



**CalTRUST Board of Trustees Meeting**

**April 24, 2013**

**Sonoma Mission Inn, Sonoma, CA**

**MINUTES**

The meeting was called to order by President Lomeli at 8:05 a.m.

**1. Roll Call**

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

**Other Attendees:**

Laura Labanieh Campbell	CSAC Finance Corporation
Matt Cate	California State Association of Counties
Lyle Defenbaugh	Wells Capital Management
Larry Fernandes	Wells Capital Management
Tom Ford	CSAC Finance Corporation
Dan Harrison	League of California Cities
Mike Johnson	CSAC Finance Corporation
Tracey Lovely	City of Richmond
Tony Melville	Wells Capital Management
Mike Rodgers	Wells Capital Management
Larry Spikes	CSAC Finance Corporation / Kings County
Steve Swendiman	CSAC Finance Corporation
Jeff Weaver	Wells Capital Management
Rick Wood	California Special Districts Association

**2. Welcome and Introductions**

President Lomeli welcomed everyone and self-introductions ensued.

**3. Consider Minutes of the Fall Board Meeting of September 12, 2012**

The Board unanimously approved the Minutes from the CalTRUST Board of Trustees Fall Meeting of September 12, 2012.

**Motion: G. Duncan**  
**Second: D. Ciapponi**

**4. Discussion of Board Composition**

An ad hoc committee consisting of Trustees Lomeli, Ciapponi, and Colville met in April to discuss expansion of the CalTRUST Board of Trustees. Notwithstanding candidate qualifications, the committee felt that there first needed to be more discussion and formalization of a policy/process for adding new Trustees, especially since CalTRUST is actively working to expand it's participant types (ie: risk management pools, local health plans, local airports). Lomeli established an ad hoc committee to form a Board Selection Strategy consisting of himself, Ciapponi, Colville, Duncan, and Kiehl.

**5. Appoint Audit Committee**

The Board unanimously reappointed Trustees Lomeli, Dole, and McAllister to the Audit Committee for FY 2013-14.

***Motion: D. Ciapponi***

***Second: G. Duncan***

**6. Update on CalTRUST Contracts & Operations**

Per Board direction at the Fall 2012 meeting of the CalTRUST Board of Trustees, staff was has been working with CalTRUST business partners to refresh all relationships and contracts. Nancy Parrish reported that the regulatory environment has greatly changed since the contracts were last reviewed causing a more thorough and time-consuming process. The refreshed contract with Wells Capital Management for investment advisory services must be completed before the other contracts can be addressed and that process should be concluding soon.

**7. Review and Consider Affirmation of CalTRUST Documents**

Per auditor recommendations, the CalTRUST Information Statement, Investment Policy, and Joint Exercise of Powers Agreement (JPA) is brought before the CalTRUST Board of Trustees at their Annual Meeting for affirmation or updating as necessary.

The Board unanimously affirmed the CalTRUST Joint Exercise of Powers Agreement.

***Motion: R. Dole***

***Second: G. Duncan***

The Board unanimously affirmed the CalTRUST Investment Policy.

***Motion: G. Duncan***

***Second: R. Dole***

The Board unanimously adopted the following revisions to the CalTRUST Information Statement:

- **Page 4.** Updating the Net Asset Value calculation from monthly to daily;
- **Page 17.** Updating the Net Asset Value calculation from monthly to daily;
- **Page 19.** Updating investment instructions to include the online portal;
- **Page 21.** Updating withdrawal instructions to include the online portal;
- **Page 22.** Updating Net Asset Value determination to the last business day of each month;
- **Page 23.** Updating transfer instructions to include the online portal;
- **Page 24.** Updating number of Trustees to ten; and
- **Page 24.** Updating Trustees list to include Geoffrey Kiehl.

***Motion: D. Kent***

***Second: G. Duncan***

Additionally, the Board requested that additional revisions be proposed to the Information Statement and brought back to the Board, including:

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- Inclusion of the Money Market Fund;
- Clarification of emergency actions;
- Assignment of determination of dividends; and
- Insurance practices.

### **8. Review Profit/Loss Statement**

Nancy Parrish reviewed the CalTRUST profit/loss statement, noting that CalTRUST meeting expenses have now been broken down into either a Travel or Meeting category. Parrish and Laura Labanieh Campbell then presented the Board with a draft detailed budget, based upon the three fees that are paid by CalTRUST per the formation agreements; Investment Advisory, Operating and Administration. They noted that since CalTRUST is no longer operating at a loss, the 1 bps Operating Fee will be in effect beginning FY 2013-2014, which allows for establishing an actual budget for CalTRUST. Previously, most expenses had been absorbed by the program administrator; the CSAC Finance Corporation. Dole requested that a balance sheet be provided as part of the financial reporting moving forward.

### **9. CalTRUST Education Program Update**

Laura Labanieh Campbell reported that the CalTRUST Education Program kicked-off in October 2012 with a webinar on short-term investing and a white paper on net asset value. A second webinar was held in April 2013 providing an economic update. Both webinars were well attended with over 30 participants. The webinars are free and available to attendees regardless of CalTRUST participation, making them an effective marketing tool. The goal is to hold quarterly webinars and, at the suggestion of Mike Rodgers, the next one will be focused on net asset value. The Board requested that a short announcement suitable for listserv distribution be sent to the Board when webinars are scheduled and that the ability to offer continuing education units be explored. Future webinars will also be recorded for on-demand viewing.

### **10. Client Update & Marketing**

Lyle Defenbaugh reported the total assets in the program at almost \$1.7 billion, compared to \$1.17 billion in August 2012 and \$994 million in April 2012. Current assets are split roughly 46% cities, 31% counties, 19% special districts, 3% public non-profits, and under 1% higher education. The new goal is 200 participant accounts and \$2 billion in assets. Defenbaugh concluded his update by presenting the list of target agencies and those who are currently participants but should be targeted for greater participation.

The Board recommended that more research be done into bond issuances to ensure that CalTRUST is included as an allowed investment for debt proceeds.

Lomeli appointed an ad hoc committee consisting of himself, Duncan, Kent, and McAllister to meet twice a year to focus on program growth.

### **11. Nottingham Investment Administration Update**

Laura Labanieh Campbell reported that since September 2012 Nottingham has processed 1,658 transactions, totalling \$464,474,211 for CalTRUST, including 248 transactions in the Money Market Fund, 831 transactions in the Short-Term Fund, and 579 transactions in the Medium-Term Fund. More participants are also using the automated online transaction processing system.

Lomeli requested that the annual due diligence visit to Nottingham take place within the next eight weeks, and any Trustee interested in attending should contact Laura Labanieh Campbell.

### **12. Investment, Market & Portfolio Strategy Update & Review**

Mike Rodgers, Jeff Weaver and Tony Melville from Wells Capital Management presented the Investment Review. As of March 31, 2013, the Short-Term Fund had a market value of \$658 million with an average credit quality of AA+. The fund has competitive returns to LAIF and the Barclays

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Short-Term Gov/Corp Index with a modest yield return over both benchmarks. The duration target for the fund continues to be driven by ensuring sufficient liquidity while providing a competitive yield to LAIF.

As of March 31, 2013, the Medium-Term Fund had a market value of \$544 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. The duration target remains defensive at 0.05-0.20 years short of the benchmark as rates across the curve remain at historical lows and the risk remains skewed to an eventual rise in yields.

The Money Market Fund currently has \$38.7 billion in total assets.

Stress testing on both the Short- and Medium-Term Funds was positive showing that the net asset value (NAV) will remain stable if rates change.

The Wells Capital Management team received confirmation from the Board that the purchase of split-rated corporate and asset-backed securities is an acceptable practice, pursuant to the law and the CalTRUST Investment Policy. Staff will work with Nottingham to explore reformatting the CalTRUST portfolio listings to show additional ratings as the current list only shows S&P.

### **13. Future Meetings**

The 2013 Fall Meeting of the CalTRUST Board of Trustees will be held September 11<sup>th</sup> at the Biltmore Santa Barbara.

### **14. Other Business**

There was no other business discussed.

### **15. Public Comment**

Li Zhang, Transportation Authority of Marin, thanked the Board for being able to attend and for providing useful information at the meeting.

### **16. Adjourn**

The meeting was adjourned at 10:40 a.m.

***Motion: G. Duncan***

***Second: J. Colville***