

AGENDA

**ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT
RETIREMENT BOARD OF AUTHORITY MEETING
SEPTEMBER 21, 2017
9:30 AM – 11:00 AM**

**ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT
BUILDING B, ADMINISTRATION
CAPTAIN'S ROOM
800 SOUTH COLLEGE DRIVE
SANTA MARIA, CA 93454-6399
PHONE (805) 922-6966**

I. CALL TO ORDER

II. ROLL CALL

RETIREMENT BOARD OF AUTHORITY (the "Board") MEMBERS:

Superintendent/President	Dr. Kevin Walthers
Associate Superintendent/VP, Finance and Administration	Michael R. Black
Full-time Faculty Member	Gary Bierly
Full-time Classified Staff Member	Yvette Valadez-Andrade
Board of Trustees Representative	Larry Lahr

PROGRAM COORDINATOR:

Senior Vice President, Keenan Financial Services	Gail Beal
Senior Account Manager, Keenan Financial Services	Roslyn Washington

CONSULTANTS:

Benefit Trust Company (BTC)	Scott Rankin
Morgan Stanley (MS)	Cary Allison

OTHERS

None

III. PUBLIC COMMENTS

**Information
2017/2018-001**

The public may address the Retirement Board of Authority on any matter pertaining to the Agency that is not on the agenda. The Chair reserves the right to limit the time of presentations by individual or topic.

IV. APPROVAL OF AGENDA

Action
2017/2018-002

The Retirement Board of Authority retains the right to change the order in which agenda items are discussed. Subject to review by the Retirement Board of Authority the agenda is to be approved as presented. Items may be deleted or added for discussion only according to G.C. Section 54954.2.

PUBLIC COMMENTS:

BOARD CONSIDERATION:

V. APPROVAL OF MINUTES

Action
2017/2018-003

The Retirement Board of Authority will review the minutes from the previous meeting on **February 14, 2017** for any adjustments and adoption.

PUBLIC COMMENTS:

BOARD CONSIDERATION:

VI. INVESTMENTS

PORTFOLIO PERFORMANCE REVIEW

Action
2017/2018-004

Morgan Stanley (MS) will review the overall performance of the District's Public Entity Investment Trust portfolio.

PUBLIC COMMENTS:

BOARD CONSIDERATION:

MARKET OVERVIEW

Information
2017/2018-005

Morgan Stanley (MS) will provide an overview of the actions of the global capital markets since the last Retirement Board of Authority meeting.

PUBLIC COMMENTS:

BOARD CONSIDERATION:

VII. ADMINISTRATION

ANNUAL REPORTING ON THE STATUS OF THE TRUST

Action
2017/2018-006

California Government Code 53216.4 requires an annual reporting of the funds held in the District's OPEB Trust to beneficiaries of the Trust. The Retirement Board of Authority shall acknowledge District procedures for Annual Report promulgation to Trust beneficiaries for fiscal year ending June 30, 2017.

PUBLIC COMMENTS:

BOARD CONSIDERATION:

DISBURSEMENT REPORT

Action
2017/2018-007

The Retirement Board of Authority members will acknowledge and ratify all reasonable expenses associated with GASB Statement 74/75 compliance duties and the management/operational requirements for the District's Public Entity Investment Trust.

PUBLIC COMMENTS:

BOARD CONSIDERATIONS:

**UPDATES TO THE COMPREHENSIVE COMPLIANCE PLAN INCLUDING THE
"SUBSTANTIVE PLAN"**

Information
2017/2018-008

Updating the "Substantive Plan" is a dynamic process that requires an annual review to incorporate modifications to program provisions or changes to cost arrangements. The Retirement Board of Authority will review the processes for updating the "Substantive Plan" and "e-Library" for fiscal year ended June 30, 2017.

PUBLIC COMMENTS:

BOARD CONSIDERATION:

ACTUARIAL VALUATION STUDY UPDATE

Information
2017/2018-009

The District's current Actuarial Valuation Study has an effective date of July 1, 2015. The Retirement Board of Authority membership will review the status of updates to the current Actuarial Valuation Study and consider anticipated changes deriving from recently issued GASB Statements No 74 & No 75.

PUBLIC COMMENTS:

BOARD CONSIDERATION:

FUTURE TRANSFER OF ASSETS INTO THE TRUST

Information
2017/2018-010

The transfer of assets into the Investment Trust is based on overall District financial considerations as well as general funding procedures with the approval of the District's Board of Trustees. The Retirement Board of Authority (RBOA) will acknowledge any recent transfers to the Trust. The Retirement Board of Authority will also coordinate the timing of asset transfer schedules to the Trust with District staff and the District Board of Trustees.

GASB ISSUES FINAL OPEB STATEMENTS 74/75

Information
2017/2018-011

The Governmental Accounting Standards Board (GASB) has issued two final Statements detailing how state and local governments should account for and report postemployment benefits other than pensions (OPEB). Statement No.74, **Financial Reporting for Postemployment Benefits Other than Pension Plans** addresses financial reporting by plans that administer OPEB benefits and replaces the Statement No. 43. Statement No. 75, **Accounting and Financial Reporting for Postemployment Benefit Plans other than Pension Plans**, addresses reporting by governments that provide OPEB to their employees and for governments that finance OPEB for accounting and financial reporting by governments that provide OPEB to their employees or employees of other governmental units and replaces Statement No. 45.

PUBLIC COMMENTS:

BOARD CONSIDERATION:

VIII. INFORMATION

RETIREMENT BOARD OF AUTHORITY COMMENTS

**Information
2017/2018-012**

Each member of the Retirement Board of Authority may report about various matters involving the Authority. There will be no Authority discussion except to ask questions, and no action will be taken unless listed on a subsequent agenda.

PROGRAM COORDINATOR/CONSULTANT COMMENTS

**Information
2017/2018-013**

The Program Coordinator and Consultants will report to the Retirement Board of Authority about various matters involving the Authority. There will be no Authority discussion except to ask questions, and no action will be taken unless listed on a subsequent agenda.

IX. DATE, TIME AND AGENDA ITEMS FOR NEXT MEETING

**Information
2017/2018-014**

Board members and visitors may suggest items for consideration at the next Retirement Board of Authority meeting.

X. ADJOURNMENT

Americans with Disabilities Act: The Allan Hancock Joint 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 modifications or accommodation, in order to participate in a public meeting of the Allan Hancock Joint Community College District Retirement Board of Authority, shall be made to: Michael Black, Associate Superintendent/VP, Administrative Services Allan Hancock Joint Community College District, 800 South College Drive, Santa Maria, CA 93454-6399.

MINUTES

ALLAN HANCOCK JOINT COMMUNITY COLLEGE DISTRICT RETIREMENT BOARD OF AUTHORITY MEETING

February 14, 2017
11:00 AM–12:00 PM

I. CALL TO ORDER

1. The meeting was called to order at 11:10 AM by Dr. Kevin Walthers.

II. ROLL CALL

1. All Retirement Board of Authority (RBOA) members were present, except Yvette Valadez-Andrade:
Dr. Kevin Walthers, Superintendent/President,
Michael R. Black, Associate Superintendent/VP, Finance and Administration,
Gary Bierly, Full-time Faculty Member,
Larry Lahr, Board of Trustees Representative.
2. All Coordinators/Consultants were present, except Gail Beal and Bob Schoenherr:
Roslyn Washington, Senior Account Manager, Keenan Financial Services,
Scott Rankin, Senior Vice President, Benefit Trust Company,
Cary Allison, Senior Vice President, Morgan Stanley (via Telephone).

III. PUBLIC COMMENTS

1. There were no public comments.
2. This item is information only.

IV. APPROVAL OF AGENDA

1. Gary Bierly Motioned to accept the Agenda as presented: Motion was seconded by Michael Black and was unanimously carried by all RBOA members present.

V. APPROVAL OF MINUTES

1. Michael Black Motioned to accept the Minutes from September 13, 2016 with change: Motion was seconded by Larry Lahr and was unanimously carried by all RBOA members present.

VI. INVESTMENTS

1. Portfolio Performance Review

- a. Cary Allison of Morgan Stanley Wealth Management (MS) reviewed the performance of the Trust's Portfolio accounts as of January 31, 2017.
- b. The Portfolio Value as of January 31, 2017 was **\$8,575,488.18**.

Time weighted return net of fees

Month to Date	Quarter to Date	Year to Date	Latest 1 Year	Annualized latest 3 Year	Annualized latest 5 Year	Annualized Inception to Date
1.51	1.51	1.51	9.71	-	-	2.70

- c. Dr. Kevin Walthers asked why they haven't received their TRR of 6%. Scott Rankin answered long term is the goal to achieve 6%. You have a fairly conservative risk.
- d. Dr. Walthers replied no, we chose a higher rate when they did the RTO.
- e. Scott said the TRR can be modified if the RBOA likes. But your current portfolio is more heavily weighted with Bonds. You have only been invested less than two years. Your fees are at about 1% now
- f. Gary Bierly Motioned to approve the Portfolio Performance Review as presented; Motion was seconded by Michael Black and was unanimously carried by all RBOA members present.

2. Investment Policy Statement Review

- a. Scott Rankin reviewed the Investment Policy Statement with the RBOA.
- b. Scott said you are fully funded. Are you planning on pulling from this fund?
- c. Michael Black said yes, eventually. They will be doing a new AVS in June.
- d. Cary Allison asked what the withdrawal amount would be. Dr. Walthers said \$334K a year.
- e. Dr. Walthers said they are not in a position to change the IPS now.
- f. Michael Black thinks the market will definitely go down. So, let's stay the course and we will review next year. Do you think there will be a bigger move towards Bonds?
- g. Cary said yes, it's possible. We think Trump will have corporate tax breaks. We are in discussions, adding more exposure to Europe
- h. Gary Bierly Motioned to accept the Investment Policy Statement as presented; Motion was seconded by Larry Lahr and was unanimously approved by all of the Retirement Board members present.

3. Market Overview

- a. Cary Allison gave an overview of the Markets since the last RBOA meeting.
- b. Stocks have rallied a lot in 2016/2017 in anticipation of 2017/2018. This year your int'l investments have outperformed your domestic stocks. We'll see if that continues.
- c. Cary said the managers are talking about adding more int'l stocks in your portfolio. Stocks aren't cheap. Normally we trade at 16 times earnings. Today we are trading at 18 times earnings. Back in the dot com era we were trading at 31 times earnings.
- d. MS upgraded their projections for 2017/2018 since Trump was elected due to his policy.
- e. The Feds predicted in 2015 that they were going to raise rates 3-4 times in 2016. They actually only raised rates one time in December 2015 and one time in December 2016. MS feels that in 2017-2018 they will actually raise rates 2-3 more times.
- f. The election of Donald Trump as the next U.S. President sent markets surging to new highs during the 4th quarter of 2016. Trump's pro-growth agenda focusing on infrastructure spending, tax reform, and deregulation fueled markets into the so-called "Trump Rally."
- g. Since Donald Trump won the election, 10 Year Treasury went from 1.8% to 2.5% and has maintained a steady flow since the beginning of the year.

- h. Along with the election, all eyes were on the Federal Open Market Committee as the US reported improving inflation expectations and employment numbers, giving the Fed a green light to hike rates in December. With expectations fully priced in, markets reacted calmly when the Fed raised their target rate by 25 basis points and signaled three further hikes in 2017. Morgan Stanley does not feel there will be more than one more rate hike in 2017.
- i. For the quarter, US equities posted strong performance, especially the Financials sector of the S&P 500, which returned 21.1%. REITs and long-term US Treasuries lagged on the back of increasing inflation expectations and rising real interest rates. For the one-year period ending December 31, 2016, MLPs, US high yield corporate bonds, US equities and emerging market equities led the pack with double-digit returns.
- j. The bond market registered negative returns during the fourth quarter. Interest rates increased during the fourth quarter, as the yield on the 10-year US Treasury rose to a quarter end 2.44% from 1.59% at the end of the third quarter 2016.
- k. The bond market was up 4.5% last year. Our bond funds are actively managed so we don't have to buy the whole portfolio, which allowed us to do better than the benchmark.
- l. This item is information only.

VII. ADMINISTRATION

1. Disbursement Report

- a. Gary Bierly Motioned to ratify the fees remitted to each Service Organization for the period September 13, 2016 to February 14, 2017; Motion was seconded by Michael Black and was unanimously carried by all RBOA members present.

2. Actuarial Valuation Study Update

- a. An updated Actuarial Valuation Study is due July 2017.
- b. This item is information only.

3. Future Transfer of Assets into the Trust

- a. The Trust is still approx. \$1M short after taking into account future value.
- b. This item is information only.

VIII. INFORMATION

1. Retirement Board of Authority Comments

- a. There were no RBOA comments.
- b. This is information only.

2. Program Coordinator/Consultant Comments

- a. There were no Coordinator/Consultant comments.
- b. This is information only.

IX. DATE, TIME AND AGENDA ITEMS FOR NEXT MEETING

- a. September 21, 2017 from 9:30 am – 11:00 am.
- b. This is information only.

X. ADJOURNMENT

- a. Dr. Kevin Walthers adjourned the meeting at 11:55 AM.