

**Peralta Community College District
Retirement Board Meeting Minutes
September 11, 2014**

Present: Trustee Cy Gulassa, Trustee Bill Withrow, Vice Chancellor Susan Rinne, Vice Chancellor Trudy Largent, James Blake, Michael Wirth, Tae-Soon Park, Jerry Herman, Bill Wallace (Neuberger Berman), Ed Berman (Neuberger Berman), Joanna Bowes (Keygent LLC)

Absent: Trustee Bill Riley, Trustee Meredith Brown, Michael Mills

Guests: Joseph Bielanski, Matthew Rubin (Neuberger Berman), Thuy Nguyen

Agenda Item	Discussion	Follow-up Action
Meeting Called to Order	4:04 PM	
III. Approval of Agenda	Motion (Rinne, Largent) to approve the September 11, 2014 agenda. APPROVED Unanimous	
IV. Approval of Minutes	Motion (Rinne, Largent) to approve the June 12, 2014 meeting minutes as amended. APPROVED Unanimous	
V. Correspondence	None	
VI. Investment Portfolio Review Bill Wallace Neuberger Berman Matt Rubin Neuberger Berman	Highlights: Page 1: Performance of overall portfolio. With the exception of YTD, the portfolio has performed ahead of its benchmark. Markets over the last year have been quite good. The policy benchmark is up 14.4 and the portfolio is up 15.01. The portfolio is 60 basis points ahead of its benchmark. Page 7: The Asset Allocation committee met earlier this week but has not published their views for the 2014 fourth quarter outlook. The outlook views as of the third quarter are included here. Overall we remain underweight in Fixed Income, from an asset class perspective, relative to Equity and Alternative Assets broadly. Within the Fixed Income arena, Neuberger prefers	

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<p>Ed Berman Neuberger Berman</p>	<p>a credit risk as opposed to a duration risk. Neuberger prefers to invest in companies based on the Balance Sheets of those companies, as oppose to the duration risks of the portfolio and adding interest rate exposure. Both have been mitigated in Peralta’s portfolio. US Large and Small Caps remain reasonably value (not too expensive or cheap).</p> <p>Tactical recommendation: Europe is a little later in their economic recovery than the US. Neuberger believes there is an opportunity to take advantage of where we are in the economic recovery given the fact that the Central Bank continues to be very simulative of the economy and keeps the interest rate very low. Hopefully it would help keep the European Union out of a deflationary spiral. This would a positive effect on the companies based in Europe, as well as companies that sell to Europe.</p> <p>The formal meeting of the committee is scheduled on a quarterly basis. If the asset allocation group sees macro events occurring, the group will meet on an intra-quarter basis. Peralta’s portfolio is reviewed on a regular basis in between quarters. If in between quarterly meetings, Mr. Rubin sees a need to change the asset allocation he will recommend the change.</p> <p>Page 8: Global Fixed Income. US will be the first mover in raising interest rates, while interest rates remain low globally.</p> <p>Page 12: Private Equity. The illiquid nature of the investment and the illiquidity premium really adds value over time.</p> <p>Page 13: Current Asset Allocation. This slide shows steps that Neuberger is about to take as the Discretionary Trustee. Changes are consistent with Mr. Rubin’s comments about asset allocation views. Neuberger will be removing long time manager of the trust, the NB Large Cap Discipline Growth team, because one of their key members left the team. The team’s performance has not been that great over the past few years. Neuberger will replace them with an external manager, Clearbridge Advisors. Neuberger will take away \$7.2</p>	
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	<p>million from Harding Loevner and place it into Vanguard FTSE Europe ETF who only invests in European Large Cap stocks. Neuberger will also initiate a \$3 million position with Matthews Pacific Tiger Fund (emerging market manager) and move \$2 million into NB Absolute Return Multi-Manager Fund (a volatility manager that serves as an anchor if interest rate goes up). The total Portfolio is off by \$100,000. Per Ed, it is an Excel error.</p> <p>Page 14: The minimum and maximum targets for each asset class are listed here. The Investment Grade Fixed Income long-term target is at 30% and the proposed move is to 22.6%. We are overexposed in High Yield Bonds, but we won't change the position right now. Neuberger feels good about that asset class. We are overexposed in Large and Mid-size Cap stocks. Equities are a better place to be. Private Equity takes a long time to get exposure to, but has quite substantial benefits. Hedge Funds are underfunded as we leg in.</p> <p>Trustee Withrow commented that we are fortunate to have all three members from Neuberger here tonight. We need to be strategic and tactical about the asset allocation and the market.</p>	
<p>VII. Substantive Plan Update</p> <p>Susan Rinne</p>	<p>Tracked changes are shown in the document. VC Rinne updated current rates for dental and medical costs.</p> <p>Page 7: We have not completed the new actuarial study, so the OPEB liability line was removed to not hold up the process. The actuarial study will begin in November and we will receive the report in March 2015.</p> <p>For fiscal year (FY) 2014/15, Kaiser rates remained flat this year. From past history if we see no change in Kaiser rates this year, we will see a substantial increase the following year. CoreSource rates increased by approximately \$1million (a substantial increase). It is a good time to do an actuarial study, so we can use the new rate for the next fiscal year. We were able to absorb the increase in costs this fiscal year via growth and COLA.</p>	

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<p>IX. Option to Terminate B2 Swaps</p>	<p>We are evaluating different options and have not come to a determination of the B2 SWAP.</p>	
<p>X. Fossil Fuel Review</p> <p>Bill Wallace Neuberger Berman</p>	<p>There was a resolution that was put forth by the Board of Trustees urging this Board to divest in Fossil Fuels. This issue has been coming up at other universities and State public funds. 350.org is one of the groups behind this movement. Their belief is that Fossil Fuel and CO2 emission will have detriment affects over time. Neuberger had a number of clients come to grip on how to create a policy that makes investment sense and works for greater good of the world’s climate. Neuberger had counseled many of their clients and distributed a couple of documents that Neuberger has done.</p> <p>Peralta has investments in Socially Responsible Investment (SRI). Please refer to the Wall Street Journal article. The University of California who is also a Neuberger client made the decision to not divest. Divestment is not the right and proper avenue to address climate issues. The idea of going behind producers of Fossil Fuel is completely misguided.</p> <p>Page 14: The graph points to the greatest producers of CO2. Electric utilities, metals & mining, and chemical companies are greater producers of Fossil Fuel than the actual Fossil Fuel companies. We should look at the demand rather than the supply side for greater impact. From an investment standpoint, we should look for companies who are further reducing CO2 emissions.</p> <p>Page 15: Shows where most of the Fossil Fuel reserves are.</p> <p>Recommendation: Think carefully. First and foremost, we should have a policy that addresses where divestment would make sense and the best way to go about it.</p> <p>The problem is that there are a number of portfolios. Peralta’s investments are in funds, if we were to force the divestment policy on the portfolio, we will</p>	

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	<p>have to sell 40% of the funds.</p> <p>Per Trustee Gulassa, our responsibility here is to monitor the fund and find good managers to make solid investments and protect the long-term interest of our retirees. Interest rates of 1 or 2% can affect the residuals and pose a risk that we may not meet our liability.</p>	
<p>XI. Information Reports</p> <p>Matt Rubin Neuberger Berman</p>	<p>Six Month Investment View:</p> <p>US employment and GDP are modest. Corporate profit will continue to be strong. Globally, Europe will continue to go through a difficult time. Europe is early on in its recovery cycle than the US. Over the next 6 months to a year, we will see more recovery. There is a deflation issue. Emerging economies will see a divergent. Latin America continues to be a challenge. Latin economies will demand less from China. Japan's market will see short-term performance, but long-term challenges.</p>	
Adjournment:	5:13 PM	
Next meeting:	January 29, 2015 from 4:30 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/>