

**Peralta Community College District/OPEB Trust  
Retirement Board Meeting Minutes  
April 13, 2011**

Members Present: Trustee Bill Riley, Trustee Bill Withrow, and Trustee Cy Gulassa, Vice Chancellor Ron Gerhard, Vice Chancellor Trudy Largent, and Chief Administrative Officer Wise Allen.

Guests: General Counsel Thuy Nguyen, Joseph Bielanski, Jerry Herman (Peralta Retirees' Org.), Mary Logan (SEIU 1021), and Mike Donaldson (SEIU 1021), Joanna Bowes (KNN Public Finance), Gordon Froeb (Neuberger Berman), and William Wallace (Neuberger Berman).

Agenda Item	Discussion	Follow-up Action
Meeting Called to Order	4:14PM	
<b>III. Agenda Review</b>	<ul style="list-style-type: none"> <li>• Moved by Trustee Riley and seconded by Trustee Gulassa to approve the April 13, 2011 agenda. Motion Approved.</li> </ul>	
<b>IV. Correspondence</b>	<ul style="list-style-type: none"> <li>• None</li> </ul>	
<b>V. By Laws and Charter</b>	<ul style="list-style-type: none"> <li>• Motion (Gerhard, Withrow) to adopt the By Laws and Charter and include on the next Board meeting agenda if there are any concerns and questions. APPROVED.</li> <li>• Motion (Gulassa, Riley) to nominate VC Gerhard as the Chair of the Retirement Board. APPROVED.</li> <li>• Motion (Gulassa, Riley) to nominate Trustee Withrow as the Vice Chair of the Retirement Board. APPROVED.</li> <li>• Motion (Riley, Gulassa) to document Union Bank as the Trustee/Custodian, Neuberger Berman as the Investment Manager, and KNN as the Investment Advisor. APPROVED.</li> <li>• Note: The Program Coordinator is currently the Finance Office. In the structure that was used in the past, there was a consideration for someone from the outside to work on the accounting ledgers and bookkeeping. Right now, it is done in-house at the District Office. VC Gerhard recommended it to be kept as-is (in-house).</li> <li>• Motion (Withrow, Riley) to identify the Program Coordinator as being the CFO. APPROVED.</li> </ul>	
<b>VI. Actuarial Study and Benefits</b>	<ul style="list-style-type: none"> <li>• The actuarial study was recently finalized by the actuarial firm, Bartell and Associates, on March 21, 2011.</li> <li>• The actuarial study was presented to the Board of Trustees at the March 29, 2011 Board meeting.</li> <li>• Highlights:               <ol style="list-style-type: none"> <li>a) Page 2, actuarial benefit summary.</li> <li>b) Slide 17, purpose of the actuarial study. It is required based upon Governmental Accounting Standards Board (GASB) number 45. We need to determine the estimated present value of liability for current and future retirees for the District. The current projections under Unfunded Actuarial Accrual Liability (UAAL) are \$221,198,000.</li> </ol> </li> </ul>	

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	<p>c) Slide 21, based upon previous actuarial study in June 2008, the recommended OPEB charge was 12.5%. Based upon current data, the new OPEB charge rate is now 16.9%. Per VC Gerhard, this 16.9% is not categorized as a tax. The District is treating it similar to the treatment of PERS and STRS employer contribution. After GASB issued the pronouncement, the US and CA Department of Education also came out with their own pronouncement that due to this accounting change and the significant consequence that would have on programs, they determined that ultimately, providing lifetime benefits or some type of continuing retiree benefits was a benefit to current employees. This charge is not hitting the income statement in that period or being recognized under the accounting rules. Therefore, it is a permissible charge to that grant or program that the employee is working on. The District is paying for the cost, not the employee. As each payroll cycle runs, a percentage of the gross salary goes into the OPEB reserve fund at the Alameda County Treasurer's Office. The current interest rate at the County is .53%. Trustee Gulassa felt that the market is reasonable at this time to transmit our investments to Neuberger Berman.</p> <ul style="list-style-type: none"> <li>• Trustee Withrow asked for clarification regarding Medicare being the primary coverage and Peralta picks up the wrap around.</li> <li>• Both Chancellor Allen and VC Largent explained that employees hired prior to July 1, 2004 have lifetime benefits past age 65. Employees hired after 2004 are covered up to their contract (age 65). Right now, the primary care is Medicare, after they are not covered.</li> <li>• Per Mr. Herman, those who retired prior to 2004 are not required to enroll in Medicare. Those who retire after 2004 are required to enroll in Medicare. We encourage everybody to enroll because of the savings to the District. About a month ago, one hundred forty-seven (147) pre-2004 retirees are not enrolled in Medicare. A campaign was conducted to encourage participation but Mr. Herman is not sure what the success rate was.</li> <li>• Per the Bartell &amp; Associates, the estimated savings to Peralta if every retiree enrolled in Medicare is \$1 million each year.</li> </ul>	<p>Trustee Withrow requested to have it in writing at the next meeting.</p>
<p><b>VII. Review of</b></p>	<ul style="list-style-type: none"> <li>• A resolution that the Board of Trustees approved in</li> </ul>	

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<p><b>Trust and Trust Documents</b></p>	<p>2005/06 was included. It gave authorization to sell the bonds and create a revocable trust.</p> <ul style="list-style-type: none"> <li>• Under the strict definitions of GASB 45, in order for the asset to net against the liability, the trust needs to be an irrevocable trust.</li> <li>• The current structure is a revocable trust. The way it was written the purpose of the funds were to:             <ol style="list-style-type: none"> <li>1) Primary is the payment of the medical benefits for the retirees.</li> <li>2) Secondary is to pay for debt service.</li> </ol> </li> <li>• Considerations to setup two trusts in the future; a revocable and an irrevocable (for new monies as they come to the District). This would create a clear dividing line in delineation:             <ol style="list-style-type: none"> <li>1) Satisfy the accounting guidelines.</li> <li>2) Help the financial statement by netting off portions of the long-term liability.</li> </ol> </li> <li>• Costs involved would be to the cost of an attorney or to use in-house counsel to help setup the trust documents. Previously costs no less than \$10,000.</li> </ul>	<p>We may want to further this discussion at future meetings.</p>
<p><b>VIII. Market Overview and Portfolio Review</b></p>	<ul style="list-style-type: none"> <li>• Bill Wallace will replace Gordon Froeb as Peralta's new representative from Neuberger Berman (NB). Mr. Froeb is still with the company and will continue to work with Mr. Wallace.</li> <li>• Mr. Wallace provided an update on market conditions in the US, Libya, Japan, and Europe. US markets are a major part of the portfolio.</li> <li>• Page 17 is the summary.</li> <li>• Page 18, how Peralta's portfolio is positioned. Given the overall outlook today, we're in good shape. We're slightly overweight in the wheat market and slightly underweight in EAFE (international benchmark).</li> <li>• Page 19, long-term asset allocation. Mr. Wallace's team is looking at the actuarial study that they received last week and may come back with possible recommendations for a new asset allocation.</li> <li>• Per VC Gerhard, \$5.8 million will be withdrawn around May when we are closing our books.</li> <li>• Mr. Froeb believes that is a good time to rebalance the portfolio and adjust if there is a new recommendation in place at that time.</li> <li>• Page 21, last page. YTD portfolio is up, driven by strong performance in small cap growth and wheat portfolio. For the last twelve months, the portfolio is up 16.23% vs. the benchmark of 12.91%. Fixed income is continuing to do</li> </ul>	

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	<p>well at 57 base points. The last two years, the portfolio is up by 26.97%. The last three years, the portfolio is up 4.99% vs. the benchmark of 3.92%.</p> <ul style="list-style-type: none"> <li>• When asked by VC Gerhard regarding projections/considerations going forward in terms of investment policy, Mr. Froeb replied he needed more time to go over section 533.600 of the government code.</li> <li>• VC Gerhard clarified that section 533.600 applies to the Peralta Community College District's Investment Board and not to this Retirement Board or retirement plan.</li> <li>• Trustee Withrow asked about investing in the unregulated arena.</li> <li>• VC Gerhard replied that it is currently not permissible under the current investment policy.</li> <li>• Currently the types of investments allowed are on slide #19 and also on page 2 of the investment policy. Under Permissible Investments titled <i>Retiree Health Benefit Program Fund Investment Policy</i>. "Alternative investments and Tactical Asset Allocation overlay strategies will be revived and possibly utilized as deemed prudent by the Investment Committee. Alternative investments will not exceed 15% of the total assets (this excludes the notional value of an overlay strategies). Right now permissible investments include S&amp;P 500, Barclays Aggregate (fixed income), MSCI EAFE, Russell 2000, and NAREIT Equity REIT index.</li> <li>• Mr. Froeb recommended private equity group with a fund size of \$600 million and already invested \$200 million. Reason why the funded funds make sense for Peralta is because we can get exposure to 30-40 private equity funds that would otherwise be closed to new investors.</li> <li>• Ms. Bowes pointed out the process going forward is to get the Retirement Board members comfortable in knowing and understanding what Mr. Wallace and Mr. Froeb do. Peralta is a conservative organization and risk is a much discussed topic.</li> </ul>	
<p><b>IX. OPEB Recommendations</b></p>	<ul style="list-style-type: none"> <li>• Two recommendations were presented to the Board of Trustees on March 29, 2011.             <ol style="list-style-type: none"> <li>a) Recommendation 1: Restructure the near term (1-5 years) principal and interest payments on the bonds. The intent/purpose behind this recommendation is to provide near-term operating budget relief.</li> <li>b) Recommendation 2: Terminate the B-1 SWAP agreement. This recommendation is echoed by the District's SWAP advisor. The rationale is that the current</li> </ol> </li> </ul>	

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	<p>day market changes in interest rate will not significantly change the approximately \$3 million cost to terminate the agreement. Any contract approval is subject to negotiations and execution by the Chancellor.</p> <ul style="list-style-type: none"> <li>• Next steps are to enact what the Board of Trustees approved; proceed and terminate the first SWAP.             <ol style="list-style-type: none"> <li>1) Request for qualifications and solicit firms.</li> <li>2) The Board can be the selection committee or an adhoc group can come back with a recommendation to the group.</li> </ol> </li> <li>• Per Ms. Bowes, the process is about transparency and education for the Board. There would be a request for a proposal from qualified firms that includes terms and specific questions, i.e. experience, creative ideas, fee charged, and expenses. It would be an out-of-the-box interview that consists of a small panel. Board members may listen in. There should be as many as ten responses.</li> <li>• Memos will go out in the next two weeks. Qualified firms will be given four weeks to submit a report. Responses will be reviewed at the next meeting. Then interviews will be setup.</li> <li>• Request for qualification will be for an Underwriter, a Bond Counsel, and a Securities Attorney.</li> </ul>	
<p><b>X. Investment Policy</b></p>	<ul style="list-style-type: none"> <li>• A dated investment policy was brought to this meeting.</li> <li>• Moved by Trustee Riley and seconded by Trustee Withrow to approve the investment policy with modifications. Motion approved.</li> <li>• VC Gerhard clarify the process, Neuberger Berman to review the actuarial study and then provide recommendations for socially responsible investments geared toward Peralta according to the actuarial study.</li> <li>• The withdrawal letter will be available by mid May.</li> </ul>	<p>VC Gerhard will coordinate with Mr. Froeb by the end of May or early June.</p>
<p><b>XI. Agenda Items For Next Meeting</b></p>	<ol style="list-style-type: none"> <li>1) Expansion of membership</li> <li>2) Investment policy – socially responsible investing</li> <li>3) Private/potential investment alternatives</li> <li>4) Irrevocable/revocable trust</li> <li>5) RFQ (ongoing)</li> </ol>	<p>Trustee Gulassa requested the meeting minutes to be available before the next meeting and to include the names of our guests.</p>
<p><b>XII. Information Reports</b></p>	<p>Retirement Board of Authority Comments:</p> <ul style="list-style-type: none"> <li>• Trustee Gulassa thanked NB stating that he appreciates the clarity of their report. He always felt a strong degree of confidence in NB.</li> </ul>	

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	<ul style="list-style-type: none"> <li>• Trustee Withrow agreed that it was good presentation.</li> </ul> <p>Visitor's Comments:</p> <ul style="list-style-type: none"> <li>• Mr. Herman advocated to the committee to include retirees as members of the Retirement Board.</li> <li>• Chancellor Allen noted that in the California Institution Investment forum, comments were received from people who are aware of what was going on with our OPEB bond.</li> </ul>	
Adjournment:	6:09 PM	
Next meeting:	May 11, 2011	

Minutes taken: Sui Song

Attachments: All handouts for this meeting can be found at