



RETIREMENT BOARD OF AUTHORITY

Meeting Minutes Coast Community College District Chancellors Conference Room February 8, 2024

1. Call to Order

Vice Chancellor, Marlene Drinkwine called the meeting to order at 1:00 p.m.

2. Roll Call

Coast Community College District Retirement Board of Authority (RBOA)

Present

Mary Hornbuckle, Board of Trustees

Jim Moreno, Board of Trustees

Marlene Drinkwine, Vice Chancellor, Finance & Administrative Services

Daniela Thompson, Executive Director, Fiscal Services

Rachel Snell, Director, Internal Audit Service

Maryann Watson, Coast Federation of Educators (CFE) Representative

Curtis Williams, Coast Federation of Classified Employees (CFCE) Representative

Absent

None

Others in Attendance

Coast Community College District

Whitney Yamamura, Chancellor

Burke, Williams & Sorensen, LLP

Dr. Jack Lipton, Coast Community College District General Counsel

Keenan Financial Services, Futuris Program Coordinator & Plan Advisor

Roslyn Washington, Assistant Vice President

Futuris Program Consultants

Scott Rankin, Discretionary Trustee, Benefit Trust Company

Mark Payne, Morgan Stanley, Investment Consultant Benefit Trust Company

Dan Tichenor, Morgan Stanley, Investment Consultant Benefit Trust Company

Community College League of California

Lisa Mealoy, Chief Operating Officer

Tim Filla, Managing Principal Consultant, Meketa Investment Group

3. Opportunity for Public Comment

There were no requests to address the Retirement Board of Authority.

4. Approval of Agenda

On a motion by Trustee M. Hornbuckle, seconded by D. Thompson, the agenda was unanimously approved.

5. Approval of Meeting Minutes

On a motion from Trustee M. Hornbuckle, seconded by R. Snell, the meeting minutes from August 10, 2023, were unanimously approved as amended.

The motion carried with the following vote:

Ayes: M. Drinkwine, M. Hornbuckle, J. Moreno, R. Snell, D. Thompson, M. Watson,

Noes: None

Abstain: Curtis Williams

Absent: None

6. Comments from the Vice Chancellor (M. Drinkwine)

Vice Chancellor Drinkwine welcomed and introduced Mark Payne and Dan Tichenor, Morgan Stanley Representatives and Investment Consultants to the Benefit Trust Company to the Retirement Board of Authority meeting.

7. Investment Reports

Community College League of California (CCLC)

a. Portfolio Performance Report (T. Filla, Meketa)

Performance Report

As of 9/30/2023 (FY 1st Quarter), Coasts' portfolio was valued at \$47,828,472. The portfolio value increased to \$52,012,599 as of 12/31/2023 (FY 2nd Quarter).

Trailing Period Performance as of 6/30/2023 (net of fees)

Last 3 Months	Last 6 Months	Last 12 Months	3YR	5YR	Annualized Inception (7/1/2006) to Date
8.7%	*	13.6%	2.0%	7.0%	5.6%

* Meketa did not report on the 6-month performance at this meeting; this will be included in future reports for consistency.

Comments on the Portfolio Performance

- The CCCD portfolio returned 8.7% for the quarter, outperforming the Policy Benchmark's return of 8.6% over the same period.
 - Top performers on an absolute basis were the Global Equity and Investment Grade Bond composites, returning 11.1% and 7.3% respectively.
 - The High Yield Bond and Natural Resources composites also proved a strong quarter performance, each returning 7.2%.
- Fiscal year-to-date, the portfolio has returned 5.6% and outperformed the Policy Benchmark by 10 basis points (5.5%).
 - FYTD the top performers have been Global Equity and High Yield composites, returning 7.5% and 7.6% respectively.
 - The Natural Resources composite has returned 6.3%, outperforming the Natural Resources Custom Index by 40 basis points.

Curtis Williams moved to accept the CCLC Portfolio Performance Report, seconded by Trustee Hornbuckle.

The motion carried with the following vote:

Ayes: M. Drinkwine, M. Hornbuckle, J. Moreno, R. Snell, M. Watson, D. Thompson, C. Williams
Noes: None
Abstain: None
Absent: None

b. Disbursement Report (T. Filla, Meketa)

The Disbursement Report for the fiscal year-to-date (Q1 and Q2) was presented with management fees totaling \$31,541. A breakdown of expenses shows fees for JPA of \$9,079; \$15,535 for Meketa, and \$6,926 for U.S. Bank.

Curtis Williams moved to ratify Meketa's Disbursement Report, seconded by Trustee M. Hornbuckle.

The motion carried with the following vote:

Ayes: M. Drinkwine, R. Snell, D. Thompson, J. Moreno, M. Hornbuckle, C. Williams, M. Watson
Noes: None
Abstain: None
Absent: None

c. Market Overview (T. Filla, Meketa)

- Most markets rallied in the fourth quarter in anticipation that policy cuts were ahead in 2024.
- Major central banks have paused interest rate hikes and are being maintained at current levels in expectation of rates being cut in Q1 2024.
- Inflation rose in December in the US and Europe. China remained in deflationary territory (-0.3%) at year-end.

- Looking to 2024, China’s economic disorder and slowing economic growth, and the wars in Ukraine and Israel will be key to the overall uncertainty of the global economy.
- Global growth is expected to slow, with some economies forecasted to tip into recession.
- Inflation in Japan remains near levels not seen in almost a decade driven by food and housing.
- The impact of inflation is still above policy targets; bond market volatility is anticipated to remain high.
- US consumers could feel pressure as certain components of inflation remain high, borrowing costs are higher, and the job market may become weaker.
- Revolving consumer credit surged to new highs in 2023.
- The return of student loan repayments after the pandemic could add to pressure on consumers’ budgets. This might be partially mitigated by recently initiated repayment and forgiveness programs.
- Looking ahead, the strength of the US consumer will be a key factor as this sector composes most of the domestic economy (GDP).
- Going forward, US equities will focus on whether earnings can remain resilient if growth slows. Also, the future paths of the large technology companies that have driven market gains will be important.

Trustee J. Moreno moved to accept Meketa’s Market Overview, seconded by Trustee M. Hornbuckle.

The motion carried with the following vote:

Ayes: M. Drinkwine, R. Snell, D. Thompson, J. Moreno, M. Hornbuckle, C. Williams, M. Watson
 Noes: None
 Abstain: None
 Absent: None

Keenan Financial Services (KFS)

a. Portfolio Performance Report (S. Rankin,)

In the performance period YTD (6/30/2023 – 12/31/2023) Coasts’ beginning account value of \$39,747,185 increased to an ending value of \$45,604,155. Scott Rankin, BTC presented the performance report duly noting that the negative number under the 3 year cycle is inclusive of the market downturn of 2022.

Total Account (Net of Fees)

Last 3 Months	Last 6 Months	Last 12 Months	3YR	5YR	Annualized Inception (6/30/2017) to Date
9.8%	14.73%	14.73%	-0.67%	5.47%	4.11%

Comments on the Portfolio Performance (M. Payne, Morgan Stanley and D. Tichenor, Morgan Stanley, Graystone SFO)

- Anticipated lower growth moving forward; however, no recession is expected.
- Equities and Fixed Income showed extreme outperformance YTD.
- S&P 500 at 26.27%, MSCI ACWI Ex US Net at 15.59%, BBG Agg (US) at 5.53% and BBG Global Agg at 5.72%.
- Total account net of fees is 14.73%, with 9.8% coming from the 4th quarter as interest rates came down and stocks showed improvement.
- With the concentration of US Equity Markets in the portfolio and leveraging artificial intelligence which drove the majority of returns in the US Equity market, there are some interesting implications and long-term opportunities with artificial intelligence. However, with long-term opportunities and expectations being hard to match on a going-forward basis, Morgan Stanley is looking at diversifying US Equity exposure and reducing the concentration. Stepping away from a manager and reallocating into lower cost funds as a stabilization strategy with extended duration, along with locking in rates in anticipation of the Feds cutting rates.
 - Large-cap funds returned over 45% last year (the “Magnificent Seven”) however, consideration to reallocating while aiming to diversify and create a portfolio that can deliver returns while managing downside risk in a potentially volatile market (election year) is being taken.

C. Williams moved to accept Keenan’s Portfolio Performance Report, seconded by R. Snell.

The motion carried with the following vote:

Ayes:	M. Drinkwine, R. Snell, D. Thompson, J. Moreno, M. Hornbuckle, C Williams, M. Watson
Noes:	None
Abstain:	None
Absent:	None

b. Disbursement Report (R. Washington, Keenan Financial Services)

The Disbursement Report for the fiscal year-to-date (Q1 and Q2) was presented with management fees totaling \$73,250. A breakdown of expenses shows fees for Keenan were \$22,286, and \$50,963 for Benefit Trust Company (BTC). Morgan Stanley fees are paid by BTC.

Fees are based on end-of-month asset values and in Q2 Keenan/Morgan Stanley lowered fees which is reflected in the quarterly fees of the disbursement report.

C. Williams questioned the roles of the companies that are being paid under the Futuris program to direct Coast’s investments. It was explained by R. Washington that the Benefit Trust Company (BTC) is the trustee and custodian of the assets, Keenan is the program administrator, and Morgan Stanley has been hired by BTC as the investment advisor to the composition of the portfolio.

R. Snell moved to ratify Keenans Disbursement Report, seconded by Trustee M. Hornbuckle.

The motion carried with the following vote:

Ayes: M. Drinkwine, R. Snell, D. Thompson, J. Moreno, M. Hornbuckle, C. Williams, M. Watson

Noes: None

Abstain: None

Absent: None

c. Actuarial Valuation Study (R. Washington, Keen Financial Services)

R. Washington presented the Actuarial Study of Retiree Health Liabilities Under GASB 74/75 to the committee. It is a guiding tool to the trust. GASB requirements are such that this valuation is to be completed every two years which gathers assumptions and calculates the total liabilities against asset management.

Total liability as of June 30, 2023, is \$107 million, with \$92 million in assets under management, leaving a Net OPEB Liability of \$14.6 million.

Per VC Drinkwine, our goal is 100% funding of our post-employment retiree benefit obligations. The full Actuarial Report can be found on the District website.

This is an informational item.

d. Comprehensive Compliance Substantive Plan (R. Washington, Keenan)

R. Washington presented the Comprehensive Compliance Substantive Plan (CCSP). An additional service that Keenan provides, is the gathering of data specifically to address retiree healthcare liabilities and to comply with GASB 74/75 requirements. The plan is updated annually with a comprehensive report and substantive plan prepared and provided to Coast. It was noted that there are no changes to the report as of plan year July 1, 2022 to June 30, 2023.

This is an informational item.

e. KFS Futuris and BTC Futuris Fee Schedule (R. Washington/S. Rankin)

KFS and BTC reevaluated their fee schedule, offering a lower cost point for long-standing clients with large asset value management. KFS fees have been reduced by almost half to 6.5 basis points on every asset under management. BTC & Morgan Stanley Futuris fees are both reduced to a flat 10 basis points. The reduction of fees is memorialized to the implementation date of September 1, 2023.

Trustee J. Moreno moved to accept the revised fee schedule effective September 1, 2023, seconded by Trustee M. Hornbuckle.

The motion carried with the following vote:

Ayes: M. Drinkwine, R. Snell, D. Thompson, J. Moreno, M. Hornbuckle, C. Williams, M. Watson

Noes: None
Abstain: None
Absent: None

8. Next Meeting Date and Time

A tentative date of September 19, 2024, at 1:00 p.m., District Office, Board Room was established. This is pending confirmation of CCLC schedules.

Dr. Lipton brought to the attention of the committee that we are obligated by our by-laws to present quarterly reports to the Board of Trustees and that moving the meeting date to September could pose an issue. VC Drinkwine stated that to remain in compliance with the by-laws we will work with CCLC and Keenan to submit quarterly updates to the board.

9. Adjournment

The meeting was adjourned at 1:50 p.m.