
LOS RIOS COMMUNITY COLLEGE DISTRICT
RETIREE HEALTH BENEFITS OVERSIGHT COMMITTEE

February 8, 2016

Business Services Conference Room

11:00 a. m.

(Approved 5/9/16)

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

Absent: Kathleen Kirklin

Welcome

Theresa called the meeting to order at 11:00am and welcomed everyone to the meeting.

November 9, 2015 Minutes

The November 9, 2015 minutes were approved by consensus.

Review of 4th Quarter 2015 (calendar year) Results

Eric reviewed the current markets status on page one of the report and shared that the markets are volatile. He pointed out the commodities indexes were negative and have had a challenging time for the last three to five years.

Eric reviewed the portfolio investment policy and went over the current asset allocations. He noted the cash flows and investment gains provide a good history of the portfolio. This year, the gains were flat. Over the last 5 years, however, the portfolio has experienced gains of \$25,454,786. The performance of the portfolio over the last 3 and 5 year periods is good and above the benchmark.

During the last quarter, the problem was fixed income investments, which represent the largest primary asset class of the portfolio. Even though the return was down, the fixed income assets performed better than the benchmark.

The portfolio continues to have a neutral allocation between growth and value stocks due to the uncertainty of the market. Performance was a bit behind for the year, but the investments bounced back in the fourth quarter relative to the benchmark.

Eric shared that the Federated Bond fund is struggling, but when the interest rates increase, he is confident this fund will do better. The Federated Fund continues to have a role to play in the portfolio mix, but it has hurt the portfolio over the last year.

The portfolio is investing in index funds for large cap equities. The portfolio added an active manager fund for small cap equities in late 2014. There is more volatility in this asset class but also more opportunity for active managers. The fund has 3 underlying active managers: one is growth, one is value and one is a combination. Despite the fact returns were negative for the year; the fund outperformed its benchmark. Similarly, the active manager for the global/international market declined less than its benchmark for the period. Eric is considering adding an emerging markets index fund. Eric said this

would not happen immediately, but that we are currently underexposed to emerging markets. When other countries start to improve, we would like to move towards an index fund in this sector.

Looking towards the future, Eric said we are trying to be patient with the market right because it is down about 12-13%. He reminded the committee it is not uncommon for markets to go through corrections like this. It is hard to predict when the market will bottom out. Thus, we will be careful on rebalancing the portfolio and will not do it just yet. In the long term, we think the economy is likely to stay on track. In the short term, we expect volatility in the market given low interest rates and higher stock prices.

Future Meeting Dates/Agenda Items

Our next meeting is May 9, 2016 at 10:30am.

The meeting ended at 12:00 pm.