

## **District Retirement Board**

### **2010 Meeting Minutes**

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MINUTES

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

October 7, 2010  
2:00 PM – 5:00 PM

San Jose City College  
Technology Center  
Room T-112  
2100 Moorpark Avenue  
San Jose, CA 95128  
408-288-3708

I. **CALL TO ORDER**

The meeting was called to order by Jeanine Hawk at 2:04 PM.

II. **ROLL CALL**

Those in attendance were:

**MEMBERS:**

Vice Chancellor, Administrative Services  
Interim Controller  
Faculty and President, Faculty Association, AFT 6157  
Faculty and Member of AFT 6157  
Staff and Member of CSEA, Chapter 363  
Staff and Member of CSEA, Chapter 363

Jeanine Hawk  
Peter Fitzsimmons  
David Yancey  
Mark Newton  
Evelyn Rojas  
Danny Hawkins

**PROGRAM COORDINATORS:**

Senior Vice President  
Account and Operations Manager  
Account Manager  
Executive Vice President  
Account Manager

Gail Beal  
Shari King  
Roslyn Washington  
Bob Schoenherr  
Ken Threeths

**CONSULTANTS:**

Morgan Stanley Smith Barney  
Benefit Trust Company  
RPM Consultant Group

(via phone) Cary Allison  
Scott Rankin  
Chuck Thompson

**GUESTS**

AFT Alternate Member  
Faculty and Member AFT 6157  
Dolinka Group  
Dolinka Group  
SWAP Financial

Phil Crawford  
Barbara Hanfling  
Ann Feng-Gagne  
Carrie Coen  
Nat Singer

**III. APPROVAL OF AGENDA**

Board member Jeanine Hawk indicated that Nat Singer of SWAP Financial was required to attend an afternoon meeting resulting in the Board agreeing to move forward the following Agenda Items:

- a) "Other Post-Employment Benefit Administration Report Summary" and
- b) "Information on a Proposed Resolution to Terminate the SWAP (Given Certain Market Conditions) For the Other Post-Employment Benefit Bonds".

These Agenda items are repositioned after the Board's approval of Minutes.

A motion to approve the Agenda was made by Danny Hawkins, seconded by Mark Newton and unanimously carried by the Board.

**IV. APPROVAL of MINUTES**

Relative to the RBOA Meeting minutes of May 13, 2010, David Yancey noted that his name was attributed to a statement made by Danny Hawkins.

A motion to approve the RBOA Meeting minutes of May 13, 2010 with the aforementioned changes was made by David Yancey, seconded by Jeanine Hawk and unanimously carried by the Board.

A motion to approve the RBOA Meeting Minutes of July 14, 2010 was made by David Yancey, seconded by Mark Newton and unanimously carried by the Board.

**V. INVESTMENTS.**

**OTHER POST-EMPLOYMENT BENEFITS ADMINISTRATION REPORT SUMMARY:**

Carrie Coen and Ann Feng-Gagne of the Dolinka Group provided the Board with a review of the OPEB Administration Report Summary. Nat Singer of SWAP Financial reviewed the District's 2009 OPEB Bond options that the Board will be reviewing.

A discussion followed with a number of inquiries from Board members and consultants. Board member David Yancey inquired as to what fee payments were made and to whom as part of the cost of fund issuance. Ann Fang-Gagne of the Dolinka Group noted that portions of the fees were allocated to the underwriting banks, and fee allocations also went towards legal fees and the Dolinka Group as part of the underwriting group. Exact fee allocations were not provided in the Report Summary.

Chuck Thompson of RPM Consultant Group made an inquiry relative to the Discount Rate used. Board member Jeanine Hawk replied that the Actuary used a 5% discount rate because that was the information available at the time of the District's Actuarial Valuation Study.

AFT alternate member, Phil Crawford wondered why the Retirement Board of Authority (RBOA) could not be part of the decision in terms of what the District decides regarding the 2009 OPEB Bond options. Board member Jeanine Hawk noted that the liability does not belong to the RBOA but to the District.

Nat Singer of SWAP Financial indicated that the District could terminate the SWAP at any time. He noted that at the time of SWAP termination, if the market rate is lower the District will be required to pay the bank a settlement value and if the market rate is higher the bank will pay a settlement to the District.

### **INFORMATION ON A PROPOSED RESOLUTION TO TERMINATE THE SWAP (GIVEN CERTAIN MARKET CONDITIONS) FOR THE OTHER POST-EMPLOYMENT BENEFIT BONDS**

The Retirement Board of Authority (RBOA) discussed the possibility of the RBOA giving authority to the Vice Chancellor, Administrative Services to take to the District's Board of Trustees a resolution permitting an authorized person(s) to terminate the SWAP for OPEB Bonds if it is in the best interests of the District to do so prior to the SWAP terminating.

Scott Rankin of Benefit Trust (BTC) noted that this should not be actionable item due to the fact that the RBOA could be viewed as acting in a fiduciary capacity and that when the RBOA acts as a fiduciary it also has responsibility relative to the District's Trust performance.

Board member Jeanine Hawk indicated that she will provide any information to the RBOA that the Dolinka Group provides relative to advising the Board of Trustees of when it would be advantageous for the District to terminate the SWAP.

A motion to change this Agenda item from ACTION Agenda Item to an INFORMATION Agenda Item was made by David Yancey, seconded by Danny Hawkins and unanimously carried by the Board.

## **VI. CORRESPONDENCE**

The Board was provided with Recommendations 24-31 from Governor Schwarzenegger's Public Employee Post-Employment Benefits Commission Report.

These Recommendations speak directly to Board overseeing OPEB Trust funds and puts a focus on strong governance and enhanced transparency. Board members should also have an awareness of actuarial methodology and assumptions; a strong understanding and fulfillment of fiduciary responsibilities and conflict of interest sensitivity.

## **VII. INVESTMENTS (continued)**

### **PORTFOLIO REVIEW:**

Cary Allison of Morgan Stanley Smith Barney provided an overview of the District's Change in Portfolio, Asset Allocation, and Time Weighted Return (Gross and Net of Fees) for period ending September 30, 2010.

1. The District's Short Term Futuris Public Entity Trust.

As of September 30, 2010, the District's Short Term portfolio has an allocation of 77.3% in fixed income funds and 22.7% in equity funds (equity funds comprised of 12.2% in domestic equity and 10.5% in international equity). The value of the portfolio as of June 30, 2010 was \$4,024,694.66 and as of September 30, 2010 the value of the portfolio was \$4,000,285.54. The September 30, 2010 portfolio value represents an inception to date net rate of return of 17.10% compared to the S&P/Barclays Blend of 15.35%. The investment results for the latest 12 months show a net increase of 11.22% versus the S&P/Barclays Blend of 9.99%

2. The District's Public Entity Investment Trust.

As of September 30, 2010, the District's Investment Trust portfolio has an allocation of 33.2% in fixed income funds and 66.8% in equity funds (equity funds comprised of 29.6% in domestic equity and 37.2% in international equity). The value of the portfolio as of June 30, 2010 was \$40,296,450.11 and as of September, 2010 the value of the portfolio was \$44,385,004.96. The September 30, 2010 portfolio value represents an inception to date net rate of return of 21.27% compared to the S&P/Barclays Blend of 16.90%. The investment results for the past 12 months show a net increase of 10.94% versus the S&P/Barclays Blend of 9.99%.

A motion to approve the Portfolio Review as presented was made by David Yancey, seconded by Danny Hawkins and unanimously carried by the Board.

### **MARKET OVERVIEW:**

Cary Allison provided a review of the Futuris Model Portfolios relative to their Asset Allocation strategies for the period ending 6/30/10.

A brief discussion followed in which Cary Allison noted that Morgan Stanley Smith Barney (MSSB) does not believe there will be a double dip recession even though growth will be slow going forward.

### **REVIEW OF INVESTMENT POLICY STATEMENT**

Scott Rankin reviewed the District's Investment Policy Statement (IPS).

A brief discussion revolved around changing the Expected Rate of Return and how the Blended Rate is determined. An inquiry was made relative to the purpose of the District's Short Term Trust and it was noted to the Board that the smaller account was established to reduce overall market volatility.

A motion to keep the current Expected Rate of Return was made by Danny Hawkins, seconded by Mark Newton and unanimously carried by the Board.

## **VIII. EDUCATION**

Cary Allison provided a Morgan Stanley Smith Barney presentation entitled “Market Volatility and the Long-Term Investor.”.Highlights of the presentation includes the following:

- Volatility is a fact of life in the stock market.
- Over the long run, stocks have offered significantly higher returns than bonds or T-bills.
- Market timing can be an expensive undertaking.
- Historically, the odds have favored the bulls.

To quote the former British Prime Minister Benjamin Disraeli “patience is a necessary ingredient of genius” when it comes to long-term investing

## **IX. ADMINISTRATION**

### **REVIEW OF THE COMPREHENSIVE COMPLIANCE PLAN, INCLUDING THE SUBSTANTIVE PLAN**

Gail Beal of Keenan Financial Services provided a summary of all the Volumes of the Substantive Plan.

Roslyn Washington of Keenan Financial Services was introduced as the Account Manager for the District’s Futuris Public Entity Investment Trust.

Gail Beal asked the Board how future updates to the Comprehensive Compliance Plan and “Substantive Plan” should be delivered and the Board requested that it be delivered electronically.

Chuck Thompson handed out copies of an outline of Volume IV (documentation of the Bond process), parts A, B and C.

### **INTRODUCTION OF THE COMPREHENSIVE COMPLIANCE PLAN POLICIES AND PROCEDURES**

Chuck Thompson of RPM Consultant Group handed out and reviewed a draft outline of Comprehensive Compliance Plan and “Substantive Plan” Policies, Procedures and On-going Maintenance...

The Board discussed who will be responsible for the maintenance of the plans and binder.

It was determined that Keenan Financial Services can file electronically the information regarding Volumes II, III and IV.

Board member Jeanine Hawk requested to know who will do what and requested that Keenan present it to the RBOA.

## **ANNUAL REPORTING ON THE STATUS OF THE TRUST**

Scott Rankin of Benefit Trust Company reviewed the Summary Annual Report for the San Jose Evergreen Community College District Public Entity Investment Trust.

A request was made by the Board to add the year of the report to the Cover Letter of the Summary Annual Report.

A motion to formally accept the Summary Annual Report was made by David Yancey, seconded by Mark Newton and unanimously carried by the Board.

## **TRUST BYLAWS**

Gail Beal of Keenan Financial Services reviewed the process of drafting Trust Bylaws and the procedures for implementing the Trust Bylaws.

Board member Jeanine Hawk suggested modifying the draft Trust Bylaws to include policies and procedures already in place with the Board and then positioning a Subcommittee to review the draft Bylaws prior to the next meeting.

Board members David Yancey, Danny Hawkins and Peter Fitzsimmons will be part of the Subcommittee.

A motion to accept Trust Bylaws was made by David Yancey, seconded by Danny Hawkins and unanimously carried by the Board.

## **DISBURSEMENTS**

Scott Rankin of Benefit Trust Company reviewed the disbursements that have been paid since June 2010. Board member Jeanine Hawk suggested that the purpose of the disbursement be added to the Withdrawal Form.

A motion to ratify and accept the disbursements was made by David Yancey, seconded by Danny Hawkins and unanimously carried by the Board.

## **COMMUNICATION**

There was discussion on the distribution protocols for when and how Agenda platforms and Board packages will be disseminated.

Keenan Financial Services will continue sending out the Board packages directly to Board members and provide an electronic copy as well.

David Yancey will look into technology for posting information on the District's website.

**IX. INFORMATION REPORTS**

**RETIREMENT BOARD OF AUTHORITY COMMENTS**

There were no Retirement Board of Authority comments.

**PROGRAM COORDINATOR/CONSULTANT COMMENTS**

There were no Program Coordinator/Consultant comments.

**VISITORS COMMENTS**

There were no Visitor comments.

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

- Communication for Retirees
- Maintenance of School Plan
- Bylaws
- Investment Policy Statement/Cash Flows

Next meeting dates are:

February 3, 2011	3:00-5:00 PM
April 14, 2011	3:00-5:00 PM
July 14, 2011	3:00-5:00 PM

**XI. ADJOURNMENT**

A motion to adjourn the RBOA Meeting at 5:00 PM was made by Danny Hawkins, seconded by Mark Newton and unanimously carried by the Board.



**MEETING MINUTES**

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

**July 14, 2010  
3:00 PM – 5:00 PM**

**San Jose City College  
Technology Center  
Room T-112  
2100 Moorpark Avenue  
San Jose, CA 95128  
408-288-3708**

**I. CALL TO ORDER**

The meeting was called to order at 3:17 PM. by Bob Schoenherr, Senior Vice President, Keenan & Associates.

**II. ROLL CALL**

Those in attendance were:

**MEMBERS:**

Vice Chancellor, Administrative Services  
Director of Fiscal Services  
Faculty and President, Faculty Association, AFT 6157  
Faculty and Member of AFT 6157  
Faculty

Jeanine Hawk  
Peter Fitzsimmons  
David Yancey  
Barbara Hanfling  
Phil Crawford

**PROGRAM COORDINATORS:**

Senior Vice President  
Senior Service Representative

Bob Schoenherr  
Ken Threeths

**CONSULTANTS:**

Morgan Stanley Smith Barney  
Benefit Trust Company

Cary Allison  
Scott Rankin

**GUESTS**

None

**III. APPROVAL OF AGENDA**

Agenda items were left as presented. As the Retirement Board of Authority did not have a quorum to approve the agenda items, no action was taken.

#### **IV. APPROVAL of MINUTES**

Minutes were left as presented. As the Retirement Board of Authority did not have a quorum to approve the minutes, no action was taken.

#### **V. CORRESPONDENCE**

Cary Allison of Morgan Stanley Smith Barney presented an article from Morgan Stanley entitled “Congressional Reform Update”

The “Congressional Reform Bill” profiled Financial Reform in terms of the following highlights:

- Financial Reform creates a Financial Services Council (“FSOC”) to identify & monitor systematic risk in the financial system.
- Financial Reform creates resolution authority to enable the federal government to put large non-bank financial companies into receivership and unwind them in an orderly manner.
- Financial Reform overhauls the regulation of OTC derivatives and major participants in these markets.
- Financial Reform is requiring the SEC to conduct a six-month study relative to imposing a fiduciary duty on brokers akin to that imposed on investment advisers.
- Financial Reform has adopted the Volcker Rule which prohibits most proprietary trading at banks, their affiliates and their holding companies.

Cary Allison also presented a communication letter that Morgan Stanley Smith Barney (MSSB) presented to MSSB clients relative to recent market volatility. This MSSB communication to clients pointed toward persistent concerns about high fiscal deficits and debt levels as the predominant reasons for recent market volatility.

#### **VI. INVESTMENTS**

##### **PORTFOLIO REVIEW:**

Cary Allison of Morgan Stanley Smith Barney provided an overview of the District’s Change in Portfolio, Asset Allocation, and Time Weighted Return (Gross and Net of Fees) for period ending June 30, 2010.

##### **1. The District’s Short Term Futuris Public Entity Trust.**

As of June 30, 2010, the District’s portfolio has an allocation of 79.6% in fixed income funds and 20.4% in equity funds (equity funds comprised of 11.7% in domestic equity and 8.7% in international equity ). The value of the portfolio as of December 31, 2009 was \$5,352,295.24 and with withdrawals of \$1,442,112.21 and management fees of \$11,253.89, the value of the portfolio as of June 30, 2010 was \$4,024,694.66. The June 30, 2010 portfolio value represents an inception to date net rate of return of 14.54% compared to the S&P/Barclays Blend of 12.04%. The investment results for the latest 12 months show a net increase of 15.29% versus the S&P/Barclays Blend of 12.65%

2. The District's Public Entity Investment Trust.

As of June 30, 2010, the District's portfolio has an allocation of 35.7% in fixed income funds and 64.3% in equity funds (equity funds comprised of 37.6% in domestic equity and 26.7% in international equity). The value of the portfolio as of December 31, 2009 was \$41,394,488.03 and with management fees of \$95,191.65, the value of the portfolio as of June 30, 2010 was \$40,296,450.11. The June 30, 2010 portfolio value represents an inception to date net rate or return of 16.38% compared to the S&P/Barclays Blend of 14.11%. The investment results for the past 12 months show a net increase of 15.47% versus the S&P/Barclays Blend of 12.65%

As the Retirement Board of Authority did not have a quorum to approve this agenda item, no action was taken.

**MARKET OVERVIEW:**

Cary Allison of Morgan Stanley Smith Barney provided an overview of the Global Capital Markets for period ending June 30, 2010 as published by the Morgan Stanley Smith Barney Global Investment Committee.

**REVIEW OF INVESTMENT POLICY STATEMENT:**

Scott Rankin of Benefit Trust Company provided an overview to the Board of the District's Investment Policy Statement (IPS) relative to the role of the IPS and how it works.

A White Paper entitled: "The Issues Institutional Investors Face in Doing Social Investing" by Carol V. Calhoun presenting the legal constraints that may apply to fiduciaries in implementing a socially screened investment strategy was tabled until the next meeting.

**VII. EDUCATION**

A presentation to the Board entitled "Volatility and the Long-Term Investor" was tabled until the next meeting.

**VIII. ADMINISTRATION**

**REVIEW OF COMPREHENSIVE COMPLIANCE PLAN, INCLUDING THE SUBSTANTIVE PLAN**

Board member Jeanine Hawk noted that Keenan & Associates was to provide information to the District relative to the administrative services provided by RPM Consultant Group (Chuck Thompson) versus the administrative services provided by Keenan.

As this issue was not addressed in the Board packet the agenda item was tabled until the next meeting.

## **TRUST BYLAWS**

Bob Schoenherr of Keenan & Associates informed the group that Keenan’s Legal Department with assistance from Benefit Trust Company (BTC) created a Bylaws template that the District can use as the basis of creating Bylaws for the Retirement Board of Authority.

The Board will review the Keenan Bylaws template provided and present feedback at the next meeting. Keenan will remind members of this task prior to the next meeting.

## **DISBURSEMENTS**

This agenda item was tabled until the next meeting.

## **IX. INFORMATION REPORTS**

### **RETIREMENT BOARD OF AUTHORITY COMMENTS**

Jeanine Hawk provided the Board with a report entitled “States May Face Pension Pressure as New GASB Rules Widen Funding Deficits” which the Board discussed.

### **PROGRAM COORDINATOR/CONSULTANT COMMENTS**

None

### **VISITORS COMMENTS**

None

## **X. AGENDA ITEMS FOR NEXT MEETING**

- Portfolio Review
- Market Overview
- Review of Investment Policy Statement
- Education
- Review of The Comprehensive Compliance Plan, Including Substantive Plan
- Trust Bylaws
- Disbursements

## **XI. ADJOURNMENT**

There being no more business to discuss the meeting was adjourned at 4:52 PM.

**MEETING MINUTES**

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

**May 13, 2010  
1:00 PM – 3:00 PM**

**San Jose City College  
Technology Center  
Room T-112  
2100 Moorpark Avenue  
San Jose, CA 95128  
408-288-3708**

**I. CALL TO ORDER**

The meeting was called to order by Steve Gedestad at 1:06 PM.

**II. ROLL CALL**

Those in attendance were:

**MEMBERS:**

Vice Chancellor, Administrative Services  
Interim Controller  
Faculty and President, Faculty Association, AFT 6157  
Faculty and Member of AFT 6157  
Faculty and Member of AFT 6157  
Staff and Member of CSEA, Chapter 363  
Staff and Member of CSEA, Chapter 363

Jeanine Hawk  
Peter Fitzsimmons  
David Yancey  
Barbara Hanfling  
Mark Newton  
Evelyn Rojas  
Danny Hawkins

**PROGRAM COORDINATORS:**

Executive Vice President  
Senior Vice President  
Senior Service Representative

Steve Gedestad  
Bob Schoenherr  
Ken Threeths

**CONSULTANTS:**

Morgan Stanley Smith Barney  
Benefit Trust Company

Cary Allison  
Scott Rankin

**GUESTS**

None

### III. APPROVAL OF AGENDA

A motion to approve the Agenda as presented was made by Danny Hawkins, seconded by David Yancey and unanimously carried by the Board.

### IV. APPROVAL of MINUTES

Danny Hawkins noted a spelling error in the meeting minutes from the RBOA meeting of February 23, 2010. Jeanine Hawk name was misspelled as Jeanine Hawkins.

A motion was made by Danny Hawkins, seconded by David Yancey and unanimously carried by the Board to approve the minutes with the change mentioned above.

### V. CORRESPONDENCE

There was no correspondence.

However, Cary Allison of Morgan Stanley Smith Barney (MSSB) talked to the Board about an article in the Wall Street Journal relative to the Securities and Exchange Commission (SEC) investigation of MSSB.

In this connection Cary presented the following narrative of events:

- Until the Wall Street Journal article was released MSSB did not know of the investigation. .
- MSSB has contacted the SEC to inquire about the investigation.
- At this time the SEC has not returned the call from MSSB
- As information becomes available, Cary will keep the Board informed.

### VI. INVESTMENTS

#### **PORTFOLIO REVIEW:**

Cary Allison of Morgan Stanley Smith Barney (MSSB) provided the District's change in Portfolio, Asset Allocation and Time Weighted Return (Gross and Net of Fees) for period ending April 30, 2010.

1. The District's Futuris Public Entity Investment Trust Portfolio.

As of April 30, 2010, the District's Futuris Public Entity Investment Trust's portfolio has an allocation of 66.8% in equity funds (equity funds comprising 39.2% in domestic equity funds and 27.6% in international equity funds) and 33.2% in fixed income funds. The value of the District's Public Entity Investment Trust portfolio as of December 31, 2009 was \$41,394,488.03 and as of April 30, 2010 the value of the portfolio was \$43,681,311.56. The April 30, 2010 portfolio value represents an inception to date net rate of return of 29.38% compared to the S&P/Barclays Blend of 23.145%.

## 2. The District's Short Term Futuris Public Entity Trust.

As of April 30, 2010, the District's Short Term Futuris Public Entity Trust portfolio has an allocation of 77.4% in fixed income funds and 22.7% in equity funds (equity funds comprising 13.0% in domestic equity funds and 9.7% in international equity funds). The value of the Short Term Futuris Public Entity Trust portfolio as of December 31, 2009 was \$5,352,295.24 and as of April 30, 2010 the value of the portfolio was \$4,667,784.70. The April 30, 2010 portfolio value represents an inception to date net rate of return of 19.10% as compared to the S&P/Barclays Blend of 19.37%

Barbara Hanfling inquired as to why there was a withdrawal from the Short Term Futuris Public Entity Trust of \$927,434.66. Scott Rankin of Benefit Trust Company (BTC) informed Board members that the withdrawal was required to pay for retiree medical benefits.

A motion to accept the portfolio review as presented was made by Mark Newton, seconded by Mark Newton and unanimously carried by the Board

### **MARKET OVERVIEW:**

Cary Allison of Morgan Stanley Smith Barney (MSSB) presented to Board members the Global Markets overview for period ending March 31, 2010 as provided by the Global Markets Consulting Group at MSSB.

## **VII. EDUCATION**

A Wall Street Journal article entitled 'Goldman Faces Suits Over CDOs' prompted Cary Allison of MSSB to provide a brief overview of collateralized-debt obligations (CDOs).

Cary's provided Board members with a Morgan Stanley Smith Barney (MSSB) article entitled "An Investor's Guide to Agency and Government Sponsored Mortgage Backed Securities".

An investment in mortgage backed securities (MBS) represents an ownership interest in a pool of residential mortgage loans. MBS were introduced to the fixed income market by U.S. Government Agencies and Government Sponsored Enterprises (GSEs). Issuers include:

- Government National Mortgage Association (GNMA or 'Ginnie Mae')
- Federal Home Loan Mortgage Corporation (FHLMC or 'Freddie Mac')
- Federal National Mortgage Association (FNMA or 'Fannie Mae')

There are also non-agency Mortgage Backed Securities in the marketplace.

Growth in this sector in recent years has led to the emergence of Mortgage Backed Securities issued by banks and other financial institutions. These non-agency issuers are able to offer more complex and riskier structures than agencies, hence the mortgage market now includes a variety of mortgage security structures that may not be suitable for every investor.

The Board inquired as to whether there are any CMOs, or MBSs in the District's Public Entity Investment Trust and Cary Allison confirmed that these investment structures are not currently within the portfolio.

The Board made a separate inquiry as to whether the District's Investment Policy Statement (IPS) allowed Morgan Stanley Smith Barney (MSSB) to invest in these investment structures. Scott Rankin indicated that these investment structures would not meet his fiduciary standards and those of the trust.

A separate question was asked if there is anything in the IPS about investing in socially responsible investments. Scott Rankin of Benefit Trust Company (BTC) indicated that in their initial meeting, the District did not want to invest in any socially responsible funds. The investment policy lists which type of investments that the district would not allow Morgan Stanley to invest in. Scott stated that he would do more review of this issue for the next meeting.

## **VIII. ADMINISTRATION**

### **APPOINTMENT OF RETIREMENT BOARD OF AUTHORITY MEMBERS**

There has been turnover in the RBOA for the last year. To confirm the new RBOA members, Steve Gedestad noted that the District Board just passed a resolution stating that the RBOA will have two RBOA members from CSEA, the Faculty Association and Administration..

A motion to approve that the bargaining units would provide to the Chancellor the names of the union members and alternates that will fill the RBOA positions was made by David Yancey, seconded by Danny Hawkins and unanimously carried by the Board..

### **AUTHORIZATION TO ACCESS FUTURIS TRUST STATEMENTS**

Jeanine Hawk informed the Board that the District has requested the Dolinka Group help provide recommendations on when to complete the swap from a floating rate to a fixed-interest rate on their OPEB Bond.. In order for the Dolinka Group to facilitate their agreement they have requested that Carrie Koen, Senior Analyst with the Dolinka Group, have access to the San Jose Evergreen Community College District Futuris Public Entity Investment Trust statement online.

A motion approving Carrie Koen of the Dolinka Group having access to the San Jose Evergreen CCD Futuris Public Entity Investment Trust statements online was made by Jeanine Hawk, seconded by Danny Hawkins and unanimously carried by the Board.

### **REVIEW OF RPM CONSULTANT GROUP PROPOSAL**

Jeanine Hawk provided the Board with a copy of RPM Consultant Group projected services and cost for consulting.. An inquiry was made as to whether the total fee listed was the maximum amount of the fees. Jeanine Hawk confirmed that the cost will not go over the \$17,350 listed.

However, the fee could be less than listed if the time and expense it takes to complete the services is less than projected.



## **IX. INFORMATION REPORTS**

### **RETIREMENT BOARD OF AUTHORITY COMMENTS**

Jeanine Hawk indicated that the District will be upgrading their web content and making more information on the RBOA available online. She inquired as to whether any Board member would be willing to manage the web content..

David Yancey stated that he could provide assistance on adding content to the site.

### **PROGRAM COORDINATOR/CONSULTANT COMMENTS**

None

### **VISITORS COMMENTS**

None

## **X. AGENDA ITEMS FOR NEXT MEETING**

- Market Overview
- Portfolio Overview
- Templates for By-Laws
- Investment Policy Statement

## **XI. ADJOURNMENT**

A motion to adjourn the meeting at 2.45 PM was made by Danny Hawkins, seconded by Jeanine Hawk and unanimously carried by the Board...

**MEETING MINUTES**

**SAN JOSE / EVERGREEN COMMUNITY COLLEGE DISTRICT  
RETIREMENT BOARD OF AUTHORITY MEETING  
February 23, 2010**

San Jose City College  
Technology Center  
Room T-112  
2100 Moorpark Avenue  
San Jose, CA 95128  
408-288-3708

**I. CALL TO ORDER**

The meeting was called to order by Steve Gedestad at 2:16 PM.

**II. ROLL CALL**

Those in attendance were:

**MEMBERS:**

Vice Chancellor, Administrative Services  
Faculty and President, Faculty Association, AFT 6157  
Faculty and Member of AFT 6157  
Faculty and Member of AFT 6157  
Staff and Member of CSEA, Chapter 363  
Staff and Member of CSEA, Chapter 363

Jeanine Hawk  
David Yancey  
Barbara Hanfling  
Mark Newton  
Evelyn Rojas  
Danny Hawkins

**PROGRAM COORDINATORS:**

Executive Vice President  
Senior Service Representative

Steve Gedestad  
Ken Threeths

**CONSULTANTS:**

Morgan Stanley  
Benefit Trust Company  
RPM Consultant Group

Cary Allison  
Scott Rankin  
Chuck Thompson

**GUESTS**

Retired-Faculty

Phil Crawford

### **III. APPROVAL OF AGENDA**

A motion was made by Danny Hawkins, seconded by Jeanine Hawk and unanimously carried by the Board to approve the Agenda.

### **IV. APPROVAL of MINUTES**

Scott Rankin noted that on page 5 of 156 there was an error with some of the names attributed to leading the discussion. Under Market Overview it was listed that Scott Rankin led the discussion when it should have read Cary Allison. Under Risk Tolerance Discussion it was listed that Steve Gedestad led the discussion when it should have read Scott Rankin. Lastly under Discussion of Investment Policy Statement it listed that Steve Gedestad led the discussion when it should have read Scott Rankin.

A motion was made by Danny Hawkins, seconded by Evelyn Rojas and unanimously carried by the Board to approve the minutes with the previously mentioned changes.

### **V. CORRESPONDENCE**

Cary Allison presented and reviewed the Fourth Quarter Report from Morgan Stanley.

Highlights of Cary Allison's review included the pay back of the government's Capital Purchase Program (TARP). Morgan Stanley repurchased the warrant received under the TARP Program for \$950 million, providing US taxpayers a 20 percent annualized return on their investment in Morgan Stanley.

The Board was also informed of the Morgan Stanley Smith Barney Joint Venture (MSSB), which closed on May 31, 2009. The Joint Venture has resulted in Morgan Stanley Smith Barney now holding 21% of market share and going forward the integration of MSSB will continue to provide more resources to clients of Morgan Stanley Smith Barney.

### **VI. INVESTMENTS**

#### **PORTFOLIO REVIEW:**

Cary Allison of Morgan Stanley Smith Barney provided the District's change in Portfolio, Asset Allocation and Time Weighted Return (Gross and Net of Fees) for period ending January 31, 2010. As of January 31, 2010, the District's Public Entity Investment Trust's portfolio has an allocation of 65.6% in equity funds (equity funds comprising 37.6% in domestic equity funds and 28.0% in international funds) and 34.4% in fixed income funds. The value of the Public Entity Investment Trust portfolio as December 31, 2009 was \$41,394,488.03 and as of January 31, 2010 the value of the portfolio was \$40,561,907.11. The January 31, 2010 portfolio value represents an inception to date net rate of return of 20.16% compared to the S&P/Barclays Blend of 16.00%.

As of January 31, 2010, the District's Short Term Futuris Public Entity Trust portfolio has an allocation of 78.4% in fixed income funds and 21.6% in equity funds (equity funds comprising 12.0% in domestic equity funds and 9.6% in international equity funds) The value of the Short Term Futuris Public Entity Trust portfolio as of December 31, 2009 was \$5,352,295.24 and as of January 31, 2010 the value of the

portfolio was \$5,358, 055.50. The January 31, 2010 portfolio value represents an inception to date net rate of return of 13.67% compared to the S&P/Barclays Blend of 12.45%.

As of January 31, 2010, the District's Money Market portfolio has an allocation of 100% in cash and receivables. The value of the of the District's Money Market as of December 31, 2009 was \$105,293.82 and as of January 31, 2010 was \$105, 272.03

Scott Rankin noted that Benefit Trust has almost completed the payments out of the Money Market Portfolio. Barbara Hanfling asked for clarification on what was being paid for through the Money Market Portfolio. Scott Rankin informed the group that the funds from the Money Market Portfolio are used to reimburse the General Fund for retiree health premiums.

Barbara Hanfling also asked if money from the Trust could be used to pay off the bond. Scott Rankin informed her that it could not because it is an irrevocable trust and it can only be used to pay for retiree benefits.

A motion was made by Mark Newton, seconded by Danny Hawkins and unanimously carried by the Board to approve the Portfolio Review.

#### **MARKET OVERVIEW:**

Cary Allison of Morgan Stanley Smith Barney discussed the Capital Market Overview for the period ending December 31, 2009 as published by the Morgan Stanley Global Investment Committee.

An inquiry was made by Phil Crawford as to whether there are a group of companies that focus on "green" technologies that can be tracked and suitable for portfolio investing.

Cary Allison noted that he is not aware of any companies that focus on "green" technologies but will look into ETF's (Exchange Traded Funds).

### **VII. ADMINISTRATION**

#### **REVIEW OF THE COMPREHENSIVE COMPLIANCE PLAN, INCLUDING THE SUBSTANTIVE PLAN**

Jeanine Hawk noted that she had met with Steve Gedestad to review the Keenan Service Agreement and compare it to the RPM Consultant Group proposal. She felt that the only section of the proposal requiring action on the part of the district was the "Preparation of the District's OPEB POB Substantive Plan Binder". The estimated cost of this service by RPM Consultants was \$13,600. Chuck Thompson noted that this estimation was the most that the service would cost. The final price would be dependent on the level of difficulty and the time required. However, the cost would not be more than \$13,600.

Jeanine requested the Board to give her authority to enter into an agreement with RPM Consultant Group.

A motion was made by David Yancey, seconded by Danny Hawkins and unanimously carried by the Board to give Jeanine Hawkins authority to enter into an agreement with RPM Consultant Group to provide the Preparation of the District's OPEB POB Substantive Plan Binder.

## STATUS OF ACTUARIAL STUDY

Mr. Wang Li of the Rael & Letson actuarial firm, reviewed with the Board, the District's OPEB Actuarial Valuation Report for fiscal year 2009-2010.

Mr. Li presented the "Summary of Valuation Results" in which he highlighted the following actuarial parameters:

- OPEB Participant Counts of July 1, 2009.
- Actuarial Present Value of Benefits (APVB).
- Actuarial Accrued Liability (AAL).
- Funded Status as of July 1, 2009.
- Annual Required Contribution (ARC) and Annual OPEB Cost (AOC) for 2009-2010.
- Net OPEB Obligation (NOO).
- Projected Cashflow Tables.

Subsequent to the Actuarial Valuation Report, there was a discussion as to whether the OPEB Trust could pay for the cost of the Kaiser Implicit Subsidy. Scott Rankin did not think that the Implicit Subsidy could be paid in this fashion as the OPEB Trust can only pay for retiree benefits.

Furthermore, there is no separate invoice for the Implicit Subsidy as Kaiser combines active and retiree experience under age 65 in its premium rate.

Scott Rankin suggested that the Board get a legal opinion on whether this was possible.

A motion was made by Danny Hawkins, seconded by David Yancey and unanimously carried by the Board to accept the actuarial study as presented.

## REVIEW OF GASB AUDIT REPORT

Vavrinek, Trine, Day & Company, LLP provided the Board with the District's OPEB Plan Independent Auditors Report as of June 30, 2009.

The Independent Auditors' Report provided the following OPEB financial highlights for Plan Year ending June 30, 2009:

- Statement of Plan Net Assets.
- Statement of Changes in Plan Net Assets.
- Notes to the Basic Financial Statements.

Steve Gedestad and Scott Rankin noted that whereas Benefit Trust Company is the District's OPEB Trust asset custodian, the Independent Auditors' Report incorrectly lists BenefitStreets as the asset custodian.

Furthermore, the Independent Auditors' Report incorrectly lists the Investment Advisor as Wachovia Securities LLC whereas Morgan Stanley Smith Barney is the Investment Advisor.

A motion was made David Yancey, seconded by Danny Hawkins and unanimously carried by the Board to accept the GASB Audit Report with the noted changes.

### **REVIEW OF RPM CONSULTANT GROUP PROPOSAL**

Chuck Thompson provided a document which clarified each service that is outlined in the proposal. The Board determined that they will review the document and defer any decisions until the next meeting.

## **VIII. INFORMATION REPORTS**

### **RETIREMENT BOARD OF AUTHORITY COMMENTS**

None.

### **PROGRAM COORDINATOR/CONSULTANT COMMENTS**

Steve Gedestad reminded the Board that Keenan Financial Services is hosting an Investment Workshop in Walnut Creek on March 25<sup>th</sup> from 11:30 to 3:30.

### **VISITOR COMMENTS**

None.

## **IX. AGENDA ITEMS FOR NEXT MEETING**

Agenda items for the next meeting, which will be held on July 14<sup>th</sup> at 3:00 PM, will be the same as for this meeting. However, both members and visitors can suggest additional items for consideration. Suggested additional items for the next meeting are:

- Portfolio Review.
- Market Overview.
- RPM Consultant Group Proposal

## **X. ADJOURNMENT**

A motion was made by David Yancey, seconded by Danny Hawkins and unanimously carried by the Board to adjourn the meeting at 4:00 PM.