

**Peralta Community College District
Retirement Board Meeting Minutes
October 13, 2011**

Present: Trustee Bill Riley, Trustee Bill Withrow, and Trustee Cy Gulassa, Vice Chancellor Ron Gerhard, Vice Chancellor Trudy Largent, Chancellor Wise Allen, Tae-Soon Park, Ava-Pang Lee, Joanna Bowes (KNN Public Finance), and William (Bill) Wallace (Neuberger Berman).

Guests: Jennifer Seibert

Agenda Item	Discussion	Follow-up Action
Meeting Called to Order	4:00 P.M.	
III. Approval of Agenda	Motion (Withrow, Largent) to approve the October 13, 2011 agenda. APPROVED	
IV. Approval of Minutes	Motion (Withrow, Largent) to approve the September 14, 2011 meeting minutes. APPROVED	
V. Correspondence	None	
VI. Investment Policy Update Bill Wallace	<p>At the last meeting, the Retirement Board approved the inclusion of the ESG into the Investment Policy.</p> <p>Two scenarios provided by Neuberger Berman:</p> <ol style="list-style-type: none"> 1. Estimate performance through June 30, 2011 with SRI portfolio 2. Estimated performance through June 30, 2011 with current portfolio <p>Mr. Wallace has taken the individual components and calculated a weighted average performance for the last three months, YTD as of last month, 12 months, 3 years, and 5 years. The SRI portfolio outperformed the existing portfolio over each period. The SRI portfolio would be a core portfolio and is benchmarked to the S&P 500. The risk factor was not calculated in the model. The SRI model took the place of large cap discipline growth and large cap value. It was initially intended to have SRI make up 10-15% of the portfolio as opposed to 32.36%. In keeping with our current allocation guideline, Mr. Wallace thinks that we should pull from our large cap value and the large cap discipline growth to fund our SRI today. Mr. Wallace suggests hiring a small cap manager who is also a SRI manager as the trustee of the policy.</p> <p>Trustee Withrow suggested expanding the parameter from 5 to 20 years. Unfortunately, we don't have 20 years worth of data.</p> <p>Ms. Bowes suggested that Mr. Wallace run an experiment for 10-15% of the portfolio with SRI for the next few months to see how it would work with realistic numbers.</p> <p>Per Mr. Wallace, Neuberger Berman has not officially closed the</p>	

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	<p>books on the bond side; therefore the performance is only an estimate through June 30, 2011. The actual report would be sent to VC Gerhard and his team in a day or two. The same methodology was used. The market value is down; for the three month period, we've been underweight in US government securities and a little overweight in financials. Mr. Wallace is happy with the overall positioning; we are 24 basis points behind in the last three months, but on average we are ahead of our benchmark going back 12 months.</p> <p>With the risk and probability associated with the Euro zone collapsing, Mr. Wallace's recommendation, from an equity perspective, is to be overweight in US equities, especially in large cap, and underweight in international; within international, underweight in developed market and overweight in emerging market.</p>	
<p>VII. Investment Portfolio Review</p> <p>Bill Wallace</p>	<p>The problem of doing a monthly portfolio performance report is that the incremental changes are not significant. Mr. Wallace recommends doing a "deep dive" analysis no more than quarterly. Most firms usually hire a discretionary trustee who would make the determination and come back with a recommendation after the analysis.</p>	
<p>VIII. OPEB Refinance Update</p> <p>Ronald Gerhard</p>	<p>We are going over a lengthy process to refinance the debt structure on our OPEB bonds, in particular over the next 3 to 5 years. The POS is a marketing document for potential investors and was given to the Board of Trustees (BOT) on September 26, 2011 and is now given here.</p> <p>Trustee Withrow requested a reader's digest version. Ms. Bowes said she can provide the cliff notes for it, but she would have to include multiple disclaimers. The Bond and Disclosure Counsel would say that every point is important. A lot of work was put into making the document as clear as possible. The POS is a great educational tool which includes the district's audit and budget. It is full of information that investors need to know. There were some changes around the area of accuracy since the last document was submitted to the BOT. This document includes the new ratings from Standard & Poor (AA+) and Moody's (A1).</p> <p>Ratings report stated similar elements:</p> <ul style="list-style-type: none"> a) Strengths: 1) Demand for education and student services 2) The strong management team in resolving the constraints in accreditation and getting off sanctions b) Weaknesses: The California economy and its impact on 	

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	<p style="text-align: center;">our significant funding source</p> <p>Compliments were given to Chancellor Allen, President Riley, and VC Gerhard for their meeting with S&P and Moody's.</p> <p>Per VC Gerhard, in working with the group and with the different disclosure counsels, disclosure was placed in the highest priority and insured that we met the highest standard. Ultimately the driving factor was the November 1st date because it was the date of our next debt service. From VC Gerhard's experience, we have a document that is both thorough and complete.</p> <p>Retirement Board members were urged to read the entire document and have a good understanding of it. The following pages were recommended by VC Gerhard and Ms. Bowes: 12, 23 - 25, and 46.</p> <p>VC Gerhard was given praise for the enormous time and attention that he gave to the document.</p> <p>Ms. Bowes had a preliminary call with JP Morgan. Her job is to get the interest rate as low as possible. There will be phone calls tomorrow and early Monday. JP Morgan's job is to create a market and sell the bonds. On Monday, JP Morgan will officially take orders from people who are interested in buying our bonds. Tuesday morning, Ms. Bowes and JP Morgan will call VC Gerhard to discuss what the interest has been. Then we'll have the final pricing with the exact coupons, yields, and know who the buyers are. The actual restructuring will occur on October 28th and will happen in New York with the Security Exchange Commission (SEC).</p> <p>The goal is to smooth out the escalation in debt service so that it is more moderate in terms of stress on the unrestricted general fund. The debt service will go from \$8 million to \$5 million per year with the terms of refinancing not to exceed 20 years. We are keeping with what we have communicated to the Board of Trustees in March. That is our parameter in which we are given the authority. Once the numbers are finalized, we will bring it back to the Retirement Board.</p>	
<p>IX. Agenda Items for Next Meeting</p>	<ol style="list-style-type: none"> 1. Progress on the discretionary trustee 2. Recommendation from Bill Wallace in terms of international and emerging markets 3. Investment performance review – monthly vs. quarterly vs. annually 	

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Adjournment:	5: 27 PM	
Next meeting:	November 17, 2011 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/>