LOS RIOS COMMUNITY COLLEGE DISTRICT

RETIREE HEALTH BENEFITS OVERSIGHT COMMITTEE

February 14, 2018
Business Services Conference Room
1:00 p.m.
(Approved 5/7/18)

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

Absent:

Welcome

Theresa called the meeting to order at 1:00 p.m. and welcomed everyone to the meeting.

November 13, 2017 Minutes

The November 13, 2017 minutes were approved by consensus.

Review of 4th Quarter 2017 (calendar year) Results

Eric reviewed 4th Quarter 2017 results. The portfolio continues to be fully funded. The amount we are paying out to our retirees is about the same as contributions. Turning to page 13: Eric noted the small overweight in international, while the area the portfolio is most overweight is large cap equities. Eric reminded the Committee, on page 14, the portfolio utilizes several passive index, which can be identifies by the abbreviation “Idx” in the name of each such strategy in the portfolio. As an example, he noted the two fixed income managers are “active” and one is a passive index strategy.

Looking at performance, net returns were up by 2.25% for the quarter and overall the portfolio was up 9.76% for the year. Eric also noted active managers added value throughout the portfolio. Theresa said we are pleased with the returns so far. Touching on the stock market selloff in early February, Eric commented that large cap growth and the S&P are back to where they were at the beginning of the year. In the near future, bonds are likely to face more headwind from a trend of rising interest rates.

Asset Allocation Analysis

Eric next turned to the Asset Allocation Analysis report. Starting on page two of the report, he reviewed the current portfolio guidelines. He also reviewed the analysis methodology described on page 16. Eric then reviewed the three alternative scenarios to show how the risk profile and the returns expectations for each scenario change. He outlined the changes necessary to move from our current portfolio to the three different scenarios shown on page 23. Looking at page 24 of the report, he went over projected range of returns and the Sharpe ratio (a measure of efficiency) for each. He noted the potential portfolio changes represent fine tuning versus major strategy changes. Eric suggested scenario three provides the best risk/return tradeoffs and noted the changes to update the current portfolio. Theresa and Mario will check into what our current Board policy says, the limitations and restrictions affecting potential changes.

If we think we do not need to change board policy, they will ask Eric to send a more specific proposal. If board policy changes are required, it will take several months to complete.

Future Meeting Dates/Agenda Items

Our next meeting is May 7, 2018 from 10:30 a.m. to 11:30 a.m. at the Los Rios Business Services Conference Room.

The meeting ended at 2:00p.m.