

MINUTES

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT RETIREMENT BOARD OF AUTHORITY MEETING

April 13, 2022
4:00 PM–5:00 PM

Meeting ID: 945 1411 5671

<https://zoom.us/j/94514115671?pwd=SkZCRHVFWGludHNibkZsQUxubGQyQT09>

I. CALL TO ORDER

1. Meeting was called to order at 4:05 PM by RBOA Chair, Fred Williams.

II. ROLL CALL

1. All Retirement Board members were present except Markus Burger and Gail Smead:

Fred Williams, Vice Chancellor, Finance & Facilities
Irma Ramos, Vice Chancellor, Human Resources
Fola Odebunmi, Full-time Faculty Representative
Monica Hagmaier, Classified Representative
Jacqueline Rodarte, Board of Trustee Representative
Joe Boyle, Retiree Representative
Jim Phillips, Retiree Representative

2. All Program Coordinators/Consultants were present:

Gail Beal, Vice President, Keenan Financial Services
Roslyn Washington, Assistant Vice President, Keenan Financial Services
Scott Rankin, Senior Vice President, Benefit Trust Company (BTC)
Cary Allison, Executive Director, Morgan Stanley (MS)

3. Guests:

Mark Payne, Morgan Stanley
Megan Moscol, Fullerton College

III. PUBLIC COMMENTS

1. There were no public comments.

IV. DECLARATION

1. Due to the current state of emergency pertaining to Covid-19, the Retirement Board of Authority (RBOA) oversight committee has concluded, by a majority vote, that meeting in person presents imminent risks to the health or safety of attendees. Therefore, it is desired and approved by the RBOA to conduct this “Brown Act” meeting via teleconference. This declaration will remain in force until further notice and alternate action taken by the ROA.

2. Jim Phillips Moved to approve the declaration as presented; Motion was seconded by Joe Boyle and was unanimously approved by all of the RBOA members present.

V. APPROVAL OF AGENDA

1. Board member Joe Boyle moved to approve the Agenda as presented; Motion was seconded by board member Jim Phillips and was unanimously carried by all members present.

VI. APPROVAL OF MINUTES

1. Board member Joe Boyle moved to approve the Minutes from the **September 09, 2021** meeting as presented; Motion was seconded by board member Fola Odebunmi and was unanimously carried by all members present.

VII. INVESTMENTS

1. Portfolio Performance Review

- a. Cary Allison of Morgan Stanley (MS) reviewed the performance of the Investment Trust's portfolio account as of **February 28, 2022**.
- b. The portfolio value as of February 28, 2020 was **\$133,245,169.97**.

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
-2.67	-8.01	-8.01	-0.67	8.74	7.3	7.82

- c. The Portfolio Value as close of 4/12/22 was **\$128,864,060**.
 - d. We have not made any changes to the portfolio since we last met.
 - e. Board member Jacqueline Rodarte moved to approve the Portfolio.
- Performance Review as presented; Motion was seconded by board member Jim Phillips and was unanimously carried by all members present.

2. Market Overview

Forecast Summary: More of the Same

We're in the midst of a hotter but shorter cycle in the US. We first made this case in March of last year, arguing that this cycle was likely to progress quicker than the prior four given the velocity of the growth rebound following the Covid recession, the return of inflation after a 40-year absence, and a much earlier-than-expected shift to more hawkish monetary policy. Fast forward to today, and that's what appears to be happening. Earnings have accelerated past prior cycle peaks historically quickly and are now starting to decelerate from a growth rate perspective, inflation is at a multi-decade high, and the Fed has hiked twice just two years into the cycle.

We continue to believe that the US equity market is not priced for this slowdown in growth from current levels. In fact, based on our fair value framework, the S&P 500 is still mispriced for the current growth environment. Applying today's 10-year yield to our fair value risk premium indicates a forward multiple of ~16x and an S&P 500 price level of 3,700 -3,800.

On that score, we expect equity volatility to remain elevated over the next 12 months. As we wrote about in our 2022 year ahead outlook, one of the hallmarks of this cycle is likely to be elevated economic and earnings uncertainty. Add in the elevated geopolitical uncertainty that has arisen over the past several months amid the Russia/Ukraine conflict and the table is set for volatility to persist. We expect elevated performance dispersion in this type of environment and favor companies that can deliver on cash flow and operational efficiency.

3. Investment Policy Statement Review

- a. Scott Rankin reviewed the Investment Policy Statement and reminded the board that if they wanted to change their asset allocation that it's a Retirement board decision and not decision for Benefit Trust Company or Morgan Stanley.
- b. A member of the District's Sustainability Committee approached the RBOA with a suggestion to remove all investments in fossil fuels from the OPEB Trust. Members of the Futuris team warned that to do so would be in direct violation of long-established fiduciary precedent which requires investments in these types of trusts to be made first and foremost for financial gain rather than for the promotion of political agendas. Should such an action result in loss to the trust it could result in direct personal fiduciary liability to the members of the RBOA. After considerable discussion, the RBOA took no action and the Chair of the Committee said he would gather additional information.
- c. Joe Boyle moved to reaffirm the investment Policy Statement keeping the District's Public Entity Investment Trust portfolio in the growth portfolio with a 60% equities and 30% bond split. The motion was seconded by RBOA member Jacqueline Rodarte and unanimously carried by a roll call of the RBOA members present.

VIII. ADMINISTRATION

1. Designation of New Retirement Board of Authority (RBOA) Member

- a. The Retirement Board of Authority acknowledges new board member Monica Hagmaier as their Classified Representative.
- b. This item is information only.

2. Disbursement Report

- a. Roslyn Washington presented a Trust Disbursement Report reflecting fiduciary withdrawals and fees paid to Keenan, BTC & Morgan Stanley for their services

- for the period September 03, 2021 – March 29, 2022.
- b. Board member Jacqueline Rodarte moved to ratify the Disbursement Report as presented; Motion was second by Jim Boyle board member and was unanimously carried by all RBOA members present.

3. Actuarial Valuation Study Update

- a. The district's current Actuarial Study with a date of October 12, 2021 was presented.
- b. As of 6/30/2021 the trust is overfunded by \$20 Million.
- c. The overfunded number has come down with the loss of \$12.3 Million.
- d. This report is done annually.
- d. This is an information item only.

4. Status of District's OPEB Plan Independent Auditor's Report

- a. The Retirement Board of Authority discussed the most recent independent auditor's report.
- b. The last five pages were not included due to a printing error.
- c. Complete reports will be sent to all RBOA Members to review.
- d. Board member Joe Boyle moved to accept the Audit Report as presented; Motion was second by Jim Boyle board member and was unanimously carried by all RBOA members present.

IX. INFORMATION

1. NOCCCD Retirement Board Comments

- a. There were no NOCCCD Retirement Board comments.
- b. This item is information only.

2. Program Coordinator/Consultant Comments

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

X. DATE, TIME AND AGENDA ITEMS FOR NEXT MEETING

- a. A September date will be selected in the near future.
- c. This is an information item only.

XI. ADJOURNMENT

- 1. The meeting was moved to adjourned at 5:29 P.M by Jacqueline Rodarte; Motion seconded by Jim Boyle and unanimously approved by all RBOA Members present.