



MINUTES

RETIREMENT BOARD MEETING

FIRST MONTHLY BOARD MEETING

9:00 a.m.

April 2, 2014

Retirement Board Conference Room

The Willows Office Park

1355 Willow Way, Suite 221

Concord, California

Present: Debora Allen, Scott Gordon, Brian Hast, Jerry Holcombe, Louie Kroll, Karen Mitchoff, John Phillips, William Pigeon, Gabe Rodrigues, Jerry Telles and Russell Watts

Absent: None

Staff: Timothy Price, Retirement Chief Investment Officer; Karen Levy, Retirement General Counsel; Vickie Kaplan, Retirement Accounting Manager; and Christina Dunn, Retirement Administration Manager

Outside Professional Support:	Representing:
Harvey Leiderman	Reed Smith LLP
Bob Helliesen	Milliman
Marty Dirks	Milliman

1. Pledge of Allegiance

Hast led all in the *Pledge of Allegiance*.

2. Accept comments from the public

Nischit Hegde, UNITE HERE, (a hotel and food service workers' union), spoke on behalf of UNITE HERE Local 1 expressing their concerns about a building in Chicago being converted into a hotel without a labor peace agreement. She stated CCCERA is one of largest investors of the project with real estate manager Angelo, Gordon & Co.'s AG Realty Fund VIII, L.P. and urged CCCERA to ask Angelo, Gordon questions about the lack of a labor peace agreement on the hotel project.

3. Approval of Minutes

It was M/S/C to approve the minutes of the February 12, 2014, meeting with changes to the following: 1) Item 5 on Page 2, third paragraph, to read "Johnson gave a summary of the results of the study noting the study indicated that some of CCCERA's classifications are below the labor market; 2) Item 10, third paragraph, changing the word from to the word form; and, 3) Item 10, Page 3, last paragraph, changing Pigeon's vote from Abstain to No and Hast's vote from Yes to Abstain. (Yes: Allen, Gordon, Hast, Mitchoff, Phillips, Pigeon, Rodrigues, Telles and Watts)

After a discussion on Items 4 and 5, the minutes of the February 26, 2014 meeting were tabled until the next meeting.

4. **Routine Items**

It was M/S/C to approve the routine items of the April 2, 2014 Board meeting. (Yes: Allen, Gordon, Hast, Mitchoff, Phillips, Pigeon, Rodrigues, Telles and Watts)

It was the consensus of the Board to move to Item 15.

15. **Consider and take possible action to contract with Laughlin, Falbo, Levy and Moresi, LLP to provide disability retirement legal services**

Hast reported CCCERA's disability attorney terminated her employment with the County Counsel's Office. CCCERA issued a RFP and received responses from three qualified attorneys. Hast reported he, Levy and Schneider reviewed the responses and felt Susan Hastings of Laughlin, Falbo, Levy and Moresi, LLP provided the best all-around services to meet CCCERA's needs. He introduced Susan Hastings.

Hastings reviewed her background which involves representing insurance carriers and employers in areas such as workers compensation. Her firm currently provides legal counsel and support to SDCERA disability staff. She is familiar with '37 Act systems and with CCCERA's unique Tier 3 disability standards.

It was M/S/C to accept staff's recommendation and enter into a contract with Laughlin, Falbo, Levy & Moresi, LLP to provide CCCERA with disability retirement legal services subject to contract negotiations. (Yes: Allen, Gordon, Hast, Mitchoff, Phillips, Pigeon, Rodrigues, Telles and Watts)

It was the consensus of the Board to move to Item 5.

5. **Presentation from Delaware Investments on creation of Jackson Square Partners** – Trevor Blum, Jeff Van Harte, Dan Prislin

Dirks gave an overview of Delaware Investments and their history with CCCERA noting they have been a good investment manager. He reported the team is now creating their own business noting Jackson Square Partners will be the majority owner. He also reviewed the concerns Milliman has when any changes are made to managing firms.

Prior to their presentation, Jackson Square Partners waived the confidentiality disclaimer on the presentation materials, noting this is a public meeting and any information discussed will be available to the public.

The presenter's introduced themselves and gave a brief overview of their backgrounds.

Blum reviewed the February 18, 2014, press release announcing Delaware Investments and its growth team's joint venture which is scheduled to close on May 1, 2014.

Van Harte reported there will not be many changes occurring on the investment side of the team noting Van Tran will move from Delaware Investments to the CFO of Jackson Square Partners. He also noted they will remain in San Francisco. He reported they will become a fully integrated company with their own operations.

Prislin noted they have negotiated a 2-year transition period with Delaware for a smooth operational transition. He reported the equity ownership of the firm will be 50.1% by Jackson Square and 49.9% will be by Delaware Investments.

Van Harte reported the feedback from current clients has been positive. They believe 60 to 70% of the current Large-Cap Growth clients from Delaware Investments have signed contracts with Jackson Square Partners.

6. **Consider and take possible action to reassign contract from Delaware Investments as Jackson Square Partners**

It was M/S/C to reassign the contract from Delaware Investments to Jackson Square Partners. (Yes: Allen, Gordon, Hast, Mitchoff, Phillips, Pigeon, Rodrigues, Telles and Watts)

Mitchoff was no longer present for subsequent discussion and voting.

7. **Educational presentation from Parametric Clifton on cash overlay strategies** – Justin Henne, Ben Lazarus

Price gave a brief overview of the policy overlay program noting they can be used to securitize cash and help mitigate transaction costs.

Prior to their presentation, Parametric Clifton waived the confidentiality disclaimer on the presentation materials, noting this is a public meeting and any information discussed will be available to the public.

The presenter's introduced themselves and gave an overview of the overlay program strategy noting the presentation is strictly educational.

Lazarus reviewed the difference between a cash overlay and a policy overlay and how to use a policy overlay to enhance performance.

Henne reported each program is tailored for each client. One of the biggest policy shortfalls is the securitized liquidity needs which means that when most plans develop their asset allocation plan, they allocate the majority of their assets and when they get down to cash they usually have a zero allocation to cash. The reality is there is cash at the fund level to pay benefits, there are distributions coming in from private equity managers. There is always a need to carry cash to satisfy short-term liquidity needs.

Transaction cost comparisons and the risks of overlay services were also reviewed.

8. **Presentation from Ocean Avenue Capital Partners** – Jeffrey Ennis, Duran Curis, Brad Williams

Dirks gave a brief overview of Ocean Avenue Capital Partners.

Prior to their presentation, Ocean Avenue Capital Partners waived the confidentiality disclaimer on the presentation materials, noting this is a public meeting and any information discussed will be available to the public.

Williams introduced himself noting he is the third-party marketing representative of the firm.

Ennis gave an overview of his background and reported he and Curis are two of the three co-founders of Ocean Avenue Capital Partners. He introduced the remainder of the team and their talents. He reviewed their investment approach.

Ennis reviewed direct and indirect fees and cost management as well as the Partner Network Sponsors. He briefly gave an overview of the completed investments to date.

9. **Consider and take possible action on consultant recommendation to make commitment to Ocean Avenue Capital Fund II**

Dirks reviewed the Executive Summary and Recommendation to commit up to \$30 million.

It was **M/S/C** to go forward with a commit to Ocean Avenues Fund II with a minimum of \$25 million up to \$30 million subject to legal review, on-site visits and authorize the Board Chair to sign all the necessary contracts. (Yes: Allen, Gordon, Hast, Holcombe, Phillips, Pigeon, Rodrigues, Telles and Watts)

It was the consensus of the Board to move to item 17b.

17b. Outside Professionals' Report

Dirks reported there have been personnel changes at Milliman, Ky Hang left and Travis Rego has been hired at the analyst level.

It was the consensus of the Board to move to Item 14.

14. **Presentation of the cash flow report for the period ending December 31, 2013**

Kaplan gave an overview of the cash flow report noting the new format includes an explanation memo.

It was **M/S/C** to accept the cash flow report as presented for the period ending December 31, 2013. (Yes: Allen, Gordon, Hast, Holcombe, Phillips, Pigeon, Rodrigues, Telles and Watts)

CLOSED SESSION

The Board moved into closed session pursuant to Govt. Code Section 54957, 54956.9(a), 54956.9(b) and 54956.81.

The Board moved into open session.

10. It was **M/S/C** to accept the Medical Advisor's recommendation and grant the following disability benefits:

Louie Kroll recused himself from 10(a) because he is married to the applicant, and did not participate in the discussion or voting on items 10(a) and 10(b).

(a) Tracy Kroll – Non-service Connected (Yes: Allen, Gordon, Hast, Holcombe, Phillips, Pigeon, Rodrigues, Telles and Watts).

(b) Steven April – Service Connected (Yes: Gordon, Hast, Holcombe, Phillips, Pigeon, Rodrigues and Telles Abs.: Allen and Watts)

11. There was no reportable action related to Govt. Code Section 54956.9(d1).

12. There was no reportable action related to Govt. Code Section 54956.9(b).

13. There was no reportable action related to Govt. Code Section 54956.81.

16. **Conference Seminar Attendance**

- a. It was M/S/C to authorize the attendance of 3 Board members and 1 staff member at the Client Conference, Energy Investors Fund, May 6-8, 2014, Dana Point, CA. (Yes: Allen, Gordon, Hast, Holcombe, Phillips, Pigeon, Rodrigues, Telles and Watts)
- b. It was M/S/C to authorize the attendance of 1 Board member and 1 staff member at the Client Conference, Siguler Guff, April 30, 2014 – May 1, 2014, New York, NY. (Yes: Allen, Gordon, Hast, Holcombe, Phillips, Pigeon, Rodrigues, Telles and Watts)
- c. It was M/S/C to authorize the attendance of 1 staff member at the 2014 Global Conference, Milken Institute, April 27 - 30, 2014, Los Angeles, CA. (Yes: Allen, Gordon, Hast, Holcombe, Phillips, Pigeon, Rodrigues, Telles and Watts)

17. Miscellaneous

(a) Staff Report –

Kaplan reported the auditors from Brown Armstrong have been here. Accounting is working on the CAFR and held meetings for the employers on GASB 68.

(c) Trustees' comments –

Telles reported the investment consultant committee has met with Cortex Consulting and requested Cortex Consulting be added to a future agenda to present on the consultation services they can provide the Board.

He also requested a discussion on transition costs be included on a future agenda.

Pigeon reported he attended the on-site to Adams Street and LaSalle with Allen, Chu and Dirks. He felt Adams Street had great synergy and collaboration.

Allen reported on the on-site to Adams Street noting all of the staff members they met with. She felt the on-site went fine. She also reported on the on-site to LaSalle noting they visited one of the current investments.

She requested the Board break for lunch by 1:00 p.m.

She also requested the funding policy be placed on a future agenda.

She also requested the total compensation committee begin meeting again.

Gordon reported on an article he read regarding retirement funds and the investments that are made.

It was M/S/C to adjourn the meeting. (Yes: Allen, Gordon, Hast, Holcombe, Phillips, Pigeon, Rodrigues, Telles and Watts)



Brian Hast, Chairman



Jerry Telles, Secretary