

Minutes of the Special Meeting of the Region 9 Board of Education Pension Committee

February 1, 2016

Filed subject to approval

Attendees: Wally King, Paul Coppinger, Jim Sanders, Jeff Mondt and Peggy Sullivan (members of the Pension Committee); Vance Hancock, Region 9 Board Chairman
Joe DeRosa – USI Advisors

1. Mr. Hancock called the meeting to order at 5:33 p.m. in the Career Center at Joel Barlow High School.
2. **MOTION:** Add Agenda Item 1A: Election of Committee Chairman made by Mr. Coppinger, seconded by Mr. Sanders. Vote: All in favor.
3. **MOTION:** To Nominate Mr. Wally King to serve as chairman of the Pension Committee made by Mr. Sanders, seconded by Mr. Coppinger. Vote: All in favor. Mr. King abstained.
4. Public Comment: None.
5. Motion to approve the Oct. 26, 2015 minutes was made by Mr. Coppinger, seconded by Ms. Sullivan. Vote: All in favor.
6. Mr. DeRosa gave a brief overview of the general economic conditions. January was a rough month, with the S & P dropping 5%, the Dow down 5.4% and emerging markets down 6.5%. China's growth has slowed, oil is below \$30/gallon. OPEC is not slowing oil production, and US banks are starting to set aside reserves against US oil shell companies. In the 3rd quarter of 2015, the US economy grew at an adjusted rate of 2%, there is concern about the size of inventories. Consumer spending has not been as strong as expected, but consumer saving is up 5%. Unemployment remains low at below 5%, but wage growth is not occurring. Corporate profits showed a decline in the 3rd quarter, mostly due to a strong dollar and low energy prices. Inflation remains low at 0.7%, with core inflation at 2.1%. The Federal Reserve raised short term interest rates by 0.25% in December for the first time in seven years.
Mr. DeRosa referred to page 24 of the quarterly report noting that Ivy Asset Strategy fund was moved from international equity to alternative investment. He also noted, as shown on page 27 of the report that the portfolio incurred a \$111,298 investment gain during the quarter, and a \$141,825 investment loss year to date. Mr. DeRosa pointed out 2 sections in the report on page 35 – Research Updates and page 37 – Due Diligence updates. Page 43 in the reports shows the portfolio's performance as compared to the benchmarks – the portfolio has underperformed the benchmarks for the year. Page 44 of the report details each fund investment and it's performance against benchmarks. Committee members had performance questions about DFA and Columbia Acorn International Fund. The Columbia Acorn International Fund will be placed on "Watch" by USI at the committee's request. Mr. DeRosa suggested that the committee consider investing in an indexed fund for large cap funds as a way to match the market and reduce fees. The committee requested a recommendation for a index fund.

MOTION: to authorize USI to sell the total holdings in DFA All Equity Portfolio (currently valued at \$838,856.26) and invest the domestic equity proceeds proportionately in the JP Morgan Large Cap Core Fund, Pioneer Equity Fund, JP Morgan Large Cap Growth Fund and the international equity proceeds proportionately in the MFS International Fund and the Virtus Foreign Opportunities Fund. Sanders, Coppinger. Vote: All in favor.

MOTION: to authorize USI to sell the total holdings in Van Eck Global Hard Assets (currently valued at \$117,738.27) and invest the proceeds proportionately in the remaining funds to rebalance the portfolio. Sanders, Coppinger. Vote: All in favor.

7. The discussion about the Investment Policy Statement was deferred until the next meeting.
8. Mr. DeRosa informed the committee that Reliance will be ending their relationship with Region 9 Pension Trust effective June 30, 2016, and recommends C. Schwab as a replacement. Schwab can perform all tasks as required by USI at a lower fee than Reliance. Mr. DeRosa also spoke about changing the fee structure for the plan, suggesting that the plan pay USI a flat fee for all services and switch the investments from A type funds to I type funds, to also reduce fees. At the request of the committee, Mr. DeRosa will bring a detailed fee comparison to the next committee meeting.
9. The committee briefly discussed the schedule sent by Lisa Larsen after the last meeting which showed the impact on the recommended annual contribution to the plan if various actuarial assumptions were adopted. Conversation to be continued at the next meeting
10. Public Comment: None.
11. Committee Member Comment: None.
12. Motion to adjourn at 8:17 p.m. was made by Mr. Coppinger, seconded by Mr. Sanders, and approved unanimously. Next meeting will be on March 14, 2016 at 5:30PM.

Respectfully submitted,

Peggy Sullivan
Director of Finance & Operations