
LOS RIOS COMMUNITY COLLEGE DISTRICT
RETIREE HEALTH BENEFITS OVERSIGHT COMMITTEE

May 8, 2017

Business Services Conference Room

10:30 a.m.

(Approved 8/14/17)

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

Absent: Kathleen Kirklin

Welcome

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

February 13, 2017 Minutes

The February 13, 2017 minutes were approved by consensus with minor changes.

Review of 1st Quarter 2017 (calendar year) Results

Eric reviewed portfolio returns, which exceeded the benchmark for the 1st quarter.

In addition to the usual Investment Report, Eric also brought in a Projected Risk and Return Asset Analysis report so the Committee could review the expected returns for alternative portfolios compares against the current investment strategy. Data in the analysis continues to support the current investment strategy approved for the Trust.

Eric turned to the Investment Report for the period ending March 31, 2017. On page 9, he noted the investment policy for equities is a minimum of 25% and a maximum of 35%, with a target of 30%. The portfolio's equities are currently at 34.98%. He is watching this closely to make sure the allocation does not go higher than this level. The investment policy range for fixed-income investments is between a minimum of 65% and a maximum of 75%. Currently, the fixed income portfolio is at 64.38%, with 0.65% in cash due to potential near-term interest rate increases. Turning to page 13 of the report, Eric said the entire portfolio had a return of 2.75% for the quarter, which compared well against the benchmark return of 2.32%. The portfolio continues to use indexing for the large cap growth and value investments. Eric also reviewed the performance summary on page 14 and noted the international investments also had a great year as did both active bond managers.

Eric turned to the Projected Risk and Return Asset Analysis report. He reviewed the historical benchmark returns on page 1 and said the portfolio's strategy has provided a solid return over time relative to the Trust's objective. Next, Eric went over the expanding diversification chart on page 3 and the equity diversification with real assets chart on page 4. Turning to page 10, he reviewed the efficient frontier output and the summary on page 11. The light blue brackets of the "Moderate 30% equity / 70% Fixed income" summary corresponds to the Trust's current strategy, with a 20-year expected annual return of 4.84%. The difference in the Moderate portfolio's expected return and a Moderate "Expanded" Portfolio mix (which includes additional asset classes) is 16 basis points. This alternative is expected to provide some return lift and a little less volatility. Eric said he wanted to show the Committee other options, but

believes the current portfolio strategy remains a good fit. Eric can refine the analysis further to look at alternative asset allocations that can provide more diversification. He emphasized the prudence of the Committee periodically looking at other strategy options. Eric can provide something more specific at the next meeting for the Committee to consider.

Future Meeting Dates/Agenda Items

The committee received the draft meeting dates for 2018. Our next meeting is August 14, 2017 by teleconference.

The meeting ended at 11:30 a.m.