



## **AGENDA**

### **RETIREMENT BOARD MEETING**

SECOND MONTHLY MEETING  
September 25, 2019  
9:00 a.m.

Conference Center, 1<sup>st</sup> Floor  
1220 Concord Avenue  
Concord, California

THE RETIREMENT BOARD MAY DISCUSS AND TAKE ACTION ON THE FOLLOWING:

1. Pledge of Allegiance.
2. Accept comments from the public.

#### ***CLOSED SESSION***

3. The Board will go into closed session pursuant to Govt. Code Section 54957 to evaluate the performance of the following public employee:

Title: Chief Executive Officer

#### ***OPEN SESSION***

4. Review of report on Growth Sub-portfolio, including managers.
5. Presentation of the Contra Costa County Employees' Retirement Association employer audit report.
6. Consider authorizing the attendance of Board:
  - a. Siris Capital 2019 Annual LP Conference, November 14-15, 2019, New York, NY.
  - b. 2020 Aether Annual Meeting, Aether Investment Partners, LLC, January 22-23, 2020, Denver, CO. (Note: Potential conflict with meeting)
7. Miscellaneous
  - a. Staff Report
  - b. Outside Professionals' Report
  - c. Trustees' comments

The Retirement Board will provide reasonable accommodations for persons with disabilities planning to attend Board meetings who contact the Retirement Office at least 24 hours before a meeting.



<i>Meeting Date</i> <b>09/25/19</b> <i>Agenda Item</i> <b>#4</b>
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## MEMORANDUM

Date: September 25, 2019  
To: CCCERA Board of Retirement  
From: Timothy Price, Chief Investment Officer  
Subject: Annual Review of Growth Sub-Portfolio

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### Overview

Every year, I review each of the three functional sub-portfolios (liquidity, diversifying and growth) in detail with the Board. Today's review focuses on the Growth sub-portfolio. I will review the critical role of Growth in CCCERA's portfolio, the attributes we look for in all growth investments, performance of the allocation as well as the underlying constituents and finally review of recent changes to the allocation.

We will conclude with a discussion featuring Jay Warner of Artisan Partners (global equity) and Niall Paul of TT International (emerging market equity). Our discussion will touch on each strategy's role in the CCCERA portfolio, examine the impact of global trade dynamics on portfolio construction and conclude with a review of the role and impact of currency in international investing. A brief description of each strategy is included below.

### Artisan Partners

CCCERA has invested in the Artisan Global Opportunities strategy since December 2012. This is a global equity strategy with a growth emphasis that includes both developed and emerging market countries. The Artisan team attempts to identify companies that possess franchise characteristics, are selling at attractive valuations and benefit from an accelerating profit cycle. Since the inception of CCCERA's investment through August 31, 2019, the strategy has returned 13.0% (net of fees, annualized) relative to 8.7% for the MSCI ACWI index.

### TT International

TT is a more recent investment for CCCERA, funded August 2017. The TT Global Emerging Market equity strategy has a bias towards growth oriented, mid cap companies. The portfolio is built using fundamental bottom-up stock selection, operating within a top-down macro framework that aims to screen out risk and identify themes for outperformance. Since the inception of the CCCERA investment through August 31, 2019, the strategy has returned -0.9% (net of fees, annualized) relative to -1.6% for the MSCI Emerging Market Index.



**Timothy Price, CFA**

Chief Investment Officer

# Growth Sub-Portfolio Review

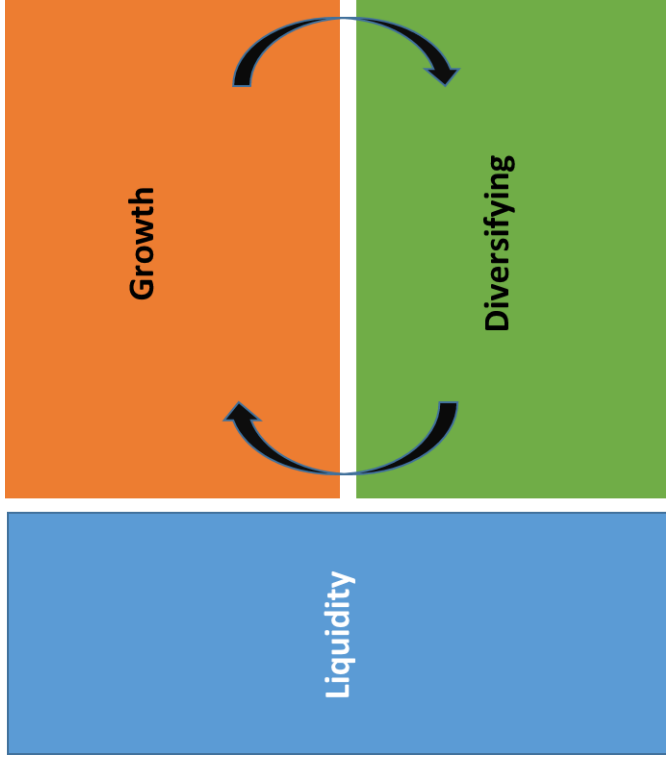
September 25, 2019

# Review of Growth Sub-Portfolio

1. Role of Growth in CCCERA portfolio
2. Features of growth assets
3. Growth asset performance
4. CCCERA performance
5. Risks of growth investing

# Role of Growth in CCCERA Portfolio

- Provide truly long term capital appreciation
- Expected to be the dominant engine to fund *future* benefit payments



# Where (and how) do we search for Growth?

- Start with a global perspective
- Adjustments make based upon current valuations
- Operational risk can be accepted (if compensated)
  - Illiquidity
  - Longer value creation cycles
  - Debt restructurings

# What drives growth assets?

- Public Equity
  - Current yield + real earnings growth + inflation + expected P/E change
- Private Equity
  - US equity \* 1.85 beta adjustment
- Private Credit
  - LIBOR + spread + risk free yield + default risk adjustment
- Real Estate
  - Cap rate + real income growth – capex + inflation + risk adjustment

# Common Features

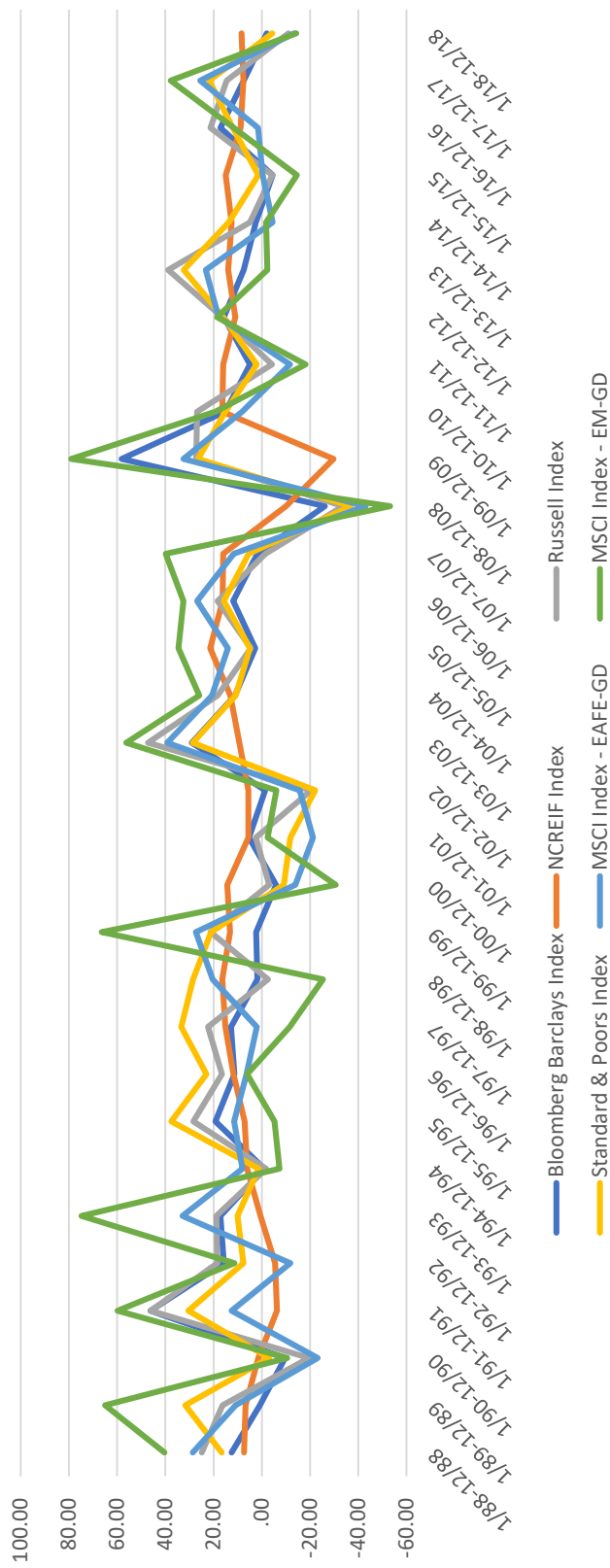
- All growth asset return expectations:
  - Start with going-in yield (or cap rate)
  - Add inflation expectation
  - Add earnings expectation
  - Make adjustment for current valuation relative to history
  - Make adjustments for other risks assumed (illiquidity, operational, development)



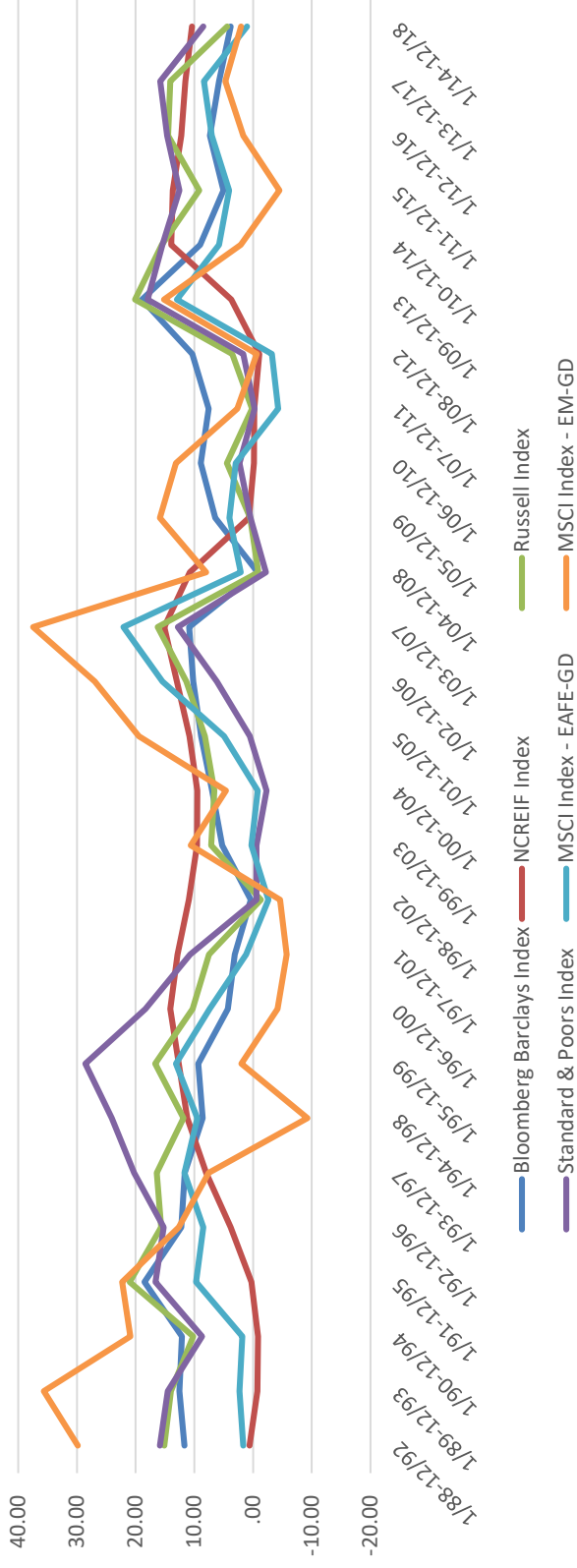
# Features of Growth Assets

Component	Question for Investor
Yield	What cash flow is it generating today?
Inflation	How will general inflation show up in this asset?
Earnings growth expectation	How much do we think future earnings will exceed today's earnings?
Valuation	Is the price we pay today per unit of return high or low relative to history? We generally expect valuations to mean revert (go back to historical average).
Risk adjustment	Are we taking a novel risk that requires additional compensation?

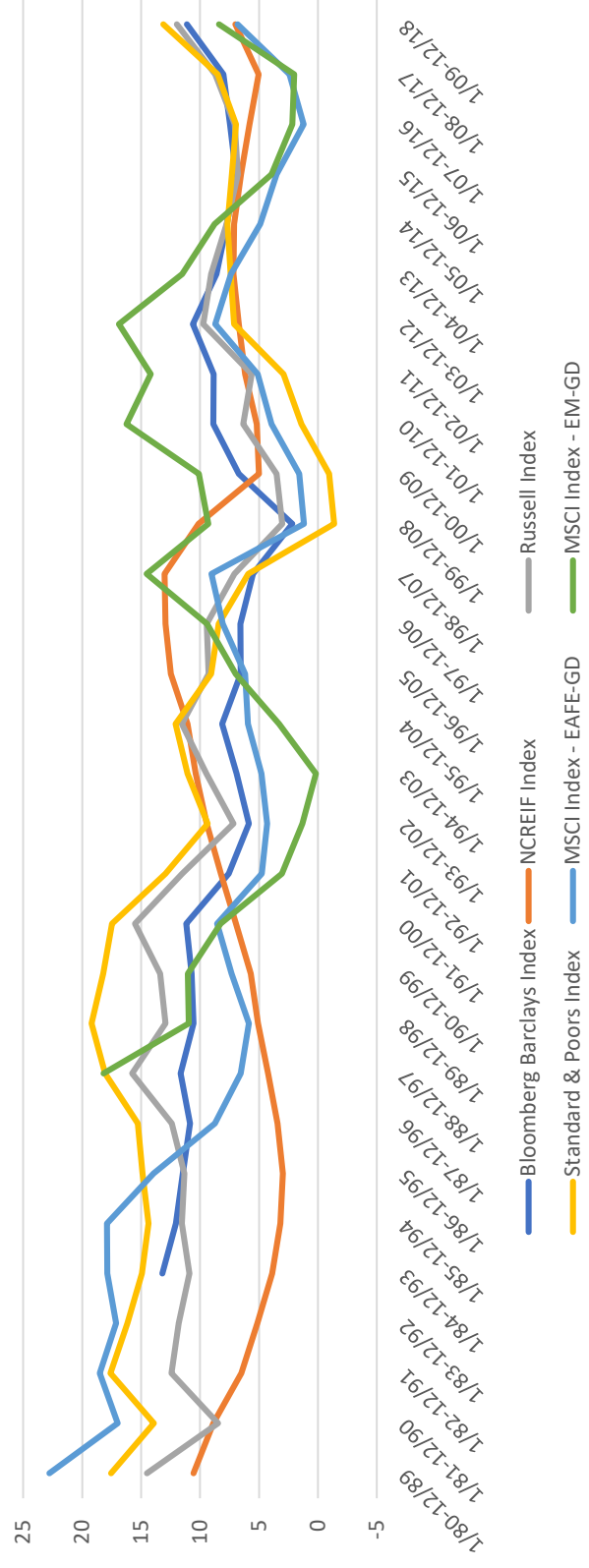
# Annual Returns



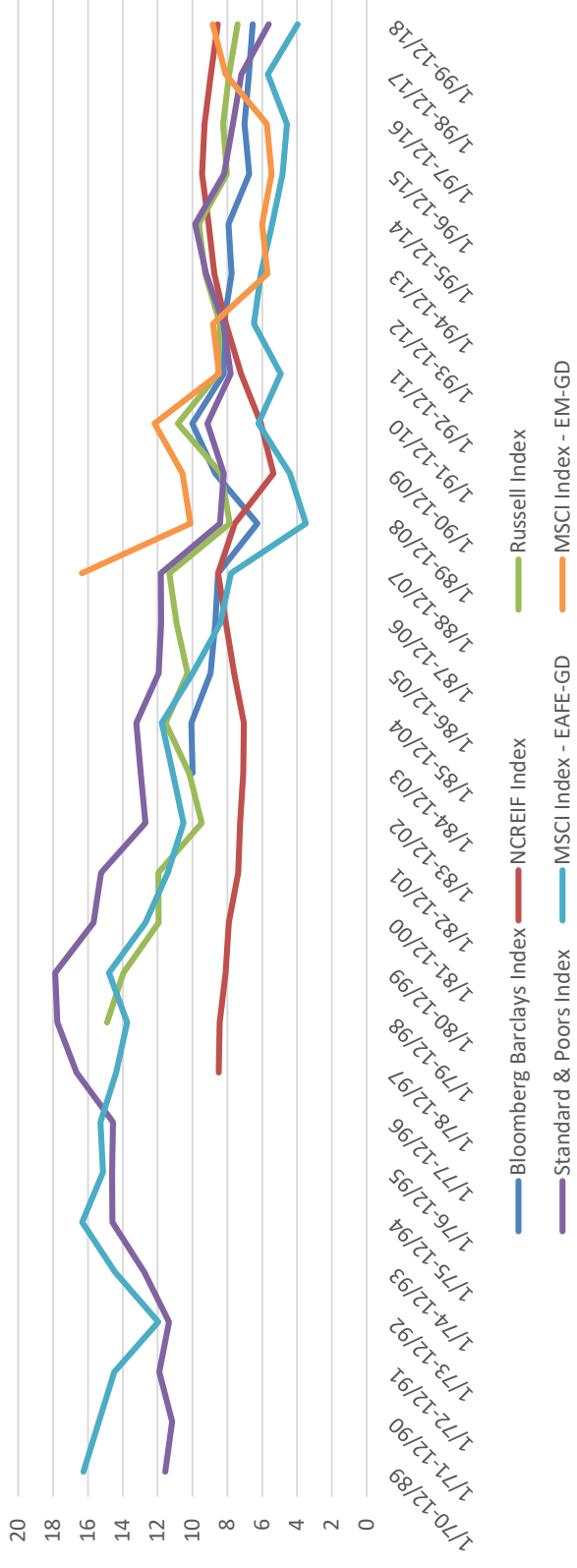
# Rolling 5 Year Periods



# Rolling 10 Year Periods



# Rolling 20 Year Periods



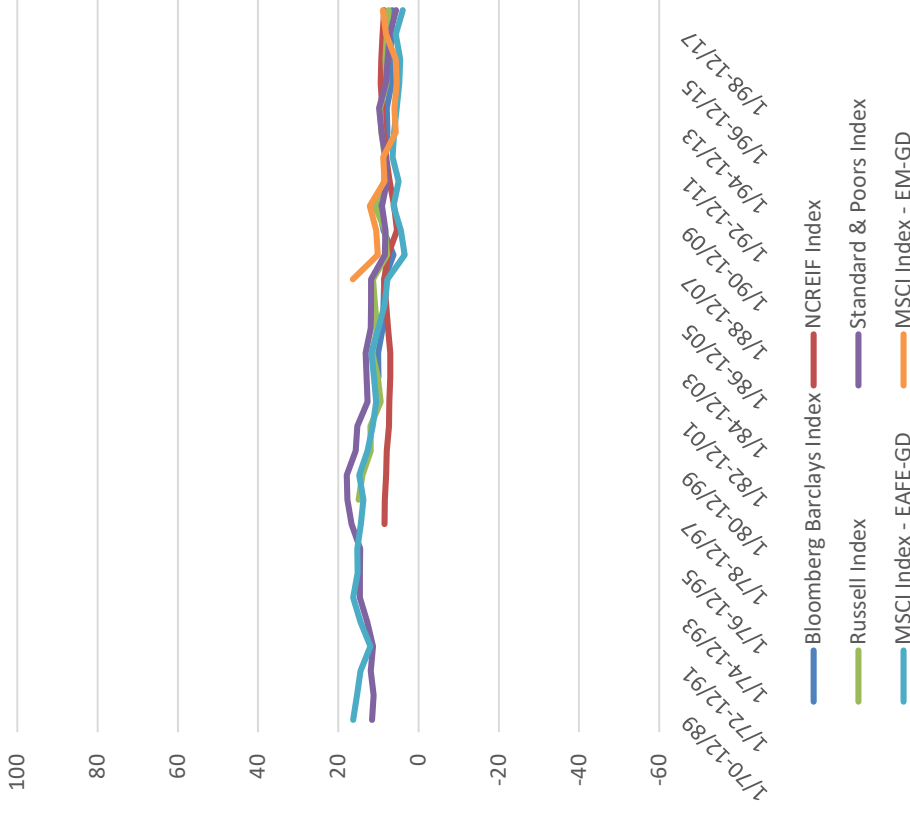
# CCCERA Growth Goals

- Capture global economic and earnings growth
- Adjust allocations based upon asset class valuations
- Remain invested long term to capture full opportunity set

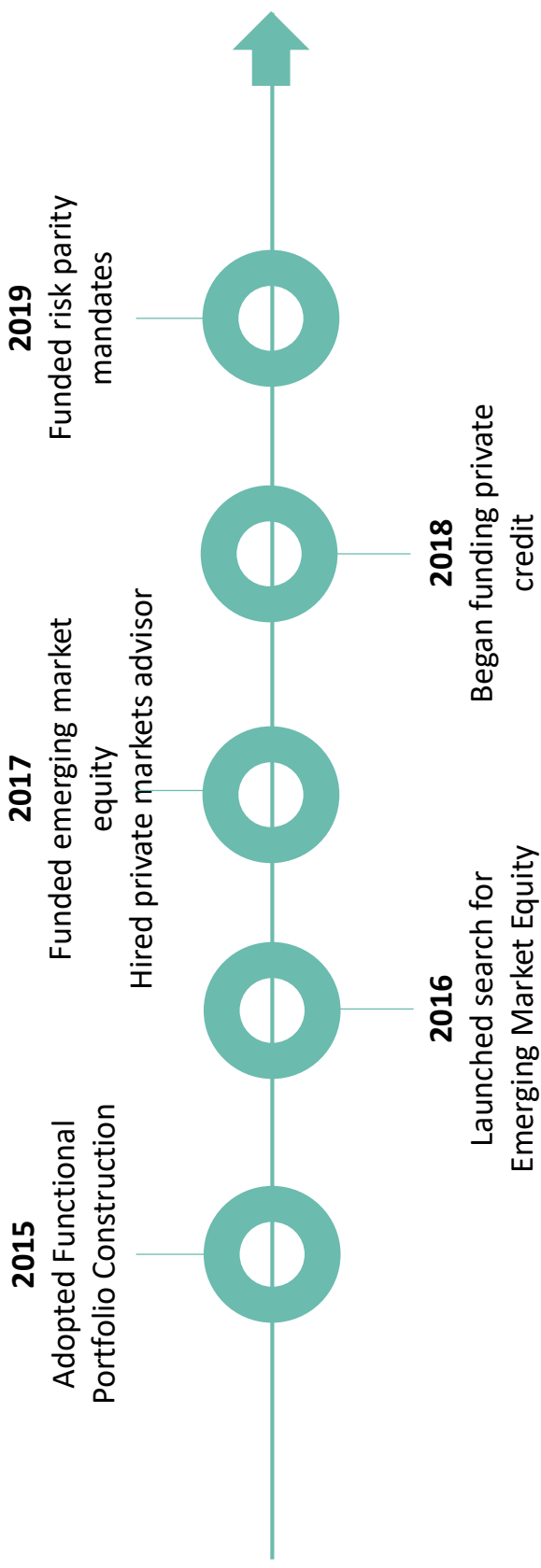


# Rolling 20 Year Periods - Rescaled

- Longer holding periods dramatically reduce range of expected outcomes
- CCCERA Growth sub-portfolio designed to allow for extended holding periods



# Evolution of Growth Allocation





# Current Asset Allocation

Asset Class	Allocation as of 8/31/19	Current Target Allocation
Domestic Equity	10.4%	10%
International Equity	9.8%	10%
Global Equity	8.1%	8%
Emerging Markets Equity	7.0%	8%
Private Equity	11.2%	11%
Private Credit	4.7%	5%
Real Estate	8.2%	9%
Risk Parity	4.9%	5%
High Yield	2.7%	2%

# CCCERA Performance

Preliminary as of August 31, 2019 (Net)

Asset Class	1 Year	3 Years	5 Years	10 Years
Growth	3.1%	8.8%	7.2%	-
Domestic Equity	-3.4%	11.3%	9.1%	13.3%
International Equity	-0.6%	5.0%	2.2%	5.3%
Global Equity	4.0%	9.8%	7.1%	7.8%
Emerging Markets Equity	-0.5%	-	-	-
Private Equity	8.3%	11.6%	10.8%	10.6%
Private Credit	5.7%	8.2%	8.5%	13.2%
Real Estate	9.4%	9.3%	10.1%	13.5%
High Yield	6.4%	5.4%	3.7%	7.8%



# CCCERA Performance

As of June 30, 2019

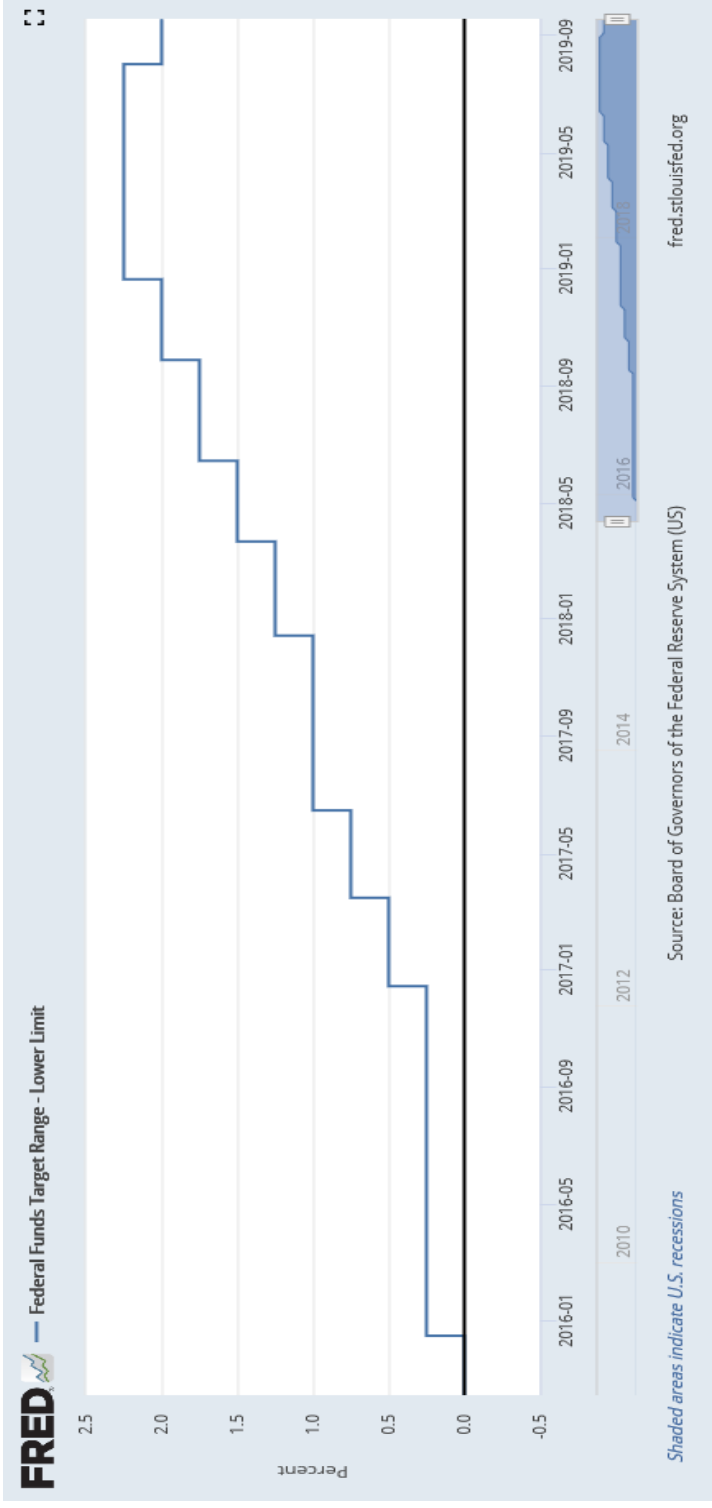
Objective	Measurement	Current Period Data	Status
Growth of Plan Assets	Absolute Returns	Trailing 5yr return of 7.4%	Meeting Expectations
	Benchmark Relative Returns	1.2% over ACWI over trailing 5 years	Meeting Expectations
Efficient Capital Deployment	Sharpe Ratio	CCCERA: 0.97 MSCI ACWI: 0.49 (over trailing 5 years)	Meeting Expectations



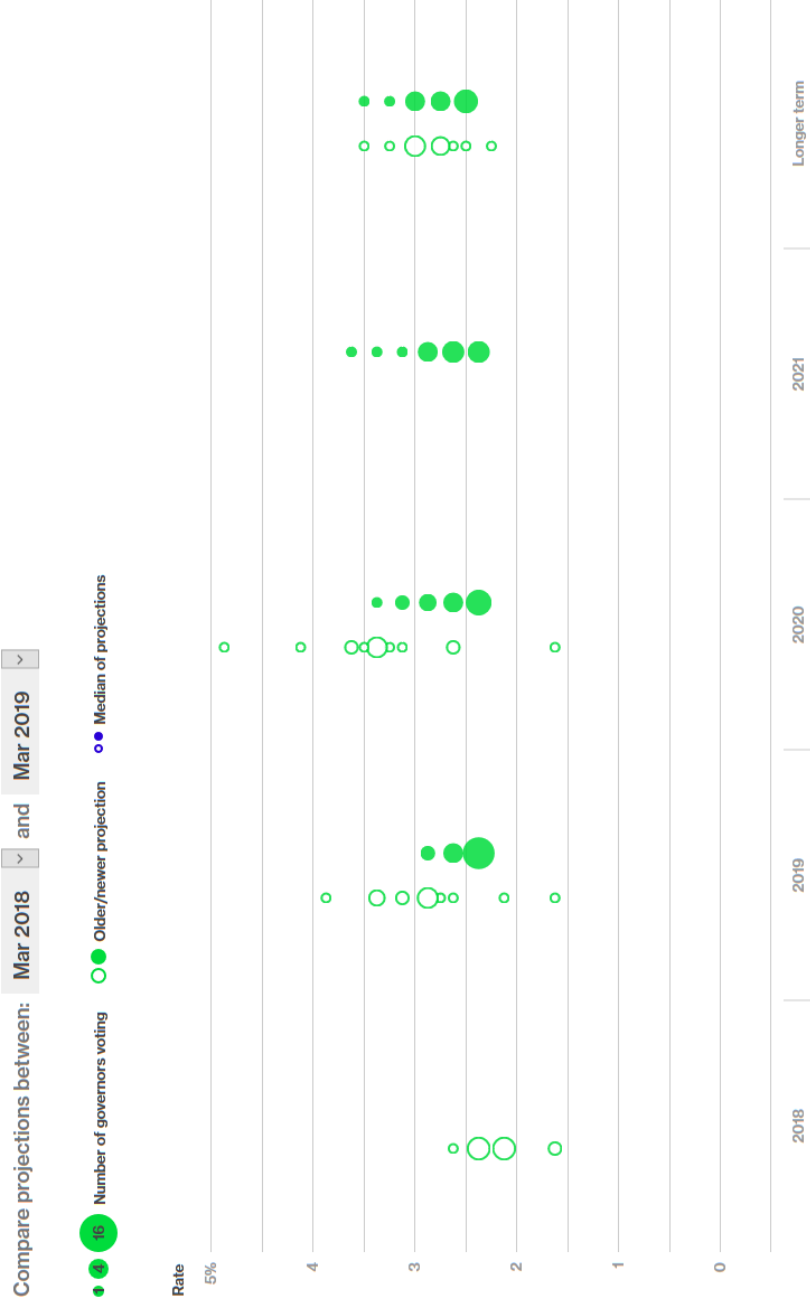
# Risks of Growth Assets

Risk	Question for Investor
Economic growth	What do we believe future earnings growth to be? How might the future be similar or different from history?
Inflation	Can we capture inflation in the price movement of a security? Does inflation enhance or erode future earnings?
Geopolitical risk	Will global trade continue as in recent past? How stable are the legal and economic regimes where are assets are invested?

# Fed Funds Target Lower Limit



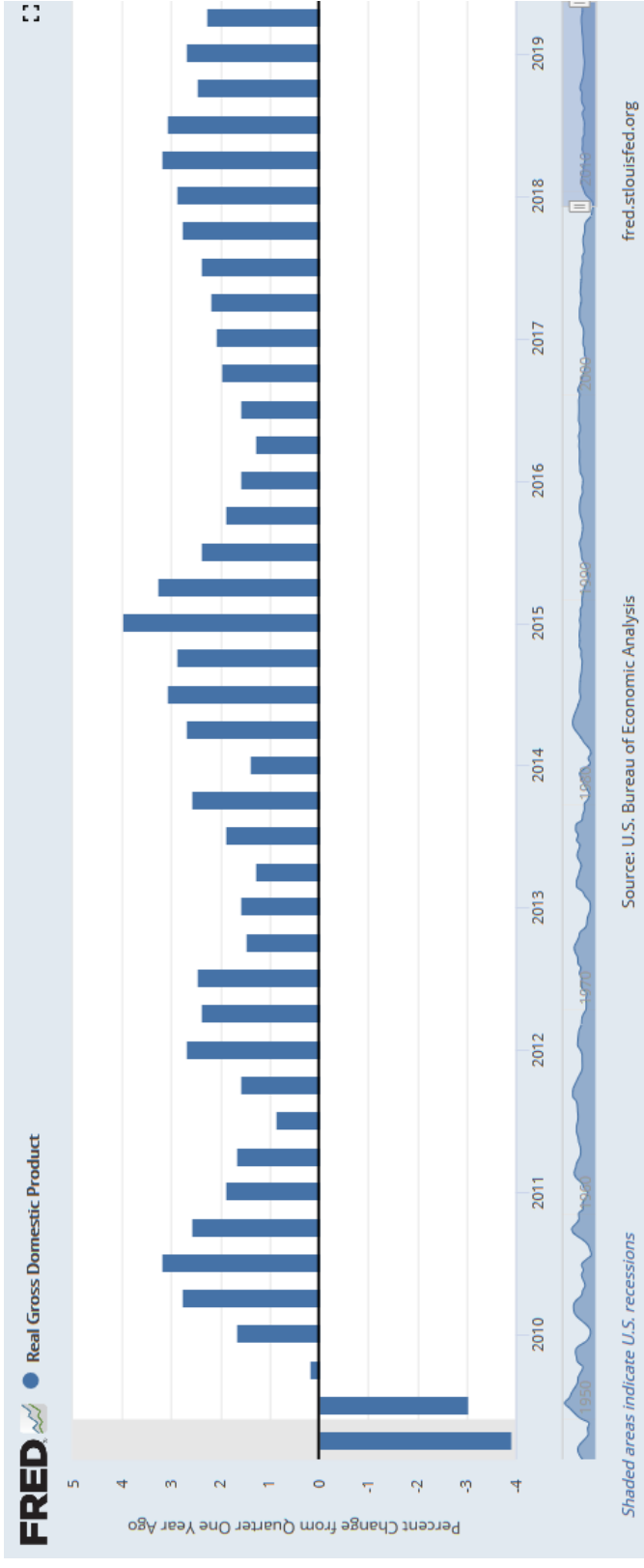
# Dot Plot Indicating Caution



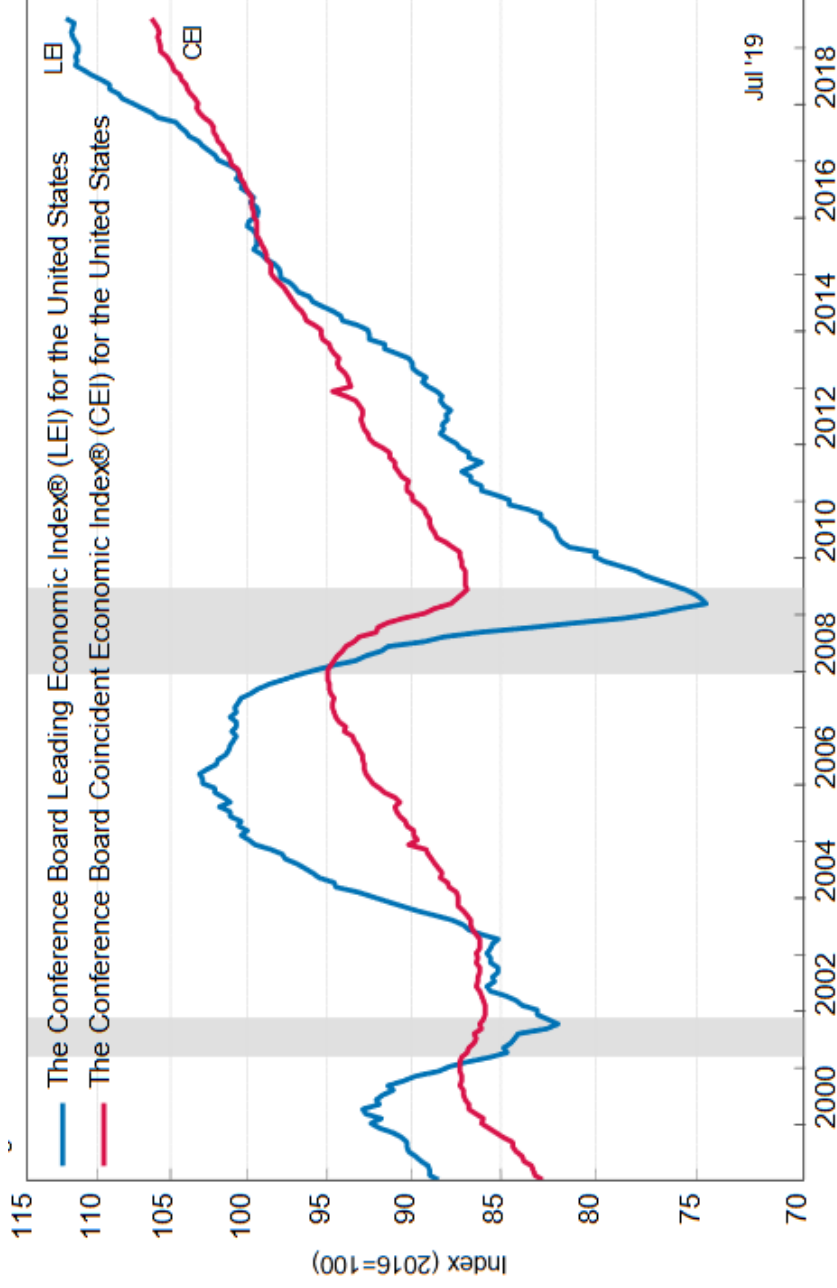
Source: U.S. Federal Reserve



# US GDP Growth



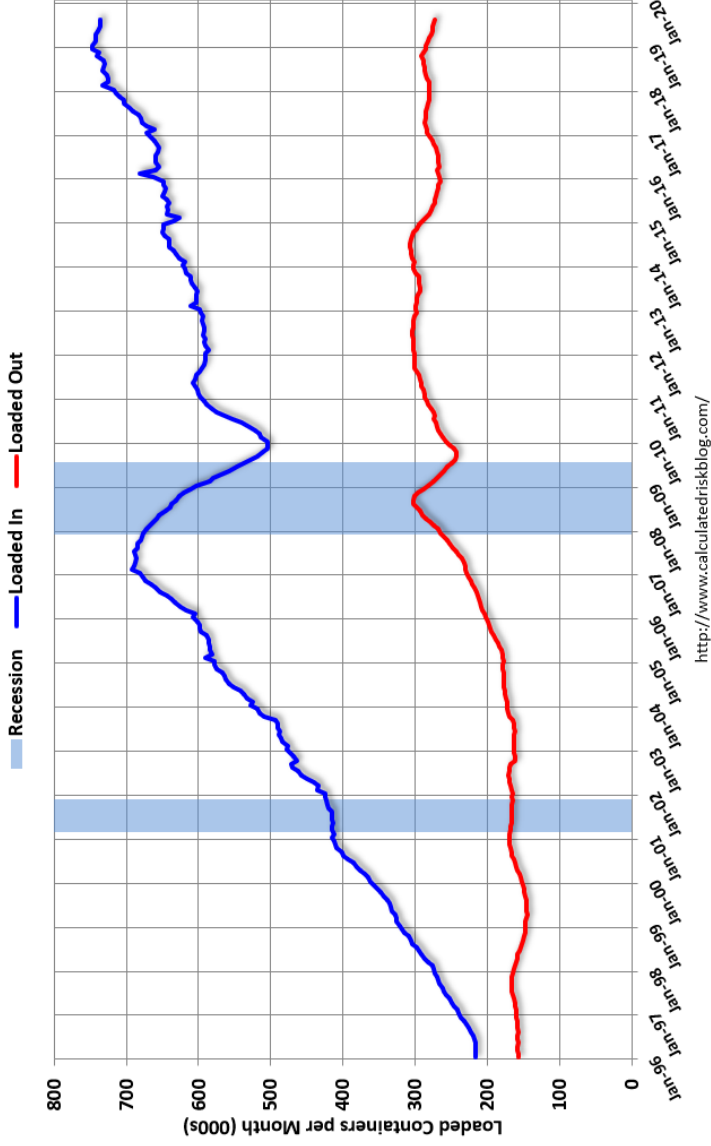
# Conference Board Leading Economic Indicator





# US Trade Activity

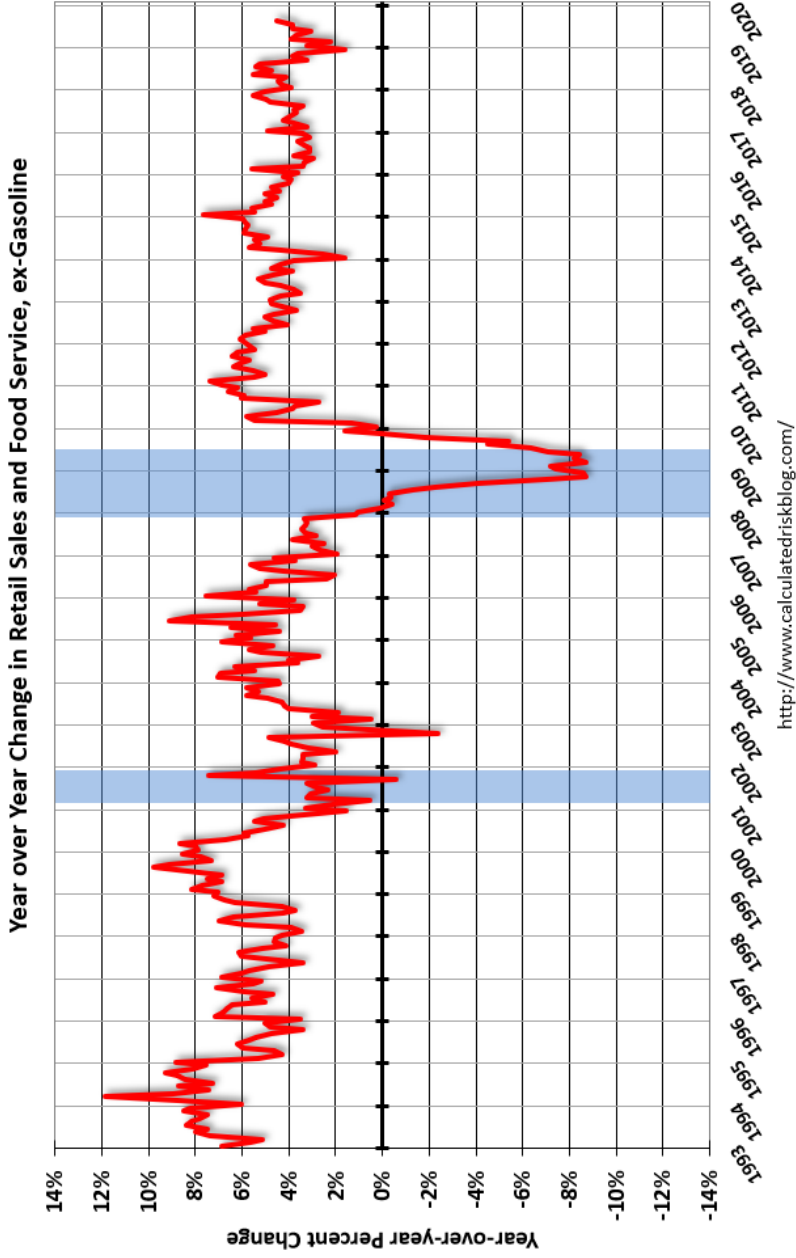
Loaded Inbound and Outbound Containers, Rolling 12 month Average  
Los Angeles and Long Beach Ports



<http://www.calculatedriskblog.com/>

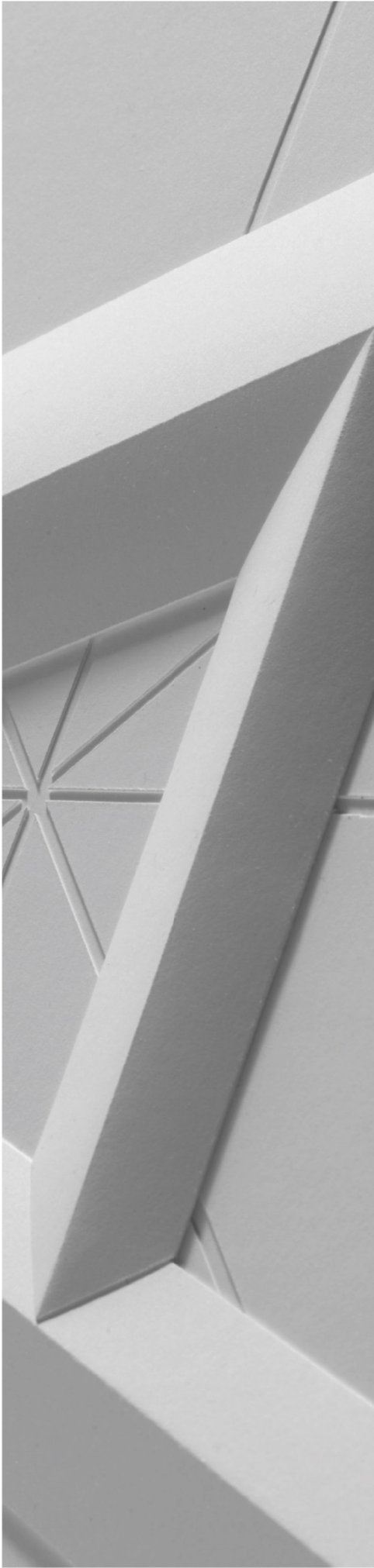


# US Retail Sales



# Investment Manager Discussion

- Investment manager discussion
  - Jay Warner, Associate Portfolio Manager, Artisan Global Opportunities
  - Niall Paul, Partner and Portfolio Manager, TT Global Emerging Markets
- Agenda
  - Overview of team, strategy, and role at CCCERA
  - Discussion of global trade status and changing dynamics
  - Discussion of currency impact from USD perspective
  - Q&A from Trustees



Q2 2019

## Artisan Global Opportunities Trust

The Artisan Global Opportunities Trust is a trust for the collective investment of assets of participating tax qualified pension and profit sharing plans and related trusts, and governmental plans, as more fully described in the Declaration of Trust for the Artisan Global Opportunities Trust. The Artisan Global Opportunities Trust is managed by SEI Trust Company based on the investment advice of Artisan Partners Limited Partnership. As a bank collective trust, Artisan Global Opportunities Trust is exempt from registration as an investment company.

For Contra Costa County Employees Retirement Association Use Only



ARTISAN PARTNERS

## Investment Philosophy—Overview

We seek to compound assets through a disciplined, repeatable process that exposes portfolios to growth while avoiding permanent capital impairment

Broad Knowledge

Find growth wherever growth occurs across the global economy

We believe stocks follow profits, and following profit cycles can lead to significant asset growth

Security Selection

Be right more often than we're wrong

Capital Allocation

Be right in a bigger way than when we're wrong

## Investment Process — Security Selection

Three key elements to the security selection process



## Investment Process — Capital Allocation

Portfolio holdings develop through three stages

### Garden<sup>SM</sup> Positions

Smaller positions in early profit cycle investments  
Growing position sizes

### Crop<sup>SM</sup> Positions

Full positions in companies where profit cycles are being realized  
Positions increasing to a maximum of 10%\*  
Generally comprises majority of capital in the portfolio

### Harvest<sup>SM</sup> Positions

Reducing positions where the profit cycle is approaching completion or where company is approaching full valuation

We build position size according to our conviction in order to maximize exposure to companies undergoing profit acceleration

\*Limitations apply at the time of purchase. With respect to 75% of total assets, the portfolio limits individual position sizes to 5%; as to the other 25%, the portfolio may invest up to 10% in a single issuer.

## Portfolio Holdings—By Country (% of total portfolio)

<b>Australia</b>	<b>India</b>	<b>United Kingdom</b>	<b>United States</b>
1.2 Treasury Wine Estates Ltd	2.2 HDFC Bank Ltd	3.9 AstraZeneca PLC	6.4 IHS Markit Ltd
<b>Brazil</b>	<b>Japan</b>	2.4 London Stock Exchange Group PLC	3.4 Worldpay Inc
1.4 Pagezero Digital Ltd	1.3 Keyence Corp	1.3 Burberry Group PLC	3.4 Bank of America Corp
<b>China</b>	0.7 Hoya Corp	1.2 Fevertree Drinks PLC	3.0 Microsoft Corp
2.7 Tencent Holdings Ltd	<b>Netherlands</b>		3.0 Visa Inc
0.5 Tencent Music Entertainment Group	0.8 ASML Holding NV		2.9 L3Harris Technologies Inc
<b>Denmark</b>	0.5 Koninklijke DSM NV		2.8 Boston Scientific Corp
2.5 Genmab A/S	<b>Spain</b>		2.5 Anthem Inc
2.0 Vestas Wind Systems A/S	1.4 Amadeus IT Group SA		2.5 Aptiv PLC
<b>Germany</b>	<b>Switzerland</b>		2.3 The Progressive Corp
2.0 adidas AG	2.9 Lonza Group AG		2.3 Lowe's Cos Inc
<b>Hong Kong</b>	2.4 Temenos AG		2.3 Alexion Pharmaceuticals Inc
4.1 Techtronic Industries Co Ltd			2.3 Alphabet Inc
			2.0 Advanced Micro Devices Inc
			1.7 Fortive Corp
			1.6 Amazon.com Inc
			1.5 Activision Blizzard Inc
			1.4 Arista Networks Inc
			1.4 Atlassian Corp PLC
			1.3 Cree Inc
			1.3 Agilent Technologies Inc
			1.3 Veeva Systems Inc
			0.7 Ceridian HCM Holding Inc
			0.7 Pioneer Natural Resources Co
			0.3 Illumina Inc

Source: FactSet/MSCI. As of 30 Jun 2019. Cash represented 8.2% of the total portfolio at 30 Jun 2019. Securities of the same issuer are aggregated to determine the weight in the portfolio.



## Investment Results—Average Annual Total Returns

(%) as of 31 Aug 2019	MTD	QTD	YTD	1 Yr	3 Yr	5 Yr	Account Inception
<b>Artisan Global Opportunities Trust (Tier 3): Net</b>	-1.71	0.59	25.56	3.99	13.33	10.45	13.03
MSCI All Country World Index	-2.37	-2.09	13.80	-0.28	9.17	5.51	8.69

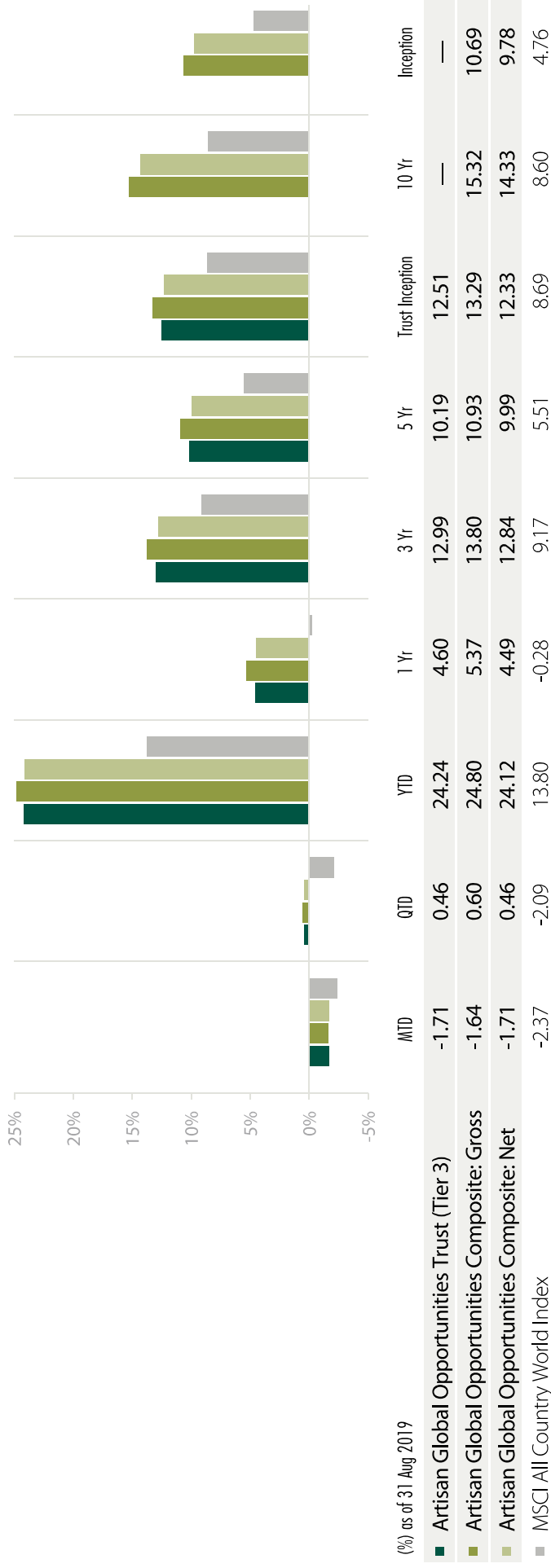
As of 31 Aug 2019

**Contra Costa County Employees Retirement Association**

Ending Market Value	Number of Shares	Share Price
\$368,952,263.76	15,315,577.574	\$24.09

Source: SEI/Artisan Partners/MSCI. Account inception: 6 Dec 2012. Past performance does not guarantee and is not a reliable indicator of future results. Returns less than one year are not annualized. The principal value and investment return of the Trust will fluctuate, so that you may have a gain or loss when you sell your units. Current performance may be lower or higher than performance shown. Trust returns were calculated net of total Trust fees and expenses (0.75% annually) which are incurred by each participating Tier 3 plan in the Trust.

## Investment Results—Average Annual Total Returns



Source: SEI/Artisan Partners/MSCI. Past performance does not guarantee and is not a reliable indicator of future results. Net-of-fees performance shown for the Trust. The principal value and investment return of the Trust will fluctuate, so you may have a gain or loss when you sell your units. Current performance may be lower or higher than performance shown. Trust returns were calculated net of total Trust fees and expenses (0.75% annually) which are incurred by each participating Tier 3 plan in the Trust. The Composite includes all accounts managed by Artisan Partners in the investment strategy, including the Collective Investment Trust. Composite performance is presented for informational purposes only and represents gross and net of investment management fees performance. Composite performance varies from Trust performance based on individual account restrictions and applicable fees and does not represent past or present Trust returns. Net-of-fees Composite returns were calculated using the highest fee applicable to portfolios within the Composite and does not reflect fees and expenses associated with the Trust. Returns less than one year are not annualized. Trust inception: 6 Dec 2012. Composite inception: 1 Feb 2007.

## Artisan Partners Growth Team

Team approach leverages high degrees of experience and knowledge within a disciplined investment process

### Leadership

<b>James D. Hamel, CFA</b> Portfolio Manager Lead Portfolio Manager— Global Opportunities 22 Years Investment Experience	<b>Matthew H. Kamm, CFA</b> Portfolio Manager Lead Portfolio Manager— U.S. Mid-Cap Growth 19 Years Investment Experience	<b>Craig A. Cepukenas, CFA</b> Portfolio Manager Lead Portfolio Manager— U.S. Small-Cap Growth 30 Years Investment Experience	<b>Jason L. White, CFA</b> Portfolio Manager Lead Portfolio Manager— Global Discovery 19 Years Investment Experience
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### Analysts

<b>Jay C. Warner, CFA</b> Associate Portfolio Manager Financials 17 Years	<b>Martin Jochmann</b> Health Care 18 Years	<b>Roderick M. Brower</b> Internet, Media and Consumer 20 Years	<b>Chip Ridley, CFA</b> Managing Director Business Leader
<b>Pratik S. Patel</b> Generalist 18 Years	<b>Aashish S. Rao</b> Technology 11 Years	<b>Michael A. Schneider, CFA</b> Industrials and Energy 21 Years	<b>Floyd Dukes, CFA</b> Portfolio Specialist
<b>Cindy Mu, CFA</b> Consumer 13 Years	<b>Ryan Tochiwara</b> Health Care 12 Years	<b>Stan Buncher</b> Internet, Media and Consumer 10 Years	<b>Steven Butler</b> Portfolio Specialist

### Client Service Team

**Cameron Griffin, CFA**  
Portfolio Specialist

### Research Associates

**Fischer Van Handel**  
Industrials and Energy  
7 Years

**Yian Yu**  
Generalist  
1 Year

### Traders

**Jay B. Peters**  
27 Years

**Bryan P. Schultz**  
17 Years

**Heather Dow**  
19 Years

**Cristal Lieungh**  
24 Years

### Coordinators

**Robin Johnson**  
13 Years

Team leadership has been working  
together for an average of 20 years

## Notes and Disclosures

**This section of this presentation contains information important to a complete understanding of the material presented. Please review it carefully.**

Artisan Partners Limited Partnership (APLP) is an investment adviser registered with the U.S. Securities and Exchange Commission (SEC). Artisan Partners UK LLP (APUK) is authorized and regulated by the Financial Conduct Authority and is a registered investment adviser with the SEC. APEL Financial Distribution Services Limited (AP Europe) is regulated by the Central Bank of Ireland. APLP, APUK and AP Europe are collectively, with their parent company and affiliates, referred to as Artisan Partners herein.

**Form ADV:** Additional information about APLP or APUK, the firms, its partners, ownership, investment strategies, fees and expenses and policies is contained in each firm's respective Form ADV. Each firm will supply a copy of its Form ADV upon request.

**SEI Trust Company:** The collective investment trust is a trust for the collective investment of assets of participating tax qualified pension and profit sharing plans and related trusts, and governmental plans, as more fully described in the Declaration of Trust. The Trust is managed by SEI Trust Company based on the investment advice of Artisan Partners Limited Partnership. As a bank collective trust, the Trust is exempt from registration as an investment company.

### Artisan Global Opportunities Trust

**International investments involve special risks, including currency fluctuation, lower liquidity, different accounting methods and economic and political systems, and higher transaction costs. These risks typically are greater in emerging markets. Securities of small- and medium-sized companies tend to have a shorter history of operations, be more volatile and less liquid and may have underperformed securities of large companies during some periods. Growth securities may underperform other asset types during a given period.**

This material may include the views of the portfolio manager and other information relating to the portfolio and portfolio securities. While we believe the data accurately reflects the investment process, this information is presented as of the date indicated and will change over time.

**Composite Performance:** All performance results are net of commissions and transaction costs, and have been presented gross or net of investment advisory fees. For performance presented net of fees, fees may be higher for certain pooled vehicles and the composite may include accounts with performance-based fees. Dividend income is recorded net of foreign withholding taxes on ex-dividend date or as soon after the ex-dividend date as the information becomes available to Artisan Partners. Interest income is recorded on the accrual basis. Performance results for the index include reinvested dividends and are presented net of foreign withholding taxes but, unlike the portfolio's returns, do not reflect the payment of sales commissions or other expenses incurred in the purchase or sale of the securities included in the indices. The Artisan Global Equity, Thematic and Global Discovery Strategies' investments in initial public offerings (IPOs) made a material contribution to performance. IPO investments may contribute significantly to a small portfolio's return, an effect that will generally decrease as assets grow. IPO investments may be unavailable in the future. A client's returns will be reduced by the advisory fees and other expenses it may incur in the management of its account. For example, an actively managed account of \$20 million with an annual rate of return of 10% compounded over a 10-year period that was charged an advisory fee of 1.05%, would achieve a net-of-fee return of 135.65%; compared to a gross-of-fee return of 159.4% based on the same assumptions.

MSCI makes no express or implied warranties or representations and still have no liability whatsoever with respect to any MSCI data contained herein. The MSCI data may not be further redistributed or used to create indices or financial products. This report is not approved or produced by MSCI.

Totals may not sum due to rounding. All data shown is in USD unless otherwise indicated.

**Portfolio Holdings:** For the purpose of determining the portfolio's holdings, securities of the same issuer are aggregated to determine the weight in the portfolio. For an index, the largest holdings are calculated at the security level and do not aggregate securities held by an issuer. Holdings information is not intended to represent or predict portfolio investment performance or as a recommendation of any individual security. A complete list of the securities held by portfolio, other than cash and cash equivalents unless otherwise noted, as of the date indicated is included. Securities named in this material, but not listed within the portfolio holdings page were not held as of the date reported. Portfolio holdings are subject to change without notice.

This material is provided for informational purposes without regard to your particular investment needs. This material shall not be construed as investment or tax advice on which you may rely for your investment decisions. Investors should consult their financial and tax adviser before making investments in order to determine the appropriateness of any investment product discussed herein.

We expressly confirm that neither Artisan Partners nor its affiliates have made or are making an investment recommendation, or have provided or are providing investment advice of any kind whatsoever (whether impartial or otherwise), in connection with any decision to hire Artisan Partners as an investment adviser, invest in or remain invested in any funds to which we serve as investment adviser or otherwise engage with Artisan Partners in a business relationship.

In no event shall Artisan Partners have any liability for direct, indirect, special, incidental, punitive, consequential (including, without limitation, lost profits) losses or any other damages resulting from the use of this material.

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# Contra Costa County Employees' Retirement Association TT Emerging Markets Equity

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September 25<sup>th</sup>, 2019

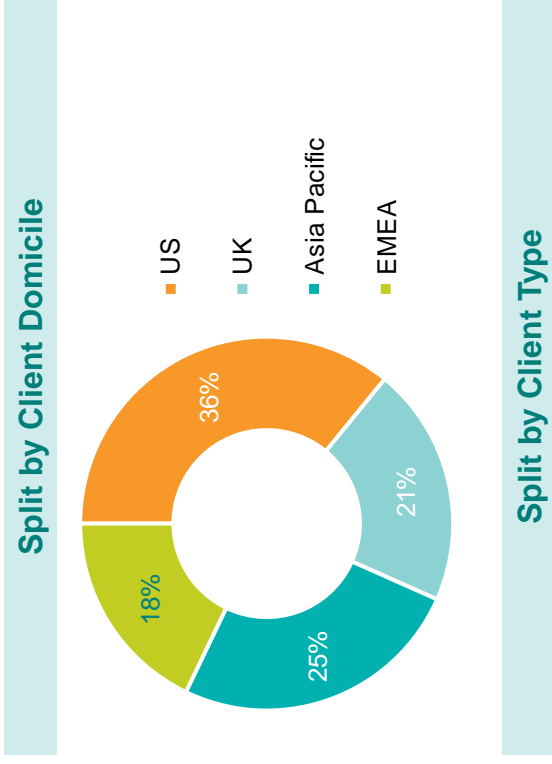
Professional Pensions Emerging Markets Equity Manager of the Year - 2016 & 2017  
Citywire Asia - Best GEM Manager & GEM Fund House, May 2019



# Client Base

TT's clients are diverse in geography and constitution

Asset by strategy <sup>1</sup>	
Type	Total AuM (USDm) 31-Aug-19
Emerging Markets	4,273
UK & European	435
International	667
Global	331
Asia	658
Hedge Funds	1,625
<b>Total AuM</b>	<b>7,989</b>



Source: TT International.

1. The TT International Fund's investment in the TT Global Equity Fund is not double counted in total firm AuM

\* Other client type category includes Foundations, Family Offices and TT's Partners & employees

# TT Emerging Markets - Investment Philosophy

## Investment Philosophy

- Emerging Markets are structurally inefficient, principally because of:
  - Insufficient analysis of the interplay between top-down and bottom-up factors
  - Under researched nature of numerous Emerging Market companies
  - Skewed index composition creates behavioural biases
- Powerful secular growth opportunities exist in Emerging Markets, overlooked in traditional and quantitative strategies
- Best returns are made by consistently investing in undervalued growth companies

Investment in Emerging Markets involves various risk factors and considerations which may not be associated with investing in more developed markets: these associated risks include currency risk, volatility, liquidity and external factors e.g. war, natural disasters. All investments involve risks including possible loss of principal. Fundamental analysis is subject to the risk that unexpected factors may dominate the market causing price distortions.

# Investment Process Summary

- Systematic and repeatable process
- Rigorous fundamental stock selection within a top-down framework



Fundamental analysis is subject to the risk that unexpected factors may dominate the market causing distortions. TT may modify its investment approach (including investment themes), portfolio allocations and geographical and sector exposures at any time in any manner that it believes is consistent with its overall investment objective without notice to investors.





# Investment Team

## Emerging Markets Team



**Harry Thomas\***  
LATAM / EMEA  
Location: UK



**Marco Li\***  
China  
Location: Hong Kong

**Niall Paul\***  
Lead Portfolio Manager  
Location: UK



**Duncan Robertson\***  
Asia  
Location: Hong Kong



**Sebastian de Bont**  
Korea / Taiwan  
Location: Hong Kong



**Robert James\***  
Co – Portfolio Manager  
Location: Hong Kong



**Nick Carlon**  
LATAM / EMEA  
Location: UK



**Edward Choi**  
China  
Location: Hong Kong

\* Partner of the firm

# Performance

TT Emerging Markets Opportunities II Performance (USD) (%)			
	TT	Index	Relative Performance (geometric)
2019 YTD	8.3	4.2	+3.9
Q2-19	0.8	0.7	+0.1
Q1-19	14.5	10.0	+4.1
2018	-18.4	-14.2	-4.8
2017	12.5	8.2	+4.0
<b>Since Inception (08-Aug-17)</b>			
Cumulative	-0.5	-3.3	+2.9
Annualised	-0.3	-1.6	+1.4

Composite 12-Month Discrete Periods (%)						
	Jul-18 to Jun-19	Jul-17 to Jun-18	Jul-16 to Jun-17	Jul-15 to Jun-16	Jul-14 to Jun-15	
Gross of fees	4.3	10.3	29.6	-2.6	-4.6	
Index	1.6	8.6	24.2	-11.7	-4.8	
Relative (gross)	2.7	1.6	4.4	10.3	0.2	

TT Emerging Markets Composite Performance (USD) (%)				
	TT	Index	Relative performance (geometric)	
2019 YTD	8.2	4.2	+3.8	
Q2-19	0.7	0.7	+0.0	
Q1-19	14.6	10.0	+4.2	
<b>Rolling Periods</b>				
1-year	0.4	-4.0	+4.6	
3-years (ann.)	8.7	6.2	+2.4	
5-years (ann.)	4.7	0.8	+4.0	
<b>Since inception (01-Apr-11)</b>				
Cumulative	44.2	7.0	+34.8	
Annualised	4.4	0.8	+3.6	
<b>CCCERA Assets (USDm)</b>				
				<b>320.8</b>
<b>Since Inception Information Ratio</b>				
				<b>0.80</b>

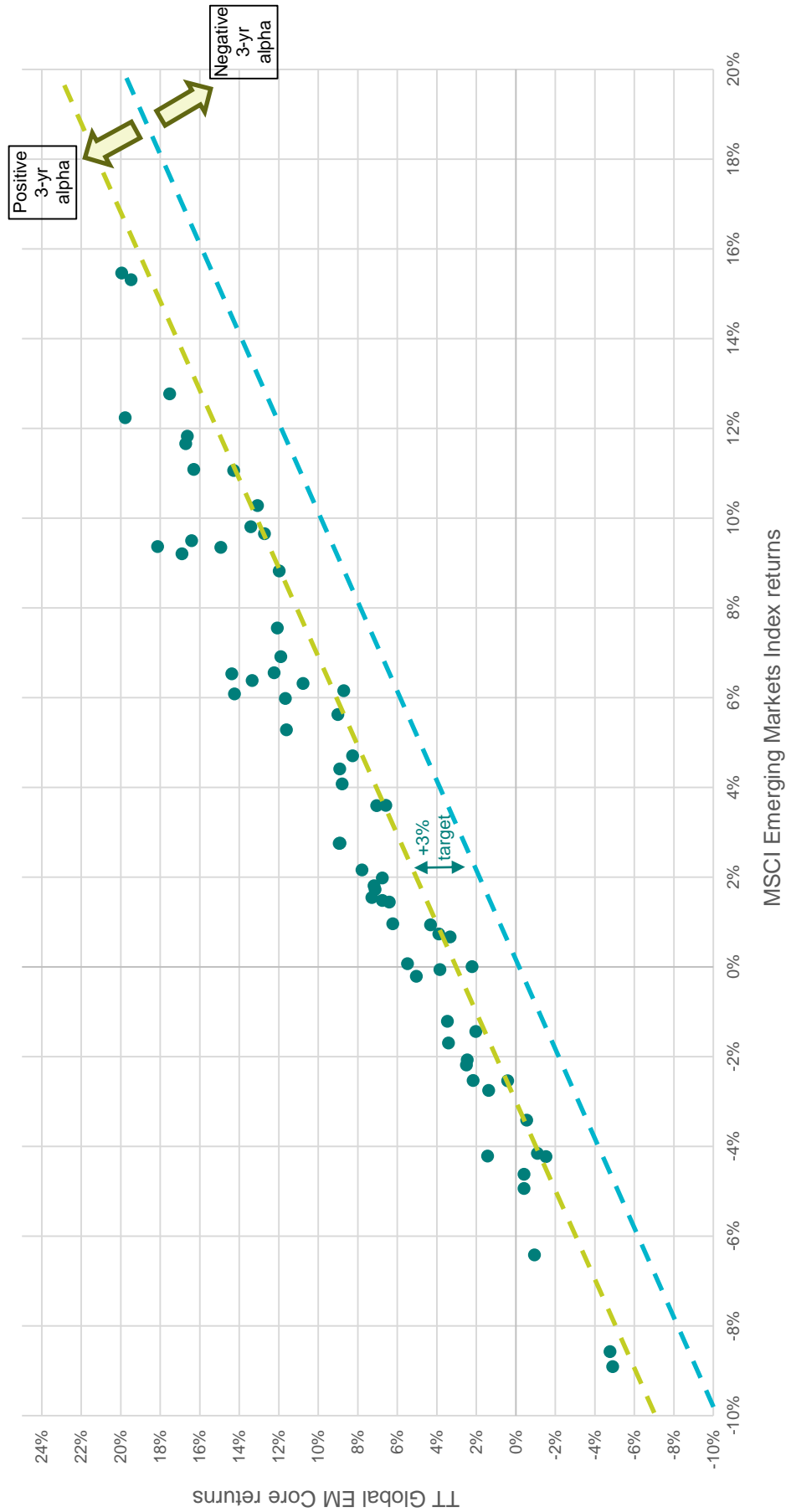
Source: TT International | MSCI. Note: Performance figures are based on internal returns, are Gross of fees and are shown against the MSCI Emerging Markets Index. Performance and assets shown are to 31<sup>st</sup> August 2019. Past performance is not a reliable indicator of future results and you may not retrieve your original investment. Performance figures do not include the effects of additional fees and operating costs. The discrete performance table is based on full rolling 12 month periods ending as at the close of the most recent quarter.



# Performance Consistency

We have consistently achieved our +3% alpha target

Monthly rolling 3-year (ann.) returns of TT Global EM Core vs the MSCI EM Index since inception



Source: TT International | MSCI. Note: Performance figures are based on internal returns, are Gross of fees and are shown against the MSCI Emerging Markets Index. Past performance is not a reliable indicator of future results and you may not retrieve your original investment. Performance figures do not include the effects of additional fees and operating costs.

# Attribution

## YTD to 31<sup>st</sup> August 2019

Countries (%) <sup>1</sup>				
	Asset Weighting	Security selection	Currency effect	Value added
<b>Total Portfolio</b>	<b>0.2</b>	<b>4.4</b>	<b>-0.6</b>	<b>4.0</b>
<b>Equity</b>	<b>0.5</b>	<b>4.4</b>	<b>-0.6</b>	<b>4.2</b>
Top/Bot. 5 EW/ FM Countries	-0.5	5.7	-0.5	4.7
China	-0.2	3.3	0.0	3.1
Russia	0.7	0.6	0.2	1.5
Korea	0.0	0.6	0.0	0.7
Brazil	-0.1	0.8	-0.2	0.5
India	-0.2	0.5	0.0	0.3
Thailand	0.1	0.0	-0.2	-0.2
Turkey	0.0	-0.3	0.0	-0.2
UAE	0.0	-0.3	0.0	-0.3
Taiwan	-0.7	0.3	0.0	-0.4
Argentina	-0.1	0.1	-0.4	-0.4
<b>Rest of the World</b>	<b>1.0</b>	<b>-1.2</b>	<b>-0.2</b>	<b>-0.4</b>
<b>FX &amp; Cash</b>	<b>-0.3</b>	<b>0.0</b>	<b>0.0</b>	<b>-0.3</b>

Sectors (%)		Value added
<b>Total Portfolio</b>		<b>4.0</b>
<b>Equities</b>		<b>4.2</b>
Financials		3.2
Real Estate		1.2
Consumer Staples		0.9
Utilities		0.7
Energy		0.6
Health Care		0.5
Communication Services		0.2
Information Technology		-0.2
Industrials		-0.8
Materials		-0.9
Consumer Discretionary		-1.1
<b>FX &amp; Cash</b>		<b>-0.3</b>

Stocks - Winners (%)			
Sector	Value Added	TT Held	
Wuliangye Yibin	1.1	✓	
Qudian	0.6	✓	
Polyus	0.6	✓	
Ping An Bank	0.6	✓	
China Gas	0.5	✓	
<b>Total</b>	<b>3.4</b>		

Stocks - Losers (%)			
Sector	Value Added	TT Held	
Baidu	-0.6	✓	
Samsonite	-0.6	✓	
Loma Negra	-0.6	✓	
Hana Financial	-0.5	✓	
TSMC	-0.4		
<b>Total</b>	<b>-2.6</b>		

Source: TT International. Based on a representative account of the strategy. <sup>1</sup> Country breakdown displays the top / bottom 5 EM country level contributors to and detractors from performance, and aggregates the remaining countries as Rest of the World. Data and/or information is subject to change and are not representative of future data/statistics. Any reference to a specific investment or security does not constitute a recommendation to buy, sell, or hold such investment or security.



- Tug of war between US late cycle growth slowdown and early cycle recovery from China Q418 saw a critical pivot by the FED on policy. China stimulus is intensifying
- The yield curve inversion recession signal is typically early, a cessation of trade hostilities is key
- Expect the US\$ to follow relative growth momentum; a mild positive tailwind for emerging markets

## Global backdrop

### Latin America Brazil 'on watch'

- Political risks and financing concerns dominate the major LatAm markets, we are cautiously optimistic
- Brazil: Bolsonaro's success in the presidential election combined with favourable congress provides the best chance of economic reform in a generation. Execution risk remains
- Mexico: increasing value emerging, uncertain political backdrop



### Asia India favoured

- India: business cycle recovery cut short by tightening NBFC credit conditions
- Strong endorsement for Modi sets stage for completion of reform program
- Powerful demographics, consumer-led structural growth, housing reform
- China: fiscal / monetary stimulus to counter short-term economic slowdown, impact takes time
- Improvement in the banking system, a strong focus on sustainable growth



### Emerging EMEA Overweight Russia & Turkey

- Russia: strong sovereign balance sheet with limited external financing needs
- De-levered balance sheets supports very attractive high and sustainable dividends
- Political risk remains but threats of sanctions appear to be receding
- Turkey: currency led inflection to trade balance, inflation improving, aggressive rate cuts
- CEE: growth remains robust and several esoteric opportunities

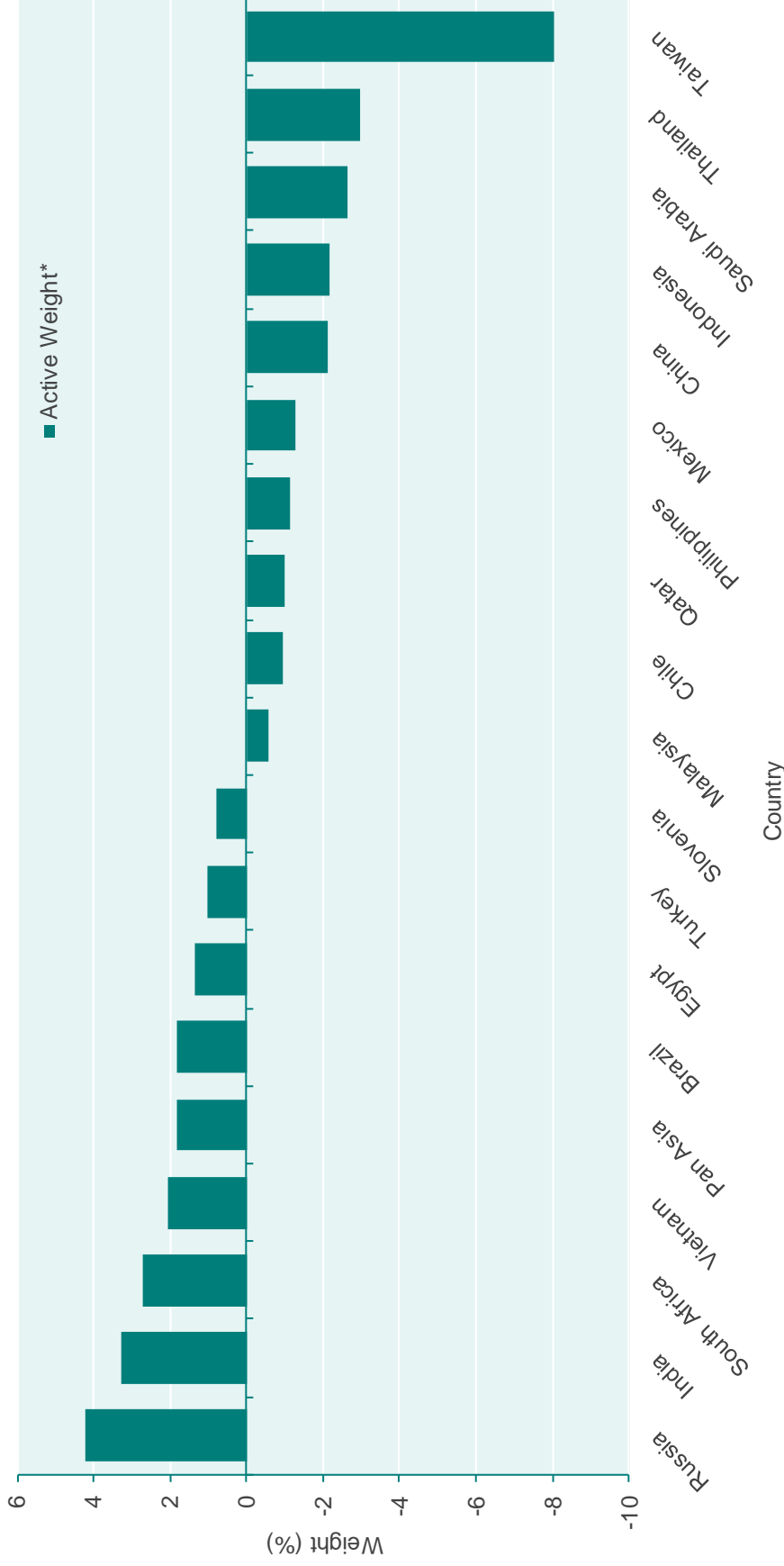


The above is based upon TT's current opinions. There is no assurance that such projections will occur and actual conditions may be significantly different than shown here. All expressions of opinion and predictions are subject to change without notice.



# Current Portfolio Positioning

## Largest active country weights



Source: TT International | MSCI. Based on a representative account of the strategy. Note: Relative to MSCI Emerging Markets as at 31<sup>st</sup> August 2019. \* Countries where we hold an active position of between +0.5% and -0.5% have not been shown in the chart. This includes exposure to UAE, Korea, Poland, Argentina, Other\*\*, Hungary, Pakistan, Czech Republic, Greece, Colombia and Peru. \*\*Other exposure is to First Quantum. Data and/or information is subject to change and are not representative of future data/statistics.

# Current Portfolio Positioning

## Stock & sector weights

Sector Weightings (%)			
	TT	Index	Active Position <sup>1</sup>
Consumer Discretionary	21.5	13.9	7.5
Materials	9.6	7.4	2.3
Industrials	7.5	5.3	2.2
Real Estate	4.7	2.9	1.9
Financials	24.7	24.6	0.1
Health Care	1.6	2.7	-1.1
Utilities	1.7	2.9	-1.2
Energy	4.7	7.4	-2.7
Consumer Staples	3.1	6.9	-3.8
Communication Services	7.2	11.6	-4.5
Information Technology	9.8	14.4	-4.6

Top 10 Portfolio Overweights (%)			
	TT	Index	Active Position <sup>1</sup>
Naspers	5.7	1.9	3.8
ICICI Bank	3.3	0.3	3.0
LG Corp	2.5	0.1	2.4
Alibaba Group	7.0	4.7	2.3
Hana Financial	2.3	0.2	2.2
IndusInd Bank	2.0		2.0
HCL Technologies	2.1	0.2	2.0
Prudential	1.8		1.8
CBD	1.8	0.1	1.8
Medicinic International	1.6		1.6

Source: TT International | MSCI. Based on a representative account of the strategy.

<sup>1</sup> Relative to MSCI Emerging Markets, as at 31<sup>st</sup> August 2019. Data and/or information is subject to change and are not representative of future data/statistics. Any reference to a specific investment or security does not constitute a recommendation to buy, sell, or hold such investment or security.



# Current Portfolio Characteristics

Portfolio Statistics		
	TT	Index
<b>Value</b>		
P/E (fwd 12m)	10.0	11.7
Yield (%)	3.1	3.3
Price/Book	1.3	1.5
<b>Growth</b>		
Historic earnings growth (%)	8.9	2.5
Forecast earnings growth (%)	9.6	7.0
Forecast dividend growth (%)	8.2	7.9
<b>Quality</b>		
Return on equity	13.0	11.8
Dividend cover	3.2	2.5
<b>Risk</b>		
Tracking Error (%)	3.7	
Active Share (%)	87.9	
Beta	1.05	1.00
Weighted Av. Market Cap (USDm)	73,931	78,842
Number of stocks	62	1,193
Percentage of portfolio in cash (%)	4.0	

Market Cap Breakdown (%)		
	TT	Index
>USD40bn	31.9%	35.0%
USD10bn-40bn	25.7%	34.4%
USD5bn-10bn	15.0%	15.5%
USD1bn-5bn	24.5%	14.9%
<USD1.0bn	2.8%	0.2%

Source: TT International | MSCI | Factset Cognition | Bloomberg. Based on a representative account of the strategy. Index is the MSCI Emerging Markets. Data shown as at 31<sup>st</sup> August 2019. Please note that securities which experienced abnormal fundamental events during the period have been removed from the data in order to avoid misrepresentation of portfolio and/or index level characteristics. Past performance of the Fund is not a reliable indicator of future results and you may not retrieve your original investment. Data and/or information is subject to change and are not representative of future data/statistics.



# Current Portfolio Risk Summary

Portfolio characteristics							
	Number of stocks	Tracking error (%)	Beta	Active share (%)	Stock specific risk (%)	Systematic risk (%)	Cash levels (%)
Current	62	3.7	1.1	87.9	73.79	26.21	4.0
Typical range	50-60	4.0-7.0	0.8-1.2	>80%	60-90	10-40	0-10

Top 10 risk – sectors (%)			
Sector	Active position	Tracking error	
Consumer Discretionary	7.5	23.3	
Financials	0.1	21.1	
Materials	2.3	15.4	
Energy	-2.7	6.9	
Information Technology	-3.1	6.6	
Consumer Staples	-3.8	6.1	
Health Care	-1.1	5.8	
Industrials	2.2	4.6	
Real Estate	1.9	3.7	
Utilities	-1.2	-0.6	

Top 10 risk – held stocks (%)			
Stock	Active position	Tracking error	
Naspers	3.8	8.5	
CBD	1.8	6.2	
ICICI Bank	3.0	6.1	
Alibaba Group	2.3	6.0	
Mediclinic International	1.6	5.5	
Autohome	1.5	5.5	
Petrobras	1.0	5.5	
Vale	1.3	5.1	
IndusInd Bank	2.0	4.5	
Cemex	1.2	4.3	

Source: TT International | MSCI | Factset Cognition. Based on a representative account of the strategy. Characteristics shown as at 31<sup>st</sup> August 2019. Data and/or information is subject to change and are not representative of future data/statistics. Any reference to a specific investment or security does not constitute a recommendation to buy, sell, or hold such investment or security.

# Historical Portfolio Positioning

## Sector weightings

	Sectors (%)					Index 31-Aug-19	Active Position <sup>1</sup> 31-Aug-19
	31-Dec-18	31-Mar-19	30-Jun-19	31-Aug-19	TT		
Consumer Discretionary	8.2	18.6	20.5	21.5	13.9	7.5	
Materials	11.4	9.2	10.7	9.6	7.4	2.3	
Industrials	9.5	9.7	8.8	7.5	5.3	2.2	
Real Estate	4.9	5.9	4.0	4.7	2.9	1.9	
Financials	22.8	24.8	24.2	24.7	24.6	0.1	
Futures			1.5				
Health Care	3.2	1.7	1.4	1.6	2.7	-1.1	
Utilities	2.7	2.7	3.0	1.7	2.9	-1.2	
Energy	5.1	7.0	5.6	4.7	7.4	-2.7	
Consumer Staples	5.1	3.7	2.1	3.1	6.9	-3.8	
Communication Services	10.9	3.1	5.6	7.2	11.6	-4.5	
Information Technology	12.8	9.6	8.8	9.8	14.4	-4.6	
Cash	3.3	4.1	3.8	4.0			
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>			

Source: TT International | MSCI. Based on a representative account of the strategy. <sup>1</sup> Relative to MSCI EM as at 31<sup>st</sup> August 2019. Data and/or information is subject to change and are not representative of future data/statistics.

# Historical Portfolio Positioning

## Country weightings

	Countries (%)					Index 31-Aug-19	Active Position <sup>1</sup> 31-Aug-19
	31-Dec-18	31-Mar-19	30-Jun-19	31-Aug-19	TT		
Russia	7.0	5.5	8.8	8.1	8.1	3.9	4.2
India	15.9	14.9	12.4	12.0	12.0	8.7	3.3
South Africa	10.4	11.6	6.9	8.1	8.1	5.4	2.7
Vietnam	1.0	2.0	2.0	2.1	2.1		2.1
Pan Asia**				1.8	1.8		1.8
Brazil	9.3	8.5	8.4	9.3	9.3	7.5	1.8
Egypt		1.2	1.7	1.5	1.5	0.2	1.4
Turkey		1.0	1.4	1.5	1.5	0.5	1.0
Slovenia	1.0	0.8	0.9	0.8	0.8		0.8
Korea	14.4	10.7	13.0	11.9	11.9	11.5	0.4
UAE	1.2	1.3	1.3	1.1	1.1	0.8	0.4
Poland				1.3	1.3	1.0	0.3
Argentina	3.3	1.5	1.0	0.4	0.4	0.2	0.2
Other*		1.0	1.0	0.1	0.1		0.1
Hungary	1.7	1.0				0.3	-0.3
Malaysia	1.6	1.5	1.7	1.5	1.5	2.1	-0.6
Mexico	0.6		1.3	1.2	1.2	2.5	-1.3
China	25.5	31.1	31.0	30.2	30.2	32.3	-2.1
Indonesia	0.9					2.2	-2.2
Thailand		1.0				3.0	-3.0
Taiwan	3.0	1.5	3.5	3.1	3.1	11.2	-8.1
Cash	3.3	4.1	3.8	4.0	4.0		

Source: TT International | MSCI. Based on a representative account of the strategy. <sup>1</sup> Relative to MSCI EM as at 31<sup>st</sup> August 2019. \* Other is exposure to First Quantum. \*\*Pan Asia exposure is to Prudential. Please note the above only includes countries in which we have held a position. Data and/or information is subject to change and are not representative of future data/statistics.

# Attribution | TT EM Opportunities II

Since Inception to 31<sup>st</sup> August 2019

Countries (%) <sup>1</sup>				
	Asset Weighting	Security selection	Currency effect	Value added
<b>Total Portfolio</b>	<b>1.3</b>	<b>5.2</b>	<b>-3.4</b>	<b>2.9</b>
<b>Equity</b>	<b>1.9</b>	<b>5.2</b>	<b>-2.9</b>	<b>4.0</b>
Top/Bot. 5 EM Countries	-0.2	5.8	-3.0	2.5
South Africa	0.1	1.0	0.4	1.5
Brazil	0.5	0.8	0.1	1.5
China	-0.6	1.8	0.2	1.4
Russia	1.2	0.2	-0.2	1.2
Vietnam	1.0	0.0	0.0	1.1
UAE	-0.1	-0.4	0.0	-0.5
Thailand	-0.2	0.0	-0.4	-0.6
Indonesia	-0.1	-0.6	-0.1	-0.7
Taiwan	-0.6	-0.2	-0.1	-0.9
Argentina	-1.5	3.1	-3.1	-1.5
<b>Rest of the World</b>	<b>2.1</b>	<b>-0.6</b>	<b>0.1</b>	<b>1.5</b>
<b>FX &amp; Cash</b>	<b>-0.6</b>	<b>0.0</b>	<b>-0.5</b>	<b>-1.2</b>

Sectors (%)	
	Value added
<b>Total Portfolio</b>	<b>2.9</b>
<b>Equities</b>	<b>4.1</b>
Financials	5.6
Real Estate	2.3
Consumer Staples	1.0
Energy	0.6
Utilities	0.4
Health Care	-0.4
Communication Services	-0.4
Materials	-0.8
Consumer Discretionary	-1.0
Information Technology	-1.5
Industrials	-1.5
<b>FX &amp; Cash</b>	<b>-1.2</b>

Source: TT International. <sup>1</sup> Country breakdown displays the top / bottom 5 EM country level contributors to and detractors from performance, and aggregates the remaining countries as Rest of the World. Data and/or information is subject to change and are not representative of future data/statistics. Any reference to a specific investment or security does not constitute a recommendation to buy, sell, or hold such investment or security.



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# Disclosures

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The Shares are being offered outside the United States pursuant to an exemption from registration under Regulation S under the 1933 Act and inside the United States in reliance on Regulation D promulgated under the 1933 Act and Section 4(2) thereof.

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The Fund may arrange or permit the private placement in the United States of a portion of the Shares under the exemption provided by Section 4(2) of the 1933 Act and Regulation D promulgated there under to US Persons that are “accredited investors” (as defined in Rule 501(a) of Regulation D under the 1933 Act) and “qualified purchasers” (as defined in Section 2(a)(51) of the 1940 Act), under restrictions and other circumstances designed to preclude a distribution that would otherwise require registration of the Shares under the 1933 Act, cause the Fund to become subject to the registration requirements of the 1940 Act, oblige the Fund or the Investment manager to comply with requirements under the United States Commodity Exchange Act, or cause the assets of the Fund to be “plan assets” for the purposes of the United States Employee Retirement Income Security Act of 1974, as amended (“ERISA”), including presentation by such investors, prior to the delivery to them of Shares, of subscription documentation containing specified representations and agreements.

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<i>Meeting Date</i> <b>09/25/19</b> <i>Agenda Item</i> <b>#5</b>
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## MEMORANDUM

Date: September 25, 2019  
To: CCCERA Board of Retirement  
From: Wrally Dutkiewicz, Compliance Officer  
Subject: Employer Audit Report Dated August 14, 2019  
Contra Costa County Employees' Retirement Association

---

### Background:

Between February and June 2019 an employer audit was performed on Contra Costa County Employees' Retirement Association (CCCERA). An onsite review was performed at the CCCERA office on March 8, 2019.

The employer audit scope items include the following:

- Accuracy of Payroll Information Provided to CCCERA;
- Salaries In Accordance with Publicly Available Pay Schedules;
- Enrollment of All Eligible Employees;
- Pension Benefit Review;
- Internal Revenue Code 415 Limits;
- Retiree Return to Work Monitoring; and
- Forfeiture of Benefits Earned or Accrued from the Commission of a Felony.

### Follow Up Items:

The final Employer Audit Report was presented to the CCCERA Audit Committee at its August 28, 2019 meeting. The employer does not have any follow-up items.

The following item was noted in the final audit report: During the audit it was observed that the job titles of the District's employees found in the retirement systems pension administration system did not match the job titles found in the District's publicly available pay schedules. The District provided updated job titles for all active employees in the I29 Employee Demographic File submitted as part of its monthly report to the retirement system on August 9, 2019.



Employer Audit:  
Contra Costa County  
Employees'  
Retirement  
Association

*Employer Audit  
Report dated  
8/14/2019  
prepared by:*



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# Contra Costa County Employees' Retirement Association

## Audit Transmittal Letter



August 14, 2019

Gail Strohl  
Chief Executive Officer  
CCCERA  
1355 Willow Way  
Suite 221  
Concord, CA 94520

Re: Employer Audit Report – Contra Costa County Employees' Retirement Association (District) Pensionable Compensation, Contribution and Reporting Audit

Dear Ms. Strohl,

Enclosed is the employer audit report of the Contra Costa County Employees' Retirement Association (CCCERA) District pensionable compensation, contribution and reporting audit, conducted pursuant to Government Code Section 31543. I want to thank you and all CCCERA staff for their assistance in gathering all the records and documents and making them readily available during this audit. This cooperation was greatly appreciated and allowed for the audit to be completed in an efficient manner.

The *Employer Audit Report* is enclosed for your review. With respect to our discussion during the audit exit meeting on August 5, 2019 the observation noted in the report regarding position titles were updated on your regular monthly report received on August 9, 2019. There are no follow up items.



## Contra Costa County Employees' Retirement Association

This report will be placed on the agenda and will be presented to the CCCERA Audit Committee at its Wednesday, August 28, 2019 meeting.

Should you wish to discuss or have any questions regarding the items reviewed and the observations contained within this report, please contact me at 925-521-3960.

Best regards,



Wrally Dutkiewicz  
Compliance Officer

Cc: Christina Dunn, Deputy CEO, CCCERA  
Anne Sommers, Administrative and HR Manager, CCCERA

# Contra Costa County Employees' Retirement Association

## Background

The Contra Costa County Employees' Retirement Association (CCCERA) is a public employee retirement system that was established by Contra Costa County on July 1, 1945, and is administered by the Board of Retirement (Board) to provide service retirement, disability, death, and survivor benefits for Contra Costa County (County) employees and 16 other participating agencies under the California State Government Code, Section 31450, et. seq. (County Employees Retirement Law of 1937 or CERL) and the California Public Employees' Pension Reform Act of 2013 (PEPRA).

CCCERA administers the retirement benefits for the employees of Contra Costa County and participating District employers. Participating employers within the CCCERA retirement system transmit payroll information and contributions to fund the benefits for their employees. CCCERA sets up retirees' accounts, processes applications, calculates retirement allowances, prepares monthly retirement benefit payment rolls, and makes adjustments to retirement benefits when needed.

Retirement allowances are computed in accordance with statute using three factors: years of service, age at retirement, and final compensation. For Legacy (pre-PEPRA) members, final compensation is defined as the highest average annual compensation earnable (as defined in G.C. Section 31461) by a member during the last one or three consecutive years of employment depending on the member's retirement tier, unless the member elects a different period with a higher average. For PEPRA members, final compensation is defined as the highest average annual pensionable compensation (as defined in G.C. Section 7522.34) earned by the member during a period of 36 consecutive months.

The employer's knowledge of the rules relating to membership and payroll reporting facilitates the employer in providing CCCERA with appropriate employee information. Correct enrollment of eligible employees and correct reporting of payroll information are necessary for the accurate computation of a member's retirement allowance.

Effective January 1, 2015, CCCERA became the direct employer for its entire staff. Previously, the administration of CCCERA's payroll was performed by Contra Costa County.

CCCERA the District had approximately fifty-five (55) employees during fiscal years 2017 and approximately fifty-eight (58) employees during fiscal year 2018 with active memberships in CCCERA. For fiscal year 2017 CCCERA had budgeted expenditures for salaries and benefits in the amount of \$10,430,000 and for fiscal year 2018 it budgeted \$10,240,000. CCCERA the District submitted approximately \$513,000 in employee pension contributions and \$1,780,000 in employer pension contributions for fiscal year 2017 and \$576,000 in employee pension contributions and \$ 1,922,000 in employer pension contributions in fiscal year 2018. As of

## Contra Costa County Employees' Retirement Association

December 31, 2018, CCCERA the pension system had thirty-one (31) retirees on record for CCCERA the employer with a total paid benefit amount of approximately \$1,250,000 in 2018.

# Contra Costa County Employees' Retirement Association

## Scope

The 2013 Pension Reform legislation granted CCCERA the authority under Government Code Section 31543 to conduct audits of employers to ensure that employee and payroll information used in the calculation of retiree pension benefits is correct and verifiable. The scope of these on-site reviews includes:

- Correctness of retirement benefits;
- Reportable compensation;
- Enrollment in, and reinstatement to the system (GC 31554);
- Pensionable compensation (GC 31461 and GC 7522.34);
- Determine if employees convicted of certain felonies have forfeited benefits earned or accrued from the commission of the felony (GC 7522.72(g) and GC 7522.74(g));
- Review MOUs with respect to compensation and salary regulations (i.e. Vacation Sales, etc.);
- Determine if compensation is paid to enhance a member's retirement benefit (GC 31461(b)(1) and GC 7522.34(c)(1)); and
- Evaluate employer's compliance with restrictions on retirees returning to work (GC 7522.56, I.R.S. bona fide separation and normal retirement age rules).

The on-site review of the District was conducted on March 8, 2019. The review period encompassed active employee records for 2017 through 2018 and retired employee records from 2016 through 2018.

# Contra Costa County Employees' Retirement Association

## Observations and Findings

### Accuracy of Payroll Information provided to CCCERA

1: Statement of Observation: No exceptions were observed in this section.

### Payroll and Reporting Process and Receivables Review

Pursuant to Board of Retirement Regulations Section IV: Employer pensionable payroll and corresponding pension contributions are to be reported to the retirement system timely and accurately. (*Contributions And Reporting, 2. Due Dates, 4. Employer Certification*).

#### Due Dates

*Each employer shall report to the Association in a manner and frequency as determined by the Board sufficient for the Board to credit contributions and service to each member's record.*

*Unless otherwise specified, reports shall be due no later than the tenth of each month for the previous month's payroll and shall be accompanied by member and employer contributions. If the tenth of the month falls on a weekend or holiday, the due date shall be the last working day before the tenth. Reports, which are unreadable or incorrect, shall not be accepted and shall be returned to the employer. (Emphasis added.)*

*Reports and contributions received after the due date shall be considered late and subject to a late reporting penalty equal to: the prime rate in effect on the due date computed on a daily, non-compounding basis and applied to the contributions due.*

Observation 1: None.



# Contra Costa County Employees' Retirement Association

## Input File Review

### Employer Certification

Each payroll and pension contribution report shall include or be accompanied by a certification, under penalty of perjury, as to its accuracy. The certification shall be made by a duly authorized representative of the employer. (Board of Retirement Regulations *Section IV, 4. Employer Certification.*)

Observation 2: During the audit four (4) CCCERA employees were identified of whom one (1) had no job title and three (3) had incorrect job titles displayed in the pension administration system (PAS). For seven (7) out of twenty-four (24) sample employees, the PAS contained job titles that were truncated in a way that did not allow tie back to pay schedules as the job titles in the PAS did not match the job titles found in the corresponding classification listed in the salary schedule. The pay schedules do not contain job codes making the job title the sole data point for employees listed in the PAS. In addition, identical job titles were abbreviated in a non-consistent manner.

The employer provided updated job titles for all active employees in the I29 Employee Demographic File submitted as part of its monthly report to the retirement system on August 9, 2019.

### Compensation Limits

Federal and state laws place annual limits on the compensation that can be used to determine contributions and benefits for CCCERA plan members.

#### Legacy Members:

- The Internal Revenue Code provides for dollar limitations on benefits and contributions under qualified retirement plans which are adjusted annually for cost-of-living increases.
- Members who commenced participation in CCCERA on or after January 1, 1996 are subject to the annual federal Internal Revenue Code Section 401(a)(17) compensation limit.

## Contra Costa County Employees' Retirement Association

- For CERL benefit formulas (General Tiers 1, 3, Safety Tiers A & C), the 2018 calendar year compensation limit was increased by the I.R.S. to \$275,000 from \$270,000 for calendar year 2017.
- Members who commenced participation in CCCERA prior to January 1, 1996 are not subject to the Internal Revenue Code annual compensation limit.

### PEPRA Members:

- For new employees who commenced participation in CCCERA on or after January 1, 2013 under PEPRA benefit formulas (General Tiers 4,5, Safety Tiers D & E), the compensation which exceeds that annual pensionable compensation limit under California Government Code Section 7522.10(c) and (d) is not included in determining benefits or contributions.
- The 2018 calendar year PEPRA compensation limits are as follows:
  - For employees enrolled in Social Security – increased to \$121,388.
  - For employees not enrolled in Social Security – increased to \$145,666.
- The 2017 calendar year PEPRA compensation limits are as follows:
  - For employees enrolled in Social Security – increased to \$118,775.
  - For employees not enrolled in Social Security – increased to \$142,530.

Observation 3: None

### Payroll Reporting – Pensionable Compensation and Contribution Review

#### Compensation Earnable Applicable Law for Legacy Members

"Compensation earnable" does not include, in any case, the following:

“Payments for additional services rendered outside of normal working hours, whether paid in a lump sum or otherwise.” (G.C. § 31461(b)(3).)

Pursuant to CCCERA’s “Compensation Earnable Policy”<sup>1</sup>, Section III.D. “Compensation Earnable” excludes payments for additional services rendered outside of normal working hours.

<sup>1</sup> <https://www.cccera.org/governance-and-policies>

## Contra Costa County Employees' Retirement Association

Pay received for "overtime" is not included in "compensation earnable." To be included, the time for which compensation is received:

- (1) must be the normal working hours set forth in the applicable employment agreement;
- (2) must be required by the employer to be worked by the employee (as distinguished from voluntarily worked); and
- (3) must be ordinarily worked by all others in the same grade or classification at the same rate of pay during the FAS period.

Pay that will be reviewed under these conditions is often described as "standby" and "on-call." Employers must report to CCCERA as pensionable only that pay for work that is required of and ordinarily served by everyone in the same grade or classification, at the same rate of pay.

### **Pensionable Compensation Applicable Law for PEPRA members**

PEPRA defines "pensionable compensation" as follows:

"Pensionable compensation" of a new member of any public retirement system means the normal monthly rate of pay or base pay of the member paid in cash to similarly situated members of the same group or class of employment for services rendered on a full-time basis during normal working hours, pursuant to publicly available pay schedules.

Compensation that has been deferred shall be deemed pensionable compensation when earned rather than when paid. (Gov. Code Section 7522.34(a) and (b).)

PEPRA excludes from "pensionable compensation" the following:

- (1) Any compensation determined by the board to have been paid to increase a member's retirement benefit under that system.
- (2) Compensation that had previously been provided in kind to the member by the employer or paid directly by the employer to a third party other than the retirement system for the benefit of the member and which was converted to and received by the member in the form of a cash payment.
- (3) Any one-time or ad hoc payments made to a member.
- (4) Severance or any other payment that is granted or awarded to a member in connection with or in anticipation of a separation from employment, but is received by the member while employed.

## Contra Costa County Employees' Retirement Association

- (5) Payments for unused vacation, annual leave, personal leave, sick leave, or compensatory time off, however denominated, whether paid in a lump sum or otherwise, regardless of when reported or paid.
- (6) Payments for additional services rendered outside of normal working hours, whether paid in a lump sum or otherwise.
- (7) Any employer-provided allowance, reimbursement, or payment, including, but not limited to, one made for housing, vehicle, or uniforms.
- (8) Compensation for overtime work, other than as defined in Section 207(k) of Title 29 of the United States Code [FLSA].
- (9) Employer contributions to deferred compensation or defined contribution plans.
- (10) Any bonus paid in addition to the compensation described in subdivision (a) [of G.C. § 7522.34].
- (11) Any other form of compensation a public retirement board determines is inconsistent with the requirements of subdivision (a) [of G.C. § 7522.34].
- (12) Any other form of compensation a public retirement board determines should not be pensionable compensation. (Gov. Code Section 7522.34(a) and (b).)

Pursuant to CCCERA's "Pensionable Compensation Policy"<sup>2</sup>, Section III:

The CCCERA Board has determined that "Pensionable Compensation" includes "base pay." Pensionable compensation does not include any pay other than base pay, in accordance with Govt. Code Sections 7522.34(c)(11) and (12).

Pensionable compensation (GC 31461 and 7522.34) is to be reported to the retirement system and the corresponding contributions are to be reported to the retirement system.

Observation 4: None

## Salaries in Accordance with Publicly Available Pay Schedule

2: Statement of Observation: No exceptions were observed in this section.

Pursuant to CCCERA's Policy On Determining "Pensionable Compensation"<sup>3</sup> Under PEPRA For Purposes Of Calculating Retirement Benefits, a "publicly available pay schedule" must meet all of the following requirements:

<sup>2</sup> <https://www.cccera.org/governance-and-policies>

<sup>3</sup> <https://www.cccera.org/governance-and-policies>

## Contra Costa County Employees' Retirement Association

1. *Has been duly approved and adopted by the employer's governing body in accordance with requirements of applicable public meetings laws;*
2. *Identifies the position title for every employee position;*
3. *Shows the pay rate for each identified position, which may be stated as a single amount or as multiple amounts within a range;*
4. *Indicates the time base, including, but not limited to, whether the time base is hourly daily, bi-weekly, monthly, bi-monthly, or annually;*
5. *Is posted at the office of the employer or immediately accessible and available for public review from the employer during normal business hours or posted on the employer's internet website;*
6. *Indicates an effective date and date of any revisions;*
7. *Is retained by the employer and available for public inspection for not less than five years; and*
8. *Does not reference another document in lieu of disclosing the pay rate.*

Observation 5: None

## Enrollment of Eligible Employees

3: Statement of Observation: No exceptions were observed in this section.

### CCCERA Board of Retirement Regulations Section III. Membership

#### **1. Exclusion from Membership – By Type of Employment**

- A. All officers and employees of the County or districts shall be members of the association as provided in Article 4 under Sections 31550-31567 of the County Employees' Retirement Law of 1937 (Gov. Code Secs. 31450, et seq. "CERL"), unless excluded from membership by this Section.
- B. The following employees shall be excluded from membership:

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- i. Temporary, seasonal or independent contract employees who are employed or re-employed for temporary service or at certain specified periods each year.
  - ii. Intermittent or permanent-intermittent employees who are appointed to serve less than 80% of the full number of working hours required of regular employees or who actually serve less than 80% of such full number of working hours in one year as certified by their appointing authority.
  - iii. Part-time employees whose service for the County or district is less than fifty (50) percent of the full number or working hours required of fulltime employees at that employer.
  - iv. Project employees, unless the appointing authority certifies that the project is expected to be of one year or more in duration on a greater than part-time basis.
  - v. Provisional employees, unless they otherwise meet the requirements for reciprocal benefits with other retirement systems under Article 15 of CERL.
- C. In making its determination regarding an employee's inclusion in or exclusion from membership, the Board will not rely solely upon the term given to the type of employment. Rather, the Board will rely upon such additional facts such as the nature of the employment, its expected or actual duration, and its relationship to what is considered full-time, permanent employment.

### **2. Exclusion from Membership – by Compensation**

Except as otherwise herein provided, all employees of the County or district who receive compensation amounting to less than one-hundred (\$100) dollars per month, and in the case of employees paid on other than a monthly basis an average of one-hundred (\$100) dollars per month for the preceding year, including maintenance valued according to the schedule adopted by the governing body, are hereby excluded and exempted from membership in the Retirement Association. Any member of the Retirement Association whose salary is reduced to an amount less than one-hundred (\$100) dollars per month shall have the option of continuing or discontinuing his/her active membership in the Association.

#### **2.1 Exclusion from Membership – by Waiver**

Newly hired employees age 60 and older may waive membership as authorized by Gov. Code Section 31552. Any such waiver of membership shall be effective only if it is submitted to the CCCERA Retirement Chief Executive Officer within 90 days of the employee's date of hire; provided, however, that the Retirement Chief Executive Officer may, in his/her sole and

# Contra Costa County Employees' Retirement Association

reasonable discretion, waive the time limitation if the newly hired employee establishes good cause for such a waiver.

## **3. Certifications**

Every employee of the County or district within the county whose employees are members of the Association shall, upon entry into the Association, complete a sworn statement as provided for in Gov. Code Section 31526(b). A certified copy of the member's birth certificate or other evidence of birth may be required by the Board.

It shall be the employer's responsibility to assure compliance with this section. The Board shall assess the employer five hundred (\$500) dollars per employee for every month or fraction thereof that the required certification is not submitted. The Board shall notify the employer in writing of the imposition of assessment at least thirty days before the assessment.

Observation 6: None

## **Pension Benefit Review**

4: Statement of Observation: No exceptions were observed in this section.

## **Review of Pension Benefit Calculations**

- a. Compensation Policies
  - i. *Policy On Determining "Compensation Earnable Under Assembly Bill 197 For Purposes Of Calculating Retirement Benefits For "Legacy" (Pre-PEPRA) Members* – Adopted: 9/10/2014; GC 31461;
  - ii. *Policy On Determining "Pensionable Compensation" Under PEPRA For Purposes Of Calculating Retirement Benefits* - Adopted: 9/10/2014; GC 7522.34;
  - iii. *Policy Regarding Assessment and Determination Of Compensation Enhancements* – Adopted 11/1/2012, Amended: 3/8/2017; GC 31461(b)(1) and 7522.34(c)(1).

# Contra Costa County Employees' Retirement Association

Observation 7: None

## Retiree Return to Work Monitoring

- b. Retiree Return to Work Monitoring
  - i. GC 7522.56 Retired Persons; Service and Employment Restrictions

Observation 8: None

## Forfeiture of Benefits Earned or Accrued From the Commission of a Felony

- c. Felony Forfeiture Monitoring and Notification – GC 7522.72(g) and GC 7522.74(g)

Observation 9: None

## Internal Revenue Code Section 415 Compliance

As adopted on December 8, 2010 and amended on January 9, 2013 and July 11, 2018.

Observation 10: None



# Contra Costa County Employees' Retirement Association

## Follow-Up Items

The following items were noted during the course of the review and require follow-up by CCCERA the District and the retirement system:

No follow up items.

Meeting Date

**09/25/19**

Agenda Item

**#6a.**



**2019 Annual LP Conference**  
November 14th & 15th, 2019



REGISTER NOW!

### When

Thursday, November 14, 2019 at 6:00 PM EST  
-to-  
Friday, November 15, 2019 at 2:00 PM EST

[Add to Calendar](#)

### [The Intrepid Sea, Air & Space Museum \(11/14\)](#)

Pier 86, W 46th Street  
New York, NY 10036

### [Jazz at Lincoln Center \(11/15\)](#)

10 Columbus Circle  
New York, NY 10023

### Siris Contact

Hina Patel  
patel@siris.com  
O: (212) 231 0094  
C: (443) 235 6047

Please join Siris Capital Group for the 2019 Annual LP Conference on Thursday, November 14th and Friday, November 15th.

### Cocktails & Reception

November 14, 2019  
Cocktails: 6:00pm; Dinner: 7:00pm  
*Intrepid Sea, Air & Space Museum*  
New York, NY

### Annual Meeting

November 15, 2019  
8:30am - 2:00pm  
*Jazz at Lincoln Center*  
New York, NY

### Preliminary Meeting Agenda

#### Registration & Breakfast

8:30am-9:00am

#### Market & Firm Update

9:00am-10:00am

#### Fund IV

10:00am – 11:00am

#### Fund II & III

11:00am – 1:30pm

#### Closing

1:30pm – 2:00pm

*Note: LPAC meetings will be held prior to cocktails on November 14.*

*\*Please reach out to [Hina Patel](#) for hotel room block information.*

---

**Please register no later than November 6, 2019**

REGISTER NOW!



Meeting Date  
**09/25/19**  
Agenda Item  
**#6b.**

**Wednesday, January 22, 2020**

Welcome Reception: Cocktails and Casual Dinner

Time: 6:00pm MDT

Location: The Kitchen American Bistro, 1560 Wazee Street, Denver, CO 80202 (private entrance from the patio located on Wazee Street between 15th Street and 16th Street)

**Thursday, January 23, 2020**

Advisory Committee Meeting

Time: 8:00am MDT

Location: Nordic Boardroom, 2nd Floor, Hotel Born, 1600 Wewatta Street, Denver, CO 80202

Breakfast

Time: 8:30am MDT

Location: Copper Foyer, 2nd Floor, Hotel Born, 1600 Wewatta Street, Denver, CO 80202

Annual Meeting

Time: 9:00am MDT

Location: Copper Ballroom, 2nd Floor, Hotel Born, 1600 Wewatta Street, Denver, CO 80202

Lunch

Time: 11:30am MDT

Location: Copper Ballroom, 2nd Floor, Hotel Born, 1600 Wewatta Street, Denver, CO 80202

Partner Presentation 1

Time: 12:30pm MDT

Location: Copper Foyer, 2nd Floor, Hotel Born, 1600 Wewatta Street, Denver, CO 80202

Partner Presentation 2

Time: 1:30pm MDT

Location: Copper Ballroom, 2nd Floor, Hotel Born, 1600 Wewatta Street, Denver, CO 80202

Conclusion of General Meeting

Time: 2:45pm MDT