

MINUTES

**EL CAMINO COMMUNITY COLLEGE DISTRICT
RETIREMENT BOARD OF AUTHORITY MEETING
OCTOBER 22, 2013
2:00 PM – 4:00 PM**

**EL CAMINO COMMUNITY COLLEGE DISTRICT
ADMINISTRATION BUILDING, BOARD ROOM
16007 CRENSHAW BLVD
TORRANCE, CA. 90506
PHONE (310) 532-3670**

I. CALL TO ORDER

The Retirement Board of Authority (RBOA) meeting was called to order at 3:10 PM by Board Chair Jo Ann Higdon.

II. ROLL CALL

Roll call was conducted and the presence of all RBOA members was recorded. All service organization representatives indicated their presence except Scott Rankin of Benefit Trust Company (BTC) who joined the meeting via a telephonic conference call.

RETIREMENT BOARD OF AUTHORITY (the “Board”) MEMBERS:

Vice President, Administrative Services & Board Chair
Director, Purchasing and Business Services
Director of Human Resources
Vice President, Human Resources
Business Manager, Fiscal Services

Jo Ann Higdon
Rocky Bonura
Lynn Lindberg
Linda Beam
Janice Ely

PROGRAM COORDINATOR:

Senior Vice President
Account Manager

Gail Beal
Roslyn Washington

CONSULTANTS:

Benefit Trust Company (BTC)
Morgan Stanley Wealth Management (MS)

(via Phone) Scott Rankin
Cary Allison

OTHERS

None

III. PUBLIC COMMENTS

There were no Public comments or inquiries.

IV. APPROVAL OF AGENDA

A motion was made by Board member Janice Ely to approve the Agenda as presented. The motion was seconded by Board member Rocky Bonura and unanimously carried by the Board members present.

V. APPROVAL OF MINUTES

A motion was made by Board member Rocky Bonura to approve the Minutes from the previous meeting on June 19, 2013 as presented. The motion was seconded by Board member Janice Ely and unanimously carried by the Board. Board member Linda Beam abstained because of her absence from the RBOA meeting on June 19, 2013.

VI. INVESTMENTS

PORTFOLIO 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 September 30, 2013. As of September 30, 2013, the District's Investment Trust portfolio had an allocation of 84.0% in fixed income funds and 16.0% in equity funds (equity funds comprised 10.5% in domestic equity and 5.5% in international equity). The value of the portfolio as of December 31, 2012 was \$15,356,508.25 and the portfolio value as of September 30, 2013 is \$17,189,426.32. The September 30, 2013 portfolio value represents an inception to date net rate of return of 2.00% compared to the Barclays Aggregate of -1.67% and the S&P 500 Adj for Divs of 19.35%. The investment results for the last year show a net increase of 2.00% versus the Barclays Aggregate of -1.67% and the S&P 500 Adj for Divs of 19.35%. The current dividend yield on the District's Investment Trust portfolio fixed income investments was 4.0% while the current dividend yield on the aggregated portfolio was 3.7%.

Cary presented asset allocation and portfolio updates for the Public Entity Investment Trust Model Portfolios for period ending June 30, 2013. He advised that there have not been any manager changes or changes to the asset allocation mix in the District's Model Investment Trust portfolio. Cary continued by advising that Fed Chair Bernanke recently hinted at a gradual scaling back or "tapering" of asset purchases which made for a dismal second quarter regarding bonds. However, he advised that stocks are doing very well because earnings are better than expected. Regarding the District's Investment Trust portfolio he noted that the current dividend yield was 3.7% which is excellent and explained that European exposure has been the driver with the MSCI EAFE benchmark reflecting a 23.77% gain under the inception-to-date metrics.

A motion was made by Board member Rocky Bonura to accept the Portfolio Performance Review as presented. The motion was seconded by Board member Linda Beam and unanimously carried by the Board members present.

MARKET OVERVIEW

Cary Allison of Morgan Stanley Wealth Management provided Morgan Stanley's "Capital Markets Overview" for the second quarter 2013. In the second quarter, equities and other risk assets were affected by U.S. Federal Reserve Chairman Ben Bernanke's testimony before Congress' Joint Economic Committee in May that the Fed may begin to slow down the rate of its asset purchases. Global equities, particularly the emerging markets, fell for the quarter. In the U.S., both the Dow Jones Industrial Average and the S&P 500 hit record highs in the second half of May, but then corrected as interest rates rose. The Dow Jones Industrial Average was up 2.9% in the second quarter, the S&P 500 rose 2.9% and the NASDAQ Composite advanced 4.5%. Fiscal concerns continued to weigh on global growth expectations. Morgan Stanley & Co. LLC economists forecast 3.1% global GDP growth in 2013, the same as last year, and 3.9% in 2014. For the U.S., the forecast is 1.9% in 2013 and 2.7% in 2014. For the quarter, the seasonally adjusted unemployment rate rose from 7.5% for April to 7.6% for June. Job gains in the quarter took place for care professional and business services, leisure and hospitality, retail trade, and financial activities. Inflation remained low in the U.S. According to the Bureau of Labor Statistics, the seasonally adjusted Consumer Price Index fell 0.4% in April and rose 0.1% in May. Morgan Stanley & Co. LLC economists forecast a 1.5% inflation rate for 2013 and 1.3% for 2014. The Census Bureau reported that private-sector housing starts in May 2013 were at a seasonally adjusted annual rate of 914,000—6.8% above the revised April estimate and 28.65 above May 2012 housing starts. The rise in housing starts over the past year confirms that the housing market is in recovery mode. In the second quarter, emerging markets (EM) and global equities declined. The MSCI EAFE Index (a benchmark for developed markets) fell 0.8% for U.S.-currency investors and rose 1.4% for local-currency investors, as the U.S. dollar appreciated in relation to the currencies of many nations on the index. The MSCI Europe Index fell 0.1% for U.S.-currency investors and 0.4% for local-currency investors during the second quarter. In comparison, the MSCI Far East Index gained 2.5% for the quarter in terms of the dollar and 7.4% in terms of local currencies. The year-long rally in the riskier parts of the bond market, including high-yield debt and corporate credit, wound down in the second quarter as the U.S. Federal Reserve signaled a potential end to accommodative central bank policy, bolstered by Quantitative Ease (QE3). QE3 allows the Federal Reserve to purchase billions in mortgage-backed securities in order to bring down long-term interest rates and thus stimulate housing and other economic sectors dependent on borrowing. Interest rates rose in the second quarter after the Federal Reserve indicated it would begin the long process of reducing its extraordinary monetary policy. The benchmark 10-year U.S. Treasury note rose to a quarter-end 2.49% from a 1.63% low in mid-April. The Barclays Capital U.S. Aggregate Bond Index, a general measure of the fixed-income market, declined 2.3% for the second quarter. In contrast, the Barclays Capital High Yield Index, a measure of lower-rated corporate bonds, fell 1.4% for the quarter.

REVIEW OF INVESTMENT POLICY STATEMENT

In compliance with fiduciary best practices, Scott Rankin of Benefit Trust Company (BTC) provided an annual review of the current provisions and capital market assumptions codified in the District's Investment Policy Statement (IPS). Board Chair Jo Ann Higdon advised that the District's liquidity needs have not changed while Board member Rocky Bonura reaffirmed the Trust's investment objective is long term. Board member Linda Beam noted that the District is currently conducting an Actuarial Valuation Study which will give a clearer picture vis-à-vis altering collective bargaining agreements or grandfathering the

District's capital position. Scott Rankin noted that the District's Investment Trust portfolio is heavily weighted towards a fixed income strategy with a Target Rate of Return (TRR) of 4.5% and an additional 0.5% allocated to expenses related to the management of the Trust. Scott asked if the Board would consider moving to a moderate growth portfolio structure by introducing more equities to the asset allocation mix. Board Chair Jo Ann Higdon suggested talking to the District's actuary Geoff Kischuk as to what would change by moving the Target Rate of Return to 5.5%. Gail Beal of Keenan Financial Services indicated that typically a move of 1% in the TRR will result in a drop of 10% -15% in their liability. Gail continued by suggesting that Geoff Kischuk provide a draft showing outcomes and once it is analyzed, a Brown Act meeting can be called to change the District's Investment Policy Statement (IPS). Board Chair Jo Ann Higdon responded by advising that they reaffirm the current capital market assumptions in the District's Investment Policy Statement.

A motion was made by Board member Rocky Bonura to reaffirm the current capital market assumptions reflected in the District's Investment Policy Statement (IPS) and that this Agenda Item should be revisited again in a few months. The motion was seconded by Board member Janice Ely and unanimously carried by the Board members present.

VII. EDUCATION

A review of the Investment Education materials included in the Board package was deferred to the next Retirement Board of Authority (RBOA) meeting.

VIII. ADMINISTRATION

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 Board member Linda Beam ratifying that the Annual Report on the Status of the Trust has been promulgated to the Trust's beneficiaries according to established District protocols. The motion was seconded by Board member Rocky Bonura and unanimously carried by the Board members present.

DISBURSEMENTS

Roslyn Washington of Keenan Financial Services presented the Board with the period Disbursement Report which reflected expenses associated with the management & operation of the District's Investment Trust from July 2013 through September 2013.

A motion was made by Board member Janice Ely to ratify the expenses associated with the management of the District's Investment Trust for the period of July 26, 2013 through September 13, 2013. The motion was seconded by Board member Linda Beam and unanimously carried by the Board members present.

DIRECTORS' AND OFFICERS' INSURANCE UPDATE

No Action was taken by the Board on this Agenda Item.

FUTURE TRANSFER OF ASSETS INTO THE TRUST

For fiscal year 2013/2014, the Retirement Board of Authority (RBOA) acknowledged the District's transfer of \$900,000.00 to the Investment Trust on August 15, 2013.

UPDATES TO THE COMPREHENSIVE COMPLIANCE PLAN INCLUDING THE "SUBSTANTIVE PLAN"

Roslyn Washington of Keenan Financial Services (KFS) briefly reviewed the processes and procedures for reflecting updates to the District's "Substantive Plan" for fiscal year ending June 30, 2013.

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.

X. DATE, TIME AND AGENDA ITEMS FOR NEXT MEETING

The next Retirement Board of Authority (RBOA) will be scheduled subsequent to a discussion with the District's actuary Geoff Kischuk of Total Compensation Systems, Inc. regarding the "Discount Rate" assumption in the new Actuarial Valuation Study. The RBOA also requested to discuss the Investment Policy Statement (IPS) as well in reference to the results of the Actuarial Valuation Study.

XI. ADJOURNMENT

There being no further business to conduct, the Retirement Board of Authority meeting was adjourned by Board Chair Jo Ann Higdon at 3:55 PM.

Americans with Disabilities Act: The El Camino 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 El Camino Community College District Retirement Board of Authority, shall be made to: Jo Ann Higdon, Vice President, Administrative Services, El Camino Community College District, 16007 Crenshaw Blvd, Torrance CA. 90506.