

**Peralta Community College District
Retirement Board Meeting Minutes
July 20, 2011**

Members Present: Trustee Bill Withrow, Trustee Cy Gulassa, Vice Chancellor Ron Gerhard, and Vice Chancellor Trudy Largent.

District Staff: Chancellor Wise Allen (CAA), Thuy Nguyen, William Wallace (Neuberger Berman), Joanna Bowes (KNN Public Finance).

Visitors: Joseph Bielanski and Tae-Soon Park

| Agenda Item | Discussion | Follow-up Action |
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| I. Meeting Called to Order | 4:07 PM | |
| III. Approval of Agenda | Motion (Withrow, Gulassa) to approve the July 20, 2011 agenda. | |
| IV. Approval of Minutes | Motion (Withrow, Gulassa) to approve the June 15, 2011 minutes. | |
| V. Correspondence | None | |
| VI. Advisory Committee Status Update Ron Gerhard | <p>Last night the Board of Trustees approved the creation of two advisory committees. After thoughtful discussion the Board of Trustees approved to delegate discretionary authority to the Retirement Board to appoint advisory members.</p> <p>Revisions to ByLaws: Created a new Section 3.1 that captures the intent of what the Board approved last night. Removed the term ‘committees’ and replaced it with ‘members.’ Six advisory members will be added to this group: 3 will be Peralta retirees and 3 will be union representatives (Local 1021, Local 39, and PFT). Section 3.3, 3.4, and 3.5 did not change. But Section 3.5 needs be revised to change committee to members.</p> <p>Each group (retirees, Local 1021, Local 39, and PFT) will come forward with their representative. This group will not be in charge of selecting representatives.</p> <p>New members will be advisory members, but they will have access to confidential information and participation in closed sessions. Trustee Withrow and Trustee Gulassa recommend the creation of a document for new members to sign, in which new members are made aware of their role and the fact that they will have access to confidential information. He also recommends a brief training regarding Brown Act and Sunshine and a brief discussion/introduction as to what OPEB and Bonds are.</p> | |

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| | <p>Trustee Withrow also suggest a full orientation to make sure appointees are fully aware as to what they are stepping into (responsibilities and consequences if not following Bylaws). The new members will form an advisory group (no voting rights) with legal status and they are still part of the Board.</p> <p>Trustee Withrow recommends deleting the last sentence in Section 3.4 regarding confidential information.</p> <p>Next step is to contact the groups in order to get their appointees.</p> <p>Trustee Gulassa emphasized the need to make it clear to all the groups that their members will have access to some confidential information, but not all. And maybe add bylaws regarding what to do if confidentiality is breached. Communication to the groups should include information to the fact that the chosen representative will have to attend a brief introduction/training session.</p> <p>Vice Chancellor Gerhard will work with General Counsel on creating the document. Joanna Bowes will put together OPEB 101 training.</p> | <p>Contact groups to get appointees.</p> <p>VC Gerhard and GC will work on confidentiality document.</p> |
| <p>VII. Investment Policy Update William Wallace</p> | <p>This body requested a review of Peralta’s investments and literature regarding investments.</p> <p>Mr. Wallace presented the Board with changes to the old policy. All the highlighted changes were discussed at the April meeting and are now being presented for final review.</p> <p>Bylaws talk about a Discretionary Trustees. At the moment there is none (Union Bank is a custodian), but Mr. Wallace’s company can act as a Discretionary Trustee.</p> <p>Two models were presented at the meeting: Color graph is the current structure. There is someone between Neuberger Berman (NB) and the Retirement Board, which is Union Bank (custodian).</p> <p>Mr. Wallace explained the triangle process of the day to day management of a portfolio in which NB communicates with the trading desk as to what to buy and in what terms. The trading desk goes out to look for what to purchase in the best execution possible. NB and company from whom purchase is being made consult with the custodian. This ensures checks and balance.</p> <p>In addition to ancillary services that have already been established with Union Bank, there is the ability to check for the best offer.</p> | |

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| | <p>The black and white graph represents a new model, with the introduction of a Discretionary Trustee working with multiple investment managers. NB does not have internal check and balances at our control.</p> <p>Trustee Gulassa asked if the cost increases from Custodian to Discretionary Trustee and Vice Chancellor Gerhard explained that we will not know the cost until we go out for bids.</p> <p>From the operational point of view the difference between having a Custodian or a Discretionary Trustee is minimal; the big difference is in legal aspects.</p> <p>Mr. Wallace went over the NB Trust PowerPoint. NB has non-proprietary strategies with different ways in which the Trustee can execute: Page 6 shows the CIO outsourced model and page 7 shows the new governance model with CIO outsourcing. It is important to be comfortable with the model and the people.</p> <p>The amount of communication depends on the client's needs. The client will define all their needs. Need to be clear when doing the write-up.</p> <p>Page 8 is a guide as to what the Board, the Committee and the Discretionary Trustee get involved. The Board will have to give out some control.</p> <p>Trustee Withrow raised concerns that this Board might want to retain prerogative in some issues (social issues) and that this Board can give guidance as to what the District does not want to be involved in. This lead discussion into Socially Responsive Investing (SRI).</p> <p>Mr. Wallace gave background of SRI and explained that it is crucial for the Board to discuss what their criteria is and how to implement within the portfolio. Page 5 of SRI handout discusses the costs of this type of investments and page 6 discusses the principles for investing in social responsible companies (ESGs).</p> <p>The challenge with ESG companies is that it is implicit as to what the manager does. This is an all or nothing investment, no percentages. NB ESG portfolio has done very well.</p> <p>Based upon all this information, need to have a discussion with the Board regarding Discretionary Trustee and investment options.</p> <p>Bylaw Excerpts 10.4 language refers to 'prohibiting the Discretionary Trustee trust assets in its own proprietary investment</p> | |
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| | <p>products...” According the Mr. Wallace, most firms will submit to some percentage, but will not be able to work with the full prohibitions.</p> <p>Trustee Withrow recommends re-writing this Bylaw to limit within a percentage. Mr. Wallace recommends discussion with potential Discretionary Trustees to get an idea as to what they will work with, before changing Bylaws.</p> <p>Peralta Updated and Optimized Analysis handout presents two scenarios: Scenario A uses actuary assumption and Scenario B uses a steady cost inflation number. Scenario A – Optimized is current allocation optimized for lower risk and Scenario A – Optimizes w/ Alts is optimized for higher return.</p> | |
| VIII. Investment Performance Review | <p>Mr. Wallace gave out a one page report on Peralta’s portfolio performance thru the end of June 2011.</p> <p>As per a news release CalPERS return was 20%.</p> | |
| IX. Request for Quotation (RFQ) | <p>Last night the Board of Trustees approved the contract for Underwriter Services.</p> <p>Next RFQ is for Bond Counsel. Deadline for submittal was July 7, 2011. Retirement Board members have received electronic copies of the proposals. Next step is to evaluate the proposals received and select candidates to be interviewed.</p> <p>Vice Chancellor Gerhard recommends a meeting next Wednesday to do quantitative grading and to do interview the subsequent week.</p> <p>Six companies submitted RFQs: Orrick, Nixon Peabody, Archer Norris, Greenberg Taurig, Fullbright & Jaworski, and Strading Yocca Carlson & Rauth.</p> <p>Trustee Gulassa brought up his concern with one of the companies that have submitted RFQ for Bond Counsel and an analysis published in the Contra Costa Times.</p> <p>Mrs. Bowes will bring more information regarding this issue and will discuss in more detail next week.</p> <p>A reference check is always done after the interview process.</p> | |
| X. Agenda Items for Next Meeting | Quantitative grading and selection of finalist for Bond Counsel. | |
| XI. Information Reports | None | |

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| Adjournment: | 6:20 PM | |
| Next Meeting: | July 27, 2011 from 4:00 PM to 6:00 PM | |

Minutes taken: Silvia Cortez

Attachments: All handouts for this meeting can be found at <http://peralta.edu/apps/docs.asp?Q=1830>