

MINUTES

OHLONE COMMUNITY COLLEGE DISTRICT
RETIREMENT BOARD OF AUTHORITY MEETING

February 24, 2011
9:00 AM – 11:00 AM

OHLONE COMMUNITY COLLEGE DISTRICT OFFICE
STUDENT SERVICES CENTER, ROOM 7104
43600 MISSION BOULEVARD
FREMONT, CA 94539
(510) 659-6000

I. **CALL TO ORDER**

The meeting was called to order by Board member Mike Calegari at 9:00 AM.

II. **ROLL CALL**

Those in attendance were:

MEMBERS:

Vice President, Administrative Services
Dean, Business Services
Director, Purchasing and Contracts
Senior Human Resources Specialist
Full Time Faculty
Classified Staff

Mike Calegari
Joanne Schultz
Mark Robbins
Elva Duval
Marge Segraves
John Li

PROGRAM COORDINATORS:

Senior Vice President
Account Manager
Account Manager

Gail Beal (via telephone)
Roslyn Washington
Ken Threeths

CONSULTANTS:

Morgan Stanley Smith Barney
Benefit Trust Company
RPM Consultant Group

Cary Allison
Scott Rankin
Chuck Thompson

GUESTS

Administrative Services

Kelly Abad

Those absent were:

Associate Vice President of Human Resources

Sharon Zingshaim

III. APPROVAL OF AGENDA

A motion was made by Board member Joanne Schultz to approve the Agenda as presented, seconded by Board member John Li and unanimously carried by the Board.

IV. APPROVAL of MINUTES

A motion was made by Board member Mark Robbins to approve the minutes as presented, seconded by Board member John Li and unanimously carried by the Board.

V. CORRESPONDENCE

There was No Correspondence presented.

VI. INVESTMENTS

PORTFOLIO REVIEW:

Cary Allison of Morgan Stanley Smith Barney (MSSB) provided an overview of the District's Investment Trust Change in Portfolio, Asset Allocation, and Time Weighted Return (Gross and Net of Fees) for period ending January 31, 2011. As of January 31, 2011, the District's Investment Trust portfolio had an allocation of 56.9% in fixed income funds and 43.1% in equity funds (equity funds comprised 24.7% in domestic equity and 18.4% in international equity). The value of the Portfolio as of December 31, 2010 was \$382,419.27 and as of January 31, 2011, the value is \$384,938.50. The January 31, 2011 portfolio value represents an inception to date net rate of return of 10.14% compared to the S&P/Barclays Blend of 13.36% and Barclays Aggregate of 1.29%.

A motion was made by Board member Joanne Schultz to accept the Portfolio Review as presented, seconded by Board member Mark Robbins and unanimously carried by the Board.

MARKET OVERVIEW:

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

Cary Allison also presented the fourth quarter 2010 "Capital Markets Overview" from Morgan Stanley Smith Barney tracking global economic expansion. Through the fourth quarter of 2010, markets continued to benefit from the intervention by governments and central banks, making a second year of recovery from the financial crisis. Going forward, there is every indication that the recovery could become an expansion with the primary engine for this expansion being the emerging market economies. Growth in excess of 6% is expected in 2011 for emerging market economies, whereas developed-market economies are expected to grow only 2%. In the U.S., recently enacted federal tax-cut extensions seem likely to provide a platform for stronger growth. U.S. corporate profits gained 30% in 2010, while cash reserves were the highest in half a century. The volume of mergers and acquisitions grew in 2010 by 25% and corporations continued to be able to borrow at exceedingly low rates.

Cary provided Board members with MSSB’s “Global Investment Committee Outlook”. This Report reiterated many of the same positive growth indicators reflected in the Capital Markets Overview for 2011 as follows:

- Global GDP recovery has now become expansion
- Global economy growth near 4% with emerging economies expanding by 6% and developed ones by a much slower 2%
- US and European policy risk is asymmetric to the upside
- Developing economy central banks will tighten; developed economy central banks are on hold until 2012
- Low 1% - 2% inflation in developed countries but 5% in developing ones
- Modest US trade-weighted dollar strength; broad developed country currencies weakness to developing country currencies, especially Asia
- Longer-term prospects good for a multiyear business cycle expansion

Board member Joanne Schultz noted that she will notify Total Compensation Systems (TCS), the actuarial service provider for the District of the move from Portfolio 5 to Portfolio 7.

VII. EDUCATION

Cary Allison of Morgan Stanley Smith Barney (MSSB) presented an article prepared by Oppenheimer Funds and entitled “Oppenheimer International Bond Fund”.

Cary discussed the importance of International Bond Funds relative to a comprehensive portfolio investment strategy as follows:

- Provide potential benefits for overall portfolio diversification.
- May provide attractive long-term returns.
- Yields may be greater than domestic opportunities.
- Foreign currency exposure is provided by International Bond Funds as an inflation hedge.
- Provide low correlation to other financial assets.

VIII. ADMINISTRATION

REVIEW OF COMPREHENSIVE COMPLIANCE PLAN, INCLUDING THE SUBSTANTIVE PLAN

Gail Beal of Keenan Financial Services (KFS) informed the Board that KFS is in the process of preparing an electronic library of the Comprehensive Compliance Plan, including the Substantive Plan. It is anticipated that the electronic library should be completed and in place by July 2011.

Board member Mike Calegari made an inquiry as to where the files would be stored and if the District’s IT Staff will need to be involved. Gail indicated that electronic files would be stored in multiple locations. It will be stored on a server as well as being saved on CD’s. She will research whether or not it will be necessary to work with the District’s IT Staff.

COMPREHENSIVE COMPLIANCE PLAN, INCLUDING THE SUBSTANTIVE PLAN POLICIES AND PROCEDURES FOR THE MAINTENANCE OF THE PLAN UPDATE

Chuck Thompson of RPM Consultants informed the Board that the Sub-committee had a meeting on February 15, 2011 to discuss the Policies & Procedures for the maintenance of the Comprehensive Compliance Plan, including the Substantive Plan. The provisions of the Trust Bylaws were also discussed. Chuck noted that the Substantive Plan process will be included as part of the Independent Audit Review. Board member Mike Calegari inquired as to the cost of this Audit Review. Chuck stated that the cost would be anywhere from \$1,500.00 to \$5,000.00 depending on the depth of the Audit Review.

Board member Mike Calegari noted the third bullet point on “What is the Process for Maintaining Volume’s I, II and III of the Public Entities Substantive Plan?” be changed from “the office of the RBOA Chairperson” to “the office of the Vice President of Administrative Services.”

STATUS OF ACTUARIAL STUDY

Board member Joanne Schultz noted that the Actuarial Valuation Study is in process and that the last item that is needed would come pursuant to this meeting.

TRUST BYLAWS

Gail Beal of Keenan Financial Services and Chuck Thompson of RPM Consultant Group noted that at the Sub-committee meeting of February 15, 2011, the Trust Bylaws were reviewed. Board member Joanne Schultz noted that the Sub-committee did an in-depth line by line review of the Trust By-laws. Provisions requiring the RBOA to report the status of the Trust to the Board of Trustees at least annually and authorizing the RBOA to request an audit on the performance of the vendors through an independent audit twice during the term of the contract were added to the Bylaws for discussion by the Board. The Board will review the amended Trust Bylaws and the Bylaws will be brought back at the next Retirement Board of Authority meeting as an Action Item.

FUTURE TRANSFER OF ASSETS INTO THE TRUST

Board member Joanne Schultz informed the Board that future deposits will be made in two parts. The District’s Actuary determined that last years deposit was short by roughly \$150,000.00. The second deposit will include the difference between last years deposited amount and the amount that the District’s Actuary determined to be necessary.

THE DISTRICT’S OPEB PLAN INDEPENDENT AUDITOR’S REPORT

Board member Joanne Schultz reviewed the Independent Auditor’s Report for the plan year ending June 30, 2010.

RETIREMENT BOARD OF AUTHORITY (RBOA) FIDUCIARY AND CONFLICT OF INTEREST PROTECTION FOR OPEB PLANS

Chuck Thompson of RPM Consultant Group informed the Board that RPM Consultants is working with selected attorneys and will provide training on Conflict of Interest protocols. Chuck will bring training information to the next RBOA Meeting.

REPORT TO THE BOARD OF TRUSTEES

Scott Rankin of Benefit Trust Company presented the communication letter that was sent to the District's Governing Body relative to the status of the OPEB Trust. Board member Mike Calegari inquired as to whether this communication piece can be presented to the Board as a consent item. Scott noted that this item could be used as a consent item.

A motion was made by Board member Joanne Schultz to accept the Report as presented, seconded by Board member John Li and unanimously carried by the Board.

IX. INFORMATION REPORTS

RETIREMENT BOARD OF AUTHORITY COMMENTS

Board member Mark Robbins inquired if the Board needed to recommend a funding amount to the District's Governing Body. If so it is probably necessary to have this information prior to the meeting.

PROGRAM COORDINATOR/CONSULTANT COMMENTS

Gail Beal of Keenan Financial Services (KFS) informed the Board that KFS is hosting a Futuris Investment Workshop on March 24th. Chuck Thompson suggested that the District's President or Governing Board member be invited to one of the Futuris Investment Workshops.

VISITORS COMMENTS

There were no Visitor comments.

X. DATE, TIME AND AGENDA ITEMS FOR NEXT MEETING

Future Meeting Schedules:

- May 19, 2011, 2:00-4:00 PM
- August 25, 2011, 9:00-11:00 AM

Next Meeting Agenda Items

- Trust By-Laws
- Conflict of Interest Training
- Actuarial Valuation Study
- Independent Audit Report Process

XI. ADJOURNMENT

A motion was made to adjourn the meeting at 10:50 AM by Board member Joanne Schulz, seconded by Board member John Li and unanimously carried by the Board.