Peralta Community College District
Retirement Board Meeting Minutes
December 13, 2012

Present: Trustee Cy Gulassa, Trustee Bill Withrow, Trustee Riley, Vice Chancellor Ron Gerhard, Michael Wirth, Tae-Soon Park, Ed Berman (Neuberger Berman) and Bill Wallace (Neuberger Berman)
Absent: Vice Chancellor Trudy Largent, Jerry Herman, Odell Johnson, Ava Lee-Pang and Joanna Bowes (Keygent LLC)
Guests:

Agenda Item	Discussion	Follow-up Action
Meeting Called to Order	4:08 P.M.	
III. Approval of Agenda	Motion (Withrow, Gulassa) to approve the December 13, 2012 agenda. APPROVED	
IV. Approval of Minutes	Motion (Withrow, Gulassa) to approve the September 13, 2012 meeting. APPROVED	
V. Correspondence VC Gerhard	None	
VI. Accreditation Commission for Community and Junior Colleges VC Gerhard	Letter dated July 2, 2012 The Accreditation Commission requested that the District submit a follow-up report from their previous site visit and committee actions. The March 2013 follow-up report will speak to the following five recommendations: Commission Recommendation 1: is in regards to OPEB, which is at the core of the Retirement Board's charge. The Commission requested documentation that we have an actuarial report and identified the liability of the OPEB. More importantly, that we have a plan in place to fund the OPEB liability in accordance with GASB 45, over the course of 25 years. The Commission recognizes that the District has made significant improvement to the prior recommendations, in particular to the OPEB (bottom of page 1). "However, not all recommendations have been completely resolved. The recommendations and associated notes below identify those remaining areas	

	that still require attention by the District and colleges." (middle of page 2). Commission Recommendation 2: the District must resolve all outstanding audit findings. The District will be responding to the eligibility requirements of Federal grants. Commission Recommendation 3: the District must assess its fiscal capacity and stability. As a result of collective bargaining negotiations, a cap was placed on medical and dental benefits which impacted our OPEB liability. Recommendation 4: the District must complete the review and updating of Board policies. Recommendation 5: the District/College must demonstrate its administrative capacity in areas including student learning outcomes and program reviews. Of the 5 recommendations, this recommendation is the most critical. The Colleges must provide documentation on their ability to provide and deliver quality instruction and ultimately student success. The Colleges and Academic Senate are working together and making every effort in writing their reports right now. It is going through the shared governance process at each college.	
VII. Substantive Plan Update VC Gerhard	Under GASB 45, districts are required to account for the liabilities associated with post-employment benefits for retirees. The purpose of this document is to show that we are in compliance with GASB 45. The District has a substantive plan that defines the level of benefits, parameters, and all the cost drivers going into the actuarial study. The report was put together a year ago and had been a work in progress. Any changes to our level of benefits for current employees will be documented in this comprehensive document. Due to the unique structure in our plan, we went a step beyond and included in one area the chronological order of events in terms of selling of the 2005 OPEB bonds and the refunding that had occurred since. The only part that is missing is the new actuarial study that will be inserted once the information is available.	

	Highlights: History: In 2005, the proceeds from the bonds that were sold went into a revocable trust to be invested. It gives a better understanding of what occurred, when it occurred, and the rationale/thought behind it based upon the documents that we have in the Finance department. Revocable Trust: When the bonds were initially sold, the proceeds went into a revocable trust. From the discussion at the last Retirement Board (RB) meeting, the benefits of bringing those monies into an irrevocable trust would bring us more into compliance with GASB 45. Those funds will be irrevocably earmarked to pay for the benefits for retirees. The financial reporting benefits would be the reporting of long-term liability being reduced and taken off the District's book and put in an irrevocable trust book. VC Gerhard is still working with external counsel. There are some thoughts by the external accountants to have the new money coming in from the OPEB charge go into the irrevocable trust. Bylaws: It is our charge and duties here. Discretionary Trustee: Documents our most recent activity of bringing aboard a Discretionary Trustee. Other Post-Employment Benefits: Articulates the current level of benefits, District obligation, and retirement benefits for existing employees and retirees. The plan design changes are the result of the coming together in agreement with our three collective bargaining units. A variable rate cap was placed on the District's maximum contribution paid to certain benefit plans. This will have a huge impact on our new actuarial study. Plan Structure: This information was submitted to the Commission last year. It identifies the different components of our plan: Assets (trust), Liabilities (actuarial study), Expenses (debt service), and Revenues (pay-go).	

	Motion (Withrow, Gulassa) to approve the Substantive Plan. APPROVED	
VIII. Annual Financial Report – June 30, 2012 VC Gerhard	Page 15: Statement of Net Assets (Balance Sheet) $325.4 million in Restricted Investments. $203.9 million in Other postemployment benefits bonds – noncurrent portion. It is our current portion of our actuarial liability. Our actuarial liability is $221 million. Under the nuisance of GASB 45, the auditors took the $221 million and divided it by X number of years that we're supposed to fully accrue that liability. The $23.4 million is the accrual of our Annual Required Contribution (ARC) over the last 4 years that we've implemented it. In an irrevocable trust, that $23.4 million will not be reported here, but instead be reported under Restricted Cash and Cash Equivalents. Ms. Heidi White had planned on being here today, but she was double booked. She's committed to the March meeting. Page 48: Notes to Financial Statements. The auditors, to the extent that they can, explained to the general public what certain numbers mean and the background behind them. Footnote #13 speaks to our OPEB program and liabilities. The actuarial comes up with an Annual Required Contribution, which is partially made up of the existing pay-go cost. It is the cost we currently pay for current retirees, and the $12 million is reflective of a recognition that current employees will sometime in the future retire, so we are setting aside money now for those future expenses. For example, in 2011 our adjusted ARC was $13,217,137. Our actual contribution was $8,190,235. It does not reflect the $7 million that was set aside for the OPEB charge. If the irrevocable trust was setup that year, the number would be $15.2 million ($8.2 million plus $7 million). We would be overfunding our obligation based upon the actuarial method and GASB 45. Since the $7 million is in a revocable trust, it cannot be reflected here because the funds can be withdrawn and used for other purposes.	

	In fiscal year 2008-09, we had 53 audit findings. A number of them are financial and related to the Finance office. The Commission picked up on the fact that the District had not made an apparent attempt to correct/address it. Last year we had 23 audit findings. This year we are down to 8. Of the 8, 4 are repeat audit findings. 3 of the 4 are related to Federal grants. Note: in the financial statement area, we have zero audit findings. Discussion: We do have an Internal Auditor who is currently wearing two hats. She is also the interim Associate Vice Chancellor for Finance and has been with us for almost a year and a half.	
IX. Irrevocable Trust VC Gerhard	Information was provided earlier regarding the impact of having an irrevocable trust on our financial statement. Preliminary information was sent to our actuarial company. It is taking a little longer than expected because of our self-funded, mid-tier HMO and PPO plans. We expect a draft to be ready by early January and will definitely have the report by March. The report will be forwarded to RB members. The information will be inputted by Neuberger Berman into our investment policy statement to fund the OPEB liability.	
X. Investment Portfolio Review Bill Wallace and Ed Berman	Page 1: Value of the trust by asset class. Looking at the information, our total portfolio value as of November 1, 2012 is $178.8 million. At the September 2012 meeting, our portfolio was $4.2 million less. We have had an appreciation in the last 3 months. Page 3: Composite Performance Summary Total Fixed Income (since inception – 1/31/2006) is 7.31% versus the benchmark of 4.36%. Note: The core fixed income manager is a very strong manager. Total Equity (since inception – 1/31/2006) is 15.34% versus the benchmark of 14.16%.	A request was made to include a comparison to the previous investment report in future versions.

	Page 4: Referenced in the last meeting, we made a tactical deployment to high yield fixed income and emerging market debt fixed income toward the end of May. Since inception in May, the high income fund is up 8.63%. The emerging market debt fund is up 13.87%. Both exceeded their benchmark that is relevant to those products. These tactical deployments that we've made have added value over the past 6 – 7 months. Since we've implemented the socially responsive portfolio at the end of May, the portfolio has done very well. It is up 12.02% versus the benchmark of 9.32%. We've also implemented the NB Genesis Fund, a small cap fund, which is up 8.12% versus the benchmark of 9.71%. Being behind the benchmark in this market is simply what we expected. This is a very conservatively run fund. We expect this fund to be strong in down or sideways markets and exceed the benchmark. Page 5: Pinnacle Associates Small Cap Growth. We used an external manager for this aggressive product and paired it with the more conservative Genesis fund. It is up 15.66% versus the benchmark of 5.85% since inception. An external manager is also used for the Harding Loevner International Equity ADR. It is up 16.11% versus the benchmark of 15.47% since inception. ETF exchange trading fund is a Vanguard product and an index tracking vehicle. It gives us low cost exposure to the emerging markets. It is up 11.89% versus the benchmark of 12.64% since inception. Page 6: Asset Allocation. These are the targets from the Investment Policy Statement. Neuberger is not proposing any changes at this point in time. We are overweight in equity, which is proven to be good. We are underweight in cash and fixed income. Page 8: Illustrative Target Allocation with Alternatives. Recommendations	

	pending any material changes to the actuarial study. Page 10: Market Views in the view of the committee in terms of the outlook for returns versus the normal returns for these assets.	
XI. Information Reports	After the new actuarial study is forwarded to Neuberger Berman, they will need time to run the Monte Carlo simulations. A month's lead time was requested. If the new actuarial study is received by January, a special meeting will be called for in February. We will contact each member individually.	
Adjournment:	5:48 PM	
Next meeting:	**March 14, 2013 from 4:00 to 6:00 PM**	

Minutes taken: Sui Song
Attachments: All handouts for this meeting can be found at
http://web.peralta.edu/trustees/board-committees/retirement-board/