

MEETING MINUTES

**VENTURA COUNTY COMMUNITY COLLEGE DISTRICT
RETIREMENT BOARD OF AUTHORITY MEETING
AUGUST 30, 2011
10:00 AM- 12:00 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 meeting was called to order by Keenan Financial Services, Senior Vice President Gail Beal at 10:05 AM.

II. ROLL CALL

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

Vice Chancellor, Business and Administrative Services
Vice Chancellor, Human Resources
Director of Fiscal Services
Director of Human Resources Operations

Susan Johnson
Patricia Parham
Mary Anne McNeil
Jay Wysard

PROGRAM COORDINATOR:

Senior Vice President
Account Manager
Senior Service Representative

Gail Beal
Roslyn Washington
Yvette Jenkins

CONSULTANTS:

Benefit Trust Company
Morgan Stanley Smith Barney

Scott Rankin
Cary Allison

OTHERS

RPM Consulting Group

Chuck Thompson

III. APPROVAL OF AGENDA

A motion was made by Board member Patricia Parham to approve the Agenda as presented, seconded by Board member Susan Johnson and unanimously carried by the Board.

IV. APPROVAL OF MINUTES

A motion was made by Board member Patricia Parham to approve the Meeting Minutes as presented, seconded by Susan Johnson and unanimously carried by the Board.

V. CORRESPONDENCE

There was no correspondence presented.

VI. INVESTMENTS

PORTFOLIO REVIEW

Cary Allison of Morgan Stanley Smith Barney (MSSB) provided an overview of the District's Public Entity Investment Trust Change in Portfolio, Asset Allocation, and Time Weighted Return (Gross and Net of Fees) for period ending July 31, 2011. As of July 31, 2011, the District's Investment Trust portfolio had an allocation of 54.4% in fixed income funds and 45.6% in equity funds (equity funds comprised 29.0% in domestic equity and 16.6% in international equity). The value of the portfolio as of July 31, 2011 is \$9,727,434.61. The July 31, 2011 portfolio value represents an inception to date net rate of return of 0.83% compared to the S&P/Barclays Blend of 0.98%.

A motion was made to approve the Portfolio Review as presented by Board member Patricia Parham, seconded by Board member Susan Johnson and unanimously carried by the Board.

MARKET OVERVIEW

Cary Allison of Morgan Stanley Smith Barney (MSSB) presented to Board members the Asset Allocation and Portfolio Updates from the Futuris Public Entity Investment Trust Model Portfolios for the period ending June 30, 2011.

Cary Allison also presented the second quarter "Capital Markets Overview" from Morgan Stanley Smith Barney (MSSB) tracking global economic expansion. In the second quarter, the global business and equity upswing flattened somewhat due to weaker than expected U.S. and Chinese economic data, continued softness in U.S. residential real estate, and sovereign debt concerns in Greece that posed challenges for European policy makers. However, U.S. markets surged in the quarter's final week, indicating that investors are willing to give the economy the benefit of the doubt. Despite the soft patch, there is expected growth of about 6% in 2011 for emerging market (EM) economies, while developed-market (DM) economies could gain approximately 2%. Global mergers-and-acquisitions activity declined for the quarter totaling \$741.3 billion, down 7% from the first quarter. Still, global deal volume for the second quarter was up 23% from a year ago. The Dow Jones Industrials were up 1.4% for the second quarter. The NASDAQ Composite lost 0.3% for the second quarter. The S&P gained 0.1% for the quarter.

Cary continued by providing Board members with MSSB's "Global Investment Committee Outlook". The Investment Committee outlook reflects positive long-term growth indicators as follows:

- Global GDP recovery has now become business cycle expansion.
- Global economy growth of 4% with emerging economies expanding by 7% and developed ones by 2%.
- Low 2%-3% inflation in developed countries but 6% in developing ones.
- Developing economy central banks and European Central Bank tighten; Fed on hold until 2012.
- Modest U.S. trade-weighted dollar strength; broad developed country currencies weakness to developing country currencies, especially Asia.
- Longer-term prospects good for a multiyear global business cycle expansion.

VII. EDUCATION

Cary Allison of Morgan Stanley Smith Barney (MSSB) provided Board members with an article entitled "States Begin to Address Long-Term Pension Obligations in Era of Fiscal Austerity", prepared by BlackRock, Inc.

This article presented a view that public pension liabilities are a challenge to governments' long-term fiscal integrity, but maintains that the greatest risk to the municipal marketplace today is in the volatility sparked by headlines and not, as some project, in the likelihood of defaults.

This article provides multiple key perspectives as follows:

- While pension liabilities are cause for concern, they will not by themselves generate a rash of municipal defaults.
- Each state is unique in its funding status, as well as its political climate, fiscal condition and legal framework.
- Many states have already begun the process of addressing pension liabilities.
- Local governments have multiple tools available to them to address pension funding issues, although those few municipalities with extremely underfunded pension liabilities may be put under state supervision or seek bankruptcy protection.
- Initiatives to establish consistent methodology to calculate liabilities and to improve transparency will likely lead to additional corrective actions.

Cary briefly discussed the municipal bond market and pointed out that after a high-profile default prediction in late 2010, the market suffered a spike in rates that resulted in price weakness and a pronounced steepening of the municipal yield curve. This market volatility was exacerbated by the uncertain future of the Build America Bond (BAB) program, which had been bolstering market technical's since its introduction in 2009. This program was left to expire at the end of the year. As a result of these developments, the fourth quarter of 2010 represented the municipal market's worst quarterly performance since 1994.

Cary also noted that governmental pensions garnered broad attention when the Governmental Accounting Standards Board (GASB) proposed changes to the assumptions and methodology for calculating municipal pension funding status. In particular, GASB proposed that municipalities be required to both lower the discount rate and shorten the amortization period for unfunded liabilities. According to GASB, pension plans are assuming average investment returns of 8% which it considers too optimistic. GASB attributes the overstatement in many plans' funding statuses to these aggressive assumptions. In addition, most pension plans amortize unfunded liabilities over 30 years; GASB recommends an adjustment to 15-20 years to reflect the remaining employment period in specific plans.

Gail Beal of Keenan Financial services (KFS) discussed the updated GASB proposal which was promulgated on July 8, 2011 as GASB issued two exposure drafts of amended Statements Nos. 25 and 27. The exposure drafts largely reflect the positions taken in the Preliminary Views issued June 2010. In the Preliminary Views, GASB proposed that the discount rate used in financial reporting calculations be set equal to the expected long-term rate of return on plan assets to the extent that projected benefits would be covered by current and projected future plan assets. To the extent current and expected future assets are projected to be insufficient to pay projected benefits, the Preliminary Views called for them to be discounted at "a high-quality municipal bond index rate". The exposure drafts have clarified that the municipal bond index rate to be used for this purpose is the index rate for a 30-year, tax-exempt municipal bond rated AA/Aa or higher. GASB will be accepting written comments until September 30, 2011 and will hold public hearings in October 2011. The GASB goal is to have final standards in place by June 2012.

VIII. ADMINISTRATION

REVIEW OF THE COMPREHENSIVE COMPLIANCE PLAN, INCLUDING THE SUBSTANTIVE PLAN

Chuck Thompson of RPM Consultant Group discussed procedures and protocols relative to the ongoing maintenance of the Comprehensive Compliance Plan which includes the "Substantive Plan". Roslyn Washington of Keenan Financial Services provided an overview regarding the delivery of both hard copy and electronic copies of the Comprehensive Compliance Plan, including the "Substantive Plan".

A motion was made by Board member Patricia Parham to accept delivery of the Comprehensive Compliance Plan, including the Substantive Plan. The motion was seconded by Mary Anne McNeil and unanimously carried by the Board.

STATUS OF ACTUARIAL VALUATION STUDY

The District's last Actuarial Valuation Study was completed in December 2010 which meets the actuarial timeline requirements suggested by the Governmental Accounting Standards Board (GASB).

ANNUAL REPORTING ON THE STATUS OF THE TRUST

The Annual Report on the status of the Trust was provided to the Board with all Fiduciary transactions attached. Gail Beal of Keenan Financial Services (KFS) advised Board members that this Report should be posted on the District's website. Through conversations with Laura Galvan Executive Assistant-Business Services, Roslyn Washington of KFS was able to confirm that the Annual Report had been promulgated to

OPEB Plan participants by posting on the District's website.

RETIREMENT BOARD OF AUTHORITY (RBOA) BYLAWS

Gail Beal of Keenan Financial Services (KFS) provided Board members with a brief overview relative to the function of RBOA Bylaws. Gail noted that many Boards have found RBOA Bylaws to be helpful regarding the operation and management of their OPEB Trust. Chuck Thompson of RPM Consultant Group advised that auditors often like to have a set of Bylaws when doing an audit of the OPEB Plan and Trust.

A motion was made by Board member Susan Johnson to move forward with the RBOA Bylaws process as presented. The motion was seconded by Board member Patricia Parham and unanimously carried by the Board.

FUTURE TRANSFER OF ASSETS INTO THE TRUST

Relative to ongoing Fiduciary funding schedules, Board member Susan Johnson anticipates the District transferring assets to the OPEB Trust Fund on a semi-annual basis.

STAFF ON-LINE ACCESS TO OPEB TRUST ACCOUNT

Board members indicated that Laura Galvan, Executive Director-Business Services is an additional staff member who will require access to the Benefit Trust Company (BTC) website. Roslyn Washington of Keenan Financial Services (KFS) advised that she is required to frequently converse with Laura Galvan.

A motion was made to grant Laura Galvan, Executive Director-Business Services access to the BTC website by Board member Susan Johnson. The motion was seconded by Board member Mary Anne McNeil and unanimously carried by the Board.

IX. 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.

VISITOR COMMENTS

Chuck Thompson of RPM Consultant Group introduced himself to Board members he had not previously met. Board member Susan Johnson noted that Chuck had assisted the District with their Request for Proposal (RFP) processes and analysis.

X. DATE, TIME AND AGENDA ITEMS FOR NEXT MEETING

Relative to OPEB Plan governance, Chuck Thompson of RPM Consultant Group advised that he will be sending Roslyn Washington materials regarding Fiduciary processes and Conflict of Interest protocols to be aigenized at the next Retirement Board of Authority (RBOA) meeting. Board members should review these materials individually and get back to Roslyn Washington with questions and inquiries. Roslyn will provide a redline copy for discussion at the next RBOA meeting.

The next RBOA meeting is scheduled as follows:

- December 6, 2011 from 10:00 AM – 12:00 PM.

XI. ADJOURNMENT

The Ventura County Community College District Board of Authority Meeting was adjourned at 10:55 AM.

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