

**MINUTES
INITIAL MEETING**

**SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT
FUTURIS RETIREMENT BOARD OF AUTHORITY MEETING
OCTOBER 2, 2009
8:00 AM TO 12:00 PM**

**SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT
3401 CSM DRIVE
SAN MATEO, CA 94402
(650) 358-6828**

I. CALL TO ORDER

The meeting was called to order by Steve Gedestad of Keenan & Associates at 8:27 AM.

II. ROLL CALL

Those in attendance were:

MEMBERS:

Chief Financial Officer	Kathy Blackwood
Vice Chancellor of Human Resources	Harry Joel
Controller	Ray Chow
Classified Representative	Stephanie Samuelsen
Academic Representative	Bruce Maule

PROGRAM COORDINATOR:

Executive Vice President	Steve Gedestad
Senior Vice President	Gail Beal
Senior Vice President	Bob Schoenherr
Service Representative	Adam Sandoval

CONSULTANTS:

Benefit Trust Company	Scott Rankin
Morgan Stanley Smith Barney	Cary Allison
RPM Consultant Group	Chuck Thompson

III. APPROVAL OF AGENDA

A motion was made by Kathy Blackwood, seconded by Bruce Maule and unanimously carried to approve the Agenda as presented.

PUBLIC COMMENTS: None

IV. CORRESPONDENCE: None

PUBLIC COMMENTS: None

V. ADMINISTRATION

REVIEW OF THE FUTURIS PROGRAM AND THE ROLES OF THE PROGRAM COORDINATOR AND CONSULTANTS:

GASB 45 requires that a public agency value its Other Post Employment Benefits (OPEB) liabilities and report these liabilities on its financial statements. The creation of an Irrevocable Trust provides an opportunity for an agency to prefund the OPEB liability, thereby lowering the long term cost of funding the OPEB benefits. The components of the Futuris Program which help the public agency to establish and run an OPEB trust are the Program Coordinator, the Discretionary Trustee, and the Registered Investment Advisors and are described in detail in the attached outline.

The San Mateo County Community College District Governing Board has selected the Futuris program for the creation of their Irrevocable Trust.

All members of the Retirement Board of Authority reviewed the Futuris Program materials and have a clear understanding of the roles of the Administrator, Discretionary Trustee and Registered Investment Advisor. No action was taken.

REVIEW OF RETIREMENT BOARD OF AUTHORITY RESPONSIBILITIES:

The San Mateo County Community College District authorized the establishment of the Futuris Public Investment Trust and the creation of the Board of Authority that will manage the Futuris Public Investment Trust. The Futuris Retirement Board of Authority board members have the full power to conduct the trust's business. The board member position itself carries with it the responsibilities of a fiduciary set forth in California Constitution Article 16, Section 17 as well as California Government Code Section 53216.6. They are:

- To hold and invest the assets of the retirement system for the exclusive purposes of providing benefits to the participants and their beneficiaries, minimizing employer contributions thereto and defraying reasonable expenses of administering the system.

- To discharge their duties with respect to investing the assets of the trust with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise with like character and like aims.
- To diversify investments of the trust to minimize the risk of loss and maximize the rate of return, unless under the circumstances it is clearly not prudent to do so.

The responsibilities of the board members are described in the trust agreement.

It is recommended that all members of the Retirement Board of Authority review the responsibilities and have a clear understanding of what is outlined.

Chuck Thompson stated that the creation of by-laws will be an action item on the next agenda.

REVIEW OF THE FUTURIS IMPLEMENTATION GUIDELINE:

The San Mateo County Community College District Board of Trustees approved the establishment of the Futuris Public Investment Trust and the creation of the Retirement Board of Authority that will manage the Futuris Public Investment Trust.

A timeline has been created that reviews the implementation of the Futuris Trust and the start of creating the Substantive Plan.

October 2, 2009 – Initial Retirement Board of Authority Meeting (Brown Act) (completed)

October 9, 2009 – Morgan Stanley Smith Barney delivers Risk Tolerance score to BTC. (completed)

October 16, 2009 – BTC and Morgan Stanley Smith Barney confer on Client Objectives.

October 23, 2009 – BTC sends final Investment Policy Statement to Retirement Board of Authority for signature by all Board Members.

October 28, 2009 – Board returns executed Investment Policy Statement to BTC.

October 29, 2009 – Remittance Form prepared by BTC and sent to San Mateo County CCD.

October 30, 2009 – Trust available for funding.

After October 2, 2009 – Benefit Information gathering begins.

90 Days from Date All Information Received – Vol. II of the Comprehensive Compliance Plan completed.

As determined and at least Annually – Retirement Board of Authority.

Annually – Review and update of Comprehensive Compliance Plan.

No action taken.

DESIGNATION OF RETIREMENT BOARD OF AUTHORITY MEMBERS AND ELECTION OF CHAIRPERSON:

The San Mateo County Community College District authorized the establishment of the Futuris Public Investment Trust and the creation of the Board of Authority that will manage the Futuris Public Investment Trust.

The Retirement Board of Authority has been duly appointed by the San Mateo County Community College District’s Board of Trustees and elected a Chairperson.

A motion was made by Harry Joel, seconded by Stephanie Samuelsen and unanimously carried to approve the Designation of Retirement Board of Authority Members and Election of Chairperson, Kathy Blackwood as recommended.

COMPLETION OF RISK TOLERANCE QUESTIONNAIRE:

The Risk Tolerance process helps develop stated investment goals and objectives of the Trust. The averaged responses from each Board Member created a consensus view on long-term return objectives, risk tolerances, asset class limits, and policy guidelines. The process helps to create the necessary linkage between the Board’s risk capacity, the board’s willingness to accept risk, and the asset allocation process. In addition, the process helps to isolate types of investment strategies Committee members may be comfortable and uncomfortable with.

The Benefit Trust Company, the Retirement Board’s Discretionary Trustee, has contracted with Morgan Stanley Smith Barney to provide investment recommendations. Morgan Stanley Smith Barney presented an overview of the Futuris investment platform’s Target Rate Portfolio Options and assist with the completion of a Risk Tolerance Questionnaire to measure the risk attitude and risk capacity of the Board members. The final score derived from an average of the individual member’s scores and provides guidance to the selection of a Target Rate Portfolio.

The scores were recorded as:

Risk Attitude = Average Score of 8.2

Risk Capacity = Average Score of 6.8

A motion was made by Kathy Blackwood, seconded by Harry Joel and unanimously carried to approve the Completion of Risk Tolerance Questionnaire as recommended.

SELECTION OF TARGET RATE PORTFOLIO

Target Rate Portfolios have been developed by the Benefit Trust Company and Morgan Stanley Smith Barney to meet the Retirement Board of Authority's long term investment objectives.

Representatives from Benefit Trust Company and Morgan Stanley Smith Barney discussed the various Target Rate Portfolios and helped the Board with questions they had determining their long term investment objective.

The Retirement Board of Authority made a Target Rate Portfolio selection recommending a long term rate of return objective based on discussions and the completion of the Risk Tolerance Questionnaire.

"The Trust Fund shall be invested with the objective of achieving a target net return of 7% in order to meet the Plan's actuarial assumption (as determined by Board of Authority's Actuarial Consultant), as well as an additional 0.4% to cover the costs of trust administration, GASB 43 and GASB 45 compliance."

A motion was made by Kathy Blackwood, seconded by Harry Joel and unanimously carried to approve the Selection of Target Rate Portfolio as recommended.

REVIEW OF INVESTMENT POLICY STATEMENT

The Retirement Board of Authority has completed the risk tolerance process that provided guidance to the completion of the Investment Policy Statement. The Investment Policy Statement dictates the types of investments made by the trust as well as the long term investment objective of the trust.

The Benefit Trust Company, the Retirement Board's Discretionary Trustee, prepared a draft Investment Policy Statement. It is recommended that all members of the Retirement Board of Authority review the Investment Policy Statement.

Bruce Maule requested to change contract language to not allow more than 2% of the Trust assets to be invested in any single equity security or mutual fund. Steve Gedestad stated that this will be discussed at the next meeting under this agenda item that will be an action item at that time.

REVIEW SAMPLE REPORTS THE BOARD WILL RECEIVE TO MONITOR THE PROGRAM

Among the fiduciary duties imposed on Board members by California Const. Art. 16, Section 17, and Gov. Code 53216.6 is a requirement that they discharge their duties with respect to investing the assets of the trust with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise with like character and like aims.” Included in that conduct is the regular review and analysis of investment statements describing the performance of the investment of assets held in trust.

The Retirement Board of Authority will receive monthly and annual statements on the status of the investments made through the Futuris program. The Benefit Trust Company, the Retirement Board’s Discretionary Trustee, has prepared sample monthly and annual investment statements, for the Retirement Board of Authority members to review.

It is recommended that all members of the Retirement Board of Authority review the sample statements, and ask any questions they may have on how to read them. No action taken.

APPROVAL OF ANNUAL REPORTING PROCEDURE

California Government Code section 53216.4 requires that a Retirement System report annually to its beneficiaries and potential beneficiaries on the status of the plan.

A motion was made by Kathy Blackwood, seconded by Harry Joel and unanimously carried to approve the Annual Reporting Procedure by making Annual Report available to active and retired employees over the District’s intranet.

PRIVATE LETTER RULING

Generally, states and their political subdivisions are not subject to taxation by the federal government. However, separate instrumentalities of states or political subdivisions, may be subject to taxation. These instrumentalities may avoid tax liability by establishing a trust under Internal Revenue Code Section 115. The Futuris program is set up to avoid tax liability through the use of such a trust. The Internal Revenue Service will review these trusts, on a case-by-case basis, at the request of each public entity, for compliance with the tax code, and issue what is called a “Private Letter Ruling”. The Retirement Board of Authority may, in its discretion, hire outside counsel to prepare and submit a request for a Private Letter Ruling to the IRS.

As part of the College’s agreement with Keenan & Associates, Keenan has agreed to assist the Retirement Board of Authority to obtain a Private Letter Ruling, at no additional cost to the College.

A motion was made by Kathy Blackwood, seconded by Bruce Maule and unanimously carried to decline obtaining the Private Letter Ruling at this time.

DIRECTORS' AND OFFICERS' INSURANCE

The creation of a trust that invests monies for the long term creates a fiduciary liability for the Board of Authority Board members. Directors' and Officers' Insurance can be purchased to cover certain exposures related to the liability.

The Keenan Program Services Agreement says that Keenan will, at the Employer's direction, obtain a Directors' and Officers' Insurance policy covering the members of the Retirement Board of Authority, with a policy limit of \$1 million per claim and a \$50,000 self-insured retention. Keenan will pay the premium for one year of coverage for any such policy that Keenan obtains.

It was decided to not pursue Directors' and Officers' insurance as the district already has D&O coverage.

A motion was made by Kathy Blackwood, seconded by Harry Joel and unanimously carried to decline the Directors' and Officers' Insurance as recommended.

PERFORMANCE GUARANTEES

As part of the College's contract with Keenan & Associates, Keenan agreed to certain performance guarantees.

The performance guarantees require completion with due dates for certain deliverables and agreed to at the first Retirement Board of Authority meeting.

The deliverables are:

- || GASB Timeline – 10/2/09
- || Schedule of Future Board of Authority and other Education Meetings – 10/2/09
- || Futuris Administration Manual – 11/2/09
- || Substantive Plan Volume II – 12/2/09
- || Template for Communication of Information to Board of Trustees – 12/2/09
- || Substantive Plan Volume III – 2/2/10

The Retirement Board will agree to dates for deliverables with Keenan & Associates and both parties will complete and sign the performance guarantees.

A motion was made by Kathy Blackwood, seconded by Harry Joel and unanimously carried to approve the Performance Guarantees as recommended.

SUBSTANTIVE PLAN

GASB 43 & 45 state that the actuarial report will be based on the substantive plan, which is comprised of the terms of an OPEB plan as understood by the employer and plan members. Under the Futuris program, Keenan Financial Services prepares a written summary of the Substantive Plan, as part of an overall Comprehensive Compliance Plan, which acts as both a road map and a record of the Retirement Board of Authority's compliance with its fiduciary duties. The information collection process will begin after the Retirement Board of Authority meeting.

The Retirement Board reviewed the process. No action taken.

DESIGNATED OFFICIAL POSTING & MAILING ADDRESS(ES)

Under California Government Code Section §54950 (The Ralph M. Brown Act) the "Legislative Body" is required to post an agenda detailing each item of business to be discussed. The Authority posts the agenda in compliance with California Government Code Section §54954.2.

Official Postings and Mailing Address have been decided.
To be posted on the bulletin board outside of the district office at
3401 CSM Drive, San Mateo, CA 94402

A motion was made by Kathy Blackwood, seconded by Harry Joel and unanimously carried to approve the Designated Official Posting and Mailing Address as recommended.

VI. INFORMATION

MEMBER COMMENTS: None

PROGRAM COORDINATOR / CONSULTANT COMMENTS: None

OTHER COMMENTS: None

VII. AGENDA ITEMS NEXT MEETING:

- Fiduciary Education
- Review of Comprehensive Compliance Plan
- Investment Policy Statement
- Discussion of Actuarial Study
- Conflict of Interest Training and Policy Development
- Report on Trust Statement
- Market Overview
- Portfolio Review
- Creation of by-laws
- Discussion of independent auditors

The following date and time will be the next Futuris Retirement Board of Authority Meeting:

*Next Meeting: 1/27/10 (Wednesday) from 1PM – 3PM

VIII. ADJOURNMENT

A motion was made by Kathy Blackwood, seconded by Harry Joel and unanimously carried to adjourn the meeting at 12:10 PM.