

**Peralta Community College District
Retirement Board Meeting Minutes
January 30, 2014**

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

Agenda Item	Discussion	Follow-up Action
Meeting Called to Order	4:02 P.M.	
III. Approval of Agenda	Motion (Largent, Riley) to approve the January 30, 2014 agenda. APPROVED	
IV. Approval of Minutes	Motion (Riley, Largent) to approve the September 12, 2013 meeting minutes as amended. APPROVED	
V. Correspondence	None	
VI. Investment Portfolio Review Ed Berman Neuberger Berman	<p>Highlights</p> <p>Page 1: 2013 was a very strong year in the markets. Looking at the Year-to-Date (YTD) column, the portfolio trust was up 15.78% vs. benchmark of 12.28%. Trustee Withrow emphasized that it was done with 38% of the portfolio in cash and fixed income.</p> <p>Page 3: Under Total Fixed Income, Barclays Capital US Aggregate Bond Index was down 2.02% and Peralta was down .44%. Peralta lost less money compared to the benchmark. Fixed Income served as an anchor in a very volatile month and the Fixed Income managers did a great job. This month was not good in the Equity market. Last year the Equity portfolio was up 25% compared to the benchmark of 23.44%.</p> <p>Pages 4 and 5: The Neuberger Socially Responsive Investing Group is a Large Cap product and with the S&P Index as the benchmark. It was implemented in</p>	

**Peralta Community College District
Retirement Board Meeting Minutes
January 30, 2014**

	<p>May 2012. As of December 31, 2013, there was approximately \$23 million in the account and consisted of 11.1% of the total portfolio. The portfolio is up 37.79% (YTD) vs. benchmark of 32.39%; we beat the benchmark by 5%. The reason why we have a diversified portfolio is to mitigate the red numbers. We hope the portfolio managers will swing and keep us in line with the actuarial rate of return.</p> <p>Non-US Fixed Income is a more volatile asset class. Peralta is holding sovereign bonds in emerging market countries. They pay a higher yield than the US market. The tradeoff is volatility. In 2012, this fund was down 6% vs. benchmark was down 8%. This is why we diversify.</p> <p>Per Mr. Bergman, even with the volatility in the last month, they're still reasonably optimistic about the Equity market. The views at Neuberger Bergman (Neuberger) are that interest rates would move upwards but not in a sharp rapid rate as it did in May and June of 2013. They think Europe had reached the bottom. The odds of core bonds losing money over the next couple of years are positive (in a negative way). The worst case scenario, we'll have an extremely volatile market where the bonds will serve as an anchor. Neuberger Bergman has good portfolio managers that manage interest rate risk by deploying assets to high yield bonds which pays higher income. The biggest worry with high yield bonds is defaults. When the economy is strong, the defaults are less and we can collect coupons. They also deployed assets to a floating rate bank loan product last November. When banks make floating bank loans, they securitize and sell them. It is okay when the loan's interest rate reset upwards, but when the interest rates reset downwards it is generally not investment grade.</p> <p>Trustee Withrow requested information on what the average life is of our debt securities for the next meeting.</p> <p>Page 9: The Asset Allocation Committee is made up of distinguished membership. Their views are pulled per quarter. Their views are followed with</p>	<p>Mr. Bergman will provide the information at the next meeting.</p>
--	---	--

**Peralta Community College District
Retirement Board Meeting Minutes
January 30, 2014**

	<p>tactical shifts. Arrows pointing up are upgrades and arrows pointing down are downgrades for a particular asset class. Gold bubbles to the right mean expected above normal return outlook (optimistic).</p> <p>Page 16: We implemented a new investment policy that was approved by the Retirement Board last June to include 6% allocation to Hedge Funds and 5% to Private Equities. This was done based on the new actuarial study, which showed the plan being 101% funded.</p> <p>Page 17: As part of the next stage of implementation, we will complete our conversion of emerging market equity to an active product with active security selection. We are going to move the hedge fund allocation from a target of 6% to a target of 3-4%. We're also increasing Small Caps in lieu of the Private Equity allocation. As more capital is called for the Private Equity funds, we will pull from Small Cap stocks.</p> <p>Page 18: Last May, we decreased our Emerging Market Index exposure in favor of more active exposure. In November, we implemented the new investment policy and decreased US Large Cap and Small and Mid-Cap in a market that was trajectory upwards. Neuberger Berman is a big proponent in policy statements because it forces discipline. Having the discipline to sell in a rising market in November was a good thing. We decreased the risk a little by decreasing Large and Small Caps. We also initiated the Floating Rate Income Fund and the Multi-Manager Hedge Funds as a risk mitigate product and increased Investment Grade Fixed Income. The new policy statement has not been fully implemented yet in terms of the targets. The second subscription to equity funds has not been signed.</p> <p>Mr. Wirth asked for the charts showing how the portfolio progressed from 2011 until now. Mr. Bergman apologized for not including it in the book. Per Mr. Bergman, since inception of the trust in April 2012, the beginning balance was \$171.4 million with a contribution of \$13.7 million, withdraws of \$19 million, fees of \$1.1 million, gains of \$42.6 million and an ending market</p>	
--	---	--

**Peralta Community College District
Retirement Board Meeting Minutes
January 30, 2014**

	value of \$207.6 million (Dec 2013). Note: In the future, we want to match withdraws and contributions very close to each other (2 weeks) to maintain a stable investment amount.	
VII. Information Reports	Deputy Chancellor, John Hendrickson, introduced himself to the Retirement Board. Mr. Wirth asked if we can revisit the issue of irrevocable/revocable trust. Peralta's fund is currently under a revocable trust.	Trustee Withrow promised to have it included as an agenda item at the next meeting.
Adjournment:	4:45 PM	
Next meeting:	March 13, 2014 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/>