



RETIREMENT BOARD OF AUTHORITY

**RETIREMENT BOARD OF AUTHORITY MEETING MINUTES
COAST COMMUNITY COLLEGE DISTRICT
BOARD CONFERENCE ROOM
AUGUST 29, 2019
1:00 P.M.**

1. Call to Order

The meeting was called to order at 1:03 p.m. by Dr. Andy Dunn.

Roll Call

All Retirement Board Members were present with the exception of Andrew Deaso, Coast Federation of Classified Employees (CFCE).

Coast Community College District Retirement Board of Authority Members:

Mary Hornbuckle, Board of Trustees

Jim Moreno, Board of Trustees

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

Daniela Thompson, Administrative Director, Fiscal Services

Rachel Snell, Director, Internal Audit

Maryann Watson, Coast Federation of Educators Representative

Others in Attendance:

Burke, Williams & Sorensen, LLP

Dr. Jack P. Lipton, Coast Community College District General (Legal) Counsel

Keenan Financial Services

Futuris Program Coordinator & Plan Advisor

Gail Beal, Senior Vice President

Roslyn Washington, Assistant Vice President

Futuris Program Consultants

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

Cary Allison, Registered Investment Advisor, Morgan Stanley

Community College League of Californian (CCLC)

Lisa Mealoy, Director of District Services

Tim Filla, Executive Vice President, Portfolio Consultant

Pam Uyehara, Vice President, Relationship Manager, US Bank

Coast Community College District

Dr. John Weispfenning, Chancellor

Kevin Pegg, Director of Risk Services

2. Opportunity for Public Comment

There were no public comments.

3. Approval of Meeting Minutes

Trustee Mary Hornbuckle moved to approve the March 26, 2019 minutes as amended; motion was seconded by Trustee Jim Moreno and was unanimously approved by all Retirement Board members present.

4. Approval of Agenda

Trustee Hornbuckle moved to approve the August 29, 2019 meeting agenda; motion was seconded by Trustee Moreno. Unanimously passed.

5. Comments from the Vice Chancellor

Dr. Dunn took the opportunity to welcome the committee and to introduce Kevin Pegg, newly appointed Direct of Risk Services for the Coast District. Kevin will attend future RBOA meetings as his calendar permits. Dr. Dunn shared that Chuck Thompson of RPM Consultant Group, long-standing advisor, will no longer be affiliated with Coast. Introductions were made around the table.

6. Community College League of California (CCLC) Retiree Health Benefit Plan (RHBP)

a. Performance Report (Tim Filla, Meketa Investment Group)

- The S&P 500 has become disconnected from the economic data.
- Stocks have rallied as corporate earnings estimates have collapsed with a 3% valuation slip. Questioning if the Feds are fighting off a potential recession with global rate cuts.
- 40% of investment grade bonds outside of the United States are now trading negative yields.
- China is emerging as a legitimate global threat to U.S. global power with their influence, self-growth and evolving technology. This will remain a part of the conversation for the long term.
- Trade War “II” is in progress; difficult circumstances due to volatility and election cycles and others with a 100-year time line on the horizon. Not a good time for negotiations.
- More cautious with the markets due to a lack of meaningful resolution.

Performance as of 7/31/2019 (net of fees)	
Year to date	Last 12 months
12.52%	4.83%

Performance period through July 31, 2019 has gone from \$41,453,552 to \$41,665,310 over the course of the trailing one-year period. Asset allocations are within or near target range. Trailing period performance fiscal year to date (only one month) is half a percent positive. Trailing policy bench market of 4.8 vs. 6 points due to JPA rebalancing of the portfolio. Trailing net performance shows a tremendously long period of growth verses value. Over a one-year period small cap growth is at 16.2%, massively out performing its index; small cap values are down 5.1% totaling a 21% diversion. International equity funds are disappointing as they have underperformed by 500 basis points.

Recommendation to stay the course in our current investments. Portfolio is performing generally as expected. JPA meeting recommendation that we will rebalance automatically on a quarterly basis based upon an agreed upon delta.

b. Disbursement (Expense) Report

Summary of Fiscal Year-to-Date Totals, vendor to vendor, covers the prior year (2018) totals \$56,627.

c. Delegated Discretion Investment Plan

Dr. Dunn addressed the committee and thanked the team for the time spent studying and exploring new investment options within the League. At this point, we have not been able to arrive at terms that we are comfortable with in recommending alternative investment options. We will continue to operate under status quo with the League's Directed Plan.

7. Keenan Financial Services (KFS)

a. Performance Report – Cary Allison, Morgan Stanley

Performance of the Trust's portfolio YTD December 31, 2018 – July 31, 2019 was \$38,822,999.

Total Account Net of Fees

Month to Date	Quarter to Date	Year to Date	Last 12 Months	Annualized Inception to Date
0.23	0.23	11.10	3.60	4.97

- China is devaluing its currency due to the trade war with the U.S. and their economy appears to be slowing.
- The U.S. economy looks to remain relatively healthy. The world is slowing down economically, but comparably, the U.S. is holding up quite well with 70% of consumers reporting that wages are up and with unemployment numbers at a historical a low.
- Predicting that long-term interest rates are going to stay low for the foreseeable future.
- The Feds raised rates too much last year; anticipating they will lower the rate half a percent by year end.
- Stocks are not predicable, and but not expecting a lot of return before year end.
- There is a huge rally in the bond market. Growth is outperforming values, and domestic is outperforming international on a 7-year plus cycle.
- The ten-year Treasury yield at the end of September last year was at 3.25 verses today at 1.495, if you bought last September you are up over 30%.
- The inverted yield curve is a sign that monetary policy has become tight. Rates influence the economy. The central bank is raising short-term yields much faster than the long-term yield. This can indicate a recession. Every money management firm looks at all the economic statistics for predicting recessions. Without the inverted yield curve the prediction for a recession is 13% over the next 12 to 18 months; forecasting with the inverted yield curve potentially moves that number up to 30%.
- Not concerned about a recession (although one will happen eventually), concern is with the S&P.

b. Disbursement Report – Roslyn Washington, Vice President Keenan Financial Services

Disbursement (Expenses) Report for fiscal year 2018/2019 as of July 31, 2019 were presented with total management fees YTD at \$94,422.

Dr. Dunn commented that it can be difficult to make a comparison between the two organizations as fees between the League and Keenan are not apples to apples and should not be viewed as such. The committee was reminded that we review the fees on a regular bases and are deemed reasonable as associated with a Discretionary Trust (Keenan) verses a Directed Trust (the League).

c. Annual Trust Notice- Roslyn Washington, Vice President Keenan Financial Services

An Annual Notice is provided by Keenan at the beginning of each fiscal year for the District's Annual Trust Statement. A copy of the Annual Trust Notice has been posted on the District website. Committee members or constituents can contact Dr. Dunn's office for additional details.

d. Comprehensive Compliance/Substantive Plan Update - Roslyn Washington, Vice President Keenan Financial Services

The OPEB and Due Diligence questionnaire has been completed for the plan year July 1, 2018 – June 30, 2019. It is noted that there have been changes in Coast's Bargaining Agreements that affect retirees OPEB. This information is in the review process and when completed, the changes will be incorporated into our Substantive Plan.

8. Closing Items of Business

Dr. Dunn announced that going forward meeting intervals will take place biannually, consistent with JPA's policy. Quarterly data will be reviewed at each meeting as a bench mark.

9. Date and Time of Next Meeting

- Suggested Dates
 - February 11 from 1:00 to 3:00 p.m.
 - February 13 from 9:00 a.m. to 11:00 a.m.

An outlook invite will be set with the next meeting date which will be held in March due to calendar conflicts for the suggested February dates.

10. Adjournment

A motion was made to adjourn the meeting at 1:52 p.m. by Trustee Moreno; seconded by Trustee Hornbuckle.