

MINUTES

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT NOCCCD RETIREMENT BOARD MEETING

JANUARY 14, 2016

9:00 AM–12:00 PM

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT
ANAHEIM CAMPUS, ROOM 100 B
1830 WEST ROMNEYA DRIVE
ANAHEIM, CA 92801
PHONE (805) 922-6966

I. CALL TO ORDER

The North Orange County Community College District Retirement Board meeting was called to order at 9:03 am by Retirement Board (RB) Chair Brian Fahnestock.

Roll-call was conducted with all members of the Retirement Board reporting their attendance. All Service Organization representatives also indicated their presence at the meeting. Interim Chancellor, Fred Williams attended the meeting in an observatory capacity.

II. ROLL CALL

NOCCCD RETIREMENT BOARD (the "Board") MEMBERS:

Interim Vice Chancellor, Finance & Facilities	Brian Fahnestock
Vice Chancellor, Human Resources	Irma Ramos
Full-time Faculty Representative	Dale Craig
Full-time Faculty Representative	Tina Johannsen
Classified Representative	Bea Bates
Classified Representative	Carol Brown
Board of Trustee Representative	Jacqueline Rodarte
Retiree Representative	Joe Boyle
Retiree Representative	Jim Phillips

PROGRAM COORDINATOR:

Senior Vice President	Gail Beal
Senior Account Manager	Roslyn Washington
Account Executive	Sharen Stanek-Lowe

CONSULTANTS:

RPM Consultant Group (RPM)	Chuck Thompson
Benefit Trust Company (BTC)	Scott Rankin
Morgan Stanley Wealth Management (MS)	Cary Allison

OTHERS

Interim Chancellor, North Orange County CCD	Fred Williams
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III. PUBLIC COMMENTS

Information
2015/2016-001

NOCCCD Interim Chancellor, Fred Williams introduced himself as a visitor observing this meeting. There were no additional members of the Public present.

IV. APPROVAL OF AGENDA

Action
2015/2016-002

A motion was made by board member Joe Boyle to approve the Agenda as presented. The motion was seconded by board member Jacqueline Rodarte and was unanimously carried by the NOCCCD Retirement Board.

PUBLIC COMMENTS:

BOARD CONSIDERATION:

V. ADMINISTRATION

REVIEW OF THE FUTURIS PROGRAM AND THE ROLES OF THE PROGRAM COORDINATOR AND CONSULTANTS

Information
2015/2016-003

Chuck Thompson of RPM Consultant Group provided introductions of the Service Organization representatives to the Retirement Board (RB) membership. Gail Beal of Keenan Financial Services (KFS) presented an overview of the structural format and functionality of the District's Public Entity Investment Trust Program. Gail advised that the Program has been specifically designed to meet the requirements of GASB Statement No 43 & 45 protocols as well as complying with State of California applicable regulatory statutes. She explained that the Program has a Fiduciary and Governance structure with a strong "separation of function" through the layering of Keenan Financial Services (KFS), Benefit Trust Company (BTC) and Morgan Stanley Wealth Management (MS) with the Retirement Board (RB) providing monitoring and oversight duties.

The role of Keenan Financial Services (KFS) as Program Coordinator/Third Party Administrator (TPA) includes the following:

- Preparation of the Retirement Board (RB) Meeting Agendas, Cover Pages and Board Packages.
- Preparation of the RB Meeting Minutes and assisting with the District's OPEB responsibilities as necessary.
- Facilitating and resolution of Action Items resulting from RB Meetings.
- Assisting the RB with administration, monitoring and oversight of the District's Public Entity Investment Trust program.
- Facilitating District compliance with GASB protocols and Regulatory compliance through the creation and maintenance of the Comprehensive Compliance Plan, including the "Substantive Plan".
- Maintenance of the District's OPEB Program documentation.

Scott Rankin of Benefit Trust Company (BTC) profiled the role of BTC as the Discretionary Trustee. Scott explained the integration of Benefit Trust Company (BTC) and its Registered Investment Advisor (RIA) Morgan Stanley Wealth Management (MS) in the Investment Trust Program's financial and fiduciary process.

The fiduciary mandate of Benefit Trust Company (BTC) as Discretionary Trustee and Program Custodian include the following activities and duties:

- As Discretionary Trustee, BTC will select of the District's OPEB Trust investments pursuant to the provisions of the Investment Policy Statement (IPS) and advice received from its Registered Investment Advisor.
- As Program Custodian, BTC will safe-keep the District's Public Entity Investment Trust securities.
- As Program Custodian, BTC will maintain accurate records of all financial transactions.
- As Program Custodian, BTC will provide periodic cash accounting report production reflecting all deposits or receipts, disbursements, purchases, sales and income transactions, current asset holdings and the market value of the District's Investment Trust's portfolio.

Morgan Stanley Wealth Management (MS) as Registered Investment Advisor provides services as follows:

- Recommending Asset Allocation Models to Benefit Trust Company as Discretionary Trustee for the District's Target Rate of Return (TRR) portfolio.
- Recommending specific investments to Benefit Trust Company as Discretionary Trustee for the TRR Portfolios.
- Perform due diligence on all potential and recommended investments for the District's Public Entity Investment Trust.
- Provide a quarterly report to Benefit Trust Company (BTC) as Discretionary Trustee on the status of all current investments in the District's Public Entity Investment Trust.

REVIEW OF THE RETIREMENT BOARD RESPONSIBILITIES

**Information
2015/2016-004**

Gail Beal of Keenan Financial Services (KFS) provided an overview of governance and fiduciary protocols for the Retirement Board (RB) structure.

RB Governance and Fiduciary duties include the following:

- Adoption and implementation of the terms of OPEB Trust Documents and the provisions of the Investment Policy Statement (IPS).
- Facilitate the processes necessary to ensure the Plan Administrator (the "District") executes applicable written agreements.
- Deliver contributions and allocation instructions to Benefit Trust Company in a timely manner.
- Hold periodic meetings of the Retirement Board of Authority (RB), for the purpose of reviewing investment performance and compliance with Investment Policy Statement (IPS) provisions.
- Engage in an annual review and analysis of any applicable modifications to the Investment Policy Statement (IPS) through meetings and discussions with the Discretionary Trustee and its Registered Investment Advisor (RIA).
- Provide on a timely basis any necessary OPEB Plan participant information to Benefit Trust Company to include personal identification information (including Social Security numbers).
- Provide names of individuals authorized to act on behalf of the District's OPEB Investment Trust in writing.

- Benefit Trust Company and any delegated Investment Advisor shall be entitled to rely upon the accuracy and completeness of all information furnished to them by the Retirement Board of Authority (RB) or any person designated to act on behalf of the RB.

Gail advised that the provisions of California’s Governmental Code and the Constitution of the State of California entrust the Retirement Board of Authority (RB) with additional fiduciary requirements. Subject to ongoing monitoring by the RB, many of these mandates may be prudently delegated to third parties with financial, fiduciary and administrative expertise.

Per the provisions of the California Governmental Code and the California Constitution, fiduciary mandates include the following:

- Determine the anticipated liability for future benefits.
- Prudently invest the funds in order to safeguard principal, meet liquidity needs and achieve an appropriate investment return.
- Administer the program for the exclusive purpose of providing benefits to participants and their beneficiaries; and
- Engage in a prudent process for making all decisions related to the operation of the plan, including (1) the selection of investments and services for the program, (2) monitoring of the decisions periodically to ensure that they remain prudent and (3) documenting the process used to make the decisions.

ACKNOWLEDGEMENT OF RETIREMENT BOARD MEMBERS, CHAIRPERSON & VICE-CHAIRPERSON

Information
2015/2016-005

The NOCCCD Retirement Board has been duly established by the North Orange County Community College District Board of Trustees. The Retirement Board acknowledged its members and **Brian Fahnstock** as the Board Chairperson, and **Joe Boyle** as the Board Vice Chairperson. The Chair and Vice Chair titles were voted upon at a previous meeting.

PUBLIC COMMENTS:

BOARD CONSIDERATION:

REVIEW OF THE FUTURIS IMPLEMENTATION TIMELINE

Information
2015/2016-006

The NOCCCD Retirement Board members reviewed the District’s Futuris Public Entity Investment Trust implementation timeline presented by Gail Beal, Keenan Financial Services and Scott Rankin, Benefit Trust Company.

PUBLIC COMMENTS:

BOARD CONSIDERATION:

THE FUTURIS INVESTMENT PROCESS

Information
2015/2016-07

The NOCCCD Retirement Board received detailed information as to the District’s Futuris Investment processes and protocols. Cary Allison of Morgan Stanley Wealth Management (MS) presented an overview of the Model Investment Portfolios and their respective asset-allocation positions as of December 31, 2015. Relative to Model Portfolio selection, Cary continued by discussing the protocols for portfolio selection. Key elements in the portfolio selection process is a review of the RB’s time horizon for investment, short-term liquidity needs as well as the capacity to accept investment risk as measured through the completion of

Morgan Stanley’s (MS) Institutional Questionnaire.

Cary explained that the MS Institutional Questionnaire provides guidance towards selecting an investment portfolio Target Rate of Return (TRR) and should be viewed as a prudent process in gauging asset-allocation on the risk/return spectrum in the domestic and global capital markets. Subsequent to analyzing the portfolio questions from the MS Institutional Questionnaire, the RB membership reached a consensus that a **Moderate Growth Plus Portfolio** with its minimum standard deviation was most appropriate for the District’s long-term objective – a Moderate Growth Plus Portfolio equates to a **7.5%** Target Rate of Return (TRR). Cary explained that Morgan Stanley Wealth Management (MS) and Benefit Trust Company (BTC) as Discretionary Trustee will manage the District’s Investment Trust’s portfolio to a 7.5% annual return objective.

PUBLIC COMMENTS:

BOARD CONSIDERATION:

ESTABLISHMENT OF INVESTMENT POLICY STATEMENT

**Action
2015/2016-08**

Scott Rankin of Benefit Trust Company (BTC) provided RB members with an overview of the Investment Policy Statement (IPS) provisions focusing attention on appropriate sections such as permitted Equity and Fixed Income investments; Benchmarks used for Equity and Fixed Income performance evaluation; Ethics and Conflict of Interest provisions and ability to modify the District’s Target Rate of Return (TRR).

Scott explained that the IPS has been structured for a Retirement System under California’s regulatory framework and the California Governmental Code – IPS provisions detail fiduciary and governance principles which have been extracted from the mandates of the State of California Constitution; the California Government Code and IRS Code section 115. In responding to RB inquiries, Scott explained the implications of the Investment Trust’s irrevocability provisions under the protocols of GASB Statement No 43 & 45. He advised that the IPS incorporates fiduciary mandates related to the **“Prudent Person Standard”**; the **“Exclusive Benefit Standard”** and the duty to diversify investments **“so as to minimize the risk of large losses”**. In this framework, Scott advised that the District’s Trust portfolio investments are designated per a prudent decision-making process; selected to provide benefits exclusively to the OPEB Plan participants and invested so as to minimize risk of large losses.

Scott continued by explaining that IPS provisions addresses permitted and non-permitted investments while advising that the IPS also incorporates language to facilitate current institutional investment practices.

On the Equity side, the restrictions listed in the IPS shall be permitted in the context of “open-end or closed-end mutual-end mutual funds, comingled funds, or ETFs, if in the opinion of the Trustee these activities are consistent with fund objectives and prudent management, and the investments provide for daily liquidity.” Scott continued by explaining that “additionally, certain securities may not be held directly, but only in open-ended or closed-end mutual funds, comingled funds, or ETFs i.e. common stocks, preferred stocks, and securities convertible into common stocks and securities that carry the right to purchase common of non-U.S. companies traded on global exchanges, traded in any currency, as well as restricted securities of U.S. and non-U.S. companies, including securities issued through private offerings, and forward currency contracts or currency futures to hedge foreign currency exposure”.

Based on investment style and capitalization range, the Investment Trust’s portfolio equity performance shall be measured by indices as follows:

For domestic equity allocations: the S&P 500 Index.

For international equity allocations: the MSCI EAFE and MSCI ACWI ex. U.S. Indices.

On the Fixed Income side, Scott continued by advising that restrictions listed in the IPS provisions shall be permitted in the framework of “open-end or closed-end mutual-end mutual funds, comingled funds, or ETFs, if in the opinion of the Trustee these activities are consistent with fund objectives and prudent management, risk mitigation, and the investments provide for daily liquidity.” He further explained that “investment in non-investment grade bonds or loans by such funds shall be permitted so long as the average aggregate rating of the funds are investment grade, and in the opinion of the Trustee the proportion of non-investment grade bonds to investment grade bonds in the portfolio is prudent.”

The investment objective of the fixed income portfolio is to achieve a total return commensurate with the overall bond market as measured by indices as follows:

For domestic Fixed Income allocations: the Barclay’s Aggregate Bond Index.

For international Fixed Income allocations: the Barclay’s Global Bond Index.

A motion was made by RB member Dale Craig to acknowledge the provisions of the Investment Policy Statement (IPS) and ratify a net 7.5% Target Rate of Return (TRR) with an additional .5% allocated towards expenses associated with the Trust’s management/operational duties and compliance with GASB Statements No. 43/45 protocols and applicable Regulatory statutes. The motion was seconded by Jim Phillips and was unanimously approved by all of the Retirement Board members present.

PUBLIC COMMENTS

BOARD CONSIDERATION:

REVIEW SAMPLE REPORTS THE BOARD WILL RECEIVE TO MONITOR THE PROGRAM

**Information
2015/2016-09**

The NOCCCD Retirement Board reviewed copies of sample monthly and annual reports prepared by Benefit Trust Company on the status of the investments made through the District’s Public Entity Investment Trust Program. Scott Ranking, BTC explained to the Board that the Performance Report was a management report and for auditing purposes the District should only use the Statement. Roslyn Washington of Keenan also added that if contacted she could also provide copies of any report.

PUBLIC COMMENTS:

BOARD CONSIDERATION:

APPROVAL OF ANNUAL REPORTING PROCEDURE

**Action
2015/2016-010**

Roslyn Washington of Keenan Financial Services provided an overview of the regulatory schedule for annual Report production on the Status of the Trust. Subsequent to a brief discussion, the RB membership determined that the Annual Report will be posted on the District’s website to facilitate promulgation to District OPEB Trust beneficiaries.

A motion was made by RB member Tina Johannsen to promulgate to the Trust’s beneficiaries the Annual Report on the Status of the Trust via the District’s website. The motion was seconded by RB Vice-Chair Joe Boyle and was unanimously approved by the Retirement Board members present.

**REVIEW OF THE COMPREHENSIVE COMPLIANCE PLAN, INCLUDING THE
“SUBSTANTIVE PLAN”** **Information**
2015/2016-011

Roslyn Washington of Keenan Financial Services provided a brief overview of the “Substantive Plan” and the environment that constitutes the Comprehensive Compliance Plan. Relative to the development and maintenance of the “Substantive Plan”, Roslyn explained the data gathering process for “Substantive Plan” production and the delivery protocols to the District. Sharen Stanek-Lowe introduced herself and advised that she would be working with the District’s Human Resources Department to gather the Retiree Benefit data that would go into the plan.

DESIGNATED OFFICIAL POSTING & MAILING ADDRESS (ES) **Action**
2015/2016-012

The Board established the NOCCCD Retirement Board’s official posting and mailing address (es) for action as necessary will be the District Office address. Motion to approve was made by Tina Johannsen, Motion was seconded by Joe Boyle
PUBLIC COMMENTS:
BOARD CONSIDERATION:

VI. INFORMATION

THE NOCCCD RETIREMENT BOARD COMMENTS **Information**
2015/2016-013

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

PROGRAM COORDINATOR/CONSULTANT COMMENTS **Information**
2015/2016-014

Roslyn Washington of Keenan Financial Services (KFS) requested that the RBOA membership should determine the number of signatures required on the Signature Authorization Form. The RBOA membership explained that three (3) signatures would be sufficient. Roslyn explained that the RBOA membership will be contacted via email by the Trustee, Benefit Trust Company (BTC) as to their user names and passwords to gain access to the District’s Trust data on the BTC website. Gail Beal, KFS, Scott Rankin, BTC, and Cary Allison of Morgan Stanley thanked the Retirement Board for selecting Futuris as their OPEB Investment Plan and advised that they look forward to working with everyone.

VII. DATE, TIME AND AGENDA ITEMS FOR NEXT MEETING **Information**
2015/2016-015

The NOCCCD Retirement Board’s members suggested we meet on a Quarterly basis at least for the first year at which time the schedule will be revisited. The RB did not schedule the next meeting, but will do so after the initial deposit into the Trust has been made.
PUBLIC COMMENTS:
BOARD CONSIDERATION:

VIII. ADJOURNMENT

The meeting was adjourned by Gail Beal, Keenan at 11:27 a.m.

Americans with Disabilities Act: The North Orange County Community College District Retirement Board 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 North Orange County Community College District Retirement Board, shall be made to: Brian Fahnestock, Interim Vice Chancellor, Finance & Facilities, North Orange County Community College District, 1830 West Romneya Drive, Anaheim, CA 92801.