
LOS RIOS COMMUNITY COLLEGE DISTRICT
RETIREE HEALTH BENEFITS OVERSIGHT COMMITTEE

May 11, 2015

Business Services Conference Room

10:30 a. m.

(Approved 8/10/15)

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

Welcome

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

February 9, 2015 Minutes

The February 9, 2015 minutes were approved by consensus with minor changes.

Review of 1st Quarter 2015 (calendar year) Results

Starting on page 1 of the Investment report, Eric noted the equity returns were mostly lower in March and reviewed the total returns of the different markets. Turning to page 2, he noted that bond returns were positive for the first quarter. Next, Eric shared the pension discount AA curve. This is something that corporate pensions use, but it is instructive to us to show how interest rates are moving.

The Trust's portfolio current investment policy is to hold 30% in equity assets and 70% in fixed income assets. Currently, the portfolio is holding 34.8% in stocks and thus is more tilted toward stocks. With the lower interest rates, stocks are a more attractive investment. Eric turned the committee's attention to page 8 and noted the investment in the Wells Fargo Core Bond Fund. This is a conservative investment for an active manager portfolio. In the first quarter, interest rates moved lower. Eric went over the cash flow on page 9 and noted that it showed a positive outlook and that the investment gains have been strong over the life of the portfolio. Turning to page 10, Eric reviewed the performance of the total portfolio (net of fees). All of the returns were positive and the portfolio return of 2% out-performed the benchmark. Over the past year, the fixed income portfolio has gained 5.47%. Eric believes the economy is on a good track. Wells Fargo is using active managers in small cap and international funds, both of which are ahead for 3 year and 5 year returns. Overall, the portfolio has had a good quarter, but it is a little behind due to the Federated Bond Fund investment. Despite the underperformance of the Federated Fund, Eric believes we are correctly positioned going forward.

Investment Strategy review

Eric believes the investment strategy we are using works well at this point. The current portfolio investment policy was enacted on 4/1/13. Eric went over the policy and noted the cyclical nature of the markets as shown on page 4 of the Investment Strategy Review handout. Eric also discussed the capital market analysis on page 5. Interest rates are declining so the stocks are performing well. Page 6 describes the key asset classes that the portfolio is utilizing. Our goal is to improve return while reducing risk. We try to develop portfolios that are efficient as possible. Page 7 shows return projections for

several alternative investment strategies to provide useful comparisons for setting expectations and objectives. Over 20 years, our return using the current strategy is expected to be 5.71%. It is possible to increase long term returns, but to do so, you have to take on additional risk in the short term. Eric believes it is good to be well funded and have a more conservative portfolio. Turning to page 8, Eric showed a comparison of index based returns and over 20 years the current strategy had an annualized investment return of 7.07%. We can increase our contribution for the beneficiaries on Medicare, but we must be able to fund premium cost. We are in a good position. The consensus was to continue with same investment strategy.

Fiduciary Review:

Todd turned to the hand out on fiduciary duties and went over the role of a fiduciary. We will post the fiduciary document on the District's web page. The portfolio is up between 2% and 7% depending on what time horizon we are focused.

Theresa noted her intent was to change the evaluation date to June 1st from June 30th. Moving up the evaluation date one month earlier will allow for better budget planning. Actuarial reports are produced every other year and this year's is due June 1, 2015 and will capture our census data. We plan to increase the District contribution once every two years and this change will align with the actuarial study.

Future Meeting Dates/Agenda Items

Our next meeting is August 10, 2015 via teleconference.

The meeting ended at 11:30 am.