

**Peralta Community College District
Retirement Board Meeting Minutes
September 14, 2011**

Present: Trustee Bill Riley, Trustee Bill Withrow (phoned in), Trustee Cy Gulassa, Vice Chancellor Ron Gerhard, Vice Chancellor Trudy Largent, Chancellor Wise Allen, Jerry Herman (PRO), Bruce Jacobs (PRO), Odell Johnson (PRO), Joanna Bowes (KNN Public Finance), and Bill Wallace (Neuberger).

Guests:

Agenda Item	Discussion	Follow-up Action
Meeting Called to Order	4:00 P.M.	
III. Approval of Agenda	<ul style="list-style-type: none"> • Motion (Withrow, Largent) to approve the September 14, 2011 agenda. APPROVED 	
IV. Approval of Minutes	<ul style="list-style-type: none"> • Motion (Withrow, Largent) to approve the July 11, 2011 meeting minutes. APPROVED • Motion (Withrow, Largent) to approve the July 27, 2011 meeting minutes. APPROVED • Read-out of outcomes from the August 30, 2011 closed session meeting. Recommendation (four to one) to retain Stradling Yocca Carlson & Rauth as the Bond and Disclosure Counsel. Advisory members (four to zero). 	
V. Correspondence	<ul style="list-style-type: none"> • None 	
VI. Investment Policy Review and Update Ron Gerhard	Socially Responsive Investment Policy Statement: “The primary responsibility of the committee is to act in the best long-term interests of our beneficiaries. We believe that environmental, social, and corporate governance (ESG) issues can, at times, positively or negatively impact the performance of investment portfolios and that it may be possible and desirable to apply these principles to better align our goals as investors with the broader objectives of society. Therefore, we commit to these principles in our decision-making process and to implementation where consistent with our fiduciary responsibilities.” <ul style="list-style-type: none"> • Mr. Wallace provided a presentation at a previous meeting regarding the concept and origin of Socially Responsible Investing (SRI) and Environmental, Social, and Governance (ESG). • VC Gerhard reassured Trustee Withrow that by adding the umbrella statement of social investment it will not be to the detriment on the rate of return of the investment. • Per Mr. Wallace, SRI is coming out from a relatively small base; it is no more than 10% of the total institutional asset. With an ESG approach, it puts the fiduciary responsibility to the beneficiary upfront. • If the principle statement is approved and added to the investment policy, at a subsequent meeting we will 	

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	<p>conduct some modeling for comparison of what the returns would have been over the last year.</p> <ul style="list-style-type: none"> • Motion (Riley, Largent) to approve the addition of the socially responsive investment policy statement to the investment policy. APPROVED (unanimous) 	
<p>VII. Investment Performance Review</p> <p>Bill Wallace</p>	<ul style="list-style-type: none"> • Mr. Wallace briefly reviewed 15 pages of the 218 page “Investment Strategy and Asset Allocation” document. <p>Highlights:</p> <ul style="list-style-type: none"> • Page 32: market spreads have widened due to concerns about sovereign debt issues in Europe and the prospect of both US and Europe growth slowing. Additional concerns within the credit asset class are the risk of a continued weak housing market. We need to see higher levels of GDP growth and unemployment to drop below the 9% level. • Page 34: Upgrades vs. downgrades of Moody’s rating. 2008-09, downgrades substantially outpaced the upgrades. The level of both had greatly stabilized. • Page 47: Looking at a go forward basis, there is fairly high level of companies that need to refinance in 2014-15. We need to have a more stable economic environment by then, otherwise we will see problems if they cannot refinance. • Page 109: S&P downgraded US government debt from AAA to AA+. It has very little to do with the US’s ability to pay its debt and more with where the US government is going and how it is dealing with its debt problem. This page paints the picture of where the US is in relation to the rest of the world. There is a very wide divide between those who are a debtor nation and those who are not. The US is on the high end. Although the US is more in line with Greece, Ireland, Portugal, Italy, and Spain, it has a huge government bond market and is seen as a safe haven. • Page 124: The US government might inflate their way out of debt. This page lists multiple ways to hedge inflation. • Mr. Wallace was asked by VC Gerhard about his thoughts on any recommendations to the Retirement Board regarding adjustments to the strategic targets and tactical range. • Mr. Wallace’s tactical recommendation is to reduce 	

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	the fixed income, given where we are today, and allocate more to international and scale back on REIT exposure. The market tends to favor the international emerging markets: Brazil, Russia, India, and China (BRIC).	
VIII. Status on OPEB Refinance Ron Gerhard	<p>Debt Structure:</p> <ul style="list-style-type: none"> • Currently, we have an escalated debt structure. • Principal and interest payments are coming out from our general fund at approximately \$1 million per year. • If we do nothing right now, our debt service payment for fiscal year 2011/12 is a little in the excess of \$8 million. <p>Plan:</p> <ul style="list-style-type: none"> • The refinance deadline is November 1, 2011. • Ms. Bowes and team will be working diligently towards getting it done before November 1st. • The consequence of not meeting the goal is incurring an additional \$2 million in cost. • We had a conference call with attorneys this morning. There was a general understanding among all players. We are putting together a strategy point moving forward. • Tomorrow, we will have a face-to-face meeting. 	
IX. Comments	<ul style="list-style-type: none"> • Stradling Yocca Carlson & Rauth: the RFQ process for the Bond and Disclosure Counsel was the same as the one for the one for the Underwriter. We are operating within legal bounds provided under Article 16 of the Constitution and legal opinion received from outside counsel. It follows the framework of the email provided to the Retirement Board members at the last two meetings in terms of the permissibility of what we are doing. 	
Adjournment:	5:15 PM	
Next meeting:	October 13, 2011 at 4:00PM	

Minutes taken: Sui Song

Attachments: All handouts for this meeting can be found at

<http://eperalta.org/wp/trustees/board-committees/retirement-board/2011-agendas-and-minutes/>