

MEETING MINUTES

OHLONE COMMUNITY COLLEGE DISTRICT
RETIREMENT BOARD OF AUTHORITY MEETING

May 19, 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 2:04 PM.

II. **ROLL CALL**

Those in attendance were:

RETIREMENT BOARD OF AUTHORITY (“BOARD”) MEMBERS:

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

Mike Calegari
Shairon Zingsheim
Joanne Schultz
Vacant
Elva Duval
Marge Segraves
John Li

PROGRAM COORDINATORS:

Senior Vice President
Account Manager
Service Coordinator

Gail Beal
Roslyn Washington
Michele Piche-Carlson

CONSULTANTS

Benefit Trust Company
RPM Consultant Group

Scott Rankin
Chuck Thompson

GUESTS

Administrative Services

Kelly Abad

Those absent were:

Morgan Stanley Smith Barney
Account Manager, Keenan & Associates

Cary Allison
Kenneth Threeths

III. APPROVAL OF AGENDA

Board Member Mike Calegari requested a modification in the Agenda platform to allow Kelly Abad to be present while the Agenda Items “Comprehensive Compliance Plan, including the Substantive Plan Policies and Procedures for the Maintenance of the Plan Update” and the “Retirement Board of Authority (RBOA) Bylaws” are reviewed. A motion was made to approve the Agenda platform as amended, by Board member Joanne Schultz, seconded by Board member John Li and unanimously carried by the Board.

IV. APPROVAL OF MINUTES

A motion was made by Board member Shairon Zingsheim to approve the minutes amended to incorporate the correct spelling of Shairon Zingsheim’s name, seconded by Board member Joanne Schultz and unanimously carried by the Board.

V. CORRESPONDENCE

There was no correspondence presented.

VI. INVESTMENTS

PORTFOLIO REVIEW:

Scott Rankin of Benefit Trust 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 April 30, 2011. As of April 30, 2011 the District’s Investment Trust portfolio had an allocation of 57.4% in fixed income funds and 42.6% in equity funds (equity funds comprised of 26.2% in domestic equity and 16.4% in international equity). The value of the portfolio on December 31, 2010 was \$382,419.27 and as of April 30, 2011 the value is \$400,378.66. The April 30, 2011 portfolio value represents an inception to date net rate of return of 14.60%. compared to the S&P/Barclays Blend of 17.94%.

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

MARKET OVERVIEW:

Scott Rankin of Benefit Trust Company (BTC) presented to Board members the Asset Allocation and Portfolio Updates for the Futuris Public Entity Investment Trust Model Portfolios for the period ending March 31, 2011.

Scott Rankin also presented the first quarter “Capital Markets Overview” from Morgan Stanley Smith Barney (MSSB) tracking global economic expansion. In the first quarter, despite the natural disaster in Japan and the political turmoil in the Middle East and North Africa, the global business and equity bull cycles continued. There is growing optimism that the recovery from the financial crisis has become self-sustaining. Expected growth of about 6% in 2011 for emerging market economies, while developed-market economies could expand around 2%. Global mergers-and-acquisitions activity for

the quarter totaled \$716.3 billion, up 16% from a year ago. The U.S. unemployment rate fell to 8.8%, its lowest level in two years.

Scott continued by providing Board members with the MSSB “Global Investment Committee 2011 Outlook”. This report reiterated many of the same economic recovery indicators reflected in the MSSB Capital Markets Overview as follows:

- Global GDP recovery has now become business cycle expansion.
- Global economy growth of 4% with emerging economies expanding by 6% and developed ones by 3%.
- Low 1%-2% inflation in developed countries but 6% in developing ones.
- Developing economy central banks and European Central Bank tighten; Fed on hold until 2012.
- Modest US trade-weighted dollar strength; broad developed country currencies weakness to developing country currencies, especially Asia.
- Longer-term prospects good for a multiyear global business cycle expansion.

VII. EDUCATION

Scott Rankin of Benefit Trust Company (BTC) advised the Board of asset-allocation changes in the District’s Investment Trust portfolio and the thought processes behind those changes. For example, the PIMCO Total Return Fund (PTTRX) to Prudential Total Return Bond Fund (PDBZX) change was done because the PIMCO Total Return Fund has become too large and Morgan Stanley Smith Barney (MSSB) feels that Fund Management is better when funds are smaller. Board member Mike Calegari inquired as to why the expense ratio in the Royce Global Value (RGVIX) is higher (1.63%) than other funds in the District’s portfolio. Scott explained to the Board how this fund operates and the returns justify the expense. The Retirement Board of Authority indicated that they will be closely monitoring the performance of this fund going forward.

The changes made in the District’s Investment Trust portfolio are as follows:

- Domestic Equities -- Royce Special Equity (RSEIX) replaced Perkins Mid-Cap Value (JMCVX).
- Domestic Equities -- Prudential Global Real Estate (PURZX) replaced Cohen & Steers Global Realty I (CSSPX).
- International/Global Equities -- Royce Global Value (RGVIX) replaced Artio International Equity II (JETIX)/ Dodge & Cox International Stock (DODFX).
- Global Allocation – Blackrock Global Allocation (MALOX) was removed from this investment category.
- Fixed Income -- Prudential Total Return Bond Fund (PDBZX) replaced PIMCO Total Return (PTTRX).
- International Fixed Income – Brandywine Global Opportunities Bond (GOBSX) was an addition to this investment category.

Scott Rankin also provided Board members with two articles from the Royce Funds.

One article was a Royce Funds Research Paper entitled “Small-Cap: The Evergreen Asset Class” while the other article focused on the volatility of small company stocks and was entitled “Risky Business: Risk Management Begins with the Idea of Attempting to Establish a Margin of Safety”.

The Royce Funds Research Paper reflected the fact that the investment universe of small companies is both large and diverse. Small-cap equities form the largest domestic equity universe, accounting for approximately 85% of all traded companies in the U.S. At Royce Funds, the universe of small-cap equities are divided into two distinct segments namely:

- Micro-caps have market caps up to \$500 million. The U.S. micro-cap segment consists of more than 3,300 companies with approximately \$400 billion in total capitalization.
- Small-caps have market capitalization between \$500 million and \$2.5 trillion. The U.S. small-cap segment encompasses more than 1,100 companies with a total capitalization of approximately \$1.3 trillion.

In the Royce Funds article entitled “Risky Business: Risk Management Begins with the Idea of Attempting to Establish a Margin of Safety”, Royce Funds recognize that the historically superior long-term returns of small-cap stocks come with higher business risk and greater volatility. For Royce portfolio managers, managing the volatility of small-cap stocks begins with the basic concept of establishing a “Margin of Safety”. Establishing a “Margin of Safety” starts with the company’s balance sheet and ends with the purchase price in the context of a detailed analysis of the company’s fundamentals.

VIII. ADMINISTRATION

REVIEW OF COMPREHENSIVE COMPLIANCE PLAN, INCLUDING THE SUBSTANTIVE PLAN

Roslyn Washington of Keenan Financial Services (KFS) explained to the Board that KFS is in the process of preparing an electronic library of the Comprehensive Compliance Plan, including the “Substantive Plan”. Volumes I & Volume II of the “Substantive Plan” have been scanned while Volume III should be completed by the end of June. KFS will then provide the District with the electronic library data disc. The Service Representatives from Keenan will also be contacting Kelly Abad in the District’s Administrative Services Department to update any changes to the District’s Retiree Benefits Program for the 2010-2011 fiscal year. Changes and adjustments to the Retiree Benefits Program will require documentation in the “Substantive Plan” and will be scanned and added to the electronic library.

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

Chuck Thompson of RPM Consultant Group presented the Board with the Comprehensive Compliance Plan, including the “Substantive Plan” Policies and Procedures for the Maintenance of the Plan. As the Plan maintenance documentation was reviewed by the Board at the last RBOA Meeting it was presented with the corrections and adjustments requested.

A motion was made by Board member Joanne Schultz to approve the Comprehensive Compliance Plan including the "Substantive Plan" Policies and Procedures for Maintenance, seconded by Board member John Li and unanimously carried by the Board.

STATUS OF ACTUARIAL STUDY

Board member Joanne Schultz presented the District's new Actuarial Valuation Study. The Annual Required Contributions (ARC) has decreased from \$682,000.00 to \$678,000.00. Ohlone Community College District is very close to catching-up (\$60,000) with current employees OPEB costs and is already fully funded for Retiree OPEB liabilities.

RBOA BYLAWS

Chuck Thompson of RPM Consultant Group noted that Board members were to review the RBOA Bylaws that were brought back to this meeting as an Action Item.

A motion was made to accept the RBOA Bylaws as presented by Board member Joanne Schultz, seconded by Board member Shairon Zingsheim and unanimously carried by the Board.

FUTURE TRANSFER OF ASSETS INTO THE TRUST

Board Member Joanne Schultz informed the Board that funding Transfer totals to the District's Investment Trust will be approximately \$734,000 for the fiscal year ending June 30, 2011.

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

Chuck Thompson of RPM Consultant Group informed the Board that he is working with a group of attorneys to produce a "Conflict of Interest" training procedure. This program will provide a process to protect Board Members from liabilities associated with their fiduciary status on the Board. Chuck will bring back the training information to the Board at a future RBOA meeting. Chuck will also be checking into the District's policy relative to Conflict of Interest and Form 700 requirements.

IX. INFORMATION REPORTS

RETIREMENT BOARD OF AUTHORITY COMMENTS

There were no Retirement Board of Authority comments.

PROGRAM COORDINATOR/CONSULTANT COMMENTS

Scott Rankin informed the Board that Benefit Trust Company (BTC) will have a new Trust Accounting System in July, which means there will be new website requirements. Scott will be sending a tutorial to Board members in June showing how the new system works.

VISITORS COMMENTS

There were no Visitor comments.

X. DATE, TIME AND AGENDA ITEMS FOR NEXT MEETING

The next Retirement Board of Authority meeting is scheduled as follows:

- August 25, 2011, 9:00-11:00 AM

Agenda Items for the next Retirement Board of Authority (RBOA) meeting will include:

- Conflict of Interest Training
- Governmental Accounting Standards Board (GASB) Audit Process
- Invite the President of the Community College District or a Governing Board Member to a future RBOA Meeting

XI. ADJOURNMENT

The meeting was adjourned by Board member Mike Calegari at 3:04 PM.