



## **RETIREMENT BOARD MEETING MINUTES**

SECOND MONTHLY BOARD MEETING

8:30 a.m.

October 23, 2013

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, Gabe Rodrigues, Jerry Telles and Russell Watts

Absent: Richard Cabral

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

Outside Professional Support:	Representing:
Bob Helliesen	Milliman
Marty Dirks	Milliman
Dorian Young	Milliman
Rebecca Byrnes	County Counsel

### **1. Pledge of Allegiance**

Hast led all in the *Pledge of Allegiance*.

### **2. Accept comments from the public**

No members of the public offered comment.

### **3. Approval of Minutes**

It was M/S/C to approve the minutes of the September 4, 2013 meeting. (Yes: Gordon, Hast, Holcombe, Mitchoff, Phillips, Telles and Watts)

It was M/S/C to approve the minutes of the September 11, 2013 meeting. (Yes: Gordon, Hast, Holcombe, Mitchoff, Phillips, Telles and Watts)

Allen was present for subsequent discussion and voting.

### **4. Update from investment consultant regarding the finalists for the International Value Equity Manager search.**

Dirks gave an overview of the managers scheduled to present, noting personnel changes within the firms.

Rodrigues was present for subsequent discussion and voting.

5. **Manager Presentations:**

**MFS Investment Management** – Camille Humphries Lee, Allan Duckett

Duckett gave an overview of the firm noting they have a very experienced team. He reviewed their distinguishing characteristics including an integrated global research platform, a disciplined consistent strategy, and a rigorous valuation discipline. He also reviewed their International Value Equity team.

Lee reviewed upcoming changes to the team. She gave an overview of their stock analysis and their investment approach. She also reviewed their sector, regional and country weights, their top 10 portfolio holdings, and characteristics.

Duckett reviewed their performance. He also reviewed their fee schedule. He noted MFS is a Delaware corporation with 78% of the stock owned by SunLife.

**Schroders Investment Management** – Jamie Macmillan, Justin Abercrombie, Stephen Kwa

Macmillan introduced the presenters. He gave an overview of the firm noting asset management is their sole business. He stated they have over 200 years of financial services experience.

Abercrombie gave an overview of the investment team noting they are based in London, Sydney and New York. He reviewed the firm's investment philosophy, investment process, stock weighting and stock selection. He also reviewed key portfolio characteristics and risk management.

Kwa reported they have achieved consistent performance on a rolling 3 year information ratio vs. peer group. He also reviewed fees noting they average 55 basis points.

**Pyrford International Ltd.** – Tony Cousins, Mark Osterkamp

Osterkamp gave an overview of the firm noting they focus on 4 strategies – global equity, international equity, global absolute return, and Asia Pacific strategies.

Cousins gave an overview of the firm noting they have very limited staff turnover. He reviewed the firm's investment philosophy and country analysis. He gave an overview of the responsibilities of the investment professionals, how they select stocks, portfolio construction and sell decisions. He reviewed their portfolio characteristics and percentage allocations.

Osterkamp reviewed their performance and services. He discussed fees noting they are negotiable.

6. **Consider and take possible action on International Value Equity Manager**

After a lengthy discussion on the manager presentations, it was M/S/C to hire Pyrford International Ltd. subject to due diligence, on-site visits, legal review and authorize the CEO to sign the necessary contracts. (Yes: Allen, Gordon, Hast, Mitchoff, Phillips, Rodrigues, Telles and Watts)

**CLOSED SESSION**

The Board moved into closed session pursuant to Govt. Code Section 54957.

The Board moved into open session.

Telles was no longer present for subsequent discussion and voting.

7. It was **M/S/C** to accept the Medical Advisor's recommendation and grant the following disability benefits:
  - a. Marie Espaniola – Non-service Connected (Yes: Allen, Gordon, Hast, Kroll, Mitchoff, Phillips, Rodrigues and Watts)
  - b. Lisa Beaty – Service Connected (Yes: Allen, Gordon, Hast, Kroll, Mitchoff, Phillips, Rodrigues and Watts)

Telles was present for subsequent discussion and voting.

8. It was **M/S/C** to accept the Medical Advisor's recommendation and deny the service connected disability retirement for Shirley Guyer. (Yes: Allen, Gordon, Hast, Mitchoff, Phillips, Rodrigues, Telles and Watts)
9. **Presentation by Transwestern on the Willows Office Building** – Matt Hurd, Meredith Murphy, David Wilkinson

Hurd gave an overview of the class A Concord market and the class B Concord market, which includes the Willows Office Park building. He reviewed the property highlights, noting the Willows is 93% leased. He also reviewed the vacancy rates in Concord and the Willows.

Murphy gave an overview of Transwestern, noting it is both the leasing and property management firm for the Willows.

Wilkinson reviewed proposed capital projects for 2014, including the building repair needed due to dry rot. He reviewed different scenarios with estimated costs, including removing all siding and trim pieces and replacing them with stucco and replacing all the windows with dual pane windows.

Murphy explained the amortization period, operating expenses and the benefits to tenants.

10. **Consider and take possible action regarding repairs and upgrades to the Willows Office Park Building as recommended by Transwestern**

It was **M/S/C** to proceed with the proposed work, and interview exterior envelope architects and engineers who do exterior water intrusion work and incorporate all the recommendations into one project with one construction manager managing the project. (Yes: Allen, Gordon, Hast, Mitchoff, Phillips, Rodrigues, Telles and Watts)

11. **Miscellaneous**

- (a) Staff Report –

Leedom reported the agenda includes a copy of the Public Pension Standards Award (PPCC), and thanked the accounting staff for their work towards receiving the award.

She reported the filing deadline for the vacant Safety seat is Friday and there is only one candidate to date.

She reported fiduciary insurance will be increasing due to pending lawsuits and the increase will be included in the 2014 budget.

Leedom reported we will begin the previously approved remodel of the front office and are working on a request for additional space.

(b) Outside Professionals' Report

None

(c) Trustees' comments –

Mitchoff recommended putting a place holder for the Safety seat on the Board of Supervisor's November 5, 2013.

Rodrigues asked if we are informing money managers presenting to the Board that the meetings are recorded. He feels certain strategies are being comprised. Staff was directed to include an item to reconsider recording Board meetings on an upcoming agenda.

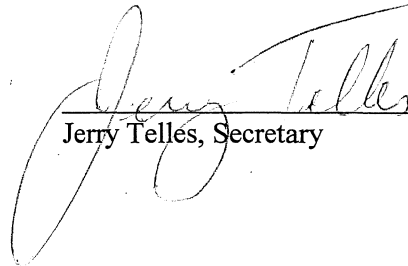
Telles reported he attended the CRCEA Fall Conference noting the lobbyist at the legislative committee was very interesting.

Hast noted Southwest fares are cheaper than other airlines but they charge fees for early boarding that are not paid for by CCCERA. He directed staff to begin paying for early bird check in on Southwest.

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



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Brian Hast, Chairman



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Jerry Telles, Secretary