

Retirement Board Meeting Minutes
October 13, 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), Louis Martinez, Michael Mills (PRO), Ed Berman (Neuberger Berman), Rich Gardner (Neuberger Berman), Liz Masson (Hanson Bridgett)

Absent: Trustee Cy Gulassa

Guests: None

Agenda Item	Discussion	Follow-up Action
Meeting Called to Order	4:10 PM	
III. Approval of Agenda	<p>Motion (VC Largent) Second (VC Little) to approve agenda. Approved Unanimously.</p> <p>AYES: 4 NOES: 0 ABSTAIN: 0 ABSENT: 0</p> <p>Introduction of Yusef Herbert as VC Little’s new interim Executive Assistant replacing Sui Song.</p>	
IV. Approval of Minutes	<p>Motion (Meredith Brown, VC Largent) to approve the July 14, 2016 meeting minutes.</p> <p>Second (VC Little).</p> <p>AYES: 4 NOES: 0 ABSTAIN: 0 ABSENT: 0</p>	

<p>V. Correspondence</p>	<p>None.</p>	
<p>VI. Fiduciary Liability Insurance</p>	<p>Introduction of Rick McHale, Vice President of Keenan and Associates.</p> <p>VC Little requested his firm provide a quote for Fiduciary Liability coverage and a brief background of Directors' and Officers' Coverage.</p> <p>Mr. McHale presented a quote for coverage:</p> <p>\$13,650 for \$1 million per incident/\$1 million aggregate.</p> <p>Mr. McHale explained the Extended Reporting Date (ERD) in which there is a six (6) months period date to file a claim. After the insurance policy expires he further explained the purchasing of an extended reporting period. However, he expressed the cost can often be significantly high.</p> <p>The question was raised if Advisory Committee members on the Retirement Board would be covered by the policy. Mr. McHale will follow-up and respond.</p> <p>Trustee Withrow asked about cyber terrorism coverage at the District. Mr. McHale asked VC Little if there is existing cyber terrorism coverage. VC Little responded he did not know.</p> <p>Trustee Wirth asked about the increasing the limits of extended aggregate coverage. VC Little recommended that Keenan provide additional quotations with greater aggregate levels. Trustee Riley suggested that we receive another quote to bring before the Retirement Board for the next meeting.</p>	

VII. Review of BYLAWS Revisions

Section 2.14. Trustee Brown arrives and addresses the Board about item 2.1 In cases of vacancies of Retired Board members. Who will appoint new members? Trustee Withrow emailed his proposal to each Board member. Decision to defer this item for a later vote.

Section 5.2 Mr. Wirth asked who signed off on the expenditures. VC Little referred the Board to page 3 which after a review he found that the ByLaw has no reference in describing signature authority.

ByLaw to require two signatures (Chair and Vice Chancellor of Finance).

Trustee Riley asked the Board if there will be a vote on the Bylaws. Trustee Withrow answered no so that the Board can keep working on the Bylaws.

Mr. Wirth asked about the subaccounts A & B. VC Little referred to appendix B of the agreement and noted subaccount A as proprietary and subaccount B as non-proprietary.

VC Little responded that there's a difference between Proprietary vs. Non-proprietary investment tools. The agreement in 2012 allows for sub account A for 80% of a proprietary instrument and sub account B for 20%.

Mr. Herman asked to what were the guiding principles of revising the Trust Agreement. Liz Masson responded that they were asked to look at the previous documents [trust agreement] which had been in existence since 2012 and updated. VC Little confirmed that request.

<p>VIII. Review of Revisions to Discretionary Trustee Agreement</p>	<p>Trustee Withrow proposed to not take opinion on Exhibit B pending language refinement with respect to mutual funds. Recommend holding the Trust company accountable to maximize the return of investment and to eliminate sub account A & B.</p> <p>VC Little asked about the ratio between sub account A & B and potential conflict of interest.</p> <p>Trustee Withrow suggested a training workshop to understand the concepts regarding the investment portfolio. Trustee Riley agreed.</p>	
<p>IX. Investment Portfolio Report Update</p> <p>Bill Wallace (Neuberger Berman)</p> <p>Rich Gardner (Neuberger Berman)</p>	<p>Mr. Wallace reviewed the Investment Performance Update distributed at the meeting of the overall portfolio. The portfolio goes through the end of September. Mr. Gardner indicated that we're going through a low- growth and low yield market.</p> <p>On page 24; the 12-month yield across the stock market. US Stock market needs to gain growth.</p> <p>On page 25; fixed incomes allocation.</p> <p>On page 28; market expectation will increase vs. Interest rate. In December meeting the Federal Government will decide to increase interest rates.</p> <p>On page 27 the portfolio was up 67% in spite of rough economic quarters. Mr. Gardner indicated that there will be possible hikes but not aggressive ones so soon. But also could not make a prediction on the market regardless of the next administration. Disparities in both the Western and Eastern Regions in terms of possible inflation.</p> <p>On page 30; debt is being taking on by more companies. Mr. Wallace also stated that Wall Street analysts are very poor at forecasting recovery.</p>	

Trustee Withrow asked Mr. Gardener how the information is disseminated to the portfolio managers of Neuberger Berman. Mr. Gardner stated the information is to share and responsibility of each manager to utilize.

Trustee Withrow asked about the asset allocation that overlays the investments. Mr. Wallace detailed the long term Strategic Asset Allocation strategies. Goal is to reduce Equity Allocation down in the long term.

X. Sustainable Investing

Mr. Wallace reviewed a report on issues regarding the District’s Fossil Fuel Resolution, as described on page 29 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 1.04-4.78%. Mr. Wallace described new guidelines for the Mutual Funds that are 10% or more of its holding in stock. None of these individual holdings represents a significant part of the applicable separate account portfolio. Will have little or no significance to its current holdings.

Board discussed a proposed policy that would:

1. Restrict any separate account from holding any stock listed on the “Carbon 200” list of largest companies published by the FossilFreeIndexes.com.
2. Eliminate any funds that own 10% or more of the portfolio held in stocks listed on the “Carbon 200” list of largest companies published by the FossilFreeIndexes.com. Funds will be monitored for compliance of this criteria on an annual basis and any that are found to be non-compliant, must be sold and replaced within 90 days.

	<p>Discussion ensued. Trustee Withrow calls for a vote.</p> <p>Trustee Riley motioned.</p> <p>VC Little second the motion.</p> <p>Board approved.</p>	
XI. Implementation Plan	<p>Mr. Wallas stated no policy has been adopted and will work to begin implementing immediately. Mr. Wallace will monitor and report back on this at a future meeting.</p> <p>VC Little agreed that it is a reasonable approach.</p>	
XII. Calendar of Meetings	<p>Educational Board workshop on Monday, November 14, 2016 from 4-6pm.</p> <p>VC Little will work with legal counsel to develop an Agenda.</p> <p>Will schedule further meetings at the Board workshop.</p>	
XIV. Adjournment	6:15 PM	
Next meeting:	November 14, 2016 from 4:00 to 6:00 PM	

Minutes taken: Yusef Herbert

Attachments: All handouts for this meeting can be found at <http://web.peralta.edu/retirement-board/meeting-materials/>.