



MINUTES

RETIREMENT BOARD MEETING MINUTES

REGULAR MEETING  
December 12, 2018  
9:00 a.m.

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

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

Absent: William Pigeon

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

Outside Professional Support:  
Susan Hastings

Representing:  
Laughlin, Falbo, Levy & Moresi

1. **Pledge of Allegiance**

The Board, staff and audience joined in the *Pledge of Allegiance*.

2. **Recognition of Wrally Dutkiewicz for 5 years of service and Rhonda Jones for 10 years of service**

Smithey recognized and congratulated Wrally Dutkiewicz for his 5 years of service and Rhonda Jones for her 10 years of service.

3. **Accept comments from the public**

No member of the public offered comment.

4. **Approve minutes from the November 7, 2018 meeting**

It was M/S/C to approve the minutes from the November 7, 2018 meeting. (Yes: Andersen, Gordon, Holcombe, MacDonald, Phillips, Rodrigues, Smithey, Telles and Watts)

5. **Routine Items**

It was M/S/C to approve the routine items of the December 12, 2018 meeting. (Yes: Andersen, Gordon, Holcombe, MacDonald, Phillips, Rodrigues, Smithey, Telles and Watts)

**CLOSED SESSION**

The Board moved into closed session pursuant to Govt. Code Section 54957 and 54956.8.

The Board moved into open session.

6. It was M/S/C to accept the Medical Advisor's recommendation and grant the following disability benefits:
  - a. Helene Libert – Non-Service Connected (Yes: Andersen, Gordon, Holcombe, MacDonald, Phillips, Rodrigues, Smithey, Telles and Watts)
  - b. Tracey Nicks – Non-Service Connected (Yes: Andersen, Gordon, Holcombe, MacDonald, Phillips, Rodrigues, Smithey, Telles and Watts)
  - c. Jerald Treat – Service Connected (Yes: Andersen, Gordon, Holcombe, MacDonald, Phillips, Rodrigues, Smithey, Telles and Watts)
7. It was M/S/C to deny the Service Connected and Non-Service Connected disability application's for Sandra Wimberly as recommended by the Administrative Law Judge. (Yes: Andersen, Gordon, Holcombe, MacDonald, Phillips, Rodrigues, Smithey, Telles and Watts)
8. It was M/S/C to deny the Service Connected disability application for Leslie Pounds as recommended by the Administrative Law Judge and direct staff to prepare findings of fact and decision for the Board's consideration. (Yes: Andersen, Gordon, Holcombe, Phillips, Rodrigues, Smithey and Watts. No: MacDonald and Telles)
9. There was no reportable action related to Govt. Code Section 54956.8.

**10. Consider and take possible action to authorize the CEO to execute a contract with Cheiron for Actuarial Auditing Services**

Strohl reported we received two proposals for actuarial auditing services, one from Milliman and one from Cheiron. The evaluation committee selected Cheiron as the finalist to perform audits of the 2017 annual valuation report, 2012-2014 triennial experience and assumptions study and 2017 GASB 68 financial statement disclosure reporting. Cheiron's proposed costs for these services is \$85,000.

It was M/S/C to authorize the CEO to execute a contract with Cheiron for Actuarial Auditing Services. (Yes: Andersen, Gordon, Holcombe, MacDonald, Phillips, Rodrigues, Smithey, Telles and Watts)

**11. Presentation of the Moraga-Orinda Fire District Final Audit Report**

Dutkiewicz presented the Moraga-Orinda Fire District Final Audit Report noting there is one remaining follow-up item related to the submission of member demographic data. He stated the District will be submitting an I29 report with the missing data and that they hope to have it with the December report.

**12. Presentation of the Contra Costa County Department of Information Technology Final Audit Report**

Dutkiewicz presented the Contra Costa County Department of Information Technology Final Audit Report noting the scope of the audit was to look at the internal processes within the department. He reported there were no follow-up items noted in their audit report.

**13. Presentation of the Contra Costa County Office of the Auditor-Controller Final Audit Report**

Dutkiewicz presented the Contra Costa County Office of the Auditor-Controller Final Audit Report noting they have a very clean and organized process. He also noted the scope of the audit was to look

at the internal processes within the department. He reported there were no follow-up items noted in their audit report.

**14. Presentation of the CCCERA 2019 Compliance Activity Plan**

Dutkiewicz presented the CCCERA 2019 Compliance Activity Plan. He reviewed the internal control activities and projects planned for 2019. He reported the focus of the internal control reviews will be on reporting and a review of procedures in the Accounting department. He noted he will work with the Audit Committee on what the report will look like. He also reviewed the employer and County department audits planned for 2019.

He reported he has completed 13 employer audits and 7 County department audits to date.

**15. Presentation from StepStone Group of private equity pacing report – Tom Keck and Natalie Walker**

Keck introduced himself and stated he is a partner and one of the founders of StepStone. Walker introduced herself and stated she specifically works with CCCERA's private markets team. She is also a member of the research team which is based in San Diego.

Keck gave an overview of the private equity market for the past 16 years including performance, fundraising trends, global investment activities, invested capital by regions and leveraged buyout. He reviewed the difference in volatility between public markets and private markets. He also reviewed increases in valuations paid in private markets during the past five years.

Telles was no longer present for subsequent discussion and voting.

Keck reviewed interest coverage levels, dividends and IPO activity. He also reviewed overall trends in the market.

Walker gave an update on the program noting there has not been any changes to the team since they began working with CCCERA. She noted there are over 150 investment professionals servicing CCCERA. She reviewed CCCERA's investment objectives including building strong relationships with less fees and our target asset allocation in private equity and real assets. She reported CCCERA is operating above average but the goal is to take it to the top quartile.

She reviewed the investment process and an analysis of an optimal pacing plan with a baseline of 10% as the target. She reported the pacing plan for 2019 includes committing \$25-\$50 million per fund across 2-4 primary fund relationships. She reviewed CCCERA's private equity and real assets portfolio performance as of June 30, 2018 noting the fund has generated a 14.3% return during the last 12 months.

**16. Presentation of the alternative investment fees and expense report**

Price presented the alternative investment fees and expense report noting this is a required annual disclosure and the report will be placed on CCCERA's website.

There was a discussion on the fees and expenses. It was noted that once there are a few years of the report we will be able to look at trend line analysis and the report will become a more useful document.

**17. Review of Report on Risk Diversifying Sub-portfolio**

Price reviewed the role of the Risk Diversifying Sub-portfolio noting it is an offset to the equity markets. He reported there are currently three managers in this portfolio; AFL-CIO, Parametric

Defensive Equity and Wellington Real Total Return noting the intent is to draw down Wellington to fund new strategies.

He reviewed the roles and characteristics of the managers. He also reviewed the current allocation to each manager.

Watts was no longer present for subsequent discussion and voting.

Price reported the size of the program is reviewed by the Board annually when determining whether to adjust asset allocation targets. He also reported staff continues to seek additional strategies for this portfolio.

#### **18. Legislative update**

Levy reviewed her memo of new legislation that becomes effective on January 1, 2019.

#### **19. Consider authorizing the attendance of Board:**

- a. There was no action taken on this item. 8<sup>th</sup> Annual Risk & Liquidity Forum, Institutional Investor Forums, January 29-30, 2019, San Francisco, CA.
- b. There was no action taken on this item. Groundhog Day Investment Forum, Emerald Asset Management, Inc., February 7, 2019, Philadelphia, PA.
- c. It was M/S/C to authorize the attendance of 1 Board member at the Sit Investment Associates Client Workshop, February 14-17, 2019, Scottsdale, AZ. (Yes: Andersen, Gordon, Holcombe, Kroll, MacDonald, Phillips, Rodrigues and Smithey)
- d. It was M/S/C to authorize the attendance of 2 Board members at the Commonfund Forum 2019, March 24-26, 2019, Orlando, FL. (Yes: Andersen, Gordon, Holcombe, Kroll, MacDonald, Phillips, Rodrigues and Smithey)
- e. It was M/S/C to authorize the attendance of 2 Board members at The Pension Bridge Annual, April 9-10, 2019, San Francisco, CA. (Yes: Andersen, Gordon, Holcombe, Kroll, MacDonald, Phillips, Rodrigues and Smithey)

#### **20. Miscellaneous**

- (a) Staff Report –

Strohl reported that PARS, the OPEB Trust Fund manager, clarified that it is considered an agent multiple employer trust and not a multi-employer trust; she received a letter of resignation from Gabe Rodrigues resigning his seat on the Retirement Board after six years of service. She noted she is personally sad to see him go and appreciated his inquisitive nature and thoughtful process and wished him well. The sentiment was held by all.

- (b) Outside Professionals' Report -

None

- (c) Trustees' comments –

Rodrigues thanked everyone and stated serving on the Board has been a very good experience, probably the best career experience he has ever had.

Smithey commented Rodrigues has served the members very well as a Trustee and he will be missed.

Andersen commented on the leadership role Rodrigues has taken and he will be missed.

MacDonald thanked Rodrigues for being a mentor to him; he asked that an educational session on disability associated with mental health issues be on an upcoming agenda.

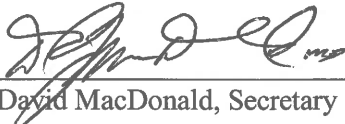
Smithey requested the meeting be adjourned in Rodrigues' honor.

It was **M/S/C** to adjourn the meeting in Trustee Rodrigues' honor. (Yes: Andersen, Gordon, Holcombe, Kroll, MacDonald, Phillips, Rodrigues and Smithey)



---

Todd Smithey, Chairman



---

David MacDonald, Secretary