

**Peralta Community College District
Retirement Board Meeting Minutes
July 14, 2016**

Present: Trustee Bill Riley, Trustee Bill Withrow, Trustee Meredith Brown, Vice Chancellor Ron Little, Vice Chancellor Trudy Largent, Tae-Soon Park (PFT), Tim Brice (Local 39), Jerry Herman (PRO), Michael Wirth (PRO), Joanna Bowes (KNN), Bill Wallace (Neuberger Berman),
Absent: Trustee Cy Gulassa, Michael Mills (PRO), Ed Berman (Neuberger Berman), Judith Boyette (Hanson Bridgett),
Guests: Liz Masson (Hanson Bridgett), Erwin Tam (KNN)

Agenda Item	Discussion	Follow-up Action
Meeting Called to Order	4:00 PM	
III. Approval of Agenda	Request was made to pull item X. Amended Bylaws Revisions. Motion (Little, Riley) to approve modification to the July 14, 2016 agenda. Approved Unanimous. AYES: 5 NOES: 0 ABSTAIN: 0 ABSENT: 1	
IV. Approval of Minutes	Motion (Brown, Largent) to approve the May 19, 2016 meeting minutes. AYES: 5 NOES: 0 ABSTAIN: 0 ABSENT: 1	
V. Correspondence	None	
VI. Election of Chair and Co-chair	Motion (Riley, Brown) to elect Bill Withrow as Chair. Approved Unanimous. AYES: 5 NOES: 0	

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	<p>ABSTAIN: 0 ABSENT: 1</p> <p>Motion (Riley, Brown) to elect Ron Little as Co-Chair. Approved Unanimous.</p> <p>AYES: 5 NOES: 0 ABSTAIN: 0 ABSENT: 1</p>	
<p>VII. Report Out on Due Diligence Call with Neuberger Berman</p> <p>Trustee Withrow</p>	<p>Trustee Withrow and VC Little held a call with Bill Wallace, Ed Berman, Erik Knutzen, and Richard Gardiner from Neuberger Berman regarding the effects of Brexit on the market. Erik Knutzen, Managing Director and Multi-Asset Class Chief Investment Officer, was in London on the day of the Brexit vote. Neuberger Berman believes that the economy is strong enough to withstand some trauma, and anticipates short-term volatility and overall pressure on equities. Mr. Knutzen felt this action would also put pressure not only in Europe, but in the United States, on interest rates. Neuberger Berman projects that low interest rates will continue for some time.</p> <p>Mr. Wallace noted that there are two blog postings by Neuberger Berman on Brexit included in the Investment Performance Update book. The Brexit vote was a referendum. Neuberger Berman projects it will take several years before the occurrence of Brexit takes place. The United Kingdom's (UK) new Prime Minister, Teresa May, is a strong advocate to remain in the European Union (EU). The EU is a union of 28 countries. The UK is still in the EU until the negotiations are completed.</p> <p>Brexit will affect:</p> <ol style="list-style-type: none"> 1) Movement of goods and services across the EU. 2) Immigration rules will change and are part of negotiations. <p>The markets had a strong reaction to the vote. The short-term direct impact is</p>	

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	<p>very little. Neuberger Berman projects that GDP numbers in the EU to the UK will be negative.</p>	
<p>VIII. Investment Portfolio Report Update</p> <p>Bill Wallace (Neuberger Berman)</p>	<p>Mr. Wallace reviewed the Investment Performance Update booklet distributed at the meeting. Page 6: Review of the overall portfolio. The portfolio is trailing overall benchmark. Neuberger Berman tends to focus more on the 3 Years number which shows good numbers over the long-term. Mr. Wallace explained the impact on fixed income investments of lower interest rates: when interest rates decrease, bond prices increase. Neuberger Berman has positioned the Trust (defensively) for some time, short on duration so there would be lesser sensitivity to changes in interest rates. The Trust's portfolio has more exposure to the credit side: fewer treasuries and more corporate and high yield investments. In terms of equities, there has been some extreme volatility in the market. Right after the Brexit vote on June 23rd, the markets were down 4-5%. Today, the market is hitting new highs. During the course of the 2nd quarter, the market had two corrections (10% or more declines in the market). Mr. Wallace stated it is unusual to see that in the market.</p> <p>Pages 7 - 9: YTD and Trailing 1 Year numbers. Mr. Wallace reported that the spread in terms of portfolios that have both underperformed and outperformed to the degree that they are is very unusual and is likely due to the degree of volatility. The Genesis fund, for which Judy Bale is the co-portfolio manager, on an YTD basis, is ahead 3.59% vs benchmark. On a 1 Year basis, the portfolio is ahead almost 8.2% vs benchmark.</p> <p>Pages 10 -11: At the last meeting, the Retirement Board asked Neuberger Berman to include in the investment report documentation of the flow of funds. The flow of funds document shows that the beginning market value of the Trust's investments was \$171 million in April 2012. To date, withdrawals from the Trust net of contributions are approximately \$21 million, fees and expenses paid are approximately \$3 million, and investment gains are</p>	<p>VC Little will send a copy of the</p>

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	<p>expenses for the mutual funds in which Trust assets are invested be included in all future reports.</p> <p>Mr. Wallace explained that the Morningstar rating is a function of a weighted number based upon a 1, 3, 5, and 10 year risk and return. They also have a Gold, Silver, and Bronze rating, which tends to incorporate more qualitative factors. Trustee Withrow asked for those rating to be included in the report too.</p> <p>Trustee Brown asked about the impacts of Saudi Arabian oil production on energy stocks in which Trust assets are invested.</p> <p>Mr. Wallace responded that Neuberger Berman does not project that there will be a negative impact. Oil was testing the \$50 level and now testing \$40 level. Oil prices are very hard to predict. A lot has to do with OPEC. Iran is coming back on board and adding to the production side. Saudi Arabia has an aggressive energy minister. Right now the market is in a decent equilibrium place in terms of supply and demand. Once the market price gets to the \$50 level, he expects to see more production from the US.</p>	
<p>IX. Strategies for Sustainable Investment/Resolution</p>	<p>Motion (Withrow, Riley) to table the resolution. Approved.</p> <p>AYES: 5 NOES: 0 ABSTAIN: 0 ABSENT: 1</p> <p>Mr. Wallace reviewed a report on issues regarding the District’s Fossil Fuel Resolution, as described on page 43 of the meeting packet. Neuberger Berman presented data in the past, looking at the portfolio at a high level. Mr. Wallace reported that there are 15 individual stocks included in the top 200 companies on the Carbon Tracker list held by accounts in which Trust assets are invested, with a total market value of \$3.8 million. There are 8 mutual funds that include such holdings in which Trust assets are invested, with a total market value of</p>	<p>Mr. Wallace will bring back the SRI report to the Board as a refresher.</p>

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	<p>\$56 million.</p> <p>Page 44: Mr. Wallace described new information listed by portfolio for the separately managed accounts with the actual individual holdings and the percentage of that portfolio the holdings represent. None of these individual holdings represents a significant part of the applicable separate account portfolio. Similar information was provided for each of the 8 mutual funds. While Neuberger Berman can divest from these, the challenge is to find another fund to replace that fund. If the Trust were to have a threshold for the percentage of any account or fund to be invested in such holdings, a 3% threshold would make it hard to find another fund of the same asset type, although a 10% threshold would likely be manageable. Too low of a threshold could affect the managers that the Trust could be invested with.</p> <p>VC Little added that if Neuberger Berman could not find a replacement, divestment would affect the Trust’s actual asset allocation.</p> <p>Trustee Brown recalled that in 2013, the Peralta Retiree Organization (PRO) had an opinion on this type of divestment at their meeting.</p> <p>Per Mr. Herman, PRO has always been in favor of divestment. He doesn’t recall if PRO has an official divestment policy on it. Mr. Herman asked whether there are “green funds” available that are equivalent to the funds that the Trust’s assets are currently invested in?</p> <p>Mr. Wallace will monitor and report back on this at a future meeting.</p> <p>Trustee Brown requested a report on ESG funds. VC Little advised that the District’s Board recently received a report on ESG funds, and that a similar report could be made available for the Retirement Board at a future meeting.</p>	
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<p>X. Amended Bylaws Revisions</p>	<p>Item pulled</p>	
<p>XI. Amended Trust Agreement – First Reading</p>	<p>Per VC Little, the Bylaws and the Trust Agreement are inter-related. One of the final pieces to resolve regarding the Discretionary Trustee Agreement is the investment threshold with respect to the Trustee’s proprietary funds. Ms. Masson reported out that she is working with Neuberger Berman’s outside counsel on changes to the Discretionary Trustee Agreement and they are making good progress.</p> <p>Trustee Withrow requested that the Agreement address timeframes for the threshold adjustments.</p> <p>Ms. Masson will work on the language.</p> <p>Motion (Withrow) to set the threshold <u>to 40%</u>. Motion carries unanimously.</p> <p>AYES: 5 NOES: 0 ABSTAIN: 0 ABSENT: 1</p> <p>Per Ms. Masson, another issue that needs to be addressed at the same time is government code section 1090 compliance. Hanson Bridgett can provide guidance on that and are happy to assist.</p>	<p>To be addressed at the next meeting.</p>
<p>XII. Information Reports</p>	<p>Mr. Wirth hopes that Trust investments in SRI investments and companies can be increased, to the extent those investments are financially beneficial to the Trust.</p> <p>Mr. Wallace advised that Neuberger Berman is a signatory to the Principles of</p>	

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	<p>Responsible Investment or PRI, which has a website, and that Neuberger Berman has a SRI strategy.</p> <p>In regards to SRI, Mr. Herman said he believes that consumers would be motivated to follow after seeing public institutions take the lead.</p>	
Adjournment:	5:11 PM	
Next meeting:	September 15, 2016 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/retirement-board/meeting-materials/>.