I. CALL TO ORDER

The meeting was called to order by Senior Vice President of Keenan Financial Services, Gail Beal at 2:08 PM.

II. ROLL CALL

RETIREMENT BOARD OF AUTHORITY (the “BOARD”) MEMBERS
Director of Finance
Kerri Hester
Interim Vice President, Human Resources
Victoria Simmons
Federation of United School Employees (FUSE)
Arlene Goff
Sierra College Management Association (SCMA)
Adele Hamlett
Vice President, Student Services
Mandy Davies

PROGRAM COORDINATOR
Senior Vice President
Gail Beal
Senior Vice President
Bob Schoenherr
Account Manager
Roslyn Washington

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

GUESTS
Benefit Trust Company
Joe Morsman

OTHER
None

Those absent were:

Sierra College Faculty Association (SCFA)
Todd Jensen
Keenan & Associates
Stacey Bjelke
Accounting Specialist
Kourtney Crandell
III. APPROVAL OF AGENDA

A motion was made by Board member Kerri Hester to approve the Agenda as presented, seconded by Board member Victoria Simmons and unanimously carried by the Board.

IV. APPROVAL OF MINUTES

A motion was made by Board member Mandy Davies to approve the minutes of the previous meeting with an amendment to the motion acknowledging Disbursements from the Trust to reflect that Board member Arlene Goff abstained rather than agreed. The motion was seconded by Victoria Simmons and unanimously carried by the Board.

V. CORRESPONDENCE

No correspondence was presented.

VI. 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, 2011. As of April 30, 2011, the District’s Investment Trust portfolio had an allocation of 57.4% in fixed income funds and 42.6% in equity funds (equity funds comprised 26.2% in domestic equity and 16.4% in international equity). The value of the portfolio on December 31, 2010 was $7,713,514.86 and as of April 30, 2011 the value is $8,136,599.29. The April 30, 2011 portfolio value represents an inception to date net rate of return of 7.39% compared to the S&P/Barclays Blend of 5.20%. The investments results for the last 12 months show a net increase of 11.28% compared to the S&P/Barclays Blend of 11.74%.

A motion was made by Board member Mandy Davies to approve the Portfolio Review as presented, seconded by Board member Adele Hamlett, and unanimously carried by the Board.

MARKET OVERVIEW

Cary Allison of Morgan Stanley Smith Barney (MSSB) presented to Board members the Asset Allocation and Portfolio Updates for the Futuris Public Entity Investment Trust Model Portfolios for the period ending March 31, 2011.
Cary Allison also presented the first quarter “Capital Markets Overview” from Morgan Stanley Smith Barney (MSSB) tracking global economic expansion. In the first quarter, despite the natural disaster in Japan and the political turmoil in the Middle East and North Africa, the global business and equity bull cycles continued. There is growing optimism that the recovery from the financial crisis has become self-sustaining. Expected growth of about 6% in 2011 for emerging market economies, while developed-market economies could expand around 2%. Global mergers-and-acquisitions activity for the quarter totaled $716.3 billion, up 16% from a year ago. The U.S. unemployment rate fell to 8.8%, its lowest level in two years.

Cary Allison continued by providing Board members with MSSB’s “Global Investment Committee 2011 Outlook”. This report reiterated many of the same positive growth indicators reflected in the Capital Markets Overview as follows:

- Global GDP recovery has now become business cycle expansion.
- Global economy growth of 4% with emerging economies expanding by 6% and developed ones by 3%.
- Low 1%-2% inflation in developed countries but 6% in developing ones.
- Developing economy central banks and European Central Bank tighten; Fed on hold until 2012.
- Modest US trade-weighted dollar strength; broad developed country currencies weakness to developing country currencies, especially Asia.
- Longer-term prospects good for a multi-year global business cycle expansion.

Board member Mandy Davies inquired as to how much is the economy affected by the U.S. weak dollar? Cary responded by indicating that U.S. companies are selling a tremendous amount of product overseas and as such the weak dollar has little effect. Cary continued by saying that the economy is no longer in recovery, but is now in an expansion period. MSSB favors equities at this time as we are currently trading at P/E Ratio of 13. Interest rates are no longer going down so this is another reason that MSSB favors equities. Cary also presented the Board with Oppenheimer Funds article entitled “International Bond Fund” He continued by indicating that MSSB is hedging out of Government bonds and explained why the District’s Investment Trust is now positioned with International Bonds Funds.

**REVIEW OF INVESTMENT POLICY STATEMENT**

Scott Rankin of Benefit Trust Company (BTC) reviewed the Investment Policy Statement (IPS) for Board members. He explained that Benefit Trust Company (BTC) is recommending changes to language contained in Appendix A as regards both Equity and Fixed Income Investments that reads “nor shall the trust assets be invested in any mutual fund that holds more than 5% of its portfolio in any single issue or issuer”. Benefit Trust Company recommends this language be deleted and replaced with “not more than 5% of the Trust assets shall be invested in any single equity security”. Scott Rankin explained that by deleting this language, it will prevent a mutual fund manager from being fired for being temporarily over the 5% restriction. The IPS would maintain a requirement that the trust as a whole can not have 5% invested in any one security, looking at the underlying securities of each mutual fund. Technology allows this calculation to be done automatically and Morgan Stanley Smith Barney periodically runs these reports to monitor diversification.

Under Appendix A: Fixed Income Investments, Benefit Trust Company recommends that the following verbiage be deleted “Yankee Bonds” i.e. foreign government bonds or corporate bonds of foreign companies, issued in U.S. dollar denominations, and offered through registration and filing with the SEC and carry a minimum BBB rating” and that it be replaced with new verbiage as follows: “Investment grade foreign
government or corporate bonds carrying a minimum BBB rating, whether or not denominated in U.S. currency, and whether or not hedged for foreign currency risk.” This recommendation is made as a concession to the evolution of the management of international fixed income funds as few of the top managers continue to invest in Yankee Bonds, preferring instead to buy bonds directly off of the foreign exchanges. Additionally, Benefit Trust Company recommends that the following verbiage “nor shall the Trust assets be invested in any mutual fund that holds more that 5% of its portfolio in any single” also be deleted and replaced with “not more than 5% of the Trust assets shall be invested in any single debt security issue or issuer”.

Scott indicated to Board members that the purpose of the language changes was to drill down to the core of the specifics relative to what is expected from District’s Investment Trust Fund managers. Scott further explained that by the time a fund had reached chosen fund status in the District’s Trust portfolio, it had been scanned twice by both Benefit Trust Company (BTC) and Morgan Stanley Smith Barney (MSSB). The Investment Policy Statement was signed by the attending Board members accepting the language changes suggested by BTC.

A motion was made by Board member Kerri Hester to approve the Investment Policy Statement (IPS) with the recommended language changes. The motion was seconded by Board member Victoria Simmons and unanimously carried by the Board.

VII. EDUCATION

Cary Allison of Morgan Stanley Smith Barney (MSSB) advised the Board of asset-allocation changes in the District’s Investment Trust portfolio and the thought processes behind those changes. The PIMCO Total Return Fund (PTTRX) to Prudential Total Return Bond Fund (PDBZX) change was done because the PIMCO Total Return Fund got too large and Morgan Stanley Smith Barney (MSSB) feels that Fund Management is better when funds are smaller.  Board member Mandy Davies inquired about the high expenses on some of the new investments. Cary responded by explaining that at MSSB “we take the expenses into consideration greatly, but smaller funds like Royce Global Value will charge a higher expense until fund assets increase”.

The changes made in the Trust’s portfolio are as follows:

- Domestic Equities -- Royce Special Equity (RSEIX) replaced Perkins Mid-Cap Value (JMCVX).
- Domestic Equities -- Prudential Global Real Estate (PURZX) replaced Cohen & Steers Global Realty I (CSSPX).
- Global Allocation – Blackrock Global Allocation (MALOX) was removed from this investment category.
- Fixed Income -- Prudential Total Return Bond Fund (PDBZX) replaced PIMCO Total Return (PTTRX).
- International Fixed Income – Brandywine Global Opportunities Bond was an addition to this investment category.

Cary Allison also provided Board members with two articles from the Royce Funds.

One article was a Royce Funds Research Paper entitled “Small-Cap: The Evergreen Asset Class” while the other article focused on the volatility of small company stocks and was entitled “Risky Business: Risk Management Begins with the Idea of Attempting to Establish a Margin of Safety”.

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The Royce Funds Research Paper reflected the fact that the investment universe of small companies is both large and diverse. Small-cap equities form the largest domestic equity universe, accounting for approximately 85% of all traded companies in the U.S. At Royce Funds, the universe of small-cap equities are divided into two distinct segments namely:

- Micro-caps have market caps up to $500 million. The U.S. micro-cap segment consists of more than 3,300 companies with approximately $400 billion in total capitalization.
- Small-caps have market capitalization between $500 million and $2.5 trillion. The U.S. small-cap segment encompasses more than 1,100 companies with a total capitalization of approximately $1.3 trillion.

In the Royce Funds article entitled “Risky Business: Risk Management Begins with the Idea of Attempting to Establish a Margin of Safety”, Royce Funds recognize that the historically superior long-term returns of small-cap stocks come with higher business risk and greater volatility. For Royce portfolio managers, managing the volatility of small-cap stocks begins with the basic concept of establishing a “Margin of Safety”. Establishing a “Margin of Safety” begins with the company’s balance sheet and ends with the purchase price in the context of a detailed analysis of the company’s fundamentals.

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**VIII. ADMINISTRATION**

**REVIEW OF THE COMPREHENSIVE COMPLIANCE PLAN, INCLUDING THE SUBSTANTIVE PLAN**

The Review of the Comprehensive Compliance Plan, including the “Substantive Plan” was deferred to the next meeting as Board members have not had a chance to review Volume I and Volume II. Gail Beal of Keenan Financial Services (KFS) suggested that Roslyn Washington of KFS email each Board member a copy of the electronic library so they will be able to approve this as an action item at the next RBOA Meeting. The Board agreed that this was a good idea.

A motion was made by Board member Kerri Hester to defer a review of the Comprehensive Compliance Plan including the “Substantive Plan” until the next RBOA meeting. The motion was seconded by Board member Mandy Davies, and unanimously carried by the Board.

**STATUS OF ACTUARIAL STUDY**

The first draft of the Actuarial Valuation Study is completed and copies were distributed by Board member Kerri Hester. Gail Beal of Keenan Financial Services (KFS) inquired as to the discount rate used and Kerri Hester responded 4.5%. Gail inquired as to the rationale for using that rate and Kerri indicated she didn’t recall but would ask the Actuary. The discount rate used in the previous Actuarial Valuation Study was 7%. Gail Beal suggested that Kerri ask the actuary to run it again at 6% to compare to the study done at 4.5%. Typically an actuary will use the discount rate of 5% where there is not a Fiduciary structure in place.
RETIREMENT BOARD OF AUTHORITY ELECTION OF VICE CHAIRPERSON

This Agenda Item was deferred to the next RBOA Meeting because the Board would like all members present. It was noted that Todd Jensen was absent at this meeting and Kim Myers will be replacing Victoria Simmons on the Retirement Board of Authority (RBOA).

A motion was made by Board member Mandy Davies to defer the RBOA election of Vice Chairperson to the next RBOA Meeting. The motion was seconded by Board member Arlene Goff and unanimously carried by the Board.

DIRECTORS’ AND OFFICERS’ INSURANCE

This Agenda Item was deferred to the next RBOA Meeting as the District did not have an opportunity to research the issue.

A motion was made to defer this Agenda Item to the next RBOA Meeting by Board member Mandy Davies, seconded by Board member Arlene Goff and unanimously carried by the Board.

RETIREMENT BOARD OF AUTHORITY BYLAWS

A motion was made to defer this Agenda Item to the next RBOA Meeting by Board member Adele Hamlett, seconded by Board member Arlene Goff and unanimously carried by the Board.

Roslyn Washington of Keenan Financial Services (KFS) will email each Board member a copy of the RBOA Bylaws template so they can redline any suggested modifications or changes.

DISBURSEMENTS

A motion was made to defer this Agenda Item to next RBOA Meeting by Board member Adele Hamlett, seconded by Board member Arlene Goff and unanimously carried by the Board.

The Board needs to get a copy of the Withdrawal Request Form to include with the Benefit Trust Company (BTC) copy of withdrawal.

PRIVATE LETTER RULING

Scott Rankin of Benefit Trust Company provided Board members with an update on the status of the District’s Private Letter Ruling (PLR). Scott advised the Board that a PLR has not been issued by the IRS. However, this does not mean that there are issues with the District’s Public Entity Investment Trust. The unique structure of the Futuris Public Entity Investment Trust is somewhat different from what the IRS normally works with and sees. Another reason for the delay in the IRS issuing a PLR is due to the fact that the original IRS Agent the District’s PLR attorney had worked with has retired and a new IRS agent needed to be re-educated relative to the unique features of the OPEB Trust. The District’s PLR attorney, Brian Johnston of Polsinelli Shughart PC continues to work on this issue and hopes it will be resolved soon.
STAFF ON-LINE ACCESS TO TRUST ACCOUNT

All access to the Books and Records of the District’s Public Entity Investment Trust must be approved by the Retirement Board of Authority (RBOA).

On April 8, 2011, on behalf of the Retirement Board of Authority, Board member Kerri Hester gave authorization to Benefit Trust Company to provide Carolyn Schwenk access to the Books and Records of the District’s Investment Trust through the Benefit Trust Company website.

A motion, to approve access to the Books and Records of the District’s Investment Trust for Carolyn Schwenk, was made by Board member Mandy Davies, seconded by Board member Adele Hamlett, and unanimously carried by the Board.

IX. INFORMATION REPORTS

RETIREMENT BOARD OF AUTHORITY COMMENTS

Board member Kerri Hester inquired relative to OPEB Bonds and would like more information at the next RBOA meeting. Gail Beal of Keenan Financial Services (KFS) noted that this is a Trust funding option that some other Districts have chosen and that KFS would provide the Board with information. Board member Adele Hamlett proposed that the Board change the number of authorized signatures from two to a higher number. Board member Mandy Davies stated that she felt the Public Entity Investment Trust team was doing a phenomenal job!

PROGRAM COORDINATOR/CONSULTANT COMMENT

Scott Rankin of Benefit Trust Company (BTC) advised the Board members that BTC will be changing their online access system to Sunguard effective July 1, 2011. However, everyone’s online username and password will remain the same.

VISITORS COMMENTS

There were no Visitors comments.

X. DATE, TIME AND AGENDA ITEMS FOR NEXT MEETING

The Agenda items for the next Retirement Board of Retirement Meeting will include:

- OPEB Bond Information – Information Item.
- The Comprehensive Compliance Plan, including the “Substantive Plan” – Action Item
- Actuarial Valuation Study – Information Item
- RBOA Bylaws – Action item
- Disbursements (include the 12/8 withdrawal $6500 w/request form) – Action Item
- Directors & Officers Insurance -- Action Item
XI. ADJOURNMENT

The meeting was adjourned by Gail Beal, Senior Vice President, Keenan Financial Services at 4:34 PM.

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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.