

MINUTES

CALIFORNIA PUBLIC ENTITY PENSION STABILIZATION TRUST (PST) BOARD OF AUTHORITY MEETING

March 11, 2019
12:00 PM – 1:00 PM

I. CALL TO ORDER

1. The meeting was called to order at 12:002 pm by Roslyn Washington.

II. ROLL CALL

1. **All Retirement Board of Authority (RBOA) members were present via teleconference:**

Kim McCord, South Orange County CCD, (Board of Authority Chair)

Anita Undercoffer, Chaffey CCD

Kim Erickson, Chaffey CCD

Steven Haigler, Compton CCD

2. **All Coordinators/Consultants were present via teleconference:**

Roslyn Washington, Senior Account Manager, Keenan Financial Services,

Cary Allison, Senior Vice President, Morgan Stanley (MS),

Scott Rankin, Senior Vice President, Benefit Trust Company (BTC).

III. PUBLIC COMMENTS

1. None

IV. APPROVAL OF AGENDA

1. Kim McCord moved to approve the agenda as presented; motion was seconded by Anita Undercoffer and was unanimously approved by all of the BOA members present.

V. APPROVAL OF MINUTES

1. Roslyn Washington presented the Minutes from the February 18, 2018 meeting.
2. Anita Undercoffer moved to approve the Minutes, Motion was seconded by Steven Haigler and unanimously approved by all members of the Board Authority.

VI. INVESTMENTS

1. **Portfolio Performance Review**

- a. Cary Allison presented a review of the comparative benchmarks and asked that each district review their individual return info that was provided in their packet.

- b. Each participant moved to accept their performance reports, and the comparatives were unanimously approved by the entire Board of Authority.

2. **Market Overview**

- a. Cary Allison gave an overview of the Markets since the last RBOA meeting.

- b. December 2018 was the worst December since the Great Depression.

- c. However, January 2019 was the best January in the last 30 years.
- d. Ultimately, it's about earnings. 2014-2016 earnings were flat. Earnings were up 20% in 2017. In 2018, earnings were up 22% primarily due to the tax cut.
- e. The forecast for 2019 is earnings will increase by 1% above 2018.
- f. Interest rates are the main thing that improved earnings.
- g. We have a new Federal Chair. The Feds were supposedly going to raise Short Term Interest Rates 2-4 times in 2019, but then things began correcting. We think Federal Reserve is finished raising short term rates. Maybe 1 more time this year at most.
- h. We have made no changes to the portfolio mix.
- i. Economy is quite good now. Can't recall when the economy has been so good, but the rhetoric is the opposite.
- j. We don't see a recession anywhere in the horizon.
- k. Long term rates are about where they are. We are at 2.6%
- l. Long term rates may go down slightly in the future.
- m. Global equities rallied to end the first week of 2019, as several positive news items helped stabilize markets following a turbulent December 2018.
- n. There were several catalysts to explain January's rally.
- o. December US jobs report number came in above even the most bullish forecast.
- p. The jump in payrolls came alongside an uptick in labor force participation, while wages also accelerated at their fastest pace since the Financial Crisis.
- q. The solid job report appeared to buoy sentiment, which was particularly welcomed following a weak ISM (Institute for Supply Management) report that had markets questioning the health of the US economy.
- r. Markets also applauded comments from Federal Reserve Chairman Jerome Powell, as the Fed Chair appeared to walk back some of his hawkish remarks last month that had spooked markets in the final weeks of 2018.
- s. Chairman Powell said that the central bank would be "patient" in considering future rate hikes, easing market participants' concerns that the Fed was resolute in maintaining its course of tightening financial conditions.
- t. The market environment in 2018 was one of the most challenging years for equity investors since the Financial Crisis in 2008, with every region and most stocks delivering negative returns.
- u. Bonds and alternative investments also fared poorly at the same time, which meant asset allocation failed to balance out the losses with some gains.
- v. Looking ahead to 2019, while many of the concerns around growth and financial conditions that affected markets in 2018 remain, the risks now appear to be much better reflected in prices.
- w. This item is information only.

3. Review of Investment Policy Statement

- a. Scott Rankin reviewed the Investment Policy Statement with the Board of Authority. Although this document still outlines the rules of investing, each participating district now has multiple portfolio models to choose from.
- b. Kim McCord motioned to reaffirm the IPS, motion was seconded by Anita Undercoffer, and unanimously approved by all members of the Board of Authority.

VII. ADMINISTRATION

1. Disbursement Report

- a. Disbursement Report presented by Roslyn Washington, Keenan to each PST participant showing all fees paid to the consulting firms.
- b. Each participating member confirmed their fees are correct based on end of month market value.
- c. Kim McCord moved to ratify the fees; motion was seconded by Anita Undercoffer and unanimously approved by all Board of Authority members present.

VIII. EDUCATION

1. Increasing Pension Liabilities

- a. Roslyn Washington discussed the increasing STRS & PERS cost and advised the participating members that it would be wise to develop a specific funding schedule similar to that of their OPEB funding schedule.
- b. This is an information item only

IX. INFORMATION REPORTS

1. Retirement Board of Authority Comments

No comments.

2. Program Coordinator/Consultant Comments

No comments.

IX. DATE, TIME AND AGENDA ITEMS FOT NEXT MEETING

- a. TBD
- b. This item is information only.

X. ADJOURNMENT

- a. The Meeting was adjourned by Roslyn Washington at 12:35 PM.