RETIRED PUBLIC EPLOYEES ASSOCIATION
YREKA CHAPTER #037

November 2019

Newsletter Editor: Vel Singewald

CHAPTER #37 Meeting: <u>Wednesday</u>, November 20, 2019 at Poor George's Restaurant Banquet Room, Corner of Main & Miner Street, Yreka,

General Meeting and Lunch at 11:30 a.m.

THERE WILL BE <u>NO</u> BOARD MEETING

Chapter Officers	
President: Royce Fischer	(530)459-1040
Vice President: Vel Singewald	(530)842-5453
Secretary: Mark Fischer	(530)842-1040
Treasurer: Freddie Simas	(530)842-2264
Program: Dave Gravenkamp	(530)842-4590
Sunshine: Lyda Teasley	(530)842-2057
Newsletter: Vel Singewald	(530)842-5453
Membership: Dan Morgan	(530)459-5974
Area II Director: Abe Baily	(530)680-7883
Assistant Area II Director: Ernest Sandoval	
Board Members: Lyda Teasley	
Dan Morgan	

PROGRAM

Terry Barber

Siskiyou County Health and Human Services Agency Director at Siskiyou County

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Henry Jones Wins the Retiree Seat on the CalPERS Board

Henry Jones has won the retiree Seat on the CalPERS Board. RPEA will work with Henry, over the next four years, to the best of our ability to increase the security of the pension fund; just as we have in the past. We will advocate every bit as vigorously, going forward, to ensure our pensions remain safe and our health benefits are affordable.

Al Darby
President

CalSTRS's Plan to Reduce Fees

By Leo Kolivakis   May 29, 2019

The California State Teachers’ Retirement System (CalSTRS) is initiating a long-range plan to increase internal management of assets to reduce the $1.8 billion it currently pays out in external management fees: The effort for cost savings comes at a critical time for CalSTRS, the second-largest US retirement plan. The plan is only 65.5% funded as of June 30, 2018, a number that is expected to drop after the plan posts its investment returns for this fiscal year at the end of next month. It has been a volatile year for pension plans primarily due to the ups and downs of the stock market. Few, if any, plans are expected to meet their anticipated rates of return. CalSTRS’s expected rate of return each year is 7%, a rate some critics say is unrealistic. In any case, saving external fees by increasing internal management can give CalSTRS a better chance of meeting its returns projections, argue investment staffers. According to the article, CalSTRS has made the largest progress in internal management in its $28.3 billion fixed income portfolio where 85% of the assets class is internally managed, as well as in the $119.5 billion global equity portfolio, where around 50% is managed internally. The largest group of fees paid to external managers in 2017 was in private equity where $521 million was paid in management fees and carry (profit sharing).CIO Chris Ailman has said that it would be difficult for CalSTRS to run its own direct equity program in a way similar to the way Canadian pension plans do, but he has advocated taking a first step by building the private equity co-investment program, in which pension plans can invest alongside equity general partners, often with no fees or carry. Ailman is absolutely right to focus on building out the co-investment program. Investing alongside general partners on larger transactions is how Canada's large pension funds were able to maintain their allocation to private equity while lowering overall fees. But developing a co-investment program requires internal expertise and this means hiring and paying people with specialized skill sets who can quickly analyze co-investments and invest in the requisite time frames general partners set which is often short notice. CalPERS, the other giant California pension fund, just hired Greg Ruiz as managing investment director for private equity. Ruiz was previously a principal at Altamont Capital Partners, a private equity firm based in Palo Alto, California, according to a statement from CalPERS. CalPERS currently has around $28 billion invested in private equity and sees further investment in the asset class as instrumental to achieving its 7% return target. Its CIO, Ben Meng, discussed the new private equity platforms with me back in March and they're proceeding cautiously, even seeking ideas on this initiative. In a recent board meeting, Meng fielded questions from investment committee members as to why co-investments at CalPERS had stopped. He said the entire program was under review and that it was prudent to stop co-investments as part of the overall review. He also told the investment committee that the new co-investment program must have a steady deployment of money each year, irrespective of market cycles, stating credibility with investment partners will be enhanced by a quick and consistent approval process for co-investments. He’s absolutely right, quick turnarounds are critical to the success of a co-investment program, and the board has to respond in a timely fashion. This is why Canada's large pensions have built successful private equity co-investment programs, they don't always need board approval for every transaction and when they do, they get quick responses. Lastly, I note that in fiscal 2019, CPPIB generated $32 billion of net income from operations after all costs, incurring operating expenses of $1,203 million, $1,586 million in investment management fees paid to external managers, and $477 million of transaction costs. Think about it, CPPIB has a total of $392 billion in assets and pays out $1.59 billion in investment management fees, which is less than what CalSTRS or CalPERS pay out in external management fees (and that's Canadian dollars).The same thing goes for AIMCO, CDPQ, OTPP, OMERS, PSP and BCI. They have all developed co-investment programs to manage the bulk of the assets internally, realizing substantial savings while delivering great long-term results

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Lost Your Insurance Benefits?
We Got Them Back For You!

Our association works hard to protect your pension AND your insurance benefits. This is one of the main advantages of being a member and one of the main reasons we are here for you!

Thanks to our trusted partner, Association Member Benefits & Insurance Agency (AMBIA), members are eligible for exclusive supplemental insurance. Get special group rates on dental, vision, long-term care, cancer, heart, stroke, accident, life insurance, and other policies.

If you've had trouble getting supplemental insurance at a reasonable rate, here's your chance! Best of all, it's easy - you can enroll online or by phone.

OR CALL **877-810-6334** Mon-Fri 8am-5pm CT

SUNSHINE

Sunshine: Vel Singewald:

If anyone knows of a member's illness, or the death of a member, please let me know at email velzpilot@yahoo.com or (530)842-5453

ELECTRONIC MAIL We wish to email the chapter newsletter to as many of our members as possible. You can receive the newsletter via email by letting the newsletter editor or any board member know.

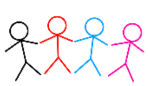
Those that prefer the printed version need take no action & will continue to get it.

If you have moved or changed your address for delivery of this newsletter, please notify: RPEA Headquarters, 300 T Street, Sacramento, CA 95811-6912 or phone (916) 441-7732

RETIRED PUBLIC EMPLOYEES ASSOC.
CHAPTER 37
916 Pioneer Street
Yreka, CA. 96097-2122

RETURN SERVICE REQUESTED

INVITE A FRIEND



We ask you to help out RPEA and our local chapter. You can help by mentioning to your retired friends, or soon to be retired, about your membership in RPEA and answering any questions they may have. You may invite them to our lunch meeting. Remember, prospective members will enjoy a free meal and have a chance to learn about the mission of RPEA.

RPEA Yreka Chapter 37 Meetings for 2020

Poor George's Restaurant Banquet Room, Corner of Main and Miner Sts, Yreka, CA.
Next meeting dates: January 15, March 18, May 20, July 15,
September 16, November 18