

MINUTES OF THE RETIREMENT BOARD
September 18, 2014

A regular meeting of the Retirement Board convened on Thursday, September 18, 2014 at 8:37 a.m. in the Large Training Resource Center (TRC) Room. The meeting was called to order by President Doug Higashi.

Roll Call – The following Retirement Board Members were present: Tim McGowan, Doug Higashi, Frank Mellon, William Patterson (arrived at 8:39 a.m.), and Alex Coate.

The following staff members were present: Dari Barzel, Rod Deiter, Elizabeth Grasseti, Peter Law, Lourdes Matthew, Eric Sandler, Sophia Skoda, Lisa Sorani and Delores Turner.

PUBLIC COMMENT

There was no public comment.

1 - 4. **Consent Calendar** – A motion was made by Frank Mellon and seconded by William Patterson to approve the Consent Calendar. The motion carried (4-0) by the following voice vote: AYES (Coate, Higashi, McGowan, Mellon, Patterson), NOES: (none), ABSTAIN (none), ABSENT (none).

ACTION

5. **Declaring Results of the Election of a Retired Member of the Retirement Board** – Lisa Ricketts was elected as retiree representative to the Retirement Board with 360 votes out of a total of 660 ballots cast. The motion was moved by Doug Higashi and seconded by William Patterson. The motion carried (5-0) by the following voice vote: AYES (Coate, Higashi, McGowan, Mellon, Patterson), NOES: (none), ABSTAIN (none) ABSENT (none).

6. **Approval of Revised Investment Policy** - The investment policy was introduced by Eric Sandler. Alex Coate asked for an explanation of Appendix 2 – the Placement Agent policy and if the District used placement agents. Eric White from PCA said that they did not. Tim McGowan noted several typographical errors, and staff assured him that they would be corrected. Frank Mellon moved the resolution and Tim McGowan seconded the motion. The motion carried (5-0) by the following voice vote: AYES (Coate, Higashi, McGowan, Mellon, Patterson), NOES: (none), ABSTAIN (None), ABSENT (none).

7. **Adopt Revised Retirement Board Rules** - Retirement Board Rule B-1 was updated to accurately reflect the current ad-hoc meeting schedule of the Administrative-Investment Committee. Tim McGowan made the motion and William Patterson seconded it. The motion carried (5-0) by the following voice vote: AYES (Coate, Higashi, McGowan, Mellon, Patterson), NOES: (none), ABSTAIN (none), ABSENT (none).

8. **Adopt Interim Review of Economic Assumptions** - Andy Yeung from Segal presented this topic. He began by explaining the difference between demographic and economic assumptions and then went on to review the results of the economic review and the resulting recommendations. Segal recommended the following adjustments:

- Reduce price inflation from 3.25% to 3.0%
- Reduce the long-term average annual Cost of Living Adjustment rate from 3.15% to 3.00%
- Change Portfolio Real Rate of Return from 5.05% to 5.07%
- Reduce the assumed investment return assumption return from 7.75% to 7.50%

Segal introduced the idea of adding funding for assumed expenses as well. That option was discussed but not added to the economic assumptions. Tim McGowan asked if the board shouldn't keep the inflation rate at 3.25% and maintain a higher confidence level that the assumptions will be met. Frank Mellon reminded the board that they will revisit the assumptions in two years and could adjust the assumptions then. Frank Mellon then made a motion to adopt the recommendations and William Patterson seconded the motion. The motion carried (4-1) by the following voice vote: AYES (Coate, Higashi, Mellon, Patterson), NOES: (McGowan), ABSTAIN (none), ABSENT (none).

9. **Authorize Low Income Adjustments to Retired Members and Surviving Spouses** – Staff asked the board to authorize the one low-income adjustment application that was received from a surviving spouse of a retiree. The cost to the plan is \$120.69 per a month. Frank Mellon moved the motion, and Doug Higashi seconded it. The motion carried (5-0) by the following voice vote: AYES (Coate, Higashi, McGowan, Mellon, Patterson), NOES: (none), ABSTAIN (none), ABSENT (none).

INFORMATION

10. **Quarterly Performance Report for Second Quarter 2014** – Eric White from PCA reviewed the second quarter performance. The portfolio was up 3.6 % for the quarter and 19.9% for the year, gross of fees. Domestic equities trailed the benchmark but returned 24.9% for the year. International equities underperformed the index by 2.1% but beat the benchmark for all the other time periods. Covered calls produced 4.2% for the quarter, beating the benchmark. Fixed income performed in-line with the benchmark producing 1.4% for the quarter. Real Estate produced 5.8% for the quarter and was ahead of the benchmarks.

11. **RREEF America II Heightened Monitoring Status Update** – Eric Sandler stated that this item should have been an action item and that it will be brought back at the November 20, 2014 board meeting.

REPORTS FROM THE RETIREMENT BOARD

12. **Brief report on any course, workshop, or conference attended since the last Retirement Board meeting** – Tim McGowan attended the CALAPRS Trustees Training at Stanford. He said it was very worthwhile. One thing he learned is that the actuaries should be audited periodically.

Frank Mellon thanked Lourdes Matthew for her memo on Trustee Training and said that he's bringing back some information from the International Foundation conference he is attending. The Board discussed training needs and what was a reasonable amount. They thought that a mixture of in-house and outside courses might be best.

ITEMS TO BE CALENDERED

- Actuarial Audit - costs and next steps
- Trustee Training

ADJOURNMENT –William Patterson moved to adjourn the meeting at 11:42 a.m. and Frank Mellon seconded the motion; the motion carried (5-0) by the following voice vote: AYES (Coate, Higashi, McGowan, Mellon, Patterson), NOES: (none), ABSTAIN (none), ABSENT (none).

President

ATTEST: _____
Secretary

11/20/2014