
LOS RIOS COMMUNITY COLLEGE DISTRICT
RETIREE HEALTH BENEFITS OVERSIGHT COMMITTEE

August 12, 2013
Business Services Conference Room
1:00 p.m.
(Approved 11/12/13)

Present: LRCCD: Katie DeLeon, Kathleen Kirklin, Tracy Clark, Theresa Matista, Jon Sharpe;
(by teleconference); WFB: Eric Lee (by teleconference)

Absent: None

Guests: None

Welcome:

Theresa called the meeting to order at 12:30 p.m. and welcomed everyone to the meeting. Eric Lee and Kathleen Kirklin joined via teleconference today.

May 6, 2013 Minutes

The May 6, 2013 minutes were considered for approval. A motion was made by Katie DeLeon to approve the minutes with suggested changes. Kathleen seconded the motion.

Motion carried 5:0.

Review of 2nd Quarter 2013 (Calendar Year) Results

Eric Lee reviewed the 2nd Quarter results. He started with a quick review of the investment asset allocation guidelines in place through March 31. He then reviewed the changes effective April 1st, reflecting the narrowing of the range for stocks and fixed income as well as changing the target levels. Eric noted that the new guidelines are consistent with the recommendation to have a target allocation of 30% for stocks and 70% for bonds. The asset allocations remain within Board policy. He also noted that we have changed the benchmark for the International Equity Funds from Morgan Stanley EAFE to the Morgan Stanley All Country World Index xUSA because we wanted a broader benchmark in international funds that includes large emerging markets.

Total Portfolio

Eric recapped the second last quarter and provided information for going forward. He noted the market value for the last several quarters of the Investment report and the Balance of the Portfolio of \$83,192,644 as of June 30, 2013. While the Portfolio value rose from September

through March, it dropped during the 2nd quarter of the current year. Eric shared that the market has been strong and its growth has covered the portfolio's expenses as well as outflows. We expect the District to make the next contribution in July. Theresa Matista noted that we were trying to record the 2012-13 contribution before June 30, but we needed an answer from the District's auditors regarding the accounting treatment as well as wanting to ensure we had received the Education Protection Account (EPA) payment from the State. We accrued the expense as of June 30th, but did not move the money until end of July. Eric asked what the funded level was for end of year. Theresa shared that our actuarial report was based upon assets valued at \$89.8M for the fund, but the auditors may decide that since the 2012-13 contribution was not in the Trust as of June 30, that we should use \$86.3M. The Trust is currently "over-funded" and we will be recommending a 4% increase in benefits to our Board effective as of July 2013. Eric gave an overview of the Investment Report and reviewed the Asset Allocation. Eric noted that the bond investments were just below the 65% minimum and that the Portfolio was over-weighted in the large value and growth stocks. The reason bond investments were below the minimum related to a timing issue in which the value of bonds dropped near the end of the reporting period. The International stocks were slightly under-weighted due to the change in target allocations. In addition, the small cap stocks were also a little over-weighted.

Eric stated the one-month funds were below the benchmark. Fixed income performed worse than the benchmark, but equity performed better. Within fixed income, Federated Total Return Fund and the Wells Fargo Core Bond Fund performed below the benchmark. In Foreign Stock, we moved from the American EuroPacific Growth Fund F1 to the American EuroR6 growth funds. This is basically the same fund, but at lower cost. Eric said that any time we can lower the cost but stay in the same investment, we obtain better performance. We will see additional savings and the benefits of this later in the year.

At our next meeting, we will review the actuarial report. Based on the actuarial report and market uncertainty, we are recommending a 4% improvement in payments to the beneficiaries, totaling \$225 per month, from the District at our August 2013 Board meeting. If approved, this payment will be retroactive to July 2013.

Future Meeting Dates/Agenda Items

November 12th, February 10, May, and August

The meeting ended at 1:35pm