



MINUTES

RETIREMENT BOARD MEETING MINUTES

SECOND MONTHLY MEETING

June 22, 2016

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, John Phillips, Gabe Rodrigues, Todd Smithey, Jerry Telles and Russell Watts

Absent: Brian Hast and William Pigeon

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

Outside Professional Support:
Edward Hoffman

Representing:
Verus Consulting Group

1. Pledge of Allegiance

Allen led all in the *Pledge of Allegiance*.

2. Accept comments from the public

No members of the public offered comment.

CLOSED SESSION

The Board moved into closed session pursuant to Govt. Code Section 54956.9(d)(1)

The Board moved into open session.

3. There was no reportable action related to Govt. Code Section 54956.9(d)(1).

4. Update from Verus on status of Liquidity Manager search

Hoffman gave an update on the status of the Liquidity Manager search noting that in March, 52 firms responded to the RFI and 12 firms were selected to complete the RFP which was due on June 8, 2016. He reported staff will begin on-site due diligence on the top finalists following review of the RFP responses and are targeting the July 27, 2016 meeting for Verus and staff to make a recommendation and for the finalists to present to the Board.

Hoffman reviewed the RFP evaluation criteria and the different options for the liquidity portfolio design including single manager mandate, multiple managers in parallel, and multiple complimentary managers noting he is recommending the multiple managers in parallel because it allows for flexibility and we would be able to compare each of the managers. It is also the most staff intensive. He stated the key challenge is the cash management component. Price noted there will be a 20-40% increase in staff work with this process.

He reported the on-site due diligence work is being done right now and will likely have an update in July.

5. Presentation and recommendation from staff on private market engagement models

Price reported the Board previously approved a 12% allocation to private equity and a 16% allocation to private credit as part of the implementation of the FFP. He reviewed the objectives of the discussion: to highlight the resources needed to build out the private market allocations; to determine the degree of customization required to build a successful program; and to determine the most cost effective implementation model. He reviewed the pros and cons of four different models: Fund of Funds; Advisory Relationship; Consultant-led Implementation; and Staff-led implementation noting the Advisory Relationship and Consultant-led Implementation are the preferred models. He discussed what it will take to build a large private market program noting all are customized programs. He recommends building a custom CCCERA private markets exposure that is more finely tailored and recommends using an external source for guidance in portfolio construction and due diligence because we do not have the staff resources available in house at this time.

6. Consider and take possible action to issue RFP for external private markets strategy design and portfolio construction services

Price recommended that CCCERA issue an RFP to seek customized private markets program design and implementation services where collaboration between CCCERA staff and the vendor will be a key evaluation point. Price stated that his preference is for a non-discretionary engagement.

Kroll was present for subsequent discussion and voting.

After a discussion, it was M/S/C to issue an RFP to seek customized private markets program design and implementation expertise with collaboration between CCCERA investment staff and external provider regarding strategy design and portfolio construction will be a requirement and preference for a non-discretionary engagement. (Yes: Allen, Andersen, Gordon, Phillips, Rodrigues, Telles, Smithey and Watts)

Allen was no longer present for subsequent discussion and voting.

7. Consider and take possible action to approve a salary adjustment to the CCCERA CEO base pay effective July 1, 2016.

- a. It was M/S/C to approve a second amendment to the CEO employment contract effective July 1, 2016 and authorize Board Chairperson to execute the amendment. (Yes: Andersen, Gordon, Holcombe, Phillips, Rodrigues, Telles, Smithey and Watts)
- b. It was M/S/C to amend Attachment A of Resolution 2016-2 providing for salary and benefits for unrepresented employees of CCCERA to reflect the new CEO monthly base salary effective July 1, 2016. (Yes: Andersen, Gordon, Holcombe, Phillips, Rodrigues, Telles, Smithey and Watts)

- c. It was M/S/C to adopt the pay schedules for all CCCERA classifications effective July 1, 2016. (Yes: Andersen, Gordon, Holcombe, Phillips, Rodrigues, Telles, Smithey and Watts)

8. Report from Audit Committee

Smithey gave a report of the June 8, 2016 Audit Committee meeting. He stated Brown Armstrong reported the audit is almost complete with only housekeeping items to take care of. He reported there are no management letters. The committee also had a review of current contribution monitoring that the Board wanted the committee to review. The committee was given a report on what is currently being done and felt the monitoring in place is sufficient. Another item reported at the meeting was that Dutkiewicz will be issuing a formal request for documents from Health Services.

9. Consider and take possible action to cancel the July 21, 2016 meeting

Strohl requested the Board cancel the July 21, 2016 meeting.

It was M/S/C to cancel the July 21, 2016 meeting. (Yes: Andersen, Gordon, Holcombe, Phillips, Rodrigues, Smithey, Telles and Watts).

10. Consider and take possible action to authorize the CEO to execute an insurance policy with Federal Insurance Company for workers compensation insurance effective July 1, 2016

Strohl reported the current policy is expiring soon and asked the Board to approve an additional year noting a 5.4% decrease in the rate.

It was M/S/C to authorize the CEO to execute an insurance policy with Federal Insurance Company for workers compensation insurance effective July 1, 2016. (Yes: Andersen, Gordon, Holcombe Phillips, Rodrigues, Smithey, Telles and Watts).

11. Miscellaneous

(a) Staff Report –

Strohl reported the external auditor will be presenting the 2015 audit at the next meeting and will have draft CAFR's for everyone; and the CCCERA picnic will be July 30 at Rankin Park.

Cox reported the benefit statements were sent out and noted some statements have to be revised due to data conversion errors. Revised statements will be sent out.

Gudino followed up on the Audit Committee stating we are wrapping up the reports for the audit and it should be ready for the July 13th meeting. He also reported it is looking good for CCCERA to once again receive the GFOA award.

(b) Outside Professionals' Report -

None

(c) Trustees' comments –

Holcombe read the following for the record: The coincidental timing of Brian Hast's family trip to the Midwest and today's Board meeting, which would have been his last meeting as a CCCERA Trustee, prevents me from saying the following to him personally today. Fortunately, I can still add my comments to the record.

I've had the pleasure of knowing and serving with Brian on this Board for nearly half of the 18 years he's been a Trustee. During that time, I have found him to be consistently professional, knowledgeable, reasonable, thoughtful, fair, respectful, attentive and articulate. I've also found him to be very well informed on the varied, complicated and often difficult matters that come before this Board. More importantly, I've found him to be ever mindful of his primary, overarching, statutory responsibilities as a Plan fiduciary.

Sometime ago, I concluded that the job of a CCCERA Trustee is relatively easy if you don't allow yourself to be confused by the facts or simply ignore the law when it seems convenient. Thankfully, Brian never took the easy route during his tenure nor, might I add, have his fellow Trustees.

I'm convinced that during the past 18 years, Brian has more than capably represented the many members who trusted and repeatedly re-elected him, the other active and retired members, and the Plan itself. CCCERA, its members, staff and fellow Trustees will sorely miss his professionalism, expertise and experience. I thank him for his service and for his friendship.

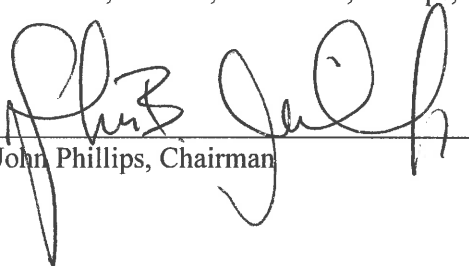
Telles asked when the CAFR will be complete. Gudino stated it will be presented at the July 13th meeting. He asked where he can get additional information on the retiree COLA issue as he is getting a lot of questions. Strohl stated she will talk to him.


Rodrigues reported he met with Phillips, Strohl and John Monroe on GASB 67 and 68 and misunderstood the issue of administrative costs not coming out of normal costs and requested the item be brought back to the Board. Phillips stated he requested additional information from the Actuary and would like to wait and see the additional information before making a decision on the Item returning to the Board.

Gordon embraced Holcombe's comments on Hast stating his wisdom and thoughtfulness on the whole range of issues they discuss will really be missed and it will be a major transition for the Board and he wishes Hast's successor well. He hopes the Board will have the opportunity to recognize Hast soon.

Phillips reported David MacDonald won the election for Seat 2 and his term will begin with the July 13th meeting. He will also miss Hast and was sorry he wasn't able to be at the meeting.

It was M/S/C to adjourn the meeting in honor of Brian Hast for his 18 years of CCCERA service. (Yes: Andersen, Gordon, Holcombe, Phillips, Rodrigues, Smithey, Telles and Watts)


John Phillips, Chairman


Scott Gordon, Secretary