting was adjourned at 2:40PM by Board Chair Brian Fahnestock.

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**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: Brian Fahnestock, Vice Chancellor, Business and Administrative Services, Ventura County Community College District, 255 West Stanley Avenue, Suite 150, Ventura, CA. 93001.