



CalTRUST Board of Trustees Meeting

September 11, 2013
Santa Barbara, CA

MINUTES

The meeting was called to order by President Lomeli at 8:02 a.m.

1. Roll Call

- \_\_x\_\_ Charles Lomeli (President), Solano County
\_\_x\_\_ Glenn Duncan (Vice President), City of Chino
\_\_x\_\_ Dave Ciapponi (Secretary), Westlands Water District
\_\_x\_\_ Dan McAllister (Treasurer), San Diego County
\_\_x\_\_ John Colville, City of Sacramento
\_\_x\_\_ Rod Dole, Public Member
\_\_x\_\_ Don Kent, Riverside County
\_\_x\_\_ Geoffrey Kiehl, City of Palm Springs
\_\_x\_\_ Russell "Rusty" Watts, Contra Costa County
\_\_x\_\_ Mary Zeeb, Monterey County
\_\_x\_\_ Nancy Parrish, Executive Director
\_\_\_ Steven Woodside, Legal Counsel

Other Attendees:

- Robert Bendorf CSAC Finance Corporation / Yuba County
Rob Castetter Public / San Diego County - Via Teleconference
Norman Coppinger League of California Cities
Laura Labanieh Campbell CSAC Finance Corporation
Antionette Chandler Public / San Diego County - Via Teleconference
Lyle Defenbaugh Wells Capital Management
Mark Hewlett Wells Fargo Bank
Steve Hintz Public / Ventura County
Mike Johnson CSAC Finance Corporation
Norma Lammers Public
Linda Catherine Le Public / Ventura County
Kip Meadows The Nottingham Company
Tony Melville Wells Capital Management
Pat O'Connell CSAC Finance Corporation / Alameda County
Mike Rodgers Wells Capital Management
Larry Spikes CSAC Finance Corporation / Kings County
Steve Swendiman CSAC Finance Corporation
Rick Wood California Special Districts Association

2. Welcome and Introductions

President Lomeli welcomed everyone and self-introductions ensued.

3. Consider Minutes from the Annual Meeting of April 24, 2013

The Board unanimously approved the Minutes from the CalTRUST Board of Trustees Annual Meeting of April 24, 2013.

Motion: G. Duncan
Second: R. Watts

#### **4. Update on CalTRUST Contracts & Operations**

Per Board direction at the Fall 2012 meeting of the CalTRUST Board of Trustees, staff has been working with CalTRUST business partners to refresh all relationships and contracts. Nancy Parrish and President Lomeli led a discussion regarding the desired contract structure and the entity(s) responsible for approval and execution of said contracts. After reference to the Joint Powers Agreement and discussion, the Trustees agreed that only CalTRUST was authorized to approve and execute the Administration Agreement, Investment Advisor Agreement, and Custody Services Agreement.

The Board unanimously approved the Investment Advisor Agreement with Wells Capital Management and the Custody Services Agreement with Wells Fargo Bank, N.A. with the following changes:

- Approved the fee schedule for Investment Advisor Services as 0.073% for the first \$500 million, 0.07% for the next \$500 million, and 0.06% for the balance of the short-term fund; and 0.173% for the first \$500 million, 0.16% for the next \$500 million, and 0.14% for the balance of the medium-term fund; and
- Addition of "This fee schedule shall be reviewed annually" language to both of the fee schedules.

***Motion: D. Ciapponi***

***Second: G. Duncan***

The Board unanimously approved the Program Administration Agreement with the CSAC Finance Corporation with the following changes :

- Section 7 – Replace all references to "CalTRUST" and "Administrator" with "Administrator" and "CalTRUST", respectively;
- Section 7, paragraphs a. and c. - Remove Directors, Officers and Liability Insurance requirement and delete paragraph in entirety, respectively; and
- Section 11 – Change "without the prior written consent of the Trustees of CalTRUST" to "without prior approval by CalTRUST."

***Motion: D. Ciapponi***

***Second: J. Colville***

The Board requested that the next Board Meeting include the consideration of CalTRUST holding it's own Directors, Officers, and Liability Insurance policy.

After review and discussion of the Fund Accounting Agreement with Nottingham Management Company, the Board concurred with the execution of the agreement by the CalTRUST Administrator, the CSAC Finance Corporation.

#### **5. Consider Updates to the CalTRUST Information Statement**

The Board unanimously adopted the revised CalTRUST Information Statement, as presented and revised, including the following changes:

- Updated throughout to include informaton on the CalTRUST Money Market Fund;
- Updated information on medium-term fund benchmark;
- Updated investment advisor description; and
- Updated expense chart showing the Fund Accountant fees broken out from the Investment Advisor Fees and the new Investment Advisor fees as approved.

***Motion: D. Ciapponi***

***Second: R. Dole***

#### **6. Consider Audited Financial Statements for 2012-13 Fiscal Year**

Trustee McAllister presented the audited financial statements for the 2012-13 Fiscal Year reporting that CalTRUST once again received a clean/unqualified opinion with no findings. Trustee Watts requested that a letter explaining the administrative expenses for the Money Market Fund be prepared and added to the audit. The Board unanimously approved the audited financial statements with the money market fund clarification.

**Motion: R. Dole**  
**Second: R. Watts**

**7. Budget Update**

Nancy Parrish reviewed the CalTRUST Budget noting that as of the current fiscal year CalTRUST is now realizing its 1 bps Operating Fee and, therefore, now has its own budget and potential for reserves, instead of CalTRUST expenses being absorbed by the Administrator. The FY 13-14 Budget is based on \$2 Billion in assets.

**8. CalTRUST Education Program Update**

Laura Labanieh Campbell reported that the CalTRUST Education Program continues, with the most recent webinar in July 2013 focusing on Net Asset Value and having 38 registered participants. The webinars are free and available to attendees regardless of CalTRUST participation, making them an effective marketing tool. The concept of Total Return was suggested as a webinar topic. The webinars are recorded and are available for replay on the CalTRUST website.

**9. Client Update & Marketing**

Lyle Defenbaugh reported the total assets in the program at \$1.5 billion, compared to \$1.7 billion in April 2013. Current assets are split roughly 40% counties, 38% cities, 19% special districts, 2% public non-profits, and under 1% higher education. The goal remains \$2 billion in assets by year end. Defenbaugh concluded his update by presenting the list of target agencies and those who are current participants but should be targeted for greater participation.

Trustee Kiehl recommended that CalTRUST try to get involved in the CSMFO meeting next spring and Trustee Kent recommended that CalTRUST participate in the Investment Managers Public Agency Counsel meeting next month.

President Lomeli reported that the Growth Committee met and focused on discussing other target participant groups and assigning prospect follow-up to Committee members.

**10. Nottingham Investment Administration Update**

Kip Meadows presented a handout including transaction statistics. In the last 5 months Nottingham has processed 1,661 transactions, including 119 transactions in the Money Market Fund, 786 transactions in the Short-Term Fund, and 756 transactions in the Medium-Term Fund. He also reported that subaccount processes should be available this fall and that he is working to see if CalTRUST can participate in a California Leadership Forum on October 2<sup>nd</sup>. Meadows also suggested a webinar topic whereby participants are put on a panel to discuss how they use CalTRUST, including the different funds and features.

**11. Investment, Market & Portfolio Strategy Update & Review**

Mike Rodgers and Tony Melville presented the Investment Review. As of July 31, 2013, the Short-Term Fund had a market value of \$626 million with an average credit quality of AA. The fund has competitive returns to LAIF and the Barclays Short-Term Gov/Corp Index, with a modest yield return over both benchmarks.

As of July 31, 2013, the Medium-Term Fund had a market value of \$631 million, with the average credit quality of AA. The fund is only measured on total return and not yield since it is a longer portfolio. Also discussed were reasons why the Medium-Term Fund underperformed its stated benchmark for the quarter, which included rising rates, widening of corporate spreads, and redemptions by bonds funds, all of which were reactions to the possible tapering of quantitative easing by the Federal Reserve.

Rodgers and Melville also reviewed the stress testing on both the Short- and Medium-Term Funds, showing expected returns given changes in interest rates.

Rodgers discussed the pending Monday Market Fund reforms noting that the comment period ends on September 17<sup>th</sup>. Reforms being considered include a floating rate NAV, liquidity fees and redemption gates. Depending on which reforms are approved, CalTRUST will need to decide how to

proceed. Kip Meadows suggested CalTRUST create its own 3c7 fund which permits the exclusion of investment companies from standard registration requirements with the Securities and Exchange Commission (SEC) if all U.S. investors are considered to be "qualified purchasers" or "accredited investors." Trustee McAllister suggested that a government fund be considered as they are expected to be exempt from any of the proposed reforms.

**12. Future Meetings**

Laura Labanieh Campbell presented the future meeting schedule including:

- 2014 Annual Meeting April 23<sup>rd</sup> at the Hyatt Indian Wells
- 2014 Fall Meeting September 17<sup>th</sup> at the Lodge at Torrey Pines
- 2015 Annual Meeting April 15<sup>th</sup> at the Sonoma Mission Inn

**13. Other Business**

There was no other business discussed.

**14. Public Comment**

There was no public comment.

**15. Adjourn**

The meeting was adjourned at 10:41 a.m.