# MINUTES

## SAN JOSE / EVERGREEN COMMUNITY COLLEGE DISTRICT
## RETIREMENT BOARD OF AUTHORITY MEETING
**April 21, 2022**
**1:00 PM–2:30 PM**
**Via Zoom Teleconference**

**I. CALL TO ORDER**

a. The meeting was called to order at 1:01 PM by Dan Hawkins.

**II. ROLL CALL**

1. **All Retirement Board of Authority (RBOA) members were present except Jose Escobar and Linda Ferrell (alternate).**
   Dr. Beatriz Chaidez, Associate Vice Chancellor, Human Resources
   Joseph Chesmore, Executive Director, Fiscal Services
   Jessica Breheny, Faculty and Member AFT 6157
   Patrick Butler, Retired Faculty and Member, AFT 6157
   David Yancey, Retired Faculty and Member AFT 6157
   Dan Hawkins, Staff and Member, CSEA Chapter 363 (RBOA Chair)
   Arlene Amelia, Retired Staff and Former Member CSEA, Chapter 363

2. **All Coordinators/Consultants were present:**
   Roslyn Washington, Assistant VP, Keenan Financial Services
   Kristin Cooper, Senior Service Analyst, Keenan Financial Services
   Cary Allison, Executive Director, Morgan Stanley
   Scott Rankin, Senior Vice President, Benefit Trust Company

3. **Guests:**
   Joe Lugo, Staff and Member, CSEA, Chapter 363 (Alternate)

**III. PUBLIC COMMENTS**

a. There were no public comments.
b. This item is information only.

**IV. DECLARATION**

1. Due to the current state of emergency pertaining to Covid-19, the Retirement Board of Authority (RBOA) oversight committee has concluded, by a majority vote, that meeting in person presents imminent risks to the health or safety of attendees. Therefore, it is desired and approved by the RBOA to conduct this "Brown Act" meeting via teleconference. This declaration will remain in force until further notice and alternate action taken by the RBOA.
   a. David Yancey Moved to approve the declaration as presented; Motion was seconded by Arlene Amelia and was unanimously approved by all of the RBOA members present.

## V. APPROVAL OF AGENDA

a. Jessica Breheny Moved to approve the Agenda with an addition of a report update by David Yancey and Patrick Butler in the comments section; Motion was seconded by David Yancey and was unanimously approved by all of the Retirement Board of Authority members present.

## VI. APPROVAL OF MINUTES

a. Jessica Breheny Moved to approve the Minutes from October 21, 2021 with changes to the roll call and the spelling of David Yancey's name. Motion was seconded by Beatriz Chaidez and was unanimously approved by all of the Retirement Board of Authority members present; Arlene Amelia abstained.

## VII. INVESTMENTS

### 1. Portfolio Performance Review

a. Cary Allison of Morgan Stanley (MS) reviewed the performance of the accounts as of **March 31, 2022.**

b. The Portfolio Value as of March 31, 2019 was **$44,527,522.32**

**Time weighted return net of fees**

| Month to Date | Quarter to Date | Year to Date | Latest 1 Year | Annualized latest 3 Year | Annualized latest 5 Year | Annualized latest 10 year | Annualized Inception to Date |
|---|---|---|---|---|---|---|---|
| -1.02 | -7.99 | -7.99 | 1.82 | 6.63 | 6.51 | 6.56 | 8.12 |

c. Cary Allison said that this is the worst quarter for the Barclay's Bond Aggregate since inception, over 40 years.

d. Arlene Amelia Moved to approve the Portfolio Performance Review as presented; Motion was seconded by Jessica Breheny and was unanimously approved by all of the Retirement Board of Authority members present.

### 2. Market Overview

a. Cary Allison of Morgan Stanley (MS) gave an update on the current market conditions.

b. The Federal Reserve said last year (early 2021) that they were not going to raise short term interest rates until 2024 and that they would remain at zero. However, after the end of year (Dec 2021) meeting, they quoted in their Minutes that they now had plans to raise the short-term interest rates at least 3 times this year to thwart off rising inflation. Morgan Stanley believes that inflation is at its peak now.

c. MS believed most of the inflation was due to the supply chain issue. But we now believe the supply chain issues are more transient.

d. Before the war in Ukraine, we believed the inflation would slow down by summertime 2022, but now we are not sure.

e. The Fed Chair is now talking about raising rates 2-3 more times this year. However, if they raise them too fast, we can possibly move into a recession.

f. We have seen a lot of corrections in the stock market over the past few weeks.
g. Typically, when Stocks are down, Bonds do well. However, both Bonds & Stocks have been doing poorly this quarter.
h. We just increased your exposure to REITS and decreased your international equities.

**Forecast Summary: More of the Same**

We're in the midst of a hotter but shorter cycle in the U.S. We first made this case in March of 2021, arguing that this cycle was likely to progress quicker than the prior four given the velocity of the growth rebound following the Covid recession, the return of inflation after a 4-0-year absence, and a much earlier-than-expected shift to more hawkish monetary policy. Fast forward to today, and that's what appears to be happening. Earnings have accelerated past prior cycle peaks historically quickly and are now starting to decelerate from a growth rate perspective, inflation is at a multi-decade high, and the Federal Reserve has hiked twice just two years into the cycle.

**We continue to believe that the U.S. equity market is not priced for this slowdown in growth from current levels**. In fact, based on our fair value framework, the S&P 500 is still mispriced for the current growth environment. Applying today's 10-year yield to our fair value risk premium indicates a forward multiple of ~16x and an S&P 500 price level of 3,700 -3,800.

On that score, we expect equity volatility to remain elevated over the next 12 months. As we wrote about in our 2022 year ahead outlook, one of the hallmarks of this cycle is likely to be elevated economic and earnings uncertainty. Add in the elevated geopolitical uncertainty that has arisen over the past several months amid the Russia/Ukraine conflict and the table is set for volatility to persist We expect elevated performance dispersion in this type of environment and favor companies that can deliver on cash flow and operational efficiency.

## VIII. <u>ADMINISTRATION</u>

**1. Disbursement Report**

a. The RBOA was presented with disbursement report showing fees paid from the trust to Morgan, BTC, & Keenan from October 2021 – March 2022.
b. David Yancey moved to ratify the fees; Motion was seconded by Jessica Breheny and unanimously approved by all RBOA members present.

**2. The District's OPEB Plan Independent Auditor's Report**

a. Joseph Chesmore presented and discussed the most recent independent auditor's
b. No inconsistencies were found.
c. This is an information item only.

**4. Retiree Health Benefits Reimbursement Expenses**

a. The RBOA reviews a list of itemized expenditures associated with retiree health benefits with the assistance of Benefits Analyst Michelle Kay.
b. This is an information item only.

**5. Annual Report to the Governing Board of Trustees**

a. Dan Hawkins advised the RBOA that he and Roslyn Washington of Keenan presented the Board of Trustees with a report on the status of the Trust and the Board acknowledged.

## IX. INFORMATION REPORTS

**Retirement Board of Authority Comments**

a. Report and update from the Task Force; Patrick Butler provided a written history of medical benefits for The SJECCD retired staff (attached) and commented on changes to the medical benefits provided to retirees from the time such benefits were established.
b. David wanted to discuss the surplus in the trust and discuss possible options on what can be done to better the retiree benefits.
c. Patrick Butler moved that the RBOA hold a special meeting in the third week of this July to discuss the levels of medical benefits provided to the retired staff covered by the RBOA trust. The motion was seconded by Jessica Breheny. The motion was called for and passed unanimously. Jessica then suggested that the meeting take place on Monday, July 18 and this was accepted.
d. Pease see attachment with written history of medical benefits for The SJECCD retired staff at the end of this document.

**Program Coordinator/Consultant Comments**

a. No comments.

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

b. **October 20, 2022 1:00pm – 3:00pm**
c. IPS and Risk Tolerance Questionnaire is to be added to the next agenda.

## XI. ADJOURNMENT

a. Meeting was adjourned at 2:23 pm by Danny Hawkins, RBOA Chair.

Attachment to minutes:

Good afternoon.

After the Rodda Act, passed in 1976, allowing our faculty to bargain "wages, hours and working conditions", I organized a campaign to obtain the signatures of at least 1/2 of our district's 800+ full- and part-time (as they were called then) faculty. I was elected as the first president of the CTA chapter after we became the exclusive bargaining agent and was re-elected five more times as president.

I also served as Chairman of our negotiation team for all of those terms, including when the district agreed in the 1979-1982 contract to provide medical coverage at the level of the Blue Cross 365 Plus (the Plus was prescription coverage) plan. I specifically asked for that language to be included. [p. 47]

I was also President and negotiations chair when I signed a contract that agreed that full-time faculty hired after September 7 of 1982 would not be eligible for district paid retirement benefits.

Even as we grandfathered in current employees, it was a huge give as the contract required all retirees upon reaching the age 65, to qualify for Social Security and acquire Medicare benefits. Many full-time faculty were not at that time eligible for Social Security (which requires 40 quarters of covered paid employment) and scrambled to find additional part-time employment that was covered (I was one and I remember Prof. Dan Epstein got a summer job delivering the mail) or elect to take an additional 6.7% out of their full-time salary. Also, at that time Social Security benefits were not taxed and there were no additional IRMAA Medicare fees which can run into the thousands each year.

It is often stated that pre-1982 hires have "paid medical retirement benefits"; however, what was provided by the district and now our Retirement Board is just a supplemental plan to Medicare, which is one reason, aside from excellent investment strategies and leadership, why this fund has such a huge surplus as the number of beneficiaries decreases each year.

To the point, the benefits paid by the supplemental plan as well as those provided by Medicare have significantly declined:

· During the past ten years the prescription plan has started rejecting all prescriptions for brand-name drugs, requiring co-pays and even rejecting some generic drugs. This is not what the faculty union and the Governing Board agreed to so many years ago. When I retired none of these practices were in place.

· Adding to the financial burden of those that this irrevocable trust was set up to benefit, is the exponential increases in the cost of Medicare. When the Governing Board, management and our faculty union signed the agreement regarding the requirement to obtain Medicare, that plan cost exactly $11 per month. The minimum is now $170.10 and many covered retirees pay much more yearly.

Thank you for your attention to this history.