



**INVESTMENT COMMITTEE of the
ORANGE COUNTY COMPTROLLER'S OFFICE**

MINUTES OF ITS MEETING

March 22, 2016, 1:30 PM

**Orange County Comptroller's Office
Comptroller Conference Room A
Orange County Administration Center, 4th Floor**

Members attending: Bob Tessier, Margaret McGarrity, Mark Fostier, Paul Wunderlich and Barry Skinner

Staff: Robin Ragaglia, Jordan Cupps, Sean Polland, Carl Anderson and Amanda DeBoer

Guest: Grant Kalson and Steve Roth

1. Ms. McGarrity opened the meeting to public comment

There were no comments.

2. Minutes of the last meeting

The Committee approved the minutes of the December 10, 2015, meeting by unanimous consent.

3. Review of the Retiree Health Care Benefit Trust

Mr. Kalson presented the *Retiree Health Care Benefit Trust Performance Review – December 31, 2015*. The OPEB Trust had a total return of 4% for the quarter and -0.2% over the last twelve months. Mr. Kalson pointed out that the Trust's cash balance was unusually high at the end of the quarter. Mr. Polland informed the Committee that the high cash balance resulted from asset sales made at the end of December to raise funds for a withdrawal from the Trust and provide liquidity for anticipated disbursements to plan participants.

Mr. Fostier and Mr. Skinner left the meeting at this time.

4. Annual Review of Retiree Health Care Benefit Trust Investment Policy

Mr. Polland stated that he would include the Committee's recommendation to reduce the actuarially assumed rate of return to 7% from 7.5% with any additional changes to the Policy recommended during the annual review.

Mr. Kalson suggested changing the language under Section XVI, Mutual Fund Due Diligence, to require a thorough investigation of any pooled investments on an annual basis rather than a continual basis. Mr. Tessier made a motion to recommend this change. Mr. Wunderlich seconded the motion. The motion passed unanimously.

Mr. Roth suggested new language regarding the use of outside service providers. The language is as follows:

"The Comptroller may enlist the help of outside professionals including an accounting firm, an investment consultant, a custodial bank and money managers. The terms of the arrangements with each of these

entities must be consistent with the Trust's investment policy statement. Each shall acknowledge they are fiduciaries to the Trust in regard to the services they provide."

The language was approved for recommendation to the Comptroller by unanimous consent.

5. Review and discussion of rates of return and investment positions

Mr. Anderson distributed and presented the following reports:

Effective Rates of Return by Asset Class for December, January and February
Current Rates as of March 21, 2016
Investment by Classification report as of March 21, 2016

Discussion followed. No action was taken.

6. Review and discussion of cash balances and cash flow

Ms. DeBoer distributed and presented the following reports:

Pool Balance & Noncurrent Portfolio
Cash Flow Analysis
Equity in Pool Chart 3/1/07 – 3/21/2016

Discussion followed. No action was taken.

7. Negative Interest Rate Discussion

Mr. Anderson made a presentation on negative interest rates. He informed the Committee that several large central banks around the world had adopted negative interest rate policies to encourage lending and economic expansion. Mr. Anderson also discussed the potential for a negative interest policy in the United States.

Discussion followed. No action was taken.

8. Next meeting date: To be determined

[Redacted Signature]

Minutes prepared by: Sean Polland

6/21/16
Date

[Redacted Signature]

Attest: Margaret A. McGarrity

6/21/2016
Date