

**Peralta Community College District  
Retirement Board Meeting Minutes  
January 26, 2012**

Present: Trustee Cy Gulassa, Trustee Bill Riley, Trustee Bill Withrow, Chancellor Wise Allen, Vice Chancellor Ron Gerhard, Vice Chancellor Trudy Largent, Tae-Soon Park, Odell Johnson, Jerry Herman, and Joanna Bowes (KNN Public Finance)

Absent: Ava Lee-Pang, William (Bill) Wallace (Neuberger Berman), and Bruce Jacobs

Guests: Joseph Bielanski, Edward Berman (Neuberger), Michael Savinelli (Neuberger Berman), and Tarrell Gamble (Blaylock Robert Van).

<b>Agenda Item</b>	<b>Discussion</b>	<b>Follow-up Action</b>
<b>Meeting Called to Order</b>	4:03 P.M.	
<b>III. Approval of Agenda</b>	Motion (Gulassa, Withrow) to approve the January 26, 2012 agenda. APPROVED	
<b>IV. Approval of Minutes</b>	Motion (Gulassa, Largent) to approve the December 8, 2011 meeting minutes as amended. APPROVED	
<b>V. Correspondence</b>	None	
<b>VI. Discretionary Trustee</b>  VC Gerhard  Ed Berman	<p>At the last Retirement Board meeting on Dec. 8<sup>th</sup>, we received approval from the Retirement Board to continue discussion with Neuberger Berman (NB) and to enter into a contract for them to function as the Discretionary Trustee. The proposed agreement is included in the meeting packets.</p> <p>The contract lays out the roles and responsibilities of the Fund versus Trustee.</p> <p>The Trustee's role is in asset allocation, management selection and oversight. The prime Trustee function is to act in the best interest of the participants of the plan.</p> <p>Funding the trust is the responsibility of the District. The Discretionary Trustee is also not responsible for allocating payments from the trust.</p> <p>On the discussion regarding proprietary and nonproprietary products that the Discretionary Trustee will use, language has been included in the trust where the Retirement Board will direct Neuberger on the ratio between proprietary and nonproprietary products. Within the articles of the trust agreement, Neuberger products are in subaccount A, external products are in subaccount B and alternative products are in subaccount C. Mr. Berman anticipates subaccount C to be zero at the beginning pending</p>	

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future discussions. Part of the Discretionary Trustee's role is to educate the Retirement Board on different products used in the future.

The Retirement Board will direct the Discretionary Trustee as to how often to rebalance, which is usually on an annual basis.

Fee Schedule (summary):

- 10 basis points (one tenth of one percent) for Discretionary Trustee fiduciary fees which includes custody costs plus benefit payment fees
- 40 basis points for Neuberger managed products introduced or utilized as of inception date
- 8 – 55 basis points for other fees for external Neuberger managed products (based on type)
- 90 basis points for external manager platform accessed by NBTC

Illustrative Fee Spreadsheet (page 1)

- Shows the full disclosure of the total investment cost of \$259,426.56
- Total allocation of fee of .58% or 58 basis points

Under the current structure, we have a custodian which is Union Bank of California (UBOC). Total paid to UBOC for the last fiscal year (2010-11) was \$206,562.86.

Per Mr. Berman, the cost associated with the Discretionary Trustee comes with a fiduciary status and many responsibilities.

Per Trustee Withrow, we are delegating authority and not accountability to the Discretionary Trustee. The Retirement Board is still accountable to the public for what the Discretionary Trustee do. One rationale for going with a Discretionary Trustee is to have another set of eyes looking at the risks associated with the return and the environmental set, either currently or over time, as it reflects to the funds we have invested.

NB will monitor the risk at the highest level to ensure that the asset allocation that we follow is in line with the objectives and goals of the fund. NB will also work closely with Peralta's actuarial firm after the first actuarial study comes out and will provide a new Monte Carlo analysis. The average lifetime of the

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	<p>investment policy Statement (IPS) is three years. The main part of the IPS starts on page 7.</p> <p>Concern was expressed by Trustee Withrow with retaining an asset allocation for three years. It will be revised in the agreement for the IPS to be reviewed and reapproved annually.</p> <p>VC Gerhard explained under the current structure, Peralta pays for benefit costs to Kaiser, CoreSource, etc. out of the District's Unrestricted General Fund and not directly through the Trust. At the end of the fiscal year, after we close our books and complete the audit, Peralta will reimburse the Unrestricted General Fund out of the Trust. If you look at Exhibit A, a vast majority of the fees are not applicable. We still want to keep them there as part of the scope of the contract, so that in the future we won't change that model in terms of expenses. One benefit is to save money and the other is to provide us with vital expenditure data needed to move the District forward.</p> <p>The Discretionary Trustees will meet with the Retirement Board on a quarterly basis. If the Discretionary Trustee notice something that is about to occur or has occurred to then call for an emergency Board meeting.</p> <p>Motion (Withrow, Gulassa) to approve the Discretionary Trustee agreement. APPROVED</p>	
<p><b>VII. Investment Portfolio Review</b></p> <p>Mike Savinelli</p>	<p>Mr. Savinelli is presenting on behalf of Bill Wallace who is currently on vacation.</p> <p>Page 1 (Portfolio vs. Target): Slight overweight in most of the asset allocation strategies. Generally within the target frame that was previously required as part of the investment strategy.</p> <p>Page 2: The strategic target is at 20% and the range is 15-25% for international.</p> <p>Concern expressed by Trustee Withrow regarding the percentage of investment in the international market.</p> <p>NB will include a footnote to the document which will state the sum of the international equities (developed plus emerging) shall not exceed 30%.</p> <p>Going back to the IPS on page 7, we can look at the tactical ranges. For Developed International Equities, the minimum target is 5%, long-term target is 15%, and maximum is 25%. Within our</p>	

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	<p>current investment policy, those targets are higher with the minimum at 15%, long-term at 20%, and maximum at 25%.</p> <p>For clarification purpose, Developed International Equities are equity stocks in more developed countries such as England, France, Germany, etc. Emerging International Equities are stocks in companies in India, Korea, China, Russia, Singapore, Turkey, etc. Assets in emerging markets give more economic growth and also more risks.</p> <p>Per Mr. Berman, getting to the 7%, amount needed to fund the long-term actuarial liability, will not always be easy. The minimum and maximum are for tactical shifting purposes. Looking at long-term rates of return for funds similar to Peralta, 7% is not an unreasonable number.</p> <p>Under this agreement, NB is empowered, absent of meeting, to operate within these ranges. NB will notify the Retirement Board if more frequent meetings are needed due to market conditions.</p> <p>Revisions to the IPS:</p> <ol style="list-style-type: none"> <li>1. The IPS will be reviewed and reapproved annually by the Retirement Board</li> <li>2. The Discretionary Trustee is to communicate with the Retirement Board if they believe certain conditions justify exceeding the allocation exposure constraints. Such changes to the asset allocation can only be made with the Board's written consent.</li> <li>3. Footnote under the Target Asset Allocation and Operating Ranges table stating the combined maximum allocation to the Developed and Emerging International Equities shall not exceed 30%</li> </ol> <p>Move (Withdraw, Gulassa) to approve the Investment Policy Statement as amended. <b>APPROVED</b></p>	
<p><b>VIII. Investment Terms and Definitions</b></p> <p>VC Gerhard</p>	<p>Request to add the terms: commodity, benchmark, and futures.</p> <p>Please email requests to include additional terms to Sui Song.</p>	
<p><b>IX. Update on Discussions with Morgan Stanley</b></p> <p>VC Gerhard</p>	<p>We are still engaged in dialogue with Morgan Stanley with the goal to come up with an agreement on the engagement that may or may not be mutually beneficial to our institution.</p>	
<p><b>X. Agenda Items</b></p>	<ol style="list-style-type: none"> <li>1. Mortgage-backed securities</li> </ol>	

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<b>for Next Meeting</b>	2. Draft revised bylaws 3. Implementation timeline from NB	
Adjournment:	5: 27 PM	
Next meeting:	February 16, 2012 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/>