

**RETIREMENT BOARD MEETING  
OF THE SHASTA-TEHAMA-TRINITY JOINT COMMUNITY COLLEGE DISTRICT  
WEDNESDAY, DECEMBER 11, 2013**

**MINUTES**

The Retirement Board of the Shasta-Tehama-Trinity Joint Community College District held their annual meeting on Wednesday, December 11, 2013, in the Board Room of the Shasta College Administration Building located at 11555 Old Oregon Trail, Redding, California.

**1. CALL TO ORDER**

The meeting was called to order by Mr. Joe Wyse, Board Chairperson, at 4:30 p.m.

**2. ROLL CALL**

Roll Call indicated the following:

Members Present

Ms. Rhonda Nehr, STTJCCD Trustee  
Mrs. Rayola Pratt, STTJCCD Trustee  
Mr. Joe Wyse, Superintendent/President  
Mr. Morris Rodrigue, Vice President  
of Administrative Services  
Ms. Nancy Funk, Comptroller

Members Absent

None

**3. CALL FOR REQUESTS FROM THE AUDIENCE TO SPEAK TO ANY ITEM ON THE AGENDA**

Mr. Wyse asked if there were any requests from the audience to speak to any item on the agenda. There were none.

**4. APPROVAL OF MINUTES**

**4.1 Minutes of the Retirement Board's Regular Meeting held December 12, 2012**

It was moved by Ms. Nancy Funk, seconded by Mr. Morris Rodrigue, and carried TO APPROVE THE MINUTES OF THE RETIREMENT BOARD'S REGULAR MEETING HELD DECEMBER 12, 2012. Ms. Rhonda Nehr and Mrs. Rayola Pratt abstained.

**5. REPORTS**

**5.1 Review of District's Investment Portfolio**

Mr. Wyse said we'll now review the District's investment portfolio. Remember our investments are in the League's JPA trust for future retiree health benefits costs. Nancy Funk is the primary representative on the League's JPA, and Morris Rodrigue is the alternate representative. In the packet is the annual report, which is a pretty comprehensive report. If you go to page 3, it has summary of the whole year from July 1, 2012 to June 30, 2013. What you can see is we started the fiscal year with almost \$7.4 million, and we did contribute \$100,000 during the course of the year. At the end of 2013, we booked a payable that didn't get contributed until August or September of another \$160,000. The middle activity is really investment activity showing what transpired through the course of the year. During the year we realized \$137,744 in income, and 3 cents interest, since we maintain very little cash. We had realized gains and losses from assets sold during the course of the year which were shares of various kinds of funds. We realized gains of \$342,446 from those sold assets, and accrued income of 31 cents interest in cash during the period. Other earnings totaled

\$179,957 which represents unrealized gains/losses from the change in the value of assets from the beginning to the end of the year. These are things that haven't been sold, but just have a valuation difference. We don't realize a gain or loss until they are sold. Mrs. Pratt asked if when they determine a value, is it an ongoing appraisal? Ms. Funk replied basically yes. They are looking at a single period of time. At this point on June 30, 2013, the value of various shares of equities held or mutual funds would have been increased by \$179,957 from what we originally purchased. Mr. Wyse said or what they were valued at on July 1, 2012. Ms. Funk said the Trust Fees of \$500 is what we pay for the trustee to hold the funds at US Bank. Mrs. Pratt asked if the trustee is the League. Ms. Funk replied US Bank is hired to be the trustee of the fund. For the other activity at the bottom, a lot of that is big numbers, such as \$7.5 million of ins and outs. The reason the numbers are so big is about 1.5 years ago the trust hit a total of \$100 million for all participants. When that happens they are able to buy institutional shares as opposed to a single share of stock. At that level the pooled group of money actually buys and sells those institutional shares every month to allocate income out. They don't have transaction fees like there would be on an individual portfolio. It's more of a reallocation to keep thing balanced because of the institutional shares. Mrs. Pratt said it keeps income on the books. Ms. Funk replied exactly.

Ms. Funk said one thing I want to point out that is shown at almost the bottom of the page is Miscellaneous Disbursements of \$33,096. What happened is last year there was a merger between US Bank and Union Bank who used to be our trustee. Union Bank sold off a part of their bank to US Bank. They only sold off the trust division. US Bank took on our trust at that point. What happened in the course of the last year in the process of transitioning is there was a problem with the allocation formula and the way the software was dealing with it. Right around May we realized there was a problem. We actually had to go back and restate our earnings allocation for about 6 months. It all had to do with the software changes. That \$33,096 is actually a decrease in our income allocation as a piece of the total portfolio. It has all been resolved. When this occurred, the JPA requested a full audit of US Bank. Mrs. Pratt asked, did they let us know immediately? Ms. Funk replied yes. The audit is probably complete by now. I haven't seen the report yet. By June 30 we were pretty confident they figured out what was going on and fixed the problem, so they did the reallocation to make corrections to everyone's portfolio in the process. The JPA had them audit the numbers. Mrs. Pratt said is that because during the sale the software didn't work? Ms. Funk replied it had something to do with the way they were doing the allocation model. Mr. Wyse said as he understood it the issue was how the software said your school has \$7.4 million, and another school has \$20 million, and how they divided it up is where the error happened. Some schools were credited too much or too little. However, the total return was accurate. Mr. Rodrigue said it was never our money in the first place. It should have been allocated out to other schools. Mrs. Pratt said \$33,000? So each school is different. Mr. Rodrigue replied I think it's because we are not all doing the same type of investing. It depended upon what the school is choosing as to how it proportionally came out. Mrs. Pratt said the different investments are what we pick out of the choices provided. Ms. Funk replied exactly. Mr. Rodrigue said yes, when they finished, the numbers were somehow incorrect due to the software problem. We should never have seen the \$33,000 as ours in the first place. Ms. Funk said we just wanted to make sure you understood that. It was a strange thing coming into play, but it has been fixed. When we are doing our audit, it doesn't show on our financial statements because it's in an irrevocable trust. But we do have to report it to the actuary when we are doing the actuarial study at the end of the year. I needed to know if when we provided the June 30 numbers were they accurate. By July, US Bank was very confident that the numbers were accurate. They sent it in a preliminary statement as opposed to a regular statement. We didn't get the real June statement until August. Mrs. Pratt said you received a mini statement? Ms. Funk replied it was on an Excel spreadsheet because we were waiting for the audit to be completed. Mrs. Pratt asked we now have that guarantee

because we have the statement? Ms. Funk replied yes. We should be getting the audit any time. We don't suspect they will find anything other than that they figured out the problem and fixed it. Mrs. Pratt said so they identified the problem? Ms. Funk said it was the software. It was not anyone doing anything wrong—it was just a software issue. We're glad they figured it out.

Ms. Funk said the rest of the statement behind page 3 is all the detail for the annual activity. One thing to point out is of the ending balance of \$8.1 million, our direct contributions totaled \$6.725 million. The balance has grown that much based on earnings. For the fiscal year we had an 8.5% return on investment, which is not too shabby, especially since we're invested in the balanced fund which is relatively conservative. Mr. Wyse said this represents our fiscal year, not the calendar year. Lots of things this time of year state calendar year, but we're on a fiscal year. Ms. Funk said it's a pretty decent rate of return for what was going on in the market. Are there any questions on the annual report? You can see on a monthly basis the allocations of earnings. They are allocated at the beginning, which is why we had to go back and take it out of the end. Mrs. Pratt asked is there nothing more current than June 30? Ms. Funk replied yes, right behind it is the October statement. Mr. Wyse said it starts on page 88 of the agenda. Ms. Funk said that's where the numbers are more current. We haven't received the November statement yet. It takes longer to produce because of the allocations. It's not like a regular bank statement. There is a process to go through. This statement does reflect the additional \$168,000 or \$177,000. You can see on this one that Other Earnings are at \$174,666 for a single month, not the entire year. The market is doing well right now. We like those numbers. Mrs. Pratt asked what do we do when the market starts sliding? Is there anything directly to do? Mr. Wyse replied grin and bear it. Ms. Funk said there will be ups and downs. That's why we chose the balanced fund as our allocation method. It keeps a balance of fixed income and equities, which balance each other out. When one side has bad days, the other side is generally doing better. If stocks are bad, bonds are better.

Mr. Wyse said this is the long haul we're looking at. Mrs. Pratt asked how long is the long haul? Mr. Wyse replied our actuarial study spans 30 years. Ms. Funk said this is basically the trust to pay future health benefits for the life of our retirees, including those who are still working. It will go a long ways out. Mr. Rodrigue said whatever the start date is, it's 30 years at least for the amortization piece. That is the closed one. On one piece it's open, and on the other it's closed. Mrs. Pratt said 30 years to life? Ms. Funk replied the trust will stay in effect as long as the District has liability to pay health benefits for retirees. Mrs. Pratt said I don't understand the 30 years. Ms. Funk replied when GASB proclaimed we had to start putting this liability on our books and considering what that liability really was, we were given 30 years to amortize a \$40 million liability. We didn't have to hit our books with that \$40 million liability in the first year, only 1/30<sup>th</sup> of the \$40 million. It's almost like a mortgage. We're paying it over 30 years. Mr. Rodrigue said on page 269 of the regular agenda the Grand Total of \$40,133,078 is three-quarters of the way down in the table. That's the amount we're supposed to amortize over 30 years based on the current retirees study just completed. Ms. Nehr said plus there are different variables possible given the best or worse case scenarios. Ms. Funk replied yes, such as mortality rates, health care costs and trends. Mr. Rodrigue said as well as what contract people retired under. We're actually ahead of schedule. The (\$478,130) is telling us we are ahead of schedule. We're talking about plunking money ahead of time into the fund so it gets to the point where we can reach our goal faster. Page 270 of the Board agenda shows the annual required contribution based on a normal cost of \$96,158 to pay for future benefits of our current crop of employees. The \$2.45 million pay as you go figure is the cost plus the additional we are putting in to fund the retirees that haven't been funded, yet the negative below that is showing we are a little ahead right now. If there was no prefunding, our ARC would have been \$96,158 plus some higher number. For some districts that ARC amount is often a lot higher than the pay as you go amount. On page 271,

the 2013 pay as you go amount is \$2.1 million. We're trying to get ahead of schedule. This will allow us to flatten the cost of our retiree health benefits as we use interest to pay the cost of our retirees. Mrs. Pratt said this is a substantial thing we're doing being on budget with this. Mr. Rodrigue replied yes. Ms. Nehr said it will hopefully become self-sustaining down the line with us not having to make any contributions. It depends on what the market does. Mrs. Pratt asked what's the projection down the line? Mr. Wyse replied we like to look out 10 years. Mr. Rodrigue said with the pay as you go in 2022 reaching \$3 million, our long-term goal is to not have to be putting that kind of money into retirees but use the interest from the trust. It's a ways off before we get to that. Mr. Wyse added as long as we keep putting in a healthy amount. Ms. Nehr said it's the responsible way to go. Ms. Funk said if the fund experiences the same kind of unrealized gains and losses it has this year, the fund will hit \$9 million. We're hoping for a good month for November. Mrs. Pratt said it's hard to predict. Ms. Funk said November was a good month for the market.

Mr. Wyse said next on the agenda is whether we want to change the allocation model or stick to the balanced 50/50 approach. We can look at that whenever we want. We can always call special meetings. My view is if we start trying to play the game, we'll be playing catchup to the market. Looking long term, if we let it ride, we tend to have better results by not having fees charged due to buying and selling more. Ms. Funk said the other thing to think about right now is the stock market is doing really well so the tendency is to put more into equities and less into bonds. By the same token it can turn on a dime. Then we'd be in a situation where we would be hit with hefty losses if there was some catastrophic event worldwide. Look at what the crisis in Europe did to our stock market. We'd have to be very reactive when operating that way. When we keep a balance, it is considered a lot more effective and conservative over the long term. It's not our money. It's our responsibility to be prudent with the District's money. We might react differently with our own portfolio than with the District's portfolio.

Ms. Funk asked if there were any questions. Mrs. Pratt said she is glad to have the actuarial study. Mr. Wyse said we only do one every other year. Ms. Funk said the timing on it is we just got the actuarial study back. We received a draft three weeks ago, but just received the final version. Mr. Rodrigue said it varies from year to year. Two years ago we brought it to you in January or February. Two years before that it was during a different month altogether. Ms. Funk said it changed this year because we sent June 30 data so it would be based on a July 1 date because it affects the implementation of what we're doing with current folks. We have a certain length of time to use the report. We wanted it correlated with our fiscal year. That's why four years ago it had an October or November data date. That's why it fluctuates. A lot of it depends on how busy the actuary is.

## 6. **DISCUSSION/ACTION AGENDA**

### 6.1 **Recommendation to Maintain Current Format of Investments**

Mr. Wyse said this is an action item. After looking at the returns and reports, one of your duties is to make a recommendation to either remain with or change the allocation model in the JPA. I've said several times that the balanced 50/50 approach is the one we have taken. All of us have said they recommend we remain where we are. Mrs. Pratt said it's the prudent thing to do.

It was moved by Mrs. Rayola Pratt, seconded by Ms. Rhonda Nehr, and carried TO RECOMMEND TO THE DISTRICT'S BOARD AND THE DESIGNATED MEMBER TO MAINTAIN THE CURRENT FORMAT OF INVESTMENTS.



**7. COMMENTS FROM THE AUDIENCE**

Mr. Wyse asked if there were any comments from the audience.

Mrs. Pratt asked, do we change the people on the committee every year? Mr. Wyse said we can at tonight's organizational meeting. Mrs. Pratt said she would like to have the same people serve on the committee each year. Mr. Wyse said you will have an opportunity to give input to the new Board President.

**8. DATE OF NEXT REGULAR MEETING OF THE RETIREMENT INVESTMENT BOARD**

Mr. Wyse said the date of the next regular meeting of the Retirement Board is December 10, 2014.

**9. ADJOURN**

It was moved by Ms. Rhonda Nehr, seconded by Mrs. Rayola Pratt, and carried TO ADJOURN THE MEETING.

Mr. Joe Wyse adjourned the meeting at 5:02 p.m.

Respectfully submitted,



Theresa Markword  
Recorder