I. CALL TO ORDER

The Retirement Board of Authority (RBOA) meeting was called to order at 1:12 PM by Gail Beal, Senior Vice President, Keenan Financial Services.

II. ROLL CALL

RETIREEMENT BOARD OF AUTHORITY (the “Board”) MEMBERS
Director of Finance Kerri Hester
Director, Human Resources Cameron Abbott
Federation of United School Employees (FUSE) Arlene Goff
Sierra College Faculty Association (SCFA) Todd Jensen
Vice President, Student Services Mandy Davies

PROGRAM COORDINATOR
Senior Vice President Gail Beal
Account Manager Roslyn Washington

CONSULTANTS
Morgan Stanley Smith Barney Cary Allison
Benefit Trust Company Scott Rankin

GUESTS
None

OTHER
None

III. APPROVAL OF AGENDA

A motion was made by Board member Todd Jensen to amend the Agenda and position the RBOA Bylaws Item subsequent to the Private Letter Ruling (PLR) Item. The motion was seconded by Board member Mandy Davies and unanimously carried by the Board members present. Cameron Abbott also requested a correction to his current title which is Director, Human Resources.
IV. APPROVAL OF MINUTES

A motion was made by Board member Mandy Davies to approve the May 15, 2012 Meeting Minutes as presented, seconded by Board member Todd Jensen and unanimously carried by the Board members present.

V. INVESTMENTS

PORTFOLIO REVIEW

Cary Allison of Morgan Stanley Smith Barney (MSSB) provided an overview of the District’s Investment Trust Change in Portfolio, Asset Allocation, and Time Weighted Return (Gross and Net of Fees) for period ending April 30, 2012. As of April 30, 2012, the District’s Investment Trust portfolio had an allocation of 57.5% in fixed income funds and 42.5% in equity funds (equity funds comprised 27.8% in domestic equity and 14.7% in international equity). The value of the Portfolio as of December 31, 2011 was $7,747,987.21 and the value as of April 30, 2012 is $8,263,533.22. The April 30, 2012 portfolio value represents an inception to date net of fees rate of return of 5.58% compared to the Barclays Aggregate of 6.07% and the S&P 500 Adj for Divs of 3.62%. The investment results for the latest 12 months show a net increase of 0.18% versus the Barclays Aggregate of 7.56% and the S&P 500 Adj for Divs of 4.75%. The annualized return for the last three year period is 12.47% versus the Barclays Aggregate of 7.07% and the S&P 500 Adj for Divs of 19.46%. The current yield on the District’s Investment Trust portfolio is 3.3%.

Pursuant to an inquiry from Board member Kerri Hester, Cary Allison indicated that the inception date of the District’s Investment Trust was March 14, 2008. Reflecting the financial crisis in the euro-zone, Cary noted that there was an 18% difference when comparing the S&P Index against the EAFE Index in the past year.

In the Board materials provided, Cary presented the Asset Allocation and Portfolio Updates for the Futuris Public Entity Investment Trust Model Portfolios for the period ending March 31, 2012.

A motion was made by Board member Kerri Hester to accept the Portfolio Review as presented. The motion was seconded by Board member Arlene Goff, and unanimously carried by the Board members present.

MARKET OVERVIEW

Cary Allison of Morgan Stanley Smith Barney (MSSB) discussed the JP Morgan Chase trading loss of $2.3 billion and noted that JP Morgan Chase is not affiliated with Morgan Stanley Smith Barney (MSSB). The JP Morgan Chase loss took place in the bank’s London office, where the size of their trading portfolio is over $350 billion. The trader in charge was supposed to be hedging the institution from Europe’s economic turmoil. But when the markets shifted in April and early May, the hedging transactions intended to minimize bank losses in fact magnified them into a multibillion-dollar hit. However, this loss does not affect JP Morgan’s overall balance sheet and they have tried to reassure their shareholders that a bank with $2.5 trillion in assets is not in great danger.

Regarding current global capital market conditions, Cary observed that Greece could choose to leave the euro-zone but it would not be a big deal compared to concerns that exists relative to Spain and Italy. However, he advised that Germany is doing great as they are predominately an export country.
On the domestic front, Cary advised that the U.S. will not experience a double dip recession; he advised that the unemployment rate won’t change and we will experience tepid growth over the next two years; he noted that Corporate America is healthy and corporate earnings will sustain us; he informed Board members that historically stocks have traded at 15 times earnings and currently they are trading at 13 times earnings. Cary feels that U.S. corporations will benefit from what is going on in Europe and Asia.

In the Board materials provided, Cary also presented the first quarter “Capital Markets Overview” from Morgan Stanley Smith Barney (MSSB). Equities continued their fourth quarter 2011 advances, buoyed by central bank easing around the globe, the perception of a less-than-catastrophic outcome in Europe and a stronger than expected U.S. economy. The Dow Jones was up 8.8%, posting its best first-quarter performance since 1998. The NASDAQ Composite was up 18.7%, while the S&P 500 rose 12.6% in the same period. Still, with Europe in a recession and slowing economic growth in China and the U.S., fiscal concerns weighed on global growth expectations. Both Morgan Stanley and Citi economists reduced global growth expectations for 2012 to 3.5% and 3.1%, respectively, with nearly 80% of growth coming from emerging market economies.

In the March 29th update, the Department of Commerce estimated that Gross Domestic Product grew at an annual rate of 3.0% in the fourth quarter of 2011, in comparison with 1.8% in the third quarter of 2011. Both Morgan Stanley and Citi economists forecast that U.S. GDP will grow 2.1% in 2012. For the quarter, the seasonally adjusted unemployment rate fell from 8.3% for January to 8.2% for March. Job gains in the quarter took place in health care, manufacturing and food services and drinking places. However, employment fell in retail trade. The Census Bureau reported that privately owned housing starts in February 2012 were at a seasonally adjusted annual rate of 698,000 – 1.1% below the revised January estimate but 34.7% above February 2011 housing starts. Despite the one-year rise in housing starts, demand for new homes in 2012 remains weak.

In the U.S. bond market, last year’s flight to safety that fueled the year long Treasury rally came to end in the first quarter of 2012 as investors opted to buy riskier assets, including lower-quality debt, such as high-yield corporate bonds. The benchmark 10-year Treasury note yields steadily rose during the first quarter, ending the quarter at 2.2%. During the first quarter, investors overlooked the ongoing negative headlines about state and local government finances, which was a continued boon to the municipal-bond market. However, the powerful rally in U.S. Treasuries fizzled and municipal bond prices gains also diminished.

VI. ADMINISTRATION

DESIGNATION OF NEW MEMBER TO THE RETIREMENT BOARD OF AUTHORITY

A motion was made by Board member Kerri Hester to acknowledge and welcome Cameron Abbott, Director Human Resources, as a member of the Retirement Board of Authority. The motion was seconded by Board member Todd Jensen and unanimously carried by the Board members present.

STATUS OF ACTUARIAL VALUATION STUDY

In reviewing the status of the District’s Actuarial Valuation Study, the Board advised that the District’s actuarial consultant Geoff Kischuk of Total Compensation Systems, Inc. (TCS) will be providing a draft of the new Actuarial Valuation Study soon. A copy of the new Actuarial Valuation Study will be presented at the next RBOA meeting after it has been reviewed by the District’s Board of Trustees.
DISBURSEMENTS

A motion was made by Board member Todd Jensen to approve all the reasonable expenses of the Investment Trust since the last Retirement Board of Authority (RBOA) meeting. The motion was seconded by Board member Cameron Abbott and unanimously carried by the Board members present.

FUTURE TRANSFER OF ASSETS INTO THE TRUST

Board member Kerri Hester wondered if management fees would go down should no transfers be made to the District’s Investment Trust. In response Scott Rankin of Benefit Trust Company (BTC) noted that management fees are 1% of the Investment Trust’s market value.

PRIVATE LETTER RULING

Gail Beal of Keenan Financial Services advised Board members that we are seeing some positive movement towards the IRS issuing a Private Letter Ruling for the Futuris program. Gail noted that our attorney Brian Johnston of Polsinelli Shughart PC. is working with a new IRS agent from the same office as the original IRS agent. The new IRS agent is reviewing some language changes that were requested in the past and Brian Johnston hopes to have resolution subsequent to a meeting with the IRS scheduled on May 30, 2012.

RETIREMENT BOARD OF AUTHORITY (RBOA) BYLAWS

A motion was made by Board member Kerri Hester to defer a discussion on this Agenda Item until the next Retirement Board of Authority (RBOA) meeting. The motion was seconded by Board member Arlene Goff and unanimously carried by the Board members present.

VII. INFORMATION REPORTS

RETIREMENT BOARD OF AUTHORITY COMMENTS

No Retirement Board of Authority comments were made.

PROGRAM COORDINATOR/CONSULTANT COMMENT

No Program Coordinator/Consultant comments were made.

VISITORS COMMENTS

No Visitor comments were made.

VIII. DATE, TIME AND AGENDA ITEMS FOR NEXT MEETING

The next Retirement Board of Authority meeting is scheduled as follows:

- December 4, 2012: 1:00 PM-4:00 PM.
IX. ADJOURNMENT

A motion to adjourn the meeting at 3:58 PM was made by Board member Cameron Abbott, seconded by Board member Kerri Hester and unanimously carried by the Board members present.

Americans with Disabilities Act The Sierra Joint Community College District’s Retirement Board of Authority conforms to the protections and prohibitions contained in Section 202 of the Americans with Disabilities Act of 1990 and the federal rules and regulations adopted in implementation thereof. A request for disability-related modification or accommodation, in order to participate in a public meeting of the Sierra Joint Community College District’s Retirement Board of Authority meeting, shall be made to: Kerri Hester, Director of Finance, Sierra Joint Community College District, 500 Rocklin Road, Rocklin, CA 95677.