



**MINUTES**

**RETIREMENT BOARD MEETING MINUTES**

**REGULAR MEETING**

March 9, 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, William Pigeon, Gabe Rodrigues, Todd Smithey, Jerry Telles and Russell Watts

**Absent:** Brian Hast

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

**Outside Professional Support:**

Harvey Leiderman

Susan Hastings

Joe Wiley

**Representing:**

Reed Smith LLP

Laughlin, Falbo, Levy & Moresi LLP

Wiley Price & Radulovich LLP

**1. Pledge of Allegiance**

Phillips 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 January 13, 2016 Board meeting with a revision to delete Russell Watts as being absent and adding "(Deputy Treasurer, present and voting in Russell Watts absence)" after Belinda Zhu's name on Members Present. (Yes: Allen, Andersen, Gordon, Phillips, Pigeon, Rodrigues, Smithey, Telles and Watts)

**4. Routine Items**

It was M/S/C to approve the routine items of the March 9, 2016 meeting. (Yes: Allen, Andersen, Gordon, Phillips, Pigeon, Rodrigues, Smithey, Telles and Watts)

**CLOSED SESSION**

The Board moved into closed session pursuant to Govt. Code Section 54957, 54957.6 and 54956.9(d)(1).

The Board moved into open session.

5. The disability application for David Reese will be continued for consideration at the April 13, 2016 meeting.
6. There was no reportable action related to Govt. Code Section 54957.6.
7. There was no reportable action related to Govt. Code Section 54957.6.
8. There was no reportable action related to Govt. Code Section 54956.9(d)(4).
9. **Consider and take possible action to determine whether panel management pay is pensionable compensation for four physicians who retired prior to 2013 and provide direction on recovery of pension overpayments**

Dutkiewicz discussed the history of panel management pay noting that the pay earn code was created in 2013 but prior to this the time was reported under the pay earn code for on-call pay. Based on this information CCCERA returned interest on pension contributions attributed to panel management pay as taxable distributions to the active members.

He also reviewed the purpose of panel management pay noting that it was first offered to physicians in 2011 to encourage physicians to expand their primary care clinics to increase patient access and provide additional compensation to the physicians for the expanded and after-hours responsibilities it entailed.

In public comment, Chris Farnitano, Health Services physician, noted he was asked to speak at the meeting on behalf of Dr. Walker and Dr. Goldstein. He described the work that the doctors complete during panel management time. He discussed the types of clinics noting that not all doctors are required to complete panel management time. He stated that at the time that this additional compensation was offered to physicians Health Services expected the compensation to be pensionable.

In public comment, David Hearst, retired physician, noted that when he retired in 2012 there was no separate information in the MOU regarding panel management pay. He discussed why he felt the pay should be pensionable and that he was reassured by his supervisor and his CCCERA retirement counselor that it would be considered pensionable. He felt he was expected to do the work and it was therefore required of his position.

The Board discussed the applicable MOUs and when they were ratified as well as the resolution adopted by the Board of Supervisors providing for the panel management pay earn code.

In public comment, Krista Farey, retired physician, discussed the type of work the physicians completed while receiving panel management pay noting that it was required work that occurred before and after the panel management pay earn code was created. She noted it was regularly scheduled and should therefore be included as pensionable compensation. She also noted that physicians that did not complete the required five clinics were not compensated for the clinics under the panel management pay earn code.

Priscilla Hinman, retired physician, discussed the purpose for creating panel management pay noting that there was a retention issue at the time and by offering this compensation it created a new infrastructure to assist doctors and nurses to complete the work. Institutional penalties exist for not getting the work done. These penalties can affect funding. She discussed her reasons for retiring in 2012 and noted that she was advised by CCCERA that this compensation would be included in her pension.

Dana Slauson, retired physician, she noted she had worked at John Muir but returned to the County because the County was more aligned with her career and the level of quality care that they wanted to provide their patients. She noted that she went to the CCCERA group counseling sessions four or five times before deciding to retire and during these sessions she was always reassured that this pay would count as pensionable. She asked the Board to keep in mind that there are people that are affected by their decision.

In public comment, David Hearst, retired physician, discussed the classifications that worked panel management time noting that the classification is the same but that the tasks completed by physicians in different departments are very different. He noted weekend rounds are pensionable.

Dutkiewicz reviewed the items for the Board to consider regarding panel management pay noting the Board should determine if the panel management pay earn code should be pensionable and if it is not how the overpayments should be recouped. He noted that there are four retired physicians that this decision affects.

There was a lengthy discussion on the current and previous legal requirements for determining if a pay item is pensionable compensation.

It was M/S/C to determine that the on-call compensation paid to four physicians during their final average salary year was for overtime work providing panel management services and therefore should be excluded as pensionable compensation. (Yes: Allen, Andersen, Gordon, Phillips, Rodrigues, Smithey, Telles and Watts. No: Pigeon)

Levy reviewed the options for collecting the overpayment provided to the four retired physicians that received panel management pay in their final year of compensation which increased their pension amount noting that the Board could receive the overpayment amount from the employer or from the retirees.

It was M/S/C to direct staff to pursue collection of the overpayments from the County pursuant to the amount indicated in Attachment 14. (Yes: Phillips, Pigeon, Rodrigues, Smithey, Telles and Watts. No: Allen, Andersen, Gordon)

Andersen and Smithey were no longer present for subsequent discussion and voting.

**10. Presentation from staff and Adams Street regarding proposed Adams Street Venture Innovation Fund (ASVIF) commitment – Jeffrey Diehl and Kelly Meldrum**

Price defined venture capital noting there is a higher failure rate of individual deals but there is also a higher expected portfolio rate of return.

Chu reviewed Adams's Street program both with and without a \$75mm commitment to ASVIF, the risk in investing in ASVIF and the terms of ASVIF and the estimated fee schedule.

Price noted CCCERA received written confirmation that Adams Street waived confidentiality of the presentation materials.

Diehl reviewed the history of the firm noting they currently have over \$27 billion in assets under management.

Meldrum provided an overview of the venture innovation fund noting time diversification is important with venture funds. Adams Street has experience in private markets which contributes to their success noting that relationships are important with private market investing.

Meldrum noted that they have identified 15-20 possible investments for the fund and feel that the targeted returns are consistent with their historical returns. She discussed the portfolio construction noting they have a preference for early stage ventures and the bulk of the exposure will be in the United States.

**11. Consider and take possible action to commit to Adams Street Venture Innovation Fund**

Price noted a positive opinion from Verus regarding the proposed investment in the Adams Street Venture Innovation Fund is included in the agenda packet.

After a discussion on fees, it was M/S/C to make a capital commitment of \$75 million to Adams Street Venture Innovation Fund (ASVIF), subject to satisfactory due diligence, a successful on-site visit, and legal review and authorize the CEO to sign the necessary contracts. (Yes: Allen, Gordon, Holcombe, Phillips, Pigeon, Rodrigues, Telles and Watts)

**12. Consider and take possible action to cancel the March 17, 2016 meeting**

It was M/S/C to cancel the March 17, 2016 meeting. (Yes: Allen, Gordon, Holcombe, Phillips, Pigeon, Rodrigues, Telles and Watts)

**13. Miscellaneous**

(a) Staff Report –

Strohl reported IT staff transitioned data services from the County on February 25, 2016 and it was a very smooth and successful transition; she thanked and congratulated Son Lu and his entire IT team noting they did a phenomenal job and also thanked the County DOIT department for their part in the transition; she reported there will be training on integrity at the next All Staff Meeting; and there will be an Audit Committee meeting on March 24, 2016 after the Board meeting noting the external auditor will be present to give an overview of the 2015 audit.

Price reported the head of the non-investment grade division of the Angelo Gordon Energy Credit Opportunities Fund has left the firm. Staff will be conducting an on-site visit in conjunction with the upcoming Annual Meeting.

Levy gave a brief update on AB1853 noting the bill was introduced and sponsored by SACRS. The bill would allow '37 Act Systems to become independent.

Dunn reminded the Board Form 700's are due April 1, 2016; CCCERA NeoGov site launched last Friday and the Accounting Manager position is posted on it.

(b) Outside Professionals' Report -

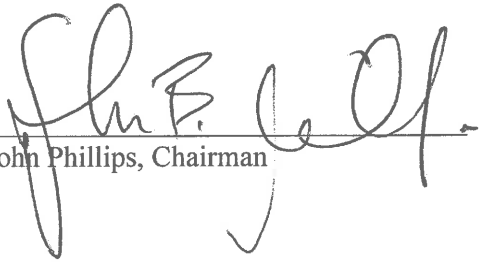
None

Pigeon was no longer present for subsequent discussion and voting.


(c) Trustees' comments –

Watts reported the State Treasurer John Chiang wrote an article in his newsletter about greater transparency needed as related to investment fees. Price commented this is an area of ongoing concern.

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



John Phillips, Chairman



Scott Gordon, Secretary

