



MINUTES

RETIREMENT BOARD MEETING MINUTES

SECOND MONTHLY MEETING
March 22, 2017
9:00 a.m.

Retirement Board Conference Room
The Willows Office Park
1355 Willow Way, Suite 221
Concord, California

Present: Debora Allen, Candace Andersen, Scott Gordon, Jerry Holcombe, Louie Kroll, David MacDonald, John Phillips, Gabe Rodrigues, Todd Smithey, Jerry Telles and Russell Watts

Absent: William Pigeon

Staff: Gail Strohl, Chief Executive Officer; Timothy Price, Chief Investment Officer; Karen Levy, General Counsel; Wrally Dutkiewicz, Compliance Officer; Christina Dunn, Administrative/HR Manager; and Henry Gudino, Accounting Manager

Outside Professional Support:
Ed Hoffman
Joe Wiley

Representing:
Verus
Wiley Price & Radulovich LLP

1. **Pledge of Allegiance**

Allen led all in the *Pledge of Allegiance*.

2. **Accept comments from the public**

No member of the public offered comment.

3. **Approve minutes from the February 8, 2017 meeting**

It was M/S/C to approve the minutes of the February 8, 2017 meeting. (Yes: Allen, Andersen, Gordon, Kroll, Phillips, Smithey, Telles and Watts)

MacDonald and Rodrigues were present for subsequent discussion and voting.

CLOSED SESSION

The Board moved into closed session pursuant to Govt. Code Section 54957.6 and 54956.9(d)(4).

The Board moved into open session.

4. There was no reportable action related to Govt. Code Section 54957.6.

5. There was no reportable action related to Govt. Code Section 54956.9(d)(4).

6. Review of total portfolio performance for period ending December 31, 2016

Hoffman reported that on August 28-29 they will be hosting their Client Summit in San Francisco and an email invitation has been sent to all. He also reported that on February 16, 2017, Verus issued a press release stating they are selling the Strategic Partnership Outsourced CIO portion of their business to Goldman Sachs and he reviewed the personnel changes involved with the sale.

Hoffman reviewed the 4th quarter summary highlighting the changes that have taken place since December 31, 2016. He also reviewed what drove the market in the 4th quarter noting that consumer confidence is up.

He reviewed CCCERA's investment performance for the period ending December 31, 2016 noting the ending market value of the total fund portfolio is \$7,526,951,623. He reviewed the total fund asset allocation vs. the long term target policy. He reported the total fund gross of fees QTD was 0.5% and YTD was 7.4% and the total fund net of fees was 0.4% and YTD was 6.9%. He reviewed the total fund risk analysis for 5 years stating the annualized return was 9.73% with a standard deviation of 5.52%.

7. Presentation from Chief Investment Officer and Verus on updated capital market assumptions and suggested revisions to strategic asset allocation

Price reported this annual review is a departure from past practice where CCCERA reviewed asset allocation targets every 3-5 years.

Hoffman reviewed the methodology for each asset class stating they use a fundamental building block approach based on several inputs, including historical data and academic research to create asset class return forecasts. He reviewed a 2017 vs. 2016 return forecast noting that U.S. large cap equities, emerging markets, and high yield corporate credit all have meaningful changes. He also reviewed an asset allocation analysis noting they are recommending using an alternative mix which increases the size of the Liquidity program by 3% while increasing the portfolio's expected return, decreasing the expected standard deviation, and increasing the portfolio's efficiency.

Hoffman reviewed an asset allocation chart by asset class. He also reviewed how risk is allocated by asset class and by risk factor noting most risk comes from equity exposure.

Telles was no longer present for subsequent discussion and voting.

8. Educational presentation on Composition of Diversifying sub-portfolio

Price gave an overview of his presentation. He reviewed the Diversifying sub-portfolio role in FFP noting it will be a liquid allocation. He stated the goals are for the allocation in aggregate is to behave differently from stocks, have a positive rate of return, and have a high degree of liquidity especially in periods of equity market stress. He stated the strategies fall into three primary categories: long only, long/short or leveraged, and hedge funds. He also reviewed the roles of different strategies in the portfolio and their intermediate outlook. He stated the three categories are viable options for building out the Diversifying sub-portfolio allocation but each requires increasing levels of Board education.

Price asked the Board for guidance and feedback on what they would like the next educational session to be based on. After a discussion on hedge funds, the Board expressed that the educational session should consist of long only options, exploring long/short and/or leverage in a box, and select hedge fund strategies.

Andersen was no longer present for subsequent discussion and voting.

Trustee Allen asked if this would be handled by an outside manager or additional staff. Price stated the staff he has already planned for would be capable of handling this and that we will also need an outside manager.

Price stated staff and Verus will create an educational session for the April 26, 2017 Board meeting.

9. Presentation of Liquidity Report for February 2017

Price reviewed the February 2017 performance stating benefit payments were projected at \$37.5 million and the actual amount was \$35.2 million. The excess amount is being held in the cash account and we will continue to monitor the coverage ratio.

Gordon was no longer present for subsequent discussion and voting.

He reviewed manager positioning and functional roles for the Liquidity sub-portfolio. He stated there are a lot of retirements in March and April so we only want to make modest changes to our forecasting model at this time.

10. Consider and take possible action on SACRS Board of Director Election

Rodrigues recommended Dan McAllister as President, himself as Vice President, Art Goulet as Secretary and Harry Hagen as Treasurer.

It was M/S/C to nominate Dan McAllister for President, Gabe Rodrigues for Vice President, Harry Hagen for Treasurer, and Art Goulet for Secretary. (Yes: Allen, Holcombe, Kroll, MacDonald, Phillips, Rodrigues, Smithey and Watts)

11. Consider and take possible action on SACRS Voting Proxy Form

It was M/S/C to appoint Debora Allen as the SACRS Voting Delegate and Russell Watts as the Alternate Voting Delegate. (Yes: Allen, Holcombe, Kroll, MacDonald, Phillips, Rodrigues, Smithey and Watts)

12. Conference Seminar Attendance

- a. It was M/S/C to authorize the attendance of 2 Board members at the CRCEA Spring Conference, CRCEA, April 24-26, 2017, Ventura, CA. (Yes: Allen, Holcombe, Kroll, MacDonald, Phillips, Rodrigues, Smithey and Watts)
- b. It was M/S/C to authorize the attendance of all Board members and 5 staff members at the SACRS Spring Conference, SACRS, May 16-19, 2017, Napa, CA. (Yes: Allen, Holcombe, Kroll, MacDonald, Phillips, Rodrigues, Smithey and Watts)
- c. It was M/S/C to authorize the attendance of 3 Board members and 1 staff member at the NCPERS Annual Conference & Exhibition, NCPERS, May 21-24, 2017, Hollywood, FL. (Yes: Allen, Holcombe, Kroll, MacDonald, Phillips, Rodrigues, Smithey and Watts)

13. Miscellaneous

(a) Staff Report –

Strohl congratulated Smithey on his re-election to the general member seat since he ran unopposed; and, Price will be receiving a Thought Leadership Award and Youngman will be receiving an Emerging Leader Award at the Institutional Investor Public Funds Roundtable.

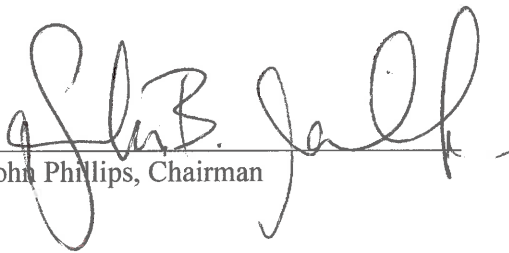
(b) Outside Professionals' Report -

None

(c) Trustees' comments –

Rodrigues reported he and Pigeon are the only ones that applied to run for the Safety seats on the Board.

It was **M/S/C** to adjourn the meeting. (Yes: Allen, Holcombe, Kroll, MacDonald, Phillips, Rodrigues, Smithey and Watts)



John Phillips, Chairman



Scott Gordon, Secretary