

**SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT  
FUTURIS RETIREMENT BOARD OF AUTHORITY MEETING  
JULY 14, 2010  
9:00 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 Kathy Blackwood at 9:04 AM.

**II. ROLL CALL**

Those in attendance were:

**MEMBERS:**

Chief Financial Officer  
Vice Chancellor of Human Resources  
Controller  
Classified Representative  
Academic Representative  
Guest

Kathy Blackwood  
Harry Joel  
Ray Chow  
Stephanie Samuelsen  
Bruce Maule  
Tom Casey

**PROGRAM COORDINATOR:**

Senior Vice President  
Account Manager

Bob Schoenherr  
Ken Threeths

**CONSULTANTS:**

Benefit Trust Company  
Morgan Stanley Smith Barney  
RPM Consultant Group

Scott Rankin  
Cary Allison  
Chuck Thompson

**III. APPROVAL OF AGENDA**

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

**IV. APPROVAL OF MINUTES**

A motion was made by Bruce Maule, seconded by Stephanie Samuelsen and unanimously carried to approve the Minutes as presented.

**V. CORRESPONDENCE:**

Cary Allison of Morgan Stanley Smith Barney presented an article from Morgan Stanley entitled “Congressional Reform Update”

The “Congressional Reform Bill” profiled Financial Reform in terms of the following highlights:

- Financial Reform creates a Financial Services Council (“FSOC”) to identify & monitor systematic risk in the financial system.
- Financial Reform creates resolution authority to enable the federal government to put large non-bank financial companies into receivership and unwind them in an orderly manner..
- Financial Reform overhauls the regulation of OTC derivatives and major participants in these markets.
- Financial Reform is requiring the SEC to conduct a six-month study relative to imposing a fiduciary duty on brokers akin to that imposed on investment advisers.
- Financial Reform has adopted the Volcker Rule which prohibits most proprietary trading at banks, their affiliates and their holding companies

Cary Allison also presented a communication letter that Morgan Stanley Smith Barney (MSSB) presented to MSSB clients relative to recent market volatility. This MSSB communication to clients pointed toward persistent concerns about high fiscal deficits and debt levels as the predominant reasons for recent market volatility.

Per a request from Board member Bruce Maule, the Keenan presentation on Governor Schwarzenegger’s Commission Reporting on Funding Pensions & Retiree Health Care for Public Employees was included as a Correspondence agenda item.

Chuck Thompson summarized the presentation for the Board.

## VI. INVESTMENTS

### **PORTFOLIO REVIEW:**

Cary Allison of Morgan Stanley provided an overview of the District's Change in Portfolio, Asset Allocation, and Time Weighted Return (Gross and Net of Fees) for period ending June 30, 2010.

As of June 30, 2010, the District's portfolio has an allocation of 55.5% in fixed income funds and 44.5% in equity funds.(equity funds comprised of 26.5% in domestic equity and 18.0% in international equity). The value of the portfolio as of December 31, 2009 was \$5,030,805.89 and with withdrawals of \$10,149.51 for management fees, the value of the portfolio as of June 30, 2010 was \$4,994,795.93. The June 30, 2010 portfolio value represents an inception to date net rate of return of 0.07% compared to the S&P/Barclays Blend of -0.29%.

Cary informed the Board that last week the portfolio moved the ARTIO fund to a METROPOLITAN WEST fund.

Board member Bruce Maule inquired as to fund rebalancing and the number of funds being used under the District's Fixed Income strategy. Cary indicated that funds are rebalanced annually and that Benefit Trust Company and Morgan Stanley Smith Barney have a quarterly discussion relative to portfolio rebalancing. Regarding the number of funds being used under the District's Fixed Income strategy, Scott Rankin of Benefit Trust Company suggested that having multiple funds facilitates diversification which helps to minimize risk.

Board member Kathy Blackwood informed the group that she is requesting an additional \$5 million to add to the District's Public Entity Investment Trust.

A motion was made by Harry Joel, seconded by Bruce Maule and unanimously carried to accept the Portfolio Review as presented.

### **MARKET OVERVIEW:**

Cary Allison of Morgan Stanley Smith Barney provided an overview of the Global Capital Markets for period ending June 30, 2010 as published by the Morgan Stanley Smith Barney Global Investment Committee.. Cary also provided an article from Morgan Stanley Smith Barney (MSSB) profiling the members of their Global Investment Committee.

### **REVIEW OF INVESTMENT POLICY STATEMENT:**

Scott Rankin of Benefit Trust Company provided an overview to the Board of the District's Investment Policy Statement (IPS) relative to the role of the IPS and how it works.

Board member Bruce Maule requested that 4 documents be added to this agenda item. Documents to be included are as follows:

- Wall Street Journal Article – Public Pension Deficits Are Worse Than You Think
- Wall Street Journal Article – Sector Appeal: Funds That Beat Indexes
- Document Written By Bruce Maule – Retiree Health Care Benefits: GASB, OPEB and RBOA
- A Report of the Public Employee Post-Employment Benefits Commission

Based on the article “Public Pension Deficits Are Worse Than You Think”, Board member Bruce Maule made inquiries regarding the Trust’s target rate. Is a target rate of 7% to high? Perhaps it should be lowered to 4% or 5%?

Chuck Thompson of RPM Consultant Group pointed out that the lower the target rate, the higher the District’s liability.

Bruce Maule continued by suggesting that Board members read recommendations 24 through 31 from the “Report of the Public Employee Post-Employment Benefits Commission”

The Board suggested that it was that it was not necessary to lower the target rate. However, it was suggested by the Board that the next Actuarial Valuation study should provide multiple liability profiles using a 5% rate of return and a 7% rate of return.

The Board requested that Benefit Trust Company and Morgan Stanley Smith Barney provide the District with a financial risk profile using a “Monte Carlo” computer simulation.

Board member Ray Chow inquired from Cary Allison and Scott Rankin that should the Board approve an additional \$5 million deposit to the District’s Public Entity Investment Trust, can it be deposited pursuant to a designated schedule or should it be added per a one time deposit. Cary Allison suggested that in the context of the Trust, there is no advantage to depositing on a scheduled basis.

A motion was made by Bruce Maule, seconded by Harry Joel and unanimously carried to accept the Investment Policy Statement (IPS) and additional materials as presented.

## **VII. EDUCATION:**

This agenda item was postponed due to time constraints.

## **VIII. ADMINISTRATION**

### **REVIEW OF THE COMPREHENSIVE COMPLIANCE PLAN INCLUDING THE SUBSTANTIVE PLAN:**

Per Chuck Thompson of RPM Consultant Group and Board member Kathy Blackwood this agenda item is designed for the creation of policies and procedures relative to the acceptance and maintenance of the Comprehensive Compliance Plan including the Substantive Plan.

The Board directed Chuck Thompson, Kathy Blackwood and Harry Joel to form a sub-committee to work on this project and report back at the next meeting.

### **COMPREHENSIVE COMPLIANCE PLAN POLICIES AND PROCEDURES:**

A motion was made by Harry Joel, seconded by Bruce Maule and unanimously carried to approve Volume I, II and III of the Comprehensive Compliance Plan including the Substantive Plan with the knowledge that the sub-committee will provide policies and procedures recommendations for review at the next meeting.

### **TRUST BYLAWS**

Bob Schoenherr of Keenan & Associates informed the group that Keenan's Legal Department with assistance from Benefit Trust Company (BTC) created a Bylaws template that the District can use as the basis of creating Bylaws for the Retirement Board of Authority.

Board member Harry Joel suggested that he, Kathy Blackwood and Chuck Thompson of RPM Consultant Group create a sub-committee to review the Bylaws template and provide recommendation to the Board.

Scott Rankin of Benefit Trust Company requested notification of any changes that the sub-committee makes to the Bylaws template. Chuck Thompson requested to see how other RBOA's may have modified the template.

### **FUTURE TRANSFERS OF ASSETS INTO THE TRUST**

Board member Kathy Blackwood indicated that she is going to make a presentation to the Board for an additional \$5 million deposit to the District's Public Entity Investment Trust.

Board member Bruce Maule made an inquiry relative to a timeline for future transfers (deposits). Kathy Blackwood informed him that at the moment the only scheduled transfer is for \$5 million

### **THE DISTRICT'S OPEB PLAN INDEPENDENT AUDITOR'S REPORT**

Board member Kathy Blackwood informed the group that VTD will be doing a routine audit but the District has hired them to do an additional audit of the OPEB Trust. The cost of the audit is not to exceed \$5,000. The first draft of the audit will be available in October 2010 and will be finalized December 2010.

### **RBOA FIDUCIARY LIABILITY AND CONFLICT OF INTEREST FOR OPEB PLANS**

Board guest Tom Casey informed the group about potential conflict of interest areas and that he will provide a sample Conflict of Interest Form at the next meeting for all members to sign.

**IX. INFORMATION REPORTS**

**RETIREMENT BOARD OF AUTHORITY COMMENTS**

No comments

**PROGRAM COORDINATOR/CONSULTANT COMMENTS**

No comments

**VISITORS COMMENTS**

No comments

**X. DATE FOR NEXT MEETING**

The next meeting is scheduled for October 7<sup>th</sup>, 2010.

**XI. AGENDA ITEMS NEXT MEETING:**

- Monte Carlo Simulation
- Education Agenda Item from 7/14 meeting
- Subcommittee Report on Substantive Plan Policy and Procedures
- Subcommittee Report on Bylaws
- Group Review of Recommendations 24-31 of the Public Employee Post-Employment Benefits Commission.

**XII. ADJOURNMENT**

A motion was made by Bruce Maule, seconded by Harry Joel and unanimously carried to adjourn the meeting at 12:04 PM.