

MEETING MINUTES

**SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT
FUTURIS RETIREMENT BOARD OF AUTHORITY MEETING**

**October 7, 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 Board member Kathy Blackwood at 9:10 AM.

II. ROLL CALL

Those in attendance were:

MEMBERS

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

Kathy Blackwood
Harry Joel
Ray Chow
Stephanie Samuelsen
Bruce Maule

PROGRAM COORDINATOR

Senior Vice President
Account and Operations Manager
Account Manager
Account Manager

Gail Beal
Shari King
Roslyn Washington
Kenneth Threeths

CONSULTANTS

Morgan Stanley Smith Barney
Benefit Trust Company
RPM Consultant Group

(By Telephone) Cary Allison
Scott Rankin
Chuck Thompson

GUESTS

District's General Counsel

Tom Casey

III. APPROVAL OF AGENDA

A motion to approve the Agenda as presented was made by Bruce Maule, seconded by Ray Chow and unanimously carried by the Board.

IV. APPROVAL OF MINUTES

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

V. CORRESPONDENCE:

Scott Rankin of Benefit Trust Company reviewed and summarized the Reish & Reicher Bulletin, "SEC and DOL Convergence: Are You Ready?"

The SEC and DOL regulatory agencies have undertaken major initiatives with regard to fiduciary activity, plan investments, compensation, sales practices, disclosure of services, and conflicts of interest. Scott provided Bulletin highlights as follows

- Registration of Investment Advisers – there are significant implications for registered investment advisers with between \$30 million and \$100 million of assets under management relative to the Dodd-Frank Wall Street Reform and Consumer Protection Act.
- Broker-Dealer Fiduciary Duty – registered investment advisers are considered to be fiduciaries under the Advisers Act, while broker-dealer firms are subject to a set of rules involving suitability, disclosure, and best execution. The Dodd-Frank Wall Street Reform and Consumer Protection Act addresses this long standing difference by creating a likelihood that a broker-dealer firm will be subject to a fiduciary standard within the foreseeable future.
- Form ADV "Plain English" – the SEC has approved changes to Form ADV Part 2, and related rules under the Advisers Act – registered investment advisers are required to deliver Part 2 of Form ADV to clients and prospective clients in narrative format using "plain English" to describe various aspects of the adviser's business rather than a check the box format
- Rule 12b -1 Reform – the new Rule will require that advisers, broker-dealers, and other service providers who pay or receive 12b -1 fees must begin to understand how these changes could affect the operational components of their business. The implications for disclosure requirements, various share class offerings, and revenue sharing are far reaching.

VI. INVESTMENTS

PORTFOLIO REVIEW

Cary Allison of Morgan Stanley Smith Barney provided an overview of the District's Change in Portfolio, Asset Allocation and Time Weighted Return (Gross and Net of Fees) for period ending August 31, 2010.

1. The District's Public Entity Investment Trust Portfolio for Period Ending August 31, 2010.

As of August 31, 2010, the District's portfolio has an allocation of 53.5% in fixed income funds and 46.5% in equity funds (equity funds comprised of 26.6% in domestic equity and 19.9% in international equity) The Portfolio Value on December 31, 2009 was \$5,030,805.89 and with Contributions of \$5,000,000.00, the value of the portfolio as of August 31, 2010 was \$10,149,849.70. The August 31, 2010 portfolio value represents an inception to date net rate of return of 3.76% compared to the S&P/Barclays Blend of 2.07%. The investment results for the latest 12 months show a net increase of 2.94% versus the S&P/Barclays Blend of 1.94%.

Scott Rankin of Benefit Trust Company provided the District's Change in Portfolio, Asset Allocation and Time Weighted Return (Gross and Net of Fees) for period ending September 30, 2010.

2. The District's Public Entity Investment Trust Portfolio for Period Ending September 30, 2010.

As of September 30, 2010, the District's portfolio had an allocation of 51.9% in fixed income funds and 48.1% in equity funds (equity funds comprised of 27.4% in domestic equity and 20.7% in international equity). The value of the portfolio as of June 30, 2010 was \$4,994,795.93 and with a Contribution of \$5,000,000.00, the value of the portfolio as of September 30, 2010 was \$10,652,908.12. The September 30, 2010 portfolio value represents an inception to date net rate of return of 8.90% compared to the S&P/Barclays Blend of 6.68%. The Year to Date investment results show a net increase of 8.05% versus the S&P/Barclays Blend of 6.54%.

A brief discussion followed the Trust portfolio presentations and the Board inquired as to the costs involved in replacing the ARTIO Fund with the METROPOLITAN WEST Fund. Cary Allison confirmed that there were no cost associated with going in or out of the different funds.

The Board also inquired as to whether Morgan Stanley Smith Barney (MSSB) considers current US debt parameters when making Trust Portfolio changes? Cary noted that while the current U.S debt position is a factor, it is not a large consideration in the decision making of MSSB..

A motion to accept the Trust Portfolio review as presented was made by Bruce Maule, seconded by Ray Chow and unanimously carried by the Board.

MARKET OVERVIEW

Cary Allison of Morgan Stanley Smith Barney (MSSB) provided asset allocation and portfolio updates for the Futuris Public Entity Investment Trust Model Portfolios.

Cary noted that MSSB does not believe that there is going to a double-dip recession. At the moment gold is overvalued due to economies being in high debt positions, which makes people fearful and uncertain. This is reflected by the fact that that companies are sitting on unusually large amounts of cash.

MONTE CARLO SIMULATION

Cary Allison of Morgan Stanley Smith Barney provided a Monte Carlo Simulation per a request from the Board. The Monte Carlo Simulation provided multiple outcomes based on different target returns for the

District's Trust portfolio. The target returns used for the Monte Carlo Simulation were 4.5%, 5%, 6%, 7% 8% and 9%.

The portfolio simulations used a time horizon of 5 years. The Board made inquiry as to whether 5 years is the typical range for a Monte Carlo Simulation. Cary informed the Board that any time period could be entered.

Cary also provided a Capital Markets overview as profiled by Morgan Stanley Smith Barney Global Investment Committee.

VII. EDUCATION

Given the ongoing mortgage and foreclosure crisis in the U.S. Cary Allison provided Board members with a Morgan Stanley Smith Barney (MSSB) education document entitled "An Investor's Guide to Agency and Government Sponsored Mortgage Backed Securities".

Document highlights include the following:

An investment in Mortgage Backed Securities (MBS) represents an ownership interest in a pool of residential mortgage loans. MBS were introduced to the fixed income market by U.S. Government Agencies and Government Sponsored Enterprises (GSEs). Issuers include:

- Government National Mortgage Association (GNMA or 'Ginnie Mae')
- Federal Home Loan Mortgage Corporation (FHLMC or 'Freddie Mac')
- Federal National Mortgage Association (FNMA or 'Fannie Mae')

There are also non-agency Mortgage Backed Securities in the marketplace. Growth in this sector in recent years has led to the emergence of Mortgage Backed Securities issued by Banks and other financial institutions. These non-agency issuers are able to offer more complex and riskier structures than agencies are, hence the mortgage market now includes a variety of mortgage security structures that may not be suitable for every investor.

VIII. ADMINISTRATION

REVIEW OF RECOMMENDATIONS 24-31 OF THE PUBLIC EMPLOYEE POST-EMPLOYMENT BENEFITS COMMISSION

Board member Kathy Blackwood and Gail Beal of Keenan Financial Services reviewed the recommendations with the Board. Kathy informed the Board the Accounting firm Vavrinek, Trine and Day will be performing two audits for the District.

One audit will be for the District's Public Entity Investment Trust and the other will be for the District.

A date has not been scheduled relative to when the Accounting Firm of Vavrinek, Trine and Day will present their findings to the Board of Trustees.

ANNUAL REPORTING ON THE STATUS OF THE TRUST

Gail Beal informed the Board that the Annual Report on the Status of the Trust has been provided to the District. The District will provide the Annual Report to the Trust's participants and beneficiaries and it will also be posted to the District's website.

TRUST BYLAWS

Board member Kathy Blackwood informed the Board that the RBOA Bylaws Subcommittee met to work on the Trust Bylaws template provided by Keenan Financial Services. The only changes made to the template were to add a Chairperson and Vice Chairperson.

The Board inquired as to whether Tom Casey sat in on the Bylaws Subcommittee meeting and if the bylaws had been approved by the District's General Counsel. It was confirmed that the District's legal department had approved the Trust Bylaws.

There was a typo within the Trust Bylaws document. Kathy Blackwood and Gail Beal confirmed to the Board that the typo will be corrected.

A motion to approve the Trust Bylaws with corrections made to Chairperson and Vice Chairperson typos was made by Bruce Maule, seconded by Ray Chow and unanimously carried by the Board.

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

The Board nominated Harry Joel as Vice Chairperson.

A motion to nominate and appoint Harry Joel as Vice Chairperson was made by Ray Chow, seconded by Bruce Maule and unanimously carried by the Board.

DISBURSEMENTS

Board member Kathy Blackwood informed the Board that the cost of the audit would be paid by using funds that were in the District's reserves.

Board member Harry Joel suggested that for future RBOA Meetings an Information Item relative to the cost of the audit should be part of the Agenda.

THE DISTRICT'S OPEB PLAN INDEPENDENT AUDITOR'S REPORT

Board member Kathy Blackwood told the Board that the audit is currently in process at the District.

Board member Ray Chow has setup a share site so the accounting firm can access the required information rather than physically contacting the District each time they require relevant data or information.

A draft of the audit should be available in November.

COMPREHENSIVE COMPLIANCE PLAN POLICIES AND PROCEDURES UPDATE

Chuck Thompson of RPM Consultant Group provided a review of the draft document of the Comprehensive Compliance Plan and “Substantive Plan” Policies and Procedures and On-going Maintenance.

Gail Beal of Keenan Financial Services informed the Board that Volumes I, II, and III of the “Substantive Plan” will be scanned and housed electronically.

IX. INFORMATION REPORTS

RETIREMENT BOARD OF AUTHORITY COMMENTS

No comments

PROGRAM COORDINATOR/CONSULTANT COMMENTS

No comments

VISITORS COMMENTS

No comments

X. DATE, TIME AND AGENDA ITEMS FOR NEXT MEETING

The next RBOA Meeting was tentatively scheduled for January 25, 2011

XI. ADJOURNMENT

A motion to adjourn the meeting at 11:25 AM was made by Bruce Maule, seconded by Harry Joel and unanimously carried by the Board.