



RETIREMENT BOARD OF AUTHORITY

**RETIREMENT BOARD OF AUTHORITY MEETING MINUTES COAST
COMMUNITY COLLEGE DISTRICT
BOARD CONFERENCE ROOM
AUGUST 18, 2020 at 1:00 P.M.
Zoom: <https://cccconfer.zoom.us/j/98208517568>**

1. Call to Order

Vice Chancellor, Dr. Andy Dunn called the meeting to order at 1:05 p.m.

2. Roll Call

All Retirement Board Members were present except for 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

Kristin Cooper, Service Representative

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, Principle Consultant, Meketa Investment Group

Pam Uyehara, Vice President, Relationship Manager, US Bank

Coast Community College District

Dr. John Weispfenning, Chancellor

3. Opportunity for Public Comment

There were no requests to address the Board.

4. Approval of Meeting Minutes

On a motion from Trustee Mary Hornbuckle, seconded by Rachel Snell, the meeting minutes from March 24, 2020, were unanimously approved.

Motion carried with the following vote:

Ayes: Trustees Moreno and Hornbuckle, committee members Snell, Thompson, Watson, and Dunn
Noes: None
Abstain: None
Absent: None

5. Comments from the Vice Chancellor

Dr. Dunn took the opportunity to welcome Chancellor Weispenning and Dr. Jack Lipton, General Counsel, to the meeting and thanked the committee for joining our first retirement board meeting via Zoom.

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

a. Executive Summary (Tim Filla, Meketa Investment Group)

- The second quarter of 2020 experienced a strong recovery in global risk assets from their mid-March lows, mainly driven by record amounts of fiscal and monetary policy.
- Markets rebounded in the fourth quarter; previous conversations indicated we were in the middle of a downswing and it appears that markets were very close to bottom at that time.
- Many publicly traded asset classes provided positive double-digit returns, with domestic equity leading the rebound.
- There was a very sharp rebound, and risk assets lead the portfolio to be over 18% for the quarter.
- Equities are up 22.5% percent with natural resources and a combined basis of 22%; the lag is due to energies that as we spoke about at the last meeting. The Saudi Arabian oil market loosened up production resulting in a massive oversupply and a significant drop in oil prices.
- Investors responded favorably due to multiple factors including a historic amount of stimulus, some economic data beating expectations and the potential for a sooner than expected vaccine, which helped propel risk assets during the quarter.
- Discussions are ongoing for a second round of federal fiscal stimulus.
- Coast's aggregate assets were valued at \$43.3 million as of June 30, 2020, up from \$38.3 million at the end of the first quarter. There were no cash flows during the second quarter of 2020.
- All asset classes were in line with policy targets as of June 30, 2020.
- Coast's portfolio increased by 13.1% for the second quarter, and the portfolio outperformed the Policy Benchmark by 80 basis points for the period.

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

In the performance period through June 30, 2020 (4th Quarter of Fiscal Year 2020) the account has increased from \$38,254,822 as of March 31, 2020 to \$43,256,866. The change in market value over the quarter was \$4,877,473, with portfolio fees of \$14,538. Asset allocation remains in Global Equities, Natural Resources, Investment Grade Bonds, TIPS, High Yield Bonds, Bank Loans and Cash & Short-Term Bonds. Currently the portfolio is considered balanced to target.

Performance of the League's portfolio YTD 6/30/2020 was \$43,256,866.

Trailing Performance as of 6/30/2020 (net of fees)		
Calendar Year to Date	Last 12 months	Annualized Inception to Date
13.1%	4.4%	5.6%

Trailing period performance was 13.1% over the course of the 4th quarter. With the combined performance of the 1st quarter, along with the 4th quarter, we are at a 4.4% annual return fiscal YTD, which is somewhat below the policy benchmark of 5.8%.

The trailing performance of 4.4% contrasted with 5.8% policy benchmark is due in part to JPA trustees only meeting a few times annually to rebalance the portfolio. With sharp directional moves within the markets, and a lack of timely rebalancing, the portfolio was becoming overweight to equities during the downturn dives. This was corrected through newly established rebalancing activities in a more automatic and real-time manner resulting in a more efficient rebalancing process. Additionally, when viewing performance over longer time periods, some of the underperformance versus the benchmark is attributable to the underperformance of one international equity manager which required some portfolio changes.

Previously, certain managers that were just focused on the U.S. and certain managers that were just focused on international emerging markets. A shift occurred very late in the quarter, whereby a global approach has been taken. Managers themselves now have the flexibility to invest in not just companies, but in the regional opportunities they are seeing. This provides a bit more dynamic flexibility in the portfolio. There is no meaningful performance to record at this time due to the late transition.

c. Disbursement (Expense) Report (L. Mealoy, The League))

The Disbursement Report for fiscal year 2019/20 was presented with total management fees YTD of \$58,746. A breakdown of the fees shows \$17,234 for JPA, \$29,221 for Meketa and \$12,291 for U.S. Bank.

7. Keenan Financial Services Benefit Trust Account

a. Executive Summary (Cary Allison, Morgan Stanley)

- Prior to the pandemic, we were seeing a very strong economy in December, January, and February. February employment reports showed 275,000 new jobs.
- The record amount of federal stimulus showed investors responded favorably after the initial panic/upset with Covid closures. The bond value for California general obligation bonds, during the two weeks in mid-March, went down 25% due to lack of market liquidity borne out of fear due to the pandemic. People were selling for cash regardless of the of rate. In March we saw bonds move down as well as stocks. The Federal Reserve came in and began buying treasuries and corporates. Bonds rallied just on the perception the Feds were going to buy bonds.
- The Feds have invested \$8 to \$10 trillion in support of our \$22 trillion economy.
- We've had tremendous divergence between the economy and markets; we've also had tremendous divergence in company earnings. Online shopping was up from 11% of total shopping to 16%; Amazon's volume was up 75%, Walmart announced their earnings are up 24%.
- Currently industries in home improvement, construction, and real estate are doing exceedingly well. Conversely, on the other side of the spectrum restaurants, and travel and leisure companies are not doing well.
- Interest rates are near zero, and we believe they will remain that way for a number of years in an effort to increase cash flows.
- Treasury yields are exceeding low. There are potential opportunities on the credit side of the bond market, meaning corporate bonds and some types of structured products could yield decent returns.

- Over the next few years we believe that long term rates are going to continue on a downward trend.
- Models are fairly optimistic projecting a steady rise over the next year or so with the economy, bringing us back to the February 2020 highs at the end of next year, based on robust biotech teams and imminent vaccines on the forefront.
- The November election will act as a catalyst influencing the economy. Voter choices will dictate the next stimulus boost to the economy.
- Covid has also influenced the work environment. Depending on the industry, a shift in major cities is occurring. People are moving out of major cities and to more remote and affordable areas because the location of your job is no longer paramount to where you live. The nine to five traditional work environments have been blurred and is changing the way we think. Economic conditions will continue to evolve with the pandemic and workforce.

b. Performance Report (Cary Allison, Morgan Stanley)

In the performance period through June 30, 2020 (4th Quarter of Fiscal Year 2020) the account has decreased from \$40,525,934 as of March 31, 2020 to \$40,432,667. The change in market value shows a decrease of \$394,352, with portfolio fees of \$83,867 and dividends of \$384,953.

Performance of the Trust's portfolio YTD 6/30/2020 was \$40,432,667.

Total Account (Net of Fees)

Month to Date	Quarter to Date	Year to Date	Last 12 Months	Annualized Inception to Date
2.54	13.50	-0.23	4.38	4.84

c. Disbursement Report (Roslyn Washington, Keenan Financial Services)

The Disbursement (Expenses) Report for fiscal year 2019/20 was presented with total management fees YTD of \$167,836. A breakdown of expenses shows \$55,604 for BTC, \$53,796 for Keenan and \$53,796 for Morgan Stanley.

d. Annual Trust Notice (Roslyn Washington, 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.

e. Comprehensive Compliance/Substantive Plan Update - Roslyn Washington, Keenan Financial Services)

The OPEB and Due Diligence questionnaire was completed for the plan year July 1, 2019 – June 30, 2020. The plan provides a data overview of what retiree benefits are offered at the end of each fiscal year. Monica Morin in Benefits was instrumental in providing updates. A full report will be submitted by the end of the week to R. Triggs to kept on file. The report will also include meeting agendas and meeting minutes for the full year.

8. Closing Items of Business

Trustee Moreno acknowledged the good work that both the League and Keenan have put in on behalf of Coast employees who will be relying on these funds.

Trustee Hornbuckle commented that we did much better this last quarter than previously thought. She thanked the team for their insights and optimism.

Dr. Dunn reminded the committee that we will be meeting twice a year. Once in the February timeframe and other meeting will take place in late August or early September. Quarterly reports will be provided to Coast by the League and Keenan during the interim time periods.

9. Date and Time of Next Meeting

February 11, 2021 at 10:00 a.m.

10. Adjournment

The meeting was adjourned at 2:05 p.m.