

**MINUTES**  
**(CCLC)**  
**COAST COMMUNITY COLLEGE DISTRICT**  
**RETIREMENT BOARD MEETING**  
**March 26, 2019 1:00 PM**

**A. General Items of Business**

**1. CALL TO ORDER**

- a) The meeting was called to order at 1:04 p.m. by Dr. Andy Dunn.

**2. ROLL CALL**

- a) **All Retirement Board members were present, except Daniela Thompson, Rachel Snell and Maryann Watson Ann who were excused by Dr. Andy Dunn:**

Mary Hornbuckle, Board of Trustees

Jim Moreno, Board of Trustees

Dr. Andy Dunn, Vice Chancellor, Finance and Administrative Services

Connie Marten, Coast Federation of Classified Employees Representative (CFCE).

- b) **Others in attendance:**

Dr. Jack P. Lipton, Esq., Coast CCD General Counsel,

Chuck Thompson, CEO, Coast CCD OPEB GASB Compliance Consultant,

Roslyn Washington, Assistant Vice President, Keenan Financial Services,

Judy Boyette, Partner, Hanson Bridgett, LLP (via teleconference),

Scott Rankin, Discretionary Trustee, Benefit Trust Company (BTC),

Cary Allison, Registered Investment Advisor, Morgan Stanley,

Lisa Mealoy, Director of District Services, Community College League of California,

Tim Filla, Senior Vice President, Meketa Investment Group,

Larry Witt, Principal, Meketa Investment Group,

Pam Uyehara, Vice President, Relationship Manager, US Bank

Rosalie Triggs, Recorder.

**3. OPPORTUNITY FOR PUBLIC COMMENTS**

- a) There were no public comments.

**4. APPROVAL OF MINUTES**

- a) Trustee Mary Hornbuckle moved to approve the **August 7, 2018** minutes as presented; motion was seconded by Trustee Jim Moreno and was unanimously approved by all Retirement Board members present.

**5. Update of RBOA Bylaws**

- a) The final draft of the RBOA Bylaws was presented by Roslyn Washington, Keenan.

## **B. Community College League of California (CCLC) Retiree Health Benefit Plan (RHBP)**

### **6. Review and Accept Actual Performance Report**

#### **Market Overview**

The start of 2019 has seen a reversal in performance in relation to how 2018 ended and many asset classes have enjoyed positive returns in the first couple of months in 2019. Fears that worried investors at the end of 2018, the Fed raising rates too fast, a potential trade war with China, an ongoing government shutdown, and late cycle dynamics (both domestically and internationally), have softened or reversed leading to a strong start to the calendar year.

Following the December rate hike and the sharply negative market reaction, the Fed has softened its stance on tightening in favor of a more patient and flexible approach. The Fed held rates steady at the first meeting of 2019, as Fed Chairman Jerome Powell noted “the case for raising rates has weakened somewhat.” Powell continued to state the Fed has “the luxury of patience” on deciding to continue to raise rates, which represented a significant change from language that previously supported multiple hikes in 2019.

Progress has been made on a trade agreement with China. The government resumed “normal” operations. While several worries have abated, late cycle dynamics and slower than expected growth remain a concern for investors.

The S&P 500 and the MSCI EAFE indices were up 11.5% and 9.3%, respectively. The Fixed Income markets have also started the year on a positive note as the Barclays Aggregate, Barclays TIPS, and Barclays High Yield indices have returned 1.0%, 1.3% and 6.3%, respectively.

Coast Community College District’s aggregate assets were valued at \$39.9 million as of February 28, 2019, up from \$37.0 at the end of 2018. There have been no cash flows since the start of 2019 through the end of February.

All assets classes were in line with policy targets.

Coast Community College District’s portfolio increased by 7.7% from December 31, 2018 through February 28, 2019 and the portfolio outperformed the Policy Benchmark by 100 basis points.

Trustee Mary Hornbuckle moved to approve the CCLC Performance Report as presented; motion was second by Trustee Jim Moreno and unanimously approved by all Retirement Board members present

### **7. Review and Ratify the Disbursement Fees**

- a) Trustee Jim Moreno moved to ratify the fees presented by CCLC; motion was second by Trustee Hornbuckle.

### **8. The CCLC RHBP JPA New Delegated Investment Plan Option**

- a) Lisa Mealoy & Tim Filla explained to the Retirement Board that the new delegated investment plan option would simply be an expansion of the existing program.
- b) Scott Rankin, Benefit Trust advised that the fee calculations used for Futuris to compare to the CCLC plan was incorrect.
- c) Dr. Dunn stated that no decisions will be made on a discretionary plan at this time.
- d) Lisa Mealoy advised if there were any questions the League would be available to answer them. Tim Filla also reminded the Retirement Board that Keenan provides additional services that the League is not contracted to do.
- e) Trustee Jim Moreno moved to refer this topic to the Chancellor for review; motion was seconded by Trustee Mary Hornbuckle and approved by the majority of the board members present.

### C. Keenan Financial Services (KFS)

#### 9. Review and Accept Actual Performance Report

- a) Cary Allison of Morgan Stanley (MS) reviewed the performance of the Trust's portfolio account as of February 28, 2019.
- b) The Portfolio Value as of **February 28, 2019 was \$37,130,253.44.**

Time weighted return net of fees

Month to Date	Quarter to Date	Year to Date	Last 12 Months	Annualized Inception to Date
1.16	6.25	6.25	0.67	3.46

- c) December 2018 was the worst December since the Great Depression.
- d) January 2019 was the best January in the last 30 years.
- e) Focus on the earnings: 2014-2016 earnings were flat; 2017 earnings were up in 20%; 2018 earnings were up 22% primarily due to the tax cut; 2019 earnings forecast is 1% increase above last year.
- f) Interest rates improve earnings. The beginning of the year was at 13.5% x earnings. We are currently around 16.5% x earnings. There is a 67% chance that the Fed will cut rates this year.
- g) We have a new Federal Chair, and they were supposedly going to raise Short Term Interest Rates 2-4 times in 2019. We think Federal Reserve is finished raising short term rates. We are hoping this change, but at least once 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 2.6% and we don't see a lot of movement for either anytime now. They may go down slightly.
- l) Following a turbulent December 2018, global equities rallied to end the first week of 2019, there were several items of positive news that helped stabilize markets.
- m) There were several catalysts to explain January's rally.
- n) December US jobs report number came in above even the most bullish forecast.
- o) The jump in payrolls came alongside an uptick in labor force participation, while wages also accelerated at their fastest pace since the Financial Crisis.

- p) 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.
- q) 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.
- r) 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.
- s) The market environment in 2018 was one of the most challenging years for equity investors since the Financial Crisis in 2008. Almost every region and most stocks delivered negative returns.
- t) Bonds and alternative investments also fared poorly. This means asset allocation failed to balance out the losses with some gains.
- u) 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.
- v) We think the China issue is a 20-year matter.
- w) Today you are up 43BPS from end of the month February. The economy is slowing down, and the long-term rates are likely to stay where they are currently.
- x) We didn’t make any money bonds, but money wasn’t lost.
- y) Trustee Mary Hornbuckle moved to accept the Portfolio Performance Report as presented; motion was seconded by Trustee Jim Moreno and unanimously approved by all Retirement Board members present.

**10. Review and Ratify Disbursement (Expenses) Reports**

- a) Disbursement (Expenses) Report for fiscal year 2018/2019 first quarter were presented by Roslyn Washington.
- b) Trustee Mary Hornbuckle moved to ratify Disbursement (Expenses) Report as presented; motion seconded by Trustee Jim Moreno and unanimously approved by all Retirement Board members present.

**11. Difference in Total Assets Research and Findings**

- a. OPEB GASB 74 & 75 Compliance \$1.8 to \$2.0 Million Dollar Vendor Difference in Asset Values findings were presented to the Retirement Board at the last meeting.
- b. US Bank, Trustee for the League’s JPA received a directive to transfer \$35,047,937 signed June 2, 2017. That was calculated based a 50/50 split at the end of March 2017. By June 1, the account was actually at \$71,419,258.39. Had it been split based on the June 1 balance, each would have received \$35,708,129.20, for a difference of \$660,192. So the JPA started with \$36,371,321.39 and Keenan/Futuris started with \$35,047,937. This is a difference of \$1,323,384.39.

**D. Closing Items of Business**

**12. Closing Comments**

- a) Dr. Dunn informed the team that Rosalie Triggs will work on agenda development and distributing the packets going forward.

**13. Date and Time of Next Meeting**

- a) August 29, 2019 (1:00-3:00PM)

**14. Adjournment**

- a) Andy Dunn adjourned the meeting on March 26, 2019 at 2:42 PM.