

MINUTES

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT RETIREMENT BOARD OF AUTHORITY MEETING September 1, 2009

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT
114 South Del Rosa Drive
San Bernardino, CA 92408

I. CALL TO ORDER

The meeting called to order at 10:10 a.m.

II. ROLL CALL

Those in attendance were:

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT:

Vice Chancellor of Fiscal Services	Bruce Baron
Vice Chancellor of Human Resources	Renée Brunelle
Director of Human Resources	Dio Shipp
Business Manager	Vacant
Director of Internal Audits	Steven Sutorus
Director of Fiscal Services	Crispina R. Ongoco

PROGRAM COORDINATOR

Executive Vice President	Steve Gedestad
Senior Vice President	Claudia S. Ross
Senior Service Representative	Sylvia Weathers

CONSULTANTS

Morgan Stanley Smith Barney	Cary M. Allison
Benefit Trust Company	Scott Rankin

III. APPROVAL OF AGENDA

Action
2009/2010-001

A motion was made by Bruce Baron seconded by Steven Sutorus and unanimously carried to approve the agenda as presented.

IV. APPROVAL OF MINUTES

Action
2009/2010-002

A motion was made by Renée Brunelle seconded by Steven Sutorus and unanimously carried to approve the minutes as presented.

V. CORRESPONDENCE

**Information
2009/2010-003**

Cary Allison of Morgan Stanley advised all Morgan Stanley Trouble Asset Relief Program (TARP) money has been paid back. He indicated Morgan Stanley did not need the money, however, the CEO thought it was the patriotic thing to do. Steve Gedestad indicated per the Wall Street Journal, the Federal Government made a 15% return on investments made in banks.

Mr. Allison also shared Morgan Stanley recently purchased Smith Barney. The transaction closed in June and the company is now called Morgan Stanley Smith Barney. He indicated Morgan Stanley is in charge as they were the purchaser.

VI. INVESTMENTS

MARKET OVERVIEW

**Information
2009/2010-004**

For the new members to the Board of Authority, Steve Gedestad provided an overview of the Futuris program. The San Bernardino Board of Trustees has delegated investment authority to a Retirement Board of Authority. The Retirement Board of Authority was then authorized to implement the GASB trust and to carry out certain policies as determined under the GASB plan including review of the program agreements and fulfillment of fiduciary obligations

The creation of the Retirement Board of Authority and the investment of assets create a fiduciary liability. To help comply with your fiduciary responsibilities, the Retirement Board goes through a Risk Tolerance process which is a baseline within the investment business to determine the suitability of the investments with the risk profiles of the client. This was completed prior to the investment of assets. Once the process was completed, the Retirement Board of Authority determined their long term rate of return objective.

The Retirement Board of Authority reduces its fiduciary liability for investment risk with the appointment of the Benefit Trust Company as the Discretionary Trustee and then acts in an oversight capacity to review the trust's performance. Further, Morgan Stanley a Registered Investment Advisor (RIA) was hired through an RFP process to provide recommendations for asset allocation and specific investments to BTC. BTC uses their own fiduciary models to review the recommendations and then make the final decision on all investment activity.

Keenan Financial Services has created Futuris and acts as oversight to the program. This includes acting as staff to the Retirement Board of Authority to create all agendas and minutes for the Board of Authority meetings. In addition, Keenan prepares the Comprehensive Compliance Plan that includes the Substantive Plan.

Bruce Baron asked what guidelines were currently being used and if the District provided these guidelines. Mr. Rankin explained the District's risk tolerance and capacity for risk were evaluated at the first RBOA meeting and the Board then set an objective of achieving a target net return of 7%. The target was set in order to both meet the Plan's actuarial assumption as it was determined by the Board of Authority's Actuarial Consultant and to cover the costs of the Trust administration GASB 43 and GASB 45 compliance.

Futuris Retirement Board of Authority Meeting

September 1, 2009

Page 3

Dio Shipp asked if the District money is any part of what was paid back as part of TARP. Scott Rankin responded, no as money is being held at Benefit Trust Company and are held entirely in San Bernardino Community College District's name only. Any financial activity specific to Benefit Trust and Morgan Stanley do not impact the assets that are in SBCC's name.

Mr. Allison reviewed the 2nd Quarter 2009 Futuris and Market Updates reports.

PORTFOLIO REVIEW

**Action
2009/2010-005**

Cary Allison reviewed the Futuris Investment Models in the 2nd Quarter report. San Bernardino Community College District's portfolio has 42.9% equities and 57.1% fixed income. Mr. Allison also indicated they increased the international allocation in May as the US dollar is not as strong. Scott Rankin stated as of August 31, the trust account value is \$705,560.95. As of July 31, the account value was \$688,625.26. The year to date investment results as of July 31 are in increase of 11.48% compared to an S&P/Barclays Blend of 7.67%. The results since the inception of the trust are a decrease of 9.75% compared to a decrease of the S&P/Barclays Blend of 5.20%.

Bruce Baron asked what the relationship is of this Board of Authority to District Board and their respective Investment Policies. Steve Gedestad indicated they are two different entities. Discussion ensued about whether the two Investment Policies should be consistent. Scott discussed the fact that they need to be different as the Board of Education's Investment Policy complies with Government Code Section 53601 which only allows for certain fixed income investments. That policy is geared to safety of principal and short term investing. The Futuris Investment policy is more expansive that allows for investment in equities consistent with Article XVI, Section 17 of the California Constitution and 53620 of the Government Code and is long term in nature.

Steve Gedestad asked what has been provided to the Board of Education to date concerning the trust. Dio Shipp indicated so far Board of Education is unaware of the trust results and that the loss had grown to \$120,000 at one time.

There was discussion about revising the target rate of return. Bruce Baron indicated the piece he is missing is an updated Actuarial Study. The most recent study was done in 2006. Total Compensation Systems was contacted this week by Steven Sutorus to do a new study. Claudia Ross advised the District was given Volume 1 & Volume 2 with the information Total Compensation Systems needs to conduct the Actuarial Study.

Claudia Ross offered to conduct an educational workshop to the Board regarding the GASB liability. Bruce Baron asked about other Keenan clients are doing concerning their investment policies. Mr. Gedestad indicated most have target returns of 6% to 7% and indicated in the last nine months no other clients have lowered their targets. Scott Rankin suggested that since RBOA members have changed, maybe it is time to rethink investment tolerances. He cautioned the Board regarding about making change too soon after the original policy was set.

Bruce Baron expressed at this point he feels they should "sit tight" for now, wait for new actuarial study and revisit later. There is an understanding its long term and they are staying the course.

Futuris Retirement Board of Authority Meeting

September 1, 2009

Page 4

Bruce Baron indicated he will need to determine what and when to communicate to Board. Mr. Baron asked if they should be making an annual contribution. Crispina Ongoco indicated there is \$1.4 million in cash and \$600,000 in annual payment for SERP. Steve Gedestad indicated they can make the deposit at any time. Mr. Baron can make a decision on his own on investments as it does not need Board approval.

Bruce Baron motioned to approve the report, seconded by Dio Shipp and unanimously carried to approve.

RISK TOLERANCE DISCUSSION

**Action
2009/2010-006**

A motion to defer any change to the risk tolerance to the next meeting was made by Dio Shipp seconded by Renée Brunelle and unanimously carried to approve.

DISCUSSION OF INVESTMENT POLICY STATEMENT

**Action
2009/2010-007**

A motion to carry this discussion of investment policy to next agenda item was made by Bruce Baron and seconded by Dio Shipp and unanimously carried to approve.

VII. ADMINISTRATION

DESIGNATION OF RETIREMENT BOARD OF AUTHORITY MEMBERS AND ELECTION OF CHAIRPERSON

**Action
2009/2010-008**

Due to the retirement of the previous chairperson, the Board designated a new chairperson. Dio Shipp motioned to nominate Bruce Baron as new the chairperson seconded by Crispina R. Ongoco and unanimously carried to approve.

REVIEW OF THE COMPREHENSIVE COMPLIANCE PLAN, INCLUDING THE SUBSTANTIVE PLAN

**Action
2009/2010-009**

A motion was made to defer the Substantive Plan to next meeting by Bruce Baron seconded by Renée Brunelle and unanimously carried to approve.

ANNUAL REPORTING ON THE STATUS OF THE TRUST

**Action
2009/2010-010**

A decision was previously made to post the Annual Statement on the District website. Bruce Baron will prepare the letter with his name to be posted on the District intranet along with the report.

A motion to approve posting the Annual Statement on the district intranet site was made by Bruce Baron and seconded by Dio Shipp and unanimously carried to approve.

STATUS OF THE ACTUARIAL STUDY

**Action
2009/2010-011**

Actuarial Study must be done every 2 years and date that was used in preparing.

A motion to retain an actuary study was made by Bruce Baron seconded by Crispina R. Ongonco and unanimously carried to approve.

PRIVATE LETTER RULING

**Action
2009/2010-012**

Scott Rankin said that Brian Johnson of Polsinelli Shalton Flanigan Suelthaus PC has submitted the Private Letter Ruling application to the IRS for approval. The application is part of a submission with a number of other Futuris clients. The IRS has made some minor suggestions for revisions that do not impact the integrity of the trust. Scott will report back once the process has been completed.

A motion to accept this information was made by Renée Brunelle and seconded by Dio Shipp and unanimously carried to approve.

VIII. INFORMATION REPORTS

RETIREMENT BOARD OF AUTHORITY COMMENTS

**Information
2009/2010-013**

The Board asked if the College is on schedule for contributions and Scott Rankin indicated technically the College is behind based on the latest GASB Actuarial Valuation.

PROGRAM COORDINATOR/CONSULTANT COMMENTS

**Information
2009/2010-014**

No additional comments

VISITORS COMMENTS

**Information
2009/2010-015**

No comments

IX. AGENDA ITEMS FOR NEXT MEETING

**Information
2009/2010-016**

The Agenda items for the next meeting are as follows:

- Market Overview
- Investment Policy
- Substantive Plan
- Private Letter Ruling

X. ADJOURNMENT

A motion was made by Bruce Baron seconded by Dio Shipp and unanimously carried to adjourn the meeting.

DATE AND TIME OF NEXT RETIREMENT BOARD OF AUTHORITY MEETING

The Retirement Board of Authority will meet again the second week of January 2010. Steve Gedestad advised he will send out a meeting planner.