

MINUTES

**VENTURA COUNTY COMMUNITY COLLEGE DISTRICT
RETIREMENT BOARD OF AUTHORITY MEETING
DECEMBER 6, 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 at 10:05 AM by Roslyn Washington Account Manager Keenan Financial Services.

II. ROLL CALL

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

Vice Chancellor, Business and Administrative Services

Susan Johnson

Vice Chancellor, Human Resources

Patricia Parham

Director of Fiscal Services

Mary Anne McNeil

Director of Human Resources Operations

Jay Wysard

PROGRAM COORDINATOR:

Account Manager

Roslyn Washington

CONSULTANTS:

Benefit Trust Company

Scott Rankin

Morgan Stanley Smith Barney

Cary Allison

OTHERS

RPM Consultant Group

Chuck Thompson

Those Absent were:

Senior Vice President

Gail Beal

III. APPROVAL OF AGENDA

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

IV. APPROVAL OF MINUTES

A motion was made by Board member Susan Johnson to approve the minutes of the previous meeting as presented. The motion was seconded by Board member Mary Anne McNeil and unanimously carried by the Board.

V. CORRESPONDENCE

No Correspondence was 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 October 31, 2011. As of October 31, 2011, the District's Investment Trust portfolio had an allocation of 51.2% in fixed income funds and 48.8% in equity funds (equity funds comprised 31.9% in domestic equity and 16.9% in international equity). With Contributions of \$9,650,000.00 and Withdrawals of \$12,246.53, the value of the portfolio as of October 31, 2011 is \$9,446,422.07. The October 31, 2011 portfolio value represents an inception to date net rate of return of -1.98% compared to the S&P/Barclays Blend of 1.15%.

A motion was made by Board member Patricia Parham to accept the Portfolio Review as presented, seconded by Board member Jay Wysard 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 for the Futuris Public Entity Investment Trust Model Portfolios for the period ending September 30, 2011. Cary advised that the Model Portfolios have not changed since the last Retirement Board of Authority meeting.

In the Board materials provided Cary also presented the third quarter "Capital Markets Overview" from Morgan Stanley Smith Barney (MSSB) tracking global economic expansion. In the third quarter, the global equity upswing of the first half of the year stalled due to concerns over the cumulative effects on the global economy of the European sovereign debt crisis, partisan bickering in the U.S. Congress, and persistently high unemployment. The likelihood of a U.S. recession is slight; the Federal Reserve has pledged to stand by the economy and housing market via lower borrowing costs. The Dow Jones Industrials were down 11.5% for the third quarter, NASDAQ Composite declined 12.9% and the S&P 500 lost 13.9% for the quarter.

In its September 29th update, the Department of Commerce estimated that Gross Domestic Product grew at an annual rate of 1.3% in the second quarter of 2011, in comparison with 0.4% in the first quarter of 2011. Both Morgan Stanley and Citi economists forecast that U.S. GDP will grow 1.7% in 2011. For the quarter, the seasonally adjusted unemployment rate fell from 9.3% for July to 9.1% for September. Job gains in the quarter took place in construction, health care, and professional and business services. Government jobs continued their downward trend. The Census Bureau reported that privately owned housing starts in August 2011 were at a seasonally adjusted annual rate of 571,000 – 5.0% below the revised July estimate, and 5.8% below August 2010 housing starts. Most experts agree that uncertainties about the economy and expectations of ongoing declines in house prices continue to weigh down the demand for new homes.

As U.S. economic data and European sovereign debt worries worsened in the third quarter, investors shopped for safe havens among bonds. Investors flocked to Treasury bonds, in particular, in the third quarter. The flight to safety sparked a strong rally in Treasury bonds. Treasury bonds that mature in 10 or more years rose in price, while yields fell to historic lows. The yield on 30-year Treasury bonds fell to 2.9% at the end of the quarter, which represents the best quarterly return on Treasury bonds since the end of 2008, at the peak of the financial crisis.

Cary indicated that the District's OPEB Trust portfolio has no exposure to the sovereign debt of Portugal, Italy, Greece and Spain (PIGS). He noted that Germany will bail out countries affecting the Euro with their sovereign debt because if they don't, they will be required to go back to using the Deutsche Mark. At this time they are waiting to see what France will do to help and what the other countries will do regarding their sovereign debt situation. Within this framework, Morgan Stanley Smith Barney (MSSB) continues to keep the District's OPEB Trust portfolio steadily balanced.

VII. EDUCATION

Cary Allison of Morgan Stanley Smith Barney (MSSB) provided the Board members with a Behavioral Finance study called "Beware of Potentially Irrational Investment Decisions," prepared by Morgan Stanley Private Wealth Management Asset Allocation Group (David M Darst).

This study went over Market Psychology, Behavioral Finance and Strategies for Foundation Trustees. It first looked at Market Psychology and the varying importance of factors driving asset prices across market phases (Bottom to Bear Market) the factors being fundamentals, valuation and psychology/technical. Prices generally follow a pattern similar to that shown in the chart provided. Psychological factors play a very important role in pushing asset prices to extremely elevated or depressed levels at the peaks or troughs of market cycles. Psychological forces span the gamut of human emotions often influencing investors to make misguided decisions. Removing emotions and staying the course can be a solution to better long-term performance.

It would be very important for investors to review some of the key findings of "Behavioral Finance," which studies the way people make their financial decisions. These decisions are emotion-driven, reflecting the following elements:

- Herding – Mimic actions of a larger group when the individual would have not taken the action alone, fear of being "unconventionally wrong", believe that being contrarian is risky behavior.

- Investors are over confident and think they are better at making choices than they really are.
- Loss Aversion / Future Regret – “Once burned, twice shy”, 85% of investors sell winners faster than losers, Investors are four times more likely to sell a winner than a loser, Investors are two times more likely to repurchase ex-winners than ex-losers.

Today’s financial markets may give investors cause to doubt the wisdom of investing in stocks. In order to provide some perspective on current market conditions and events, Cary also provided “A Case for Waiting out the Storm.” His illustration showed a \$100,000.00 invested in the S&P 500 on January 1, 1973. After one year the investment showed a negative position of \$57,378.00. He then showed what two different investors did at that time. Investor #1 gave up and “threw in the towel”, he removed the \$57,378 from the Market and Reinvested in an Interest Bearing CD at 5% and after 10 years he had an investment position of \$93,642.00. Investor #2, kept his position of \$57,378.00 invested in the S&P 500 rather than going to cash. After 10 years he showed a position of \$244,437.00. Recent historical experience has shown that there are many good reasons for investors to consider remaining invested in the capital markets.

VIII. ADMINISTRATION

STATUS OF UPDATES TO THE COMPREHENSIVE COMPLIANCE PLAN, INCLUDING THE SUBSTANTIVE PLAN

Roslyn Washington of Keenan Financial Services (KFS) reported to Board members that the updates to the “Substantive Plan” Volume II have been completed and delivered to the District. She also advised that the District would now be receiving their updates electronically as opposed to the printed updates that they have received in the past. The District will be provided with a new electronic library that will include the updates for the previous fiscal year in January 2012. KFS will collect information regarding changes to the District’s Retiree Benefits in August instead of June. Information pertaining to the updates for the previous fiscal year will be added to the “Substantive Plan” and a new Electronic Library will be given to every client in January of the following year.

RETIREMENT BOARD OF AUTHORITY (RBOA) BYLAWS

Board member Susan Johnson wished to add a provision to Section 2.2 of the Bylaws noting that Retirement Board of Authority (RBOA) members will have their titles reviewed on an annual basis.

A motion was made by Board member Susan Johnson to accept the Bylaws with the provision added by RBOA member Susan Johnson. The motion was seconded by Board member Mary Anne McNeil and unanimously carried by the Board.

RETIREMENT BOARD OF AUTHORITY (RBOA) FIDUCIARY AND CONFLICT OF INTEREST PROTECTION FOR OPEB PLANS

Chuck Thompson of RPM Consultant Group had sent the “Conflict of Interest and Fiduciary Liability: Policies and Procedures Manual and Training Materials” initial draft documents to each Board member prior

to the meeting. Chuck briefly discussed Board member requirements to complete Form 700 and explained how Form 700 is different from their overall OPEB Trust fiduciary liability and Conflict of Interest mandates. Relative to Fiduciary Liability and Conflict of Interest, Chuck noted that Keenan’s Futuris governance structure does not allow proprietary investments by any Fiduciary or Consultant serving the Ventura County Community College District’s OPEB Trust portfolio.

From the initial draft materials provided to Board members, a training program will be developed (approximately 1 1/2 hours) that can take place at a regular Retirement Board of Authority (RBOA) meeting or a special meeting tailored to the training program. Chuck advised the Board that he is working with an attorney to structure a comprehensive training program on Fiduciary Liability and Conflict of Interest: Policies & Procedures relative to the District’s OPEB Trust.

This training program will also provide a Board Resolution indicating that this Education will occur annually. As Board members have signed Form 700, Chuck proposed that this commitment be extended to the District’s OPEB Trust protocols with each Board member signing the Resolution. Chuck advised that we are about six months away from completing our formal training program.

Board member Susan Johnson wondered about provision “d” of the Resolution. Scott Rankin of Benefit Trust Company (BTC) responded by indicating that the provisions of the Resolution are structured to parallel the provisions of the California Constitution. The implications for the Retirement Board of Authority (RBOA) is to make sure what is being done rather than what the “Board” is personally responsible for doing.

Chuck suggested that the training program could occur during the RBOA Meeting in June.

IX. INFORMATION

RETIREMENT BOARD OF AUTHORITY COMMENTS

Chuck Thompson of RPM Consultant Group noted that the Board Resolution mentioned in the previous Agenda Item needs to go to the Board of Trustees of Ventura County Community College District. RBOA member Susan Johnson advised that she felt that the Board Resolution need not be sent to the Board of Trustees. Chuck indicated that he will inquire from his attorney if this is a requirement.

PROGRAM COORDINATOR/CONSULTANT COMMENTS

No program Coordinator/Consultant comments were made.

VISITOR COMMENTS

No Visitor comments were made.

X. DATE, TIME AND AGENDA ITEMS FOR NEXT MEETING

The next Retirement Board of Authority (RBOA) Meeting is scheduled as follows:

- March 27, 2012: 10:00 AM-12:00 PM.
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XI. ADJOURNMENT

A motion was made by Board member Susan Johnson to adjourn the meeting at 11:04 AM. The motion was seconded by Board member Patricia Parham and unanimously carried by the Board.

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.