SOCCCD: Retirement Board of Authority Investments

Board of Trustees Meeting
April 28, 2014
The Board requested information on the Retirement Board of Authority (RBOA) investment policy, structure, and processes used to manage the Other Post-Employment Benefits (OPEB) Trust funds to ensure fiscal stewardship.

Recent large investment losses experienced in the UC System prompted the request.
OPEB Trust Responsible Parties

SOCCCD Board of Trustees

Keenan Financial Solutions (KFS)

Keenan

Retirement Board of Authority (RBOA)

Morgan Stanley

Morgan Stanley (MS)

Benefit Trust Company (BTS)
Retirement Board of Authority (RBOA)

- Authorized by SOCCCD Board of Trustees in 2008
- Provides ongoing governance of the OPEB Trust *(trust is irrevocable)*
- Meets Quarterly (Brown Act compliant)
- Approves the Investment Policy Statement (IPS)
- Reviews portfolio performance & approves disbursements
- Reviews actuarial reports
- Manages/administers compliance milestones and the substantive plan
- The trust is a non-directed trust *(which significantly reduces liability, set up in such a way that there is oversight by the RBOA, Keenan Financial Services, and Benefits Trust Company each working independently.)*
Keenan Financial Services (KFS)

- Futuris Plan Program Coordinator
- Assists with the establishment of the OPEB Trust per IRS guidelines and GASB requirements
- Recommends qualified trustee/custodian of the trust (BTS)
- Maintains the substantive plan and other documents
- Provides administrative support to the RBOA
Benefit Trust Company (BTC)

- Discretionary Trustee of the OPEB Trust, manages the OPEB trust funds
- Provides safekeeping of securities
- Appoints an Investment Advisor (MS)
- Approves portfolio recommendations per the Investment Policy Statement (IPS)
- Maintains accurate records of financial transactions
- Provides monthly and annual reports to the RBOA
Morgan Stanley (MS)

- Investment Advisor for the OPEB Trust
- Performs risk tolerance exercises with the RBOA
- Recommends asset allocation based on the IPS
- Screens and recommends investment choices for the portfolio
- Provides performance reports to the RBOA
- Educates the RBOA on market conditions and trends
Investment Policy

- Sets investment objectives in accordance with California Government Code
- Restrictions on equity and fixed income investments
- Sets net target rate of return of 7%
- Risk tolerance is a balance between risk attitude and risk capacity
- Conservatively balances target return objective with least amount of risk

*We do not follow the practices that got the UC system into trouble.* (The structure and policy ensures that.)
Investment Returns

- Investment returns since inception are 6.39% as of March 31, 2014 *(this includes the 2009 market downturn)*
- Balance of funds are $92,418,028.40 as of March 31, 2014; fully funded based on most recent actuarial study
- The trust is annually audited by an independent auditor

### Time Weighted Return - Net of Fees

<table>
<thead>
<tr>
<th>Account</th>
<th>Quarter To Date</th>
<th>Year To Date</th>
<th>Latest 1 Year</th>
<th>Annualized Latest 3 Year</th>
<th>Annualized Latest 5 Year</th>
<th>Annualized Inception To Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Account</td>
<td>1.91</td>
<td>1.91</td>
<td>8.47</td>
<td>6.60</td>
<td>12.93</td>
<td>6.39</td>
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<tr>
<td>Barclays Aggregate</td>
<td>1.84</td>
<td>1.84</td>
<td>-0.09</td>
<td>3.76</td>
<td>4.81</td>
<td>4.92</td>
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<tr>
<td>S&amp;P 500 Adj for Divs</td>
<td>1.80</td>
<td>1.80</td>
<td>21.86</td>
<td>14.65</td>
<td>21.15</td>
<td>9.23</td>
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<tr>
<td>Barclays Global Agg Bd</td>
<td>2.40</td>
<td>2.40</td>
<td>1.89</td>
<td>2.75</td>
<td>5.08</td>
<td>4.02</td>
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<tr>
<td>Unhedged</td>
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<tr>
<td>MSCI EAFE</td>
<td>0.66</td>
<td>0.66</td>
<td>17.56</td>
<td>7.21</td>
<td>16.02</td>
<td>2.46</td>
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Questions