

CENTRAL SAN JOAQUIN VALLEY RISK MANAGEMENT AUTHORITY

MINUTES OF THE INVESTMENT SUBCOMMITTEE  
MEETING OF MARCH 25, 2010

A meeting of the Investment Subcommittee of the Central San Joaquin Valley Risk Management Authority (CSJVRMA) was held on March 25, 2010, at the Piccadilly Inn Hotel, Fresno, California.

SUBCOMMITTEE MEMBERS PRESENT: Robert Ford, Chairperson, Clovis  
Leon Compton, Ripon  
Tim Przybyla, Kerman  
Jo Barrick, Shafter  
David Powell, Arvin

SUBCOMMITTEE MEMBERS ABSENT: Ken Walker, Lindsay

OTHERS PRESENT: Jeanette Workman, Administrator  
Rahnesha Keith, Bickmore Risk Services & Consulting  
Jamie Paro, Accounting Manager, Bickmore Risk Services & Consulting  
Jim Elledge, Bickmore Risk Services & Consulting (by phone)  
Marty Cassell, Chandler Asset Management  
Jim Elledge, BRS (by phone)

1. CALL TO ORDER

The meeting was called to order by Chairperson Robert Ford at 12:22 p.m.

2. INTRODUCTIONS

Introductions of those present took place.

3. APPROVAL OF AGENDA AS POSTED (OR AMENDED)

**Jo Barrick moved to approve the agenda as posted. Seconded by Tim Przybyla. Motion passed unanimously.**

4. PUBLIC COMMENTS

None.

5. REVIEW OF INVESTMENT POLICY

The CSJVRMA Bylaws require an annual review of the Investment Policy. The Investment Policy of the CSJVRMA was sent to Mr. Marty Cassell, Chandler Asset Management, for review. In addition, Mr. Jim Elledge, Assistant Treasurer, reviewed the policy. Prior to the meeting, the Subcommittee received a copy of the amended Investment Policy in underline/strikeout text.

Mr. Cassell noted there were no major changes being proposed to the Investment Policy; however, there has been an update to the glossary of investment terms which replaces “Prudent person” with “Prudent investor,” as noted in state code requirements.

**Jo Barrick moved to recommend to the Board of Directors approval of the amended Investment Policy. Seconded by Leon Compton. Motion passed unanimously.**

6. REPORT ON INVESTMENTS BY CHANDLER ASSET MANAGEMENT

Prior to the meeting, the Subcommittee received an investment report for the period ended February 28, 2010, prepared by Chandler Asset Management for Subcommittee members. Mr. Cassell reviewed the report with the Subcommittee and noted that the report includes a brief description of businesses included in the portfolio.

Mr. Cassell addressed the current economic condition and noted there are signs of stabilization and the recession has come to a close; however, it has not been officially declared by the National Bureau of Economic Research (NBER). Signs show that the end of the fourth quarter of 2009 marked the end of the recession. Mr. Cassell noted economic growth is taking place; however, unemployment is a big issue and remains the underlying concern. Due to the depth and severity of the recession the NBER will want to ensure substantial growth before declaring the end of the recession; a main consideration will be the employment outlook. Mr. Cassell noted unemployment has gone down but still remains an issue as the amount of job loss continues to increase. The overall unemployment rate remains at 9.7% and is slightly higher in California.

The Federal Reserve has kept short term interest rates low and expects to keep them low for an extended period of time. In addition, the Reserve buys treasurer notes and bills in the open market to control supply; with the current financial crisis the Reserve expanded purchasing to mortgage backed securities and were the only buyer in that area. Mr. Cassell reported that program will end at the end of March 2010. This may greatly affect current mortgage rates.

Mr. Cassell reported housing has improved and stabilized in recent months but continues to remain weak. The housing tax credit will end April 1<sup>st</sup> which means buyers will need to obtain contracts prior to this time; this will limit the amount of qualifying contracts as the closing period is typically 30-days. Ms. Jo Barrick, City of Shafter, noted Governor Schwarzenegger has executed a bill to offer a \$10,000 tax credit to home buyers within California.

Mr. Cassell reported that in January retail sales rose 4.7% on a year-over-year basis, although consumers remain cautious of spending due to job losses, the housing market contraction, and a general tightening of credit standards.

Mr. Cassell next addressed the Consumer Price Index (CPI), reporting that in January, the CPI showed that consumer prices increased 2.6% on a year-over-year basis due to higher energy prices. When reviewing the core CPI, which doesn't include food and energy, the increase is at a 1.6% year-over-year rate. Mr. Cassell noted economists believe inflation will remain moderate over the next twelve months.

Mr. Cassell reported the preliminary reading of the fourth quarter of 2009 Gross Domestic Product (GDP) shows the economy grew at an annualized rate of 5.9%, a significant improvement from the third quarter of 2009 which had a rate of 2.2%. Mr. Cassell stated over the last three months, interest rates have risen slightly and the yield curve has steepened as the yield on long-term treasuries is much higher than the yield on short-term treasuries.

Mr. Cassell noted the CSJVRMA portfolio consists of two accounts; a claims payment account and a long term growth account. At the time of the report, the claims payment account had a balance of approximately \$8.5 million with a modified duration of 2.48 and the long term growth account had a balance of approximately \$42.1 million with a modified duration of 3.59. Mr. Cassell discussed the sector distribution of each account noting the increase in the Federal Deposit Insurance Corporation (FDIC) insured corporate notes to 20.2% in the claims payment account and 17.6% in the long term growth account. This fund is temporary and will expire in December of 2012.

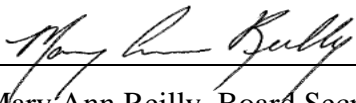
Mr. Cassell reviewed graphs with the Subcommittee showing the total rate of return at three months, twelve months, two years, three years, five years, ten years and since the inception of June 30, 1999, compared against the appropriate government index. Mr. Cassell also noted the CSJVRMA's current portfolio holdings have been included in the report for reference.

Ms. Barrick thanked Mr. Cassell for the thorough report.

7. ADJOURNMENT

**Leon Compton moved to adjourn the meeting. Seconded by David Powell. Motion passed unanimously.**

The March 25, 2010, CSJVRMA Investment Subcommittee meeting adjourned at 1:07 p.m.

  
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Mary Ann Reilly, Board Secretary