
LOS RIOS COMMUNITY COLLEGE DISTRICT
RETIREE HEALTH BENEFITS OVERSIGHT COMMITTEE

November 14, 2016
Business Services Conference Room
10:30 a.m.
(Approved 2/13/17)

Present: LRCCD: Katie DeLeon, Tracy Clark, Rose Ramos,
WFB: Eric Lee, Todd Noetzelman

Absent: Kathleen Kirklin, Theresa Matista,

Welcome

Rose called the meeting to order at 10:30am and welcomed everyone to the meeting.

August 8, 2016 Minutes

The August 8, 2016 minutes were approved by consensus with minor changes.

Eric shared that Wells Fargo Institutional Retirement and Trust is a separate and distinct group from the Community Banking group having the problems reported in the news. In addition, Eric explained the assets in Los Rios Health Benefits Trust account are in the name of the District's Plan, and considered separate from assets of Wells Fargo under State and Federal laws, and regulations. Todd will send the FAQ's for the issues that are going on.

Review of 3rd Quarter 2016 (calendar year) Results

Eric went briefly over the first pages of the 3rd Quarter report. This year value and growth stocks have done well: 10% for value and 6% for growth. If you go out three years, growth did better. It was a quarter of mixed results. The slowing growth of the first half was replaced by renewed strength in the third and fourth quarters. Eric also noted the top performing investments were in emerging markets at 16.02%. A specific allocation to emerging markets was added to the portfolio early in 2016, but the effect has not been as significant because of limited exposure. It was also noted portfolio diversification is intended to smooth out the volatility. The portfolio is still tilted toward equities. Eric noted interest rates remain relatively low, which generally supports a positive outlook for the stock market near term. Most of the overweighting in the portfolio is in large cap stocks and underweight the benchmark target for fixed income, which includes cash as part of fixed income.

Next Eric discussed the performance of the portfolio this quarter. He noted the total portfolio performance was up 2.27% and above the benchmark. In this quarter, cash and fixed income performed poorly relative to stocks. The District's portfolio tilt towards equities helped its performance. Eric pointed out the Core Bond Fund and Federated Bond Fund – both active managers – did much better than the bond index. Eric also noted that the actively managed small cap fund had a weak quarter relative to the category benchmark, up 6.0% versus 9% for the index. Eric discussed how real estate is now broken out as a distinct sector category in equity index benchmarks.

Lastly, Eric provided a chart of the Trust's investments, showing the use of collective investment trusts (CITs) help to lower investment costs. Moving to CITs reduced the District's portfolio costs by

approximately \$25K per year. These costs are not readily visible but rather come out of net asset value of the investment funds used in the portfolio. The chart also listed all the Los Rios RHB trust investments by asset class, and the expense ratios of each fund and any revenue share paid back to the District's trust account. Using CITs has lowered cost relative to most similar mutual funds. Eric stated their commitment to remain vigilant about managing underlying costs to improve overall return, which are measured after expenses. Doing so, improves the potential for beating the portfolio's benchmark over the long term.

Future Meeting Dates/Agenda Items

Our next meeting is February 13, 2017 by teleconference.

The meeting ended at 11:30 a.m.