

# MINUTES

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

March 21, 2023

11:00 AM – 12:00 PM

### I. CALL TO ORDER

1. The meeting was called to order at 11:01 pm by Roslyn Washington.

### II. ROLL CALL

1. **All Board of Authority (RBOA) members were present except Kim Erickson & Michelle Owen:**

Connie Cavanaugh South Orange County CCD

Patrick Cabildo, Chaffey CCD

Kim Erickson, Chaffey CCD

Dr. Abdul Nasser, Compton CCD

Michelle Owen, North Orange County Regional Occupational Program

Elvia Galicia, Los Alamitos USD

Nancy Nien, Anaheim Union HSD

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

Roslyn Washington, Assistant Vice President, Keenan Financial Services,

Cary Allison, Morgan Stanley (MS), Investment Consultant to BTC

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

### III. PUBLIC COMMENTS

1. None

### IV. APPROVAL OF AGENDA

1. Connie Cavanaugh moved to approve the agenda as presented; motion was seconded by Patrick Cabildo and was unanimously approved by all of the BOA members present.

### V. APPROVAL OF MINUTES

1. Roslyn Washington presented the Minutes from the March 10, 2021, meeting.
2. Patrick Cabildo moved to approve the Minutes; Motion was seconded by Connie Cavanaugh. Nancy Nien & Elvia Galicia abstained.

### VI. INVESTMENTS

1. **Portfolio Performance Review**

- a. Cary Allison presented a review of the comparative benchmarks and asked that each district review their individual performance reports that were 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 of Morgan Stanley gave an update on current market conditions.
- b. 2022 was the worst year in bond history ever. Bonds were down 13% from Jan 2022 thru Dec 2022. The second worst year was in 1994 when bonds were down 3%.
- c. Last year growth stocks were down between 30-40%, while blue chip stocks were down 4-5%.
- d. The driver of everything last year was inflation. At the beginning of 2022 the market was predicting that inflation was just transitory. This turned out not to be the case.
- e. As inflation grew, the Federal Reserve began to slowly increase interest short-term rates in hopes to thwart off inflation and the increase in consumer spending that was causing it.
- f. The Fed's increased short-term interest rates 7 times in 2022 until it went from zero to the mid 4% range by end of year.
- g. They are on board to increase rates 2 more times in the first quarter of 2023.
- h. By the end of 2022, inflation began to decline aggregately, and Morgan Stanley believes it will hopefully reach the mid 3% range by end of 2023.
- i. The 10-year treasury is now at 1.2%. Comparing it to 4.3% in the beginning of 2022.
- j. Morgan Stanley feels with all this past us there is a great opportunity for bonds this year because of the low share cost.
- k. Stocks on average follow earnings. Morgan Stanley believes earnings are rated too high now and they don't anticipate growth for this year to be more than .5%.
- l. This is an information item 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, district has multiple portfolio models to choose from.
- b. Dr. Abdul Nasser motioned to reaffirm the IPS; Motion was seconded by Connie Cavanaugh, and unanimously approved by all members of the Board of Authority.

# VII. ADMINISTRATION

## 1. Designation of new Board of Authority Member

- a. The Board of Authority would like to formally acknowledge **Elvia Galicia**, Los Alamitos USD, **Nancy Nien**, Anaheim Union HSD, and **Michelle Owen** of North Orange County Regional Occupational Program as new members of the California Public Entity Pension Stabilization Trust Board of Authority (BOA).
- b. This is an information item only.

**2. Election of Board of Authority Chair**

- a. Patrick Cabildo nominated Connie Cavanaugh as BOA Chair; Motion was seconded by Dr. Nasser and approved by all board members present.

**3. Election of Board of Authority Vice-Chair**

- a. Connie Cavanaugh nominated Patrick Cabildo as BOA Vice-Chair; Motion was seconded by Dr. Abdul Nasser and approved by all board members present.

**4. Disbursement Report**

- a. Disbursement Report presented by Roslyn Washington, Keenan to each PST participant showing all fees paid to the consulting firms.
- b. Benefit Trust Company pays Morgan Stanley fees directly.
- c. Each participating member confirmed their fees are correct based on end of month market value.

**VIII. 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. March 2024
- b. This item is information only.

**X. ADJOURNMENT**

- a. The Meeting was adjourned by Roslyn Washington at 11:54 A.M.