



MINUTES

RETIREMENT BOARD MEETING MINUTES

SECOND MONTHLY MEETING
September 28, 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, David MacDonald, John Phillips, William Pigeon, Gabe Rodrigues, Todd Smithey, Jerry Telles and Russell Watts

Absent: None

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

Outside Professional Support:	Representing:
Ed Hoffman	Verus
Harvey Leiderman	Reed Smith

1. **Pledge of Allegiance**

Holcombe led all in the *Pledge of Allegiance*.

2. **Accept comments from the public**

No member of the public offered comment.

3. **Approval of Minutes**

It was M/S/C to approve the minutes of the August 24, 2016 meeting including a correction to Item 5 a. removing Maytak Chin as a presenter. (Yes: Allen, Andersen, Gordon, MacDonald, Phillips, Rodrigues, Smithey, Telles and Watts)

CLOSED SESSION

The Board moved into closed session pursuant to Govt. Code Section 54956.9(d)(1). 2 cases

The Board moved into open session.

Pigeon was present for subsequent discussion and voting.

4. a. It was M/S/C to appoint Reed Smith for CCCERA and the Board of Retirement's defense on this matter. (Yes: Allen, Andersen, Gordon, MacDonald, Phillips, Rodrigues, Smithey, Telles and Watts)

MacDonald recused himself on the next Item.

b. No reportable action.

5. Presentation of updated Investment Policy Statement

Price and Hoffman reviewed the updated Investment Policy Statement noting it is more concise document, policy focused and anything implementation related was moved to internal procedures. The Board will be asked to adopt Board resolutions for appropriate items. The Board resolutions and internal procedures would be supporting documents to the Investment Policy Statement.

Price noted that staff and outside consultants have incorporated the changes requested from the Board during the first draft into this updated Investment Policy Statement. Hoffman thought the process was very good and collaborative between staff and the consultants.

Hoffman reviewed the changes that were incorporated into the updated Investment Policy noting the changes were clean up language and not substantial changes.

There was a discussion on the internal procedures and Board resolutions. The Board noted that annually the policy should be reviewed.

Andersen was not present for subsequent discussion and voting.

6. Consider and take possible action to adopt updated Investment Policy Statement

It was M/S/C to adopt the updated Investment Policy Statement with a change on page 7 from the word “vis-à-vis” to “as compared to” and a change on page 9 from the term “Investment Directive 610: Asset Allocation” to “Investment Resolution: Asset Allocation”. (Yes: Allen, Gordon, Holcombe, MacDonald, Phillips, Rodrigues, Smithey, Telles and Watts)

7. Consider and take possible action to rescind the Investment Manager On Site Policy

Strohl reported the information included in the current Investment Manager On Site Policy is included in the updated Investment Policy Statement so the Investment Manager On Site Policy is no longer needed. It was M/S/C to rescind the Investment Manager On Site Policy. (Yes: Allen, Gordon, Holcombe, Macdonald, Phillips, Rodrigues, Smithey, Telles and Watts)

8. Review of Implementation Plan for new asset allocation

Hoffman reviewed the steps that the Board has taken and the steps that need to be taken in the future to implement the new asset allocation.

He reviewed in detail the following phases:

Phase 1: The Liquidity sub-portfolio implementation;

Phase 2: Growth and Risk Diversifying sub-portfolios realignment;

Phase 3: Risk Diversifying sub-portfolio completion and Annual Funding Plan

Hoffman noted that the final phase should be completed by summer 2017. The Board discussed how liquidity requirements would be determined.

9. Presentation from staff and Long Wharf Investment managers regarding a potential commitment to Long Wharf Real Estate Partners Fund V – Michael Elizondo, Sarah Biggs and Jeff Gandel

Chu reviewed the market analysis and the staff recommendation noting CCCERA has a 4% target allocation in value-add real estate. He noted Long Wharf's performance has been strong and Fund IV has been very successful. He provided a definition of value-add real estate noted that it has a median level of risk.

Gandel thanked the board and staff for allowing them the opportunity to present. Long Wharf waived the confidentiality statement on the presentation materials.

Gandel reviewed the highlights of their Fund V noting there has been \$350 million of commitments that have closed to date and 45% of the fund's capital is already invested in assets. Biggs reviewed the prior funds noting Fund IV has exhibited strong performance with 13.8% annualized net internal rate of return since inception. Elizondo reviewed Long Wharf's investment philosophy and the opportunities that they have been able to find in the value add real estate market.

10. Consider and take possible action regarding a commitment to Long Wharf Real Estate Partners Fund V

After discussion, it was M/S/C to make a capital commitment of \$50 million to Long Wharf Real Estate Partners V, subject to satisfactory due diligence and legal review. (Yes: Allen, Gordon, Holcombe, MacDonald, Phillips, Rodrigues, Smithey, Telles and Watts)

Gordon and Pigeon were not present for subsequent discussion and voting.

11. Presentation from staff and LaSalle regarding a commitment to LaSalle Income & Growth Fund VII – Matthey Walley, Jim Hutchinson and Joe Munoz

Chu reviewed the staff recommendation noting the recommendation is for a larger commitment than Long Wharf since it is a larger fund with larger properties. There was discussion on the \$4 million that LaSalle did not call for Fund VI and if they would be calling all of the commitment to Fund VII. It was noted that with Fund VII the fee structure has been changed from Fund VI so that fees are paid on called capital instead of committed capital.

Walley provided an overview of Fund VII noting that 40% of the first closing commitments has been deployed and they have a robust acquisition pipeline. Hutchinson reviewed the investment strategy noting they rarely use partners so they can save on costs. Munoz reviewed some of the assets currently held in Fund VII.

12. Consider and take possible action regarding a commitment to LaSalle Income & Growth Fund VII

After discussion on property types and fee structure it was M/S/C to commit \$75 million to LaSalle Income & Growth Fund VII, subject to satisfactory due diligence and legal review. (Yes: Allen, Holcombe, MacDonald, Phillips, Rodrigues, Smithey, Telles and Watts)

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

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

It was M/S/C to appoint Allen as the voting delegate and Rodrigues as the alternate voting delegate at the upcoming SACRS Conference. (Yes: Allen, Holcombe, MacDonald, Phillips, Rodrigues, Smithey, Telles and Watts)

Rodrigues was not present for subsequent discussion and voting.

13. Consider and take possible action to update CCCERA's Conflict of Interest Code

Levy reported the Conflict of Interest Code is reviewed every two years and this year there are changes recommended. Levy reviewed the recommended changes noting that the Investment Officer position has been added and a copy of Fair Political Practices Commission Regulation 18730 has been included as appendix C. She reviewed the process noting once the Board adopts the revised Conflict of Interest Code it is then sent to the County's Board of Supervisors for review and approval.

It was M/S/C to adopt the recommended updates to CCCERA's Conflict of Interest Code. (Yes: Allen, Holcombe, MacDonald, Phillips, Smithey, Telles and Watts)

14. Consider and take possible action to update CCCERA's Procurement of Products and Services Policy

Strohl reported her memo noting that the Procurement of Products and Services Policy states that a review shall occur within one year following the initial adoption and it has been almost one year since the Board adopted the policy. She noted she is requesting some edits based on the experience they have had over the last year.

It was M/S/C to adopt the updated Procurement of Products and Services Policy with the following edits: Page 1, Section A.1. use the word "is" instead of the word "are"; add employee benefit insurance to core providers; and under Section K clarify that exceptions are for non-core providers. (Yes: Allen, Holcombe, MacDonald, Phillips, Smithey, Telles and Watts)

16. Miscellaneous

(a) Staff Report –

Strohl noted the actuarial valuation report and the GASB 68 report will be presented at the October 20th meeting and current recruitments are: Executive Assistant, Deputy CEO, Deputy General Counsel and Accounting Supervisor.

Levy reported AB2833 was approved by the Governor with the objective to increase transparency on alternative investment fees. The SACRS sponsored bill, AB 1853 which would have allowed 1937 Act retirement boards to become independent from their County, was vetoed by the Governor.

Price provided an update on the private market advisory search; Angelo Gordon announced the creation of a management committee to run the firm; Torchlight announced a key man provision was triggered and Bill Stasiulatis is taking a one year sabbatical.

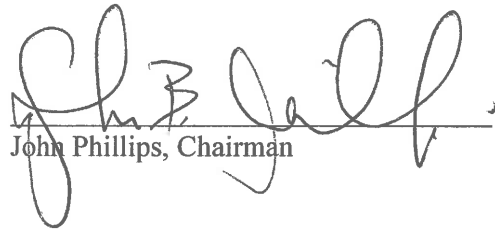
(b) Outside Professionals' Report -

None

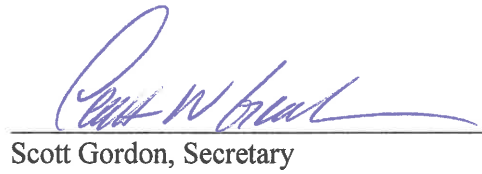
(c) Trustees' comments –

Telles reported there will be some CCCERA staff and consultants speaking at the California Retired County Employees Association (CRCEA) conference and all Trustees are invited to attend.

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



John Phillips, Chairman



Scott Gordon, Secretary

