

MINUTES

EL CAMINO COMMUNITY COLLEGE DISTRICT RETIREMENT BOARD OF AUTHORITY MEETING

March 13, 2019

9:00 AM–11:00 AM

I. CALL TO ORDER

1. The meeting was called to order at 9:04 AM by Brian Fahnestock.

II. ROLL CALL

1. **All Retirement Board of Authority (RBOA) members were present:**
Brian Fahnestock, Vice President, Administrative Services & Board Chair
Michael Pascual, Director, Purchasing and Business Services
Jane Myashiro, Vice President, Human Resources
Maria Smith, Director of Human Resources
Jeffrey Hinshaw, Business Manager, Fiscal Services
2. **All Coordinators/Consultants were present, except Gail Beal:**
Roslyn Washington, Assistant Vice President, Keenan Financial Services
Cary Allison, Senior Vice President, Morgan Stanley
Scott Rankin, Senior Vice President, Benefit Trust Company

III. PUBLIC COMMENTS

1. There were no public comments.
2. This item is information only.

IV. APPROVAL OF AGENDA

1. Jeffrey Hinshaw moved to approve the agenda as presented; motion was seconded by Michael Pascual and was unanimously approved by all RBOA members present.

V. APPROVAL OF MINUTES

1. Michael Pascual moved to approve the minutes from September 19, 2018 as presented; motion was seconded by Jeffrey Hinshaw and was approved by all RBOA members present.

VI. INVESTMENTS

1. **Portfolio Performance Review**
 - a. Cary Allison of Morgan Stanley (MS) reviewed the performance of the Trust's accounts as of January 31, 2019.
 - b. The Portfolio Value as of **January 31, 2019 was \$22,329,983.94.**
 - c. The Portfolio value as of March 12, 2019 was \$22,599,968.00.

Time weighted return net of fees

Month to Date	Quarter to Date	Year to Date	Latest 1 Year	Annualized latest 3 Years	Annualized latest 5 Years	Annualized Inception to Date
4.96	4.96	4.96	-4.06	2.92	2.15	2.30

- d. You are almost where you were when we last met in September when you increased your equities.
- e. The international market was considerably down the last 12 months.
- f. Jeffrey Hinshaw Moved to approve the Portfolio Performance Review as presented; motion was seconded by Michael Pascual and was unanimously carried by all RBOA members present.

2. Market Overview

- a. Cary Allison gave an overview of the Markets since the last RBOA meeting.
- b. December 2018 was the worst December since the Great Depression
- c. However, January 2019 was the best January in the last 30 years.
- d. Ultimately, it's about earnings. 2014-2016 earnings were flat. Earnings were up in 20% in 2017. In 2018, earnings were up 22% primarily due to the tax cut.
- e. The forecast for 2019 is earnings will increase by 1% above 2018.
- f. Interest rates are the main thing that improved earnings.
- g. We have a new Federal Chair. The Fed's were supposedly going to raise Short Term Interest Rates 2-4 times in 2019, but then things began correcting. We think Federal Reserve is finished raising short term rates. Maybe 1 more time this year at most.
- h. We have made no changes to the portfolio mix.
- i. Economy is quite good now. Can't recall when the economy has been so good, but the rhetoric is the opposite.
- j. We don't see a recession anywhere in the horizon.
- k. Long term rates are about where they are. We are at 2.6%
- l. We don't see a lot of movement for either anytime now.
- m. Long term rates may go down slightly.
- n. Global equities rallied to end the first week of 2019, as several positive news items helped stabilize markets following a turbulent December 2018.
- o. There were several catalysts to explain January's rally.
- p. December US jobs report number came in above even the most bullish forecast.
- q. The jump in payrolls came alongside an uptick in labor force participation, while wages also accelerated at their fastest pace since the Financial Crisis.
- r. The solid job report appeared to buoy sentiment, which was particularly welcomed following a weak ISM (Institute for Supply Management) report that had markets questioning the health of the US economy.
- s. Markets also applauded comments from Federal Reserve Chairman Jerome Powell, as the Fed Chair appeared to walk back some of his hawkish remarks last month that had spooked markets in the final weeks of 2018.

- t. Chairman Powell said that the central bank would be “patient” in considering future rate hikes, easing market participants’ concerns that the Fed was resolute in maintaining its course of tightening financial conditions.
- u. The market environment in 2018 was one of the most challenging years for equity investors since the Financial Crisis in 2008, with every region and most stocks delivering negative returns.
- v. Bonds and alternative investments also fared poorly at the same time, which meant asset allocation failed to balance out the losses with some gains.
- w. Looking ahead to 2019, while many of the concerns around growth and financial conditions that affected markets in 2018 remain, the risks now appear to be much better reflected in prices.
- x. This item is information only.

VII. ADMINISTRATION

1. Disbursement Report

- a. Roslyn Washington presented a Trust Disbursement Report reflecting fiduciary withdrawals and fees paid to Keenan, BTC & Morgan Stanley for their services for the period September 1, 2018 – February 15, 2019.
- b. Jeffrey Hinshaw Moved to ratify the Disbursement Report as presented; motion was seconded by Michael Pascual and was unanimously approved by all RBOA members present.

2. Actuarial Valuation Study Update

- a. The net OPEB liability of 2.1 million
- b. The excess will be contributed in July to close the gap.
- c. This item is information only.

VIII. EDUCATION

1. Increasing Pension Liabilities

- a. Remove item but send Brian Fahnestock information to give to Board of Trustees.
- b. This item is information only.

IX. INFORMATION REPORTS

1. Retirement Board of Authority Comments

- a. No comments.
- b. This item is information only.

2. Program Coordinator/Consultant Comments

- a. No comments.
- b. This item is information only.

X. DATE, TIME AND AGENDA ITEMS FOR NEXT MEETING

- a. March 10, 2020.

b. This item is information only.

X. ADJOURNMENT

a. Brian Fahnestock adjourned the meeting at 10:12AM