

MEETING SUMMARY

**SAN BERNARDINO COMMUNITY COLLEGE DISTRICT
RETIREMENT BOARD OF AUTHORITY MEETING
MARCH 15, 2013
8:00 AM – 10:00 AM**

**SAN BERNARDINO COMMUNITY COLLEGE DISTRICT OFFICE
DISTRICT OFFICE CONFERENCE ROOM 2
114 SOUTH DEL ROSA DRIVE
SAN BERNARDINO, CA. 92408
(909) 884-2533**

I. CALL TO ORDER

The Retirement Board of Authority (RBOA) meeting was called to order at 8:10 AM by Gail Beal, Senior Vice President, Keenan Financial Services. It was noted that the District did not have enough attendance to qualify as a Quorum.

II. ROLL CALL

RETIREMENT BOARD OF AUTHORITY (the "Board") MEMBERS

Vice Chancellor, Fiscal Services
Business Manager
Director, Fiscal Services

Charlie Ng
Steven Sutorus
Vacant

PROGRAM COORDINATOR

Senior Vice President
Account Manager

Gail Beal
Roslyn Washington

CONSULTANTS

Morgan Stanley (MS)
Benefit Trust Company (BTC)

Cary Allison
Scott Rankin

GUESTS

OTHER

None

ABSENT

Director, Internal Audits

Tanya Rogers

III. APPROVAL OF AGENDA

No Action was taken on this Agenda Item, as the Board did not have a Quorum of its membership present.

IV. APPROVAL OF MINUTES

No Action was taken on this Agenda Item, as the Board did not have a Quorum of its membership present.

V. INVESTMENTS

PORTFOLIO REVIEW

Cary Allison of Morgan Stanley Wealth Management provided an overview of the District's Public Entity Investment Trust Change in Portfolio, Asset Allocation, and Time Weighted Return (Gross and Net of Fees) for periods ending December 31, 2012 and January 31, 2013. As of January 31, 2013 the District's Investment Trust portfolio had an allocation of 56.2% in fixed income funds and 43.8% in equity funds (equity funds comprised 27.1% in domestic equity and 16.7% in international equity). The value of the portfolio as of December 31, 2012 was \$2,965,772.44 and the portfolio value as of January 31, 2013 is \$3,024,338.49. The January 31, 2013 portfolio value represents an annualized inception to date net rate of return of 2.62% compared to the Barclays Aggregate of 5.71% and the S&P 500 Adj for Divs of 2.64%. The investment results for the last year show a net increase of 7.95% versus the Barclays Aggregate of 2.60% and the S&P 500 Adj for Divs of 16.76%. The annualized latest three year results reflect a net increase of 7.62% versus the Barclays Aggregate of 5.43% and the S&P 500 Adj for Divs of 14.14%. The current dividend yield on the District's portfolio fixed income investments was 3.9% while the current dividend yield on the aggregated portfolio was 3.1%. Cary noted that 2013 has continued the rebound for the capital markets and this is reflected in the District's portfolio which shows a net increase of 1.95% for the quarter to date on the performance report.

Cary informed Board members that the Barclays Global Aggregate Bond index has been added to the District's Performance Report. This benchmark provides a broad-based measure of the global investment grade fixed-rate debt markets. Cary also presented asset allocation and portfolio updates for the Public Entity Investment Trust Model Portfolios for period ending December 31, 2012. He advised that there have not been any manager changes or changes to the asset allocation strategies in the portfolio models. Cary went on to inform the Board members present that the capital markets had a good year last as "worst case scenarios" (i.e. U.S Fiscal Cliff; Eurozone sovereign debt crisis etc) did not happen. Cary advised that the U.S. Federal Reserve continues to purchase billions in mortgage-backed securities in order to maintain a low long-term interest environment and thus stimulate housing and other economic sectors dependent on housing. Cary believes that interest rates will stay low for the next few years as Fed Chair Bernanke seems committed to this course of action.

No Action was taken on this Agenda Item, as the Board did not have a Quorum of its membership present.

MARKET OVERVIEW

Cary provided Morgan Stanley's "Capital Markets Overview" for the fourth quarter 2012. In the fourth quarter, equities and other risk assets declined, despite loose monetary conditions around the world. The U.S. Federal Reserve, the European Central Bank, the People's Bank of China, the Bank of Japan (BOJ) all has accommodative monetary policies. Yet, it was not enough for investors to entirely discount the ongoing economic crisis, a slowing China and most significantly, the U.S. "fiscal cliff". Nevertheless, it was a terrific year

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for equity markets around the world. For the 12-month period, the Dow Jones Industrial Average rose 10.2%, the NASDAQ Composite rose 15.9% and the S&P 500 was up 16.0%. For the year, the MSCI All-Country World index advanced 16.8%. Relative to the U.S. Bond Market, accommodative central bank policy, bolstered by the continuation of Quantitative Ease 3 (QE3) in December, helped extend a year-long rally in riskier parts of the bond market, including high yield debt and corporate credit. QE3 allows the U.S. Federal Reserve to purchase billions in mortgage-backed securities in order to bring down long-term interest rates and thus stimulate housing and other economic sectors dependent on borrowing. The benchmark 10-year Treasury yield fell (as prices rose) to 1.76% at the end of 2012, which is near its all-time low. The Barclays Capital U.S. Aggregate Bond index, a general measure of the fixed-income market, rose 0.2% for the fourth quarter, and rose 4.2% for the year. In contrast, the Barclays Capital High Yield index, a measure of lower-rated corporate bonds, rose 3.3% for the quarter and was up 15.8% for the year.

VI. EDUCATION

Cary discussed Morgan Stanley's "Global Investment Committee 2013-2014 Outlook" relative to the following domestic & global economic indicators:

- It is anticipated that the US GDP and Global GDP will stabilize in 2013 and improve in 2014.
- European GDP is expected to turn positive in 2014.
- Earnings growth is expected to be slow in 2013 but will accelerate in 2014.
- Low inflation is anticipated in both developed and developing economies through this period.
- Interest rates are anticipated to be at historic lows.

Cary discussed year-over-year global GDP and CPI forecasts for developed economies as anticipated by Morgan Stanley and Citi Research. Earnings per Share (EPS) for S&P 500 stocks as anticipated by Morgan Stanley and Citi Research were also discussed and reflect a strong recommendation for equity investing through this period.

VII. INVESTMENT POLICY STATEMENT REVIEW

To attain better sequencing for the meeting, this Agenda Item was repositioned subsequent to Education on the Agenda platform by the Board members present.

Scott Rankin of Benefit Trust Company (BTC) briefly reviewed some provisions of the District's Investment Policy Statement (IPS). He advised the Board members present that Investment Trust's Target Rate of Return is 7% with 1% allocated for the expenses associated with the management and operation of the Trust's portfolio.

No Action was taken on this Agenda Item as the Board did not have a Quorum of its membership present.

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VIII. ADMINISTRATION

ELECTION OF A VICE-CHAIR OF THE RETIREMENT BOARD OF AUTHORITY

No Action was taken on this Agenda Item as the Board did not have a Quorum of its membership present.

ANNUAL REPORTING ON THE STATUS OF THE TRUST

Pursuant to the regulatory requirements of California Government Code Section 53216.4, the Annual Report on the Status of the Trust reflects the total assets in the Trust, the market value, the book value, all contributions and distribution activity (including all fees and expenses associated with the Trust), income activity, purchase activity, sales activity, and realized gains and losses for fiscal year ending June 30, 2012.

Board materials presented to the RBOA members present contained a written communication from the District indicated that the Report information was promulgated to the OPEB Plan beneficiaries.

No Action was taken on this Agenda Item as the Board did not have a Quorum of its membership present.

DISBURSEMENTS

Roslyn Washington of Keenan Financial Services presented the Board with the Disbursement Report which reflected the expenses associated with the management & operation of the District's OPEB Investment Trust from March 2012 through February 2013.

No Action was taken on this Agenda Item as the Board did not have a Quorum of its membership present.

FUTURE TRANSFER OF ASSETS INTO THE TRUST

The Board members present reviewed with a Cash Transfer Report and acknowledged the deposit to the District's OPEB Investment Trust for \$750,000.00 on November 19, 2012. Board member Charlie Ng advised that the District is budgeted to transfer \$750,000.00 to their OPEB Investment Trust annually.

**STATUS OF UPDATES TO THE COMPREHENSIVE COMPLIANCE PLAN,
INCLUDING THE SUBSTANTIVE PLAN**

Roslyn Washington of Keenan Financial Services (KFS) explained that no changes occurred during the past plan year (July 1, 2011-June 30, 2012) that required an update to the District's "Substantive Plan" (Volume II). Roslyn advised that the updated Electronic Library Data Discs has been presented to the District. The updated Electronic Library Data Discs reflect Comprehensive Compliance Plan conformity with applicable regulatory protocols for fiscal year ending June 30, 2012.

ACTUARIAL VALUATION STUDY UPDATE

The Board advised that the District's Actuarial Valuation Study was completed less than one year ago. Required information has recently been sent to their actuarial service provider for an update. The Board advised that the District is scheduled to have a full Actuarial Valuation Study completed next year.

PRIVATE LETTER RULING UPDATE

Gail Beal of Keenan Financial Services advised the Board members present that with their signed Documentation and updated Power of Attorney, the IRS has all the information required for issuance of their pending Private Letter Ruling (PLR). She anticipates a response from the IRS in the near future.

VIII. INFORMATION REPORTS

RETIREMENT BOARD OF AUTHORITY COMMENTS

There were no Retirement Board of Authority comments.

PROGRAM COORDINATOR/CONSULTANT COMMENTS

There were no Program Coordinator/Consultant comments.

VISITORS COMMENTS

There were no Visitor comments.

IX. DATE, TIME AND AGENDA ITEMS FOR NEXT MEETING

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

- February 13, 2014: 10:00 AM-12:00 PM.
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X. ADJOURNMENT

There being no further business to conduct, the Retirement Board of Authority meeting was adjourned at 8:50 AM.

Americans with Disabilities Act The San Bernardino Community College District Retirement Board of Authority conforms to the protections and prohibitions contained in Section 202 of the Americans with Disabilities Act of 1990 and the federal rules and regulations adopted in implementation thereof. A request for disability-related modification or accommodation, in order to participate in a public meeting of the San Bernardino Community College District Retirement Board of Authority meeting, shall be made to: Charlie Ng, Vice Chancellor of Fiscal Services, San Bernardino Community College District, 114 South Del Rosa Drive, San Bernardino, CA 92408