

MINUTES

**EL CAMINO COMMUNITY COLLEGE DISTRICT
RETIREMENT BOARD OF AUTHORITY MEETING
DECEMBER 11, 2012
10:00 AM – 12:00 PM**

**EL CAMINO COMMUNITY COLLEGE DISTRICT
ADMINISTRATION BUILDING, ROOM 131
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 10:11 AM by Board Chair Jo Ann Higdon.

II. ROLL CALL

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
Morgan Stanley Smith Barney

Scott Rankin
Cary Allison

OTHERS

None

III. APPROVAL OF AGENDA

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

IV. APPROVAL OF MINUTES

A motion was made by Board member Rocky Bonura to approve the Minutes from the August 23, 2012 meeting as presented. The motion was seconded by Board member Linda Beam and unanimously carried by the Board members present.

V. INVESTMENTS

PORTFOLIO REVIEW

Cary Allison of Morgan Stanley (MS) 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 November 30, 2012. As of November 30, 2012, the District's Investment Trust portfolio had an allocation of 86.2% in fixed income funds and 13.8% in equity funds (equity funds comprised 8.9% in domestic equity, 4.9% in international equity). The value of the portfolio as of December 31, 2011 was \$0.00 and with a contribution of \$15,076,220.69, the value of the portfolio as of November 30, 2012 is \$15,218,649.00. The November 30, 2012 portfolio value represents an annualized inception to date net rate of return of 0.68% versus the Barclays Aggregate of 0.36% and the S&P 500 Adj. for Divs. of -1.28%. The current dividend yield on the District's portfolio fixed income investments was 3.9% while the current dividend yield on the aggregated portfolio was 3.7%.

In the Board materials provided, Cary Allison presented and discussed the Asset Allocation and Portfolio Updates for the Public Entity Investment Trust Model Portfolios for period ending September 30, 2012. Board Chair Jo Ann Higdon asked if Board members could go online to view the District's Portfolio Performance Report. Scott Rankin of Benefit Trust Company (BTC) indicated that they can go online to access the district's account and review account statements but the Portfolio Performance Report is sent to the district on a quarterly basis.

A motion to accept the District's Portfolio Performance Report as presented was made by Board member Rocky Bonura. The motion was seconded by Board member Janice Ely and unanimously carried by the Board members present.

MARKET OVERVIEW

In his brief overview of the global capital markets, Cary Allison indicated that wildcards such as the U.S. fiscal cliff and concerns about an economic slowdown in China have recently created a higher-than-usual degree of uncertainty in global equity markets. However, he noted that, going forward, there could be some significant upside potential for the equity markets as stocks are cheap right now. Cary provided a profile of the seven bond fund positions in the District's portfolio, reflecting one year, three year, five year and year-to-date performance results as of December 6, 2012. Due to the Fed's mortgage buying strategy, he noted

that the bond fund positions in the district's portfolio have done extremely well this past year especially the global fund positions. However, Morgan Stanley analysts do not expect the Fed's mortgage strategy to continue so that the District's fixed income investments may not perform as well next year. Going forward, Cary sees tepid growth in the U.S. fair growth in the Europe and good growth in Asia.

In supplemental materials provided to Board members, Cary presented Morgan Stanley's Consulting Group "Capital Markets Overview" for the third quarter 2012. In the third quarter, equities and other risk assets surged on the back of central bank easing around the world. The U.S. Federal Reserve, the European Central Bank, the People's Bank of China, the Bank of Japan (BOJ) and the Bank of England all eased monetary conditions. This accommodative policy has led investors to discount the ongoing European economic crisis, slowing in China's economy and the U.S. fiscal cliff. Both Morgan Stanley & Co. LLC and Citi economists have lowered global economic forecasts for 2012 to 3.1% and 2.9%, respectively, from 3.5% and 3.2%. The bulk of this growth is coming from emerging markets. U.S. economic growth is expected by both firms to be around 2.1% in 2012.

The Department of Commerce estimated that Gross Domestic Product grew at an annual rate of 1.3% in the second quarter of 2012, in comparison to 2.0% in the first quarter of 2012. Both Morgan Stanley & Co. LLC and CITI economists forecast that U.S. GDP will grow about 2.1% in 2012. For the quarter just ended, the seasonally adjusted unemployment rate fell from 8.3% for July to 7.8% for September. Inflation remained low in the U.S. According to the Labor Statistics, the seasonally adjusted Consumer Price Index remained flat in July 2012 and rose 0.6% in August 2012. Morgan Stanley & Co. LLC economists expect a 2.2% inflation rate for 2012, while Citi economists are forecasting a 1.9% rate for 2012.

Relative to the U.S. Equity Markets, the Dow Jones Industrial Average rose 5.0% for the third quarter. The NASDAQ Composite gained 6.2% for the quarter, while the S&P 500 grew 6.4% in the same period. In the third quarter, Emerging Markets (EM) and global equities advanced. The MSCI EAFE index (a benchmark for developed markets) gained 7.0% for U.S.-currency investors and rose 4.7% for local-currency investors, as the U.S. dollar depreciated in relation to the currencies of many nations on the index. In contrast, in the second quarter of 2012, the MSCI EAFE index fell 6.9% in U.S. dollars and fell 5.1% in local currency.

Accommodative central bank policy fueled a rally in riskier parts of the bond market, including high yield debt and corporate credit. Even the benchmark 10-year Treasury benefited as yields fell (and prices rose) to 1.64%, which is near its all-time low. The Barclays Capital U.S. Aggregate Bond index, a general measure of the fixed-income market, rose 1.6% for the third quarter. In contrast, the Barclays Capital High Yield index, a measure of lower-rated corporate bonds, rose 4.5% for the quarter. During the third quarter, investors looked past the negative headlines about state and local government finances, which proved to be a boon to the municipal-bond market. As a result, the Barclays Capital Muni index was up 2.3% for the third quarter, besting its 1.9% rise in the second quarter.

VI. EDUCATION

Cary Allison presented Board members with a Morgan Stanley publication entitled "What Happens if the Tax Cuts Expire?" The material provides a tax rate table and narrative of possible changes for 2013.

The tax rate table profiled the following schedules:

- The pre-Bush tax rates.
- The tax rates under the current law.
- The tax rates reflected in the Obama budget.
- The tax rates proposed by the Romney plan.

The narrative in the material presented, advised that if the Bush tax cuts expire at the end of 2012 as scheduled, most taxpayers will face some combination of higher tax rates on their incomes, dividends and capital gains in 2013.

In addition, high earners also will pay an additional 3.8% tax on their investment income and a 0.9% higher Medicare tax as legislated by the Patient Protection and Affordable Care Act. The top tax rate on dividends 39.6% before Bush and 15% for qualified dividends now could become 43.4% (39.6% plus 3.8%) in 2013 if nothing is changed. The long-term capital gains rate, 20% before Bush and 15% now, could increase to 23.8%. The estate tax, 55% before Bush, 0% in 2010 and now 35%, could return to 55%. Finally, the estate and gift tax exemption, which before Bush was \$675,000 for married individuals and is now \$5.12 million, is scheduled to go back to \$1 million. The material noted that President Obama and Mitt Romney also have made proposals.

VII. 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, 2012. Gail Beal of Keenan Financial Services advised Board members that the Annual Report required a public posting where it can be viewed by the OPEB Plan participants. Board Chair Jo Ann Higdon indicated that they would post this Annual Report on the District's website where OPEB Plan participants will be able to view it.

A motion was made by Board member Linda Beam ratifying that the Annual Report on the Status of the Trust will be promulgated to the OPEB Plan participants via the District's website. The motion was seconded by Board member Rocky Bonura and unanimously carried by the Board members present.

TRANSFER OF ASSETS INTO THE TRUST

Gail Beal of Keenan Financial Services explained that this Agenda Item gives Board members an opportunity to acknowledge and ratify cash transfers from the District to the OPEB Trust. In this connection, Board member Janice Ely verified that the transaction postings for \$11,205,057.00 on September 25, 2012 and \$3,870,163.69 on September 27, 2012 to the District's OPEB Trust are correct. Board Chair Jo Ann Higdon indicated that the District will also be moving forward with another prefunding transfer to the OPEB Trust for \$900,000.00 before the end of the fiscal year.

A motion was made by Board member Rocky Bonura to ratify total prefunding transfers from the District to the OPEB Trust in the amount of \$15,076,220.69. The motion was seconded by Board member Janice Ely and unanimously carried by the Board members present.

DIRECTORS' AND OFFICERS' INSURANCE UPDATE

The Retirement Board of Authority discussed the need for additional liability insurance supplementing their SWACC coverage. Gail Beal of Keenan Financial Services advised that Toni Brady of Keenan & Associates had sent Board member Rocky Bonura information and an application for Directors' and Officers' insurance. Rocky indicated that he had received the materials and will be reviewing it later. It was noted that current coverage expires about March 7, 2013.

No Action was taken on this Agenda Item.

RETIREMENT BOARD OF AUTHORITY (RBOA) BYLAWS

Gail Beal of Keenan Financial Services explained to Board members their different options relative to customizing Retirement Board of Authority (RBOA) Bylaws. Board Chair Jo Ann Higdon requested Keenan Financial Services meeting attendees to check and confirm if they have reviewed and approved RBOA Bylaws previously. Roslyn Washington advised that she had a high degree of certainty that they had not approved RBOA Bylaws previously. However, Roslyn noted that she would check the Meeting Minutes from their past Board meetings.

Alternately, Roslyn advised that she would send each Board member a RBOA Bylaws template in WORD format so that they could review and make necessary edits prior to their next Board meeting.

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

Roslyn Washington of Keenan Financial Services (KFS) advised Board members that the District had recently sent back an executed copy of their OPEB Due Diligence Questionnaire and she has all the information required to complete the District's "Substantive Plan" (Volume II). Roslyn noted that new data discs for their Electronic Library reflecting "Substantive Plan" compliance for fiscal year ending June 30, 2012 will be delivered to the District by the end of January 2013.

PERFORMANCE REPORT SCHEDULE FOR THE BOARD OF TRUSTEES

Gail Beal of Keenan Financial Services confirmed that most Keenan Financial Services clients are provided with an updated monthly or quarterly report for Board of Trustee meetings which also includes an overview and summary letter from Benefit Trust Company (BTC). This report production can be done quickly – a Board of Trustees meeting scheduled for the middle of October could be supported by a quarterly report for period ending September 30.

VIII. INFORMATION

RETIREMENT BOARD OF AUTHORITY COMMENTS

There were no Retirement Board of Authority comments.

PROGRAM COORDINATOR/CONSULTANT COMMENTS

There were no Program Coordinator/Consultant comments.

VISITOR COMMENTS

There were no Visitor comments.

IX. DATE, TIME AND AGENDA ITEMS FOR NEXT MEETING

The next Retirement Board of Authority meeting has been scheduled as follows:

- March 7, 2013: 10:00 AM-12:00 PM.

X. ADJOURNMENT

There being no more business to conduct, the Retirement Board of Authority meeting was adjourned at 11:05 AM.

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.