



MINUTES

RETIREMENT BOARD MEETING MINUTES

SECOND MONTHLY MEETING
May 25, 2016
9:00 a.m.

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

Present: Candace Andersen, Scott Gordon, Brian Hast, Jerry Holcombe, Louie Kroll, John Phillips, William Pigeon, Gabe Rodrigues, Todd Smithey, Jerry Telles and Russell Watts

Absent: Debora Allen

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:	Representing:
Harvey Leiderman	Reed Smith LLP
Ed Hoffman	Verus

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 March 9, 2016 meeting with corrections to page 2, Item 9, 4th paragraph, first line, take out the word "he" after retired physician and on the second line, change the word "not" to "no." (Yes: Andersen, Gordon, Hast, Holcombe, Phillips, Rodrigues, Smithey, Telles and Watts)

Pigeon was present for subsequent discussion and voting.

CLOSED SESSION

The Board moved into closed session pursuant to Govt. Code Section 54957, 54957.6, 54956.9(d)(2) and 54956.9(d)(4).

The Board moved into open session.

4. There was no reportable action related to Govt. Code Section 54957.6.

5. There was no reportable action related to Govt. Code Section 54957.
6. There was no reportable action related to Govt. Code Section 54956.9(d)(4).
7. There was no reportable action related to Govt. Code Section 54956.9(d)(2).

Andersen was no longer present for subsequent discussion and voting.

8. Consider and take possible action to establish the Disability Specialist classification based on the recommendation received from Koff and Associates, effective June 1, 2016

Katie Kaneko was present via conference call.

Strohl gave a brief overview of the request to establish a Disability Specialist classification.

Kaneko reported the same group of employers was surveyed that was used in the study of the CCCERA unrepresented employees. She stated she used the current Retirement Counselor II classification as the base salary noting the current monthly salary of the Retirement Counselor II is 23.1% below the market median and recommends the salary for the Disability Specialist be placed at range 25 of the CCCERA salary schedule. It was noted this classification was not a flexibly staffed series like the Retirement Counselor I, II and III.

It was M/S/C to establish the Disability Specialist classification based on the recommendation received from Koff and Associates, effective June 1, 2016 and the salary be placed range 25 of the CCCERA salary schedule. (Yes: Gordon, Hast, Holcombe, Phillips, Rodrigues, Smithey, Telles and Watts)

9. Consider and take possible action to grant a 3% increase in base pay and a \$500 lump sum payment for all unrepresented staff, except for the CCCERA executive classifications

- a. It was M/S/C to adopt BOR Resolution 2016-2 granting a 3% increase in base pay effective July 1, 2016 and lump-sum payment in the amount of \$500, to be paid on July 10, 2016 for all unrepresented staff, except for the Chief Executive Officer, Deputy Chief Executive Officer, Compliance Officer, General Counsel, and Chief Investment Officer positions. (Yes: Gordon, Hast, Holcombe, Phillips, Rodrigues, Smithey, Telles and Watts)
- b. It was M/S/C to adopt CCCERA Position Pay Schedules effective July 1, 2016 which reflects a 3% increase in base pay for all CCCERA classifications, except for those classifications listed above. (Yes: Gordon, Hast, Holcombe, Phillips, Rodrigues, Smithey, Telles and Watts)

10. Review of total portfolio performance for the period ending March 31, 2016

Hoffman reported on the outlook of the economy including the GDP, inflation, the Federal Funds Rate and unemployment noting global inflation remains low, the Federal Funds Target Rate was unchanged, and the unemployment rate continues to drop. He also noted the numbers haven't changed much from the last quarter. He discussed Brexit and the possible outcomes of a vote for the U.K. to leave the European Union. He reviewed the energy markets noting the price of oil has increased and the number of companies that have filed bankruptcy has increased. He also reviewed the S&P 500 sector returns noting most active managers underperformed last year. He reported that the month of March was a big recovery for the quarter.

He reported on cash reconciliation for the period ending March 31, 2016 noting the ending market value of the total fund portfolio is \$7,093,536,664. He reviewed the asset allocation vs. the long term target policy. He reviewed a comparison of the total fund risk and return. He reported the past five years had an actual return of 8.0% with lower standard deviations of 7.6% noting that the plan has done really well.

Hoffman reviewed the total fund performance by manager noting Jackson Square Partners had a difficult quarter. Hoffman reported PIMCO All Asset Fund outperformed and Wellington Real Total Return underperformed.

He reviewed the risk dashboard noting it is going through some changes as we adopt Functionally Focused Portfolio (“FFP”). He commented on portfolio risk, equity beta, interest rate risk, and credit risk.

Hoffman reviewed the investment fund fee analysis noting closed end carried interest is not captured in the analysis.

11. Consider and take possible action to add or remove investment managers from the watch list

Price reported staff has not identified any additional managers that should be added to the Watch List at this time nor do they recommend removing any managers from the list. He noted changes will occur with the implementation of FFP.

12. Presentation and recommendation from Verus regarding the establishment of a pool of transition managers

Hoffman gave an overview of the transition manager program noting staff would have discretion to select a provider based on transition types. He reviewed the transition managers that were evaluated and the quantitative and qualitative factors that each of the managers were evaluated on. He also reviewed the managers being recommended for each transition type and the basis of their recommendation. The recommendations are as follows: Penserra, Russell and Vertas for US equity (direct & indirect); BlackRock, Citigroup and Russell for Non-US equity (direct & indirect) and US fixed income; and, Citigroup and Russell for Complex multi-asset classes. He noted State Street is not being recommended as part of the pool.

13. Consider and take possible action to establish a pool of transition managers and execute standing agreements with one or more transition managers

It was M/S/C to authorize the creation of a pool of transition managers as outlined on page 13 of Tab IV entitled Transition Manager Recommendations. (Yes: Gordon, Hast, Holcombe, Phillips, Rodrigues, Smithey, Telles and Watts)

It was M/S/C to enter into evergreen agreements with BlackRock, Citigroup, Penserra, Russell and Vertas for transition management services subject to legal review by authorizing the Chief Executive Officer to execute said agreements. (Yes: Gordon, Hast, Holcombe, Phillips, Rodrigues, Smithey, Telles and Watts)

Hoffman noted there are sample pre-trade analysis from each of the recommended transition managers in the appendix beginning on page 16 of Tab IV.

14. Presentation and recommendation from Verus regarding cash overlay services

Hoffman noted cash overlay providers provide a variety of services but they are only recommending them for cash equitization and rebalancing.

15. Consider and take possible action to contract with a cash overlay manager

It was M/S/C to retain Parametric as the overlay manager to include overlay services of cash equitization and rebalancing subject to due diligence, a successful onsite visit, and legal review by authorizing the Chief Executive Officer to execute the necessary agreements (Yes: Gordon, Hast, Holcombe, Phillips, Rodrigues, Smithey, Telles and Watts)

16. Consider and take possible action to authorize the CEO to execute a lease agreement with Caltronics for copier machines effective June 1, 2016

Dunn reported on the need for new copier machines throughout the office noting it would be more cost effective to change the copier machine provider.

It was M/S/C to authorize the CEO to execute a lease agreement with Caltronics for copier machines for the period of June 1, 2016 to June 1, 2019, in the amount of \$1,299.75 per month. (Yes: Gordon, Hast, Holcombe, Phillips, Rodrigues, Smithey, Telles and Watts)

17. Consider authorizing the attendance of Board and/or staff:

- a. It was M/S/C to authorize the attendance of 2 staff members at the DLJ Real Estate Capital Partners Annual Meeting, DLJ, June 15, 2016, New York, NY. (Yes: Gordon, Hast, Holcombe, Phillips, Rodrigues, Smithey, Telles and Watts)
- b. It was M/S/C to authorize the attendance of 3 Board members at the Modern Investment Theory & Practice for Retirement Systems, SACRS, July 17-20, 2016, Berkeley, CA. (Yes: Gordon, Hast, Holcombe, Phillips, Rodrigues, Smithey, Telles and Watts)

18. Miscellaneous

(a) Staff Report –

Strohl commented on the All Staff meeting noting she provided employees with information from the CEO of San Bernardino County Employees' Retirement Association on the shootings that occurred in December 2015 noting County employees were targeted; she acknowledged CCCERA Retirement Counselor Jessica Irby who recently received her Master's in Public Administration; and Price gave a presentation on FFP at SACRS.

Dunn reported we had training for all staff on the Injury Illness Prevention Program (IIPP) and the Emergency Action Plan; we are creating a Safety Committee; the Communications Coordinator gave a presentation on organizational branding; the Compliance Business Analyst position opened; interviews have started for the Retirement Office Specialist positions and the Retirement Member Services Technician positions; and, an Accounting Manager has been hired and will be starting on May 31, 2016.

Dutkiewicz reported Brown Armstrong will be presenting their draft findings at the June 8, 2016 Audit Committee meeting; and, he will be going over the Health Services audit at that meeting as well as giving an overview of employer contribution reporting.

Price reported an RFP has been issued for a liquidity manager and there is a quiet period; and, staff is undertaking a cost-benefit analysis on how we engage in the private markets and how best to access the resources required to manage a successful private markets allocation.

Levy gave an update on the SACRS ethics training and noted she gave a presentation at the attorneys' breakout session on retirement system becoming an independent employer for all its staff.

(b) Outside Professionals' Report -

Hoffman reported they are working on the investment policy statement with staff; he apologized for leaving prior to the end of the last meeting; and, the fourth quarter report was revised due to cash flow reporting of closed end funds.

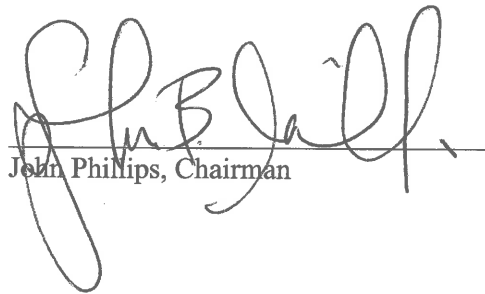
(c) Trustees' comments –

Telles congratulated Strohl, Price and Dutkiewicz on winning the bocce tournament at SACRS; he attended NCPERS and took the TEDS; and, he attended the SACRS meeting where they voted on the bill for independence and 11 of the 20 systems voted to authorize the bill.

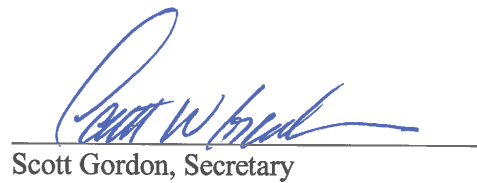
Rodrigues followed up on the SACRS vote; he attended their legislative committee noting it was a learning experience as this was the first bill SACRS initiated; and, he thanked Dutkiewicz for agreeing to speak at the next CALAPRS Trustee Roundtable.

Phillips reported on the SACRS sessions he attended.

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



John Phillips, Chairman



Scott Gordon, Secretary

