



## **AGENDA**

### **RETIREMENT BOARD MEETING**

REGULAR MEETING  
May 6, 2020, 9:00 a.m.

#### Coronavirus (COVID-19) Health Crisis

The Board of Retirement meeting will be accessible telephonically at (646) 749-3122, access code 182-448-693 due to the Contra Costa County and State of California Coronavirus (COVID-19) Shelter In Place Orders, and as permitted by Executive Order N-29-20 issued on March 17, 2020.

Persons who wish to address the Board of Retirement during public comment or regarding an item that is on the agenda may submit public comment to [info@cccera.org](mailto:info@cccera.org) either before or during the meeting. Public comments are limited to any item of interest to the public that is within the subject matter jurisdiction of the Board of Retirement. (Gov't Code Section 54954.3(a).)

All comments submitted will be included in the record of the meeting. The comments will be read into the record at the meeting, subject to a three minute time limit per comment.

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

1. Pledge of Allegiance.
2. Recognition of Michelle Reyes for 20 years of service.
3. Accept comments from the public.
4. Approve minutes from the March 11, 2020 and April 8, 2020 meetings.
5. Routine items for May 6, 2020.
  - a. Approve certifications of membership.
  - b. Approve service and disability allowances.

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.

- c. Accept disability applications and authorize subpoenas as required.
- d. Approve death benefits.
- e. Accept travel report.
- f. Accept asset allocation report.
- g. Accept liquidity report.

**CLOSED SESSION**

- 6. The Board will go into closed session pursuant to Govt. Code Section 54957 to consider the Hearing Officer's recommendation regarding the disability application for Ivan Suchel.
- 7. The Board will continue in closed session pursuant to Govt. Code Section 54956.9(d)(1) to confer with legal counsel regarding pending litigation:

*Contra Costa County Deputy Sheriffs Association, et al., v. Board of Retirement of CCCERA, et al., Supreme Court of the State of California, Case No. S247095.*

**OPEN SESSION**

- 8. Presentation from Oaktree.
- 9. Consider and take possible action to cause an election to be held to fill the vacancy in the alternate safety member seat.
- 10. 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.



**MINUTES**

**RETIREMENT BOARD MEETING MINUTES**

REGULAR MEETING  
March 11, 2020  
9:00 a.m.

Board Conference Room  
1200 Concord Avenue, Suite 350  
Concord, California

Present: Candace Andersen, Donald Finley, Scott Gordon, Jerry Holcombe, Louie Kroll, David MacDonald, John Phillips, William Pigeon, Todd Smithey and Russell Watts

Absent: Jay Kwon and Mike Sloan

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

Outside Professional Support: Representing:

Harvey Leiderman	Reed Smith LLP
Robert Blink, MD	Self

**1. Pledge of Allegiance**

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

**2. Recognition of Shannon Goss for 5 years of service**

Smithey recognized and congratulated Shannon Goss for her 5 years of service.

**3. Accept comments from the public**

No member of the public offered comment.

**4. Routine Items**

It was **M/S/C** to approve the routine items of the March 11, 2020 meeting. (Yes: Andersen, Finley, Gordon, Holcombe, MacDonald, Phillips and Smithey)

Watts was present for subsequent discussion and voting.

It was the consensus of the Board to move to Item 10.

**10. Board workshop regarding death during active membership and non-service connected disability**

Levy reviewed the general legal principles regarding disability retirement under the 1937 Act including the types of disability retirements, the requirement of competent medical evidence, and that the member has the burden of proof to show permanent incapacity.

Pigeon was present for subsequent discussion and voting.

Levy reviewed *Gorman v. Cranston*, 64 Cal.2d 441 (1966).

Kroll was present for subsequent discussion and voting.

Leiderman reviewed the Board's fiduciary role in ensuring that the correct benefits be paid to those eligible for them. Trustees are to exercise their collective judgment in making these determinations.

Finley was no longer present for subsequent discussion and voting.

It was the consensus of the Board to move to Item 5.

**CLOSED SESSION**

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

The Board moved into open session.

5. There was no reportable action related to Govt. Code Section 54957.
6. It was **M/S/C** to accept the Medical Advisor's recommendation and grant the following disability benefits:
  - a. Siamak Nasseh – Service Connected (Yes: Andersen, Gordon, Holcombe, Kroll, MacDonald, Phillips, Pigeon, Smithey and Watts)
7. There was no reportable action related to Govt. Code Section 54956.9(d)(1). *Nowicki v. CCCERA, et al.*, Contra Costa County Superior Court, Case No. C17-01266.

**8. Presentation of disability retirement process**

This item was tabled to a future meeting.

**9. Presentation of semi-annual disability retirement report**

This item was tabled to a future meeting.

**11. Consider and take possible action on SACRS voting proxy form**

It was **M/S/C** to appoint David MacDonald as the Voting Delegate and Louie Kroll as the Alternate Voting Delegate to vote on behalf of CCCERA at the upcoming SACRS Conference. (Yes: Andersen, Gordon, Holcombe, Kroll, MacDonald, Phillips, Pigeon, Smithey and Watts)

**12. Consider and take possible action to amend the Audit Committee Charter as recommended by the Audit Committee**

It was **M/S/C** to amend the Audit Committee Charter as recommended by the Audit Committee. (Yes: Andersen, Gordon, Holcombe, Kroll, MacDonald, Phillips, Pigeon, Smithey and Watts)

**13. Presentation of the Contra Costa County Clerk-Recorder-Elections Department employer audit report**

Dutkiewicz presented the Contra Costa County Clerk-Recorder-Elections Department employer audit.

**14. Report out from Audit Committee Chair on February 26, 2020 Audit Committee meeting**

Phillips reported on the February 26, 2020 Audit Committee meeting.

**15. Consider authorizing the attendance of Board:**

- a. It was **M/S/C** to authorize the attendance of 1 Board member at the NCPERS Annual Conference & Exhibition (ACE), May 10-13, 2020, Las Vegas, NV. (Yes: Andersen, Gordon, Holcombe, Kroll, MacDonald, Phillips, Pigeon, Smithey and Watts)
- b. There was no action taken on this item. The IFEBP Trustee & Administrators Institute, June 29-July1 2020, San Francisco, CA.

**16. Miscellaneous**

(a) Staff Report –

Price reported on the market volatility of CCCERA's portfolio during the coronavirus outbreak and noted the FFP structure allows for the flexibility that we are currently experiencing.

(b) Outside Professionals' Report -

None

(c) Trustees' comments –

Gordon asked that the meeting be adjourned in memory of Ken Dothée who passed away on March 2, 2020. He was a long-time public defender in Contra Costa County and a Martinez City Councilman. He was also a pioneering member of the Martinez Bocce Federation and a member of CCCERA.

It was **M/S/C** to adjourn the meeting in memory of Ken Dothée. (Yes: Andersen, Gordon, Holcombe, Kroll, MacDonald, Phillips, Pigeon, Smithey and Watts)

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Todd Smithey, Chairman

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David MacDonald, Secretary



**RETIREMENT BOARD MEETING MINUTES**

REGULAR MEETING

April 8, 2020

9:00 a.m.

The Board of Retirement meeting will be accessible telephonically at (646) 749-3112, access code 698-683-205 due to the Contra Costa County and State of California Coronavirus (COVID-19) Shelter In Place Orders, and as permitted by Executive Order N-29-20 issued on March 17, 2020.

Present: Candace Andersen, Donald Finley, Scott Gordon, Jerry Holcombe, Louie Kroll, Jay Kwon, David MacDonald, John Phillips, William Pigeon, Mike Sloan, Todd Smithey and Russell Watts (by roll call)

Absent: None

Staff: Gail Strohl, Chief Executive Officer; Christina Dunn, Deputy Chief Executive Officer; Timothy Price, Chief Investment Officer; Karen Levy, General Counsel; Wrally Dutkiewicz, Compliance Officer; Henry Gudino, Accounting Manager; Tim Hoppe, Retirement Services Manager; and Jasmine Lee, Member Services Manager

Outside Professional Support:	Representing:
Ian Toner	Verus Investments
Scott Whalen	Verus Investments
Joe Wiley	Wiley Price & Radulovich LLP

\*Strohl announced if any member of the public wishes to make a public comment to email [info@cccera.org](mailto:info@cccera.org) and that staff will be checking it throughout the meeting.

**1. Pledge of Allegiance**

The Board, staff and audience joined 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 from the February 12, 2020 and February 26, 2020 meetings. (Yes: Andersen, Gordon, Holcombe, Kroll, MacDonald, Phillips, Pigeon, Smithey and Watts)

**4. Routine Items**

It was **M/S/C** to approve the routine items of the April 8, 2020 meeting. (Yes: Andersen, Gordon, Holcombe, Kroll, MacDonald, Phillips, Pigeon, Smithey and Watts)

**CLOSED SESSION**

The Board moved into closed session pursuant to Govt. Code Section 54957.6.

The Board moved into open session.

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

**6. CCCERA Operations Update**

Strohl provided an update on CCCERA operations due to the coronavirus (COVID-19) shelter in place.

**7. Presentation from Verus regarding the coronavirus and its impact on market conditions**

Price introduced Ian Toner and Scott Whalen from Verus. Ian and Whalen reviewed the Verus report.

**8. Chief Investment Officer Update on Investment Response to COVID-19**

Price reported on the interaction of the three sub-portfolios and the FFP (Functionally Focused Portfolio) structure.

**9. Consider and take possible action to amend the Retirement Board's Regulations**

It was **M/S/C** to amend the Retirement Board's Regulations as presented. (Yes: Andersen, Gordon, Holcombe, Kroll, MacDonald, Phillips, Pigeon, Smithey and Watts)

**10. Miscellaneous**

(a) Staff Report –

Strohl reported the Board meeting agenda's will be streamlined during the shelter in place.

(b) Outside Professionals' Report -



None

(c) Trustees' comments –

Holcombe proposed adjourning the meeting in recognition of the heroic efforts being done by all healthcare workers and first responders.

It was **M/S/C** to adjourn the meeting in recognition of the heroic efforts being done by all healthcare workers and first responders. (Yes: Andersen, Gordon, Holcombe, Kroll, MacDonald, Phillips, Pigeon, Smithey and Watts)

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Todd Smithey, Chairman

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David MacDonald, Secretary

**CERTIFICATION OF MEMBERSHIPS**

<b>Name</b>	<b>Employee Number</b>	<b>Tier</b>	<b>Membership Date</b>	<b>Employer</b>
Albertsen, Rachel	89000	P5.2	03/01/20	Contra Costa County
Anderson, Ava	89223	P5.2	03/01/20	Contra Costa County
Bautista, Raymond	88796	S/E	03/01/20	Contra Costa County Fire Protection District
Buschini, Adam	88829	S/E	03/01/20	Contra Costa County Fire Protection District
Bush, Monica	86660	P5.2	03/01/20	Contra Costa County
Burton-Woods, Cheryl	72538	III	03/01/20	Contra Costa County
Cadden, Patrick	88797	S/E	03/01/20	Contra Costa County Fire Protection District
Cadriel, Jessica	89151	P5.2	03/01/20	Contra Costa County
Call, Scott	D7274	P4.3	03/01/20	Moraga-Orinda Fire District
Cantwell, Benjamin	88795	S/E	03/01/20	Contra Costa County Fire Protection District
Carey, Patricia	85134	P5.2	03/01/20	Contra Costa County
Chlek, Yuri	88811	S/E	03/01/20	Contra Costa County Fire Protection District
Cooke, Stephen	D7274	S/D	03/01/20	Moraga-Orinda Fire District
Cropley, Christopher	88793	S/E	03/01/20	Contra Costa County Fire Protection District
David, Joshua	D7274	S/D	03/01/20	Moraga-Orinda Fire District
DeBusk, Gina	89229	P5.2	03/01/20	Contra Costa County
Demissie, Senayte	87412	S/E	03/01/20	Contra Costa County
Edwards, Lea	89219	P5.2	03/01/20	Contra Costa County
Fisher, Guy	89163	P5.2	03/01/20	Contra Costa County
Flinn, Jonathon	88830	S/E	03/01/20	Contra Costa County Fire Protection District
Ghaznavi, Nazifa	86190	P5.2	03/01/20	Contra Costa County
Gilligan, Nathan	88806	S/E	03/01/20	Contra Costa County Fire Protection District
Glass, Jordan	88807	S/E	03/01/20	Contra Costa County Fire Protection District
Gonzalez Cadena, Dulce	89196	P5.2	03/01/20	Contra Costa County
Gutierrez, Janet	89145	P5.2	03/01/20	Contra Costa County
Heffner, Alexandra	89231	P5.2	03/01/20	Contra Costa County
Heyer, Pardeep	88541	P5.2	03/01/20	Contra Costa County
Hicks Tandinco, Jamela	89213	P4.3	03/01/20	First Five of Contra Costa
Hudson, Georgetta	89167	P5.2	03/01/20	Contra Costa County
Hudson, Linda	89220	P5.2	03/01/20	Contra Costa County
Huntze, Logan	85262	S/E	03/01/20	Contra Costa County Fire Protection District
Jaurigui, Cristina	81509	P5.2	03/01/20	Contra Costa County
Jones, Jared	88808	S/E	03/01/20	Contra Costa County Fire Protection District
Kaur, Karamjeet	88708	P5.2	03/01/20	Contra Costa County
Kent, Shawna	89202	III	03/01/20	Contra Costa County
King, Shedline	87085	P5.2	03/01/20	Contra Costa County
Koutsoubinas, Athanasios	86577	S/E	03/01/20	Contra Costa County Fire Protection District
Lamb, Dylan	88809	S/E	03/01/20	Contra Costa County Fire Protection District
Lampkin, Trishka	81606	P5.2	03/01/20	Contra Costa County
Langro, April	89149	P5.2	03/01/20	Contra Costa County

**Key:**

<b>I = Tier I</b>	<b>P4.2 = PEPR Tier 4 (2% COLA)</b>	<b>S/A = Safety Tier A</b>
<b>II = Tier II</b>	<b>P4.3 = PEPR Tier 4 (3% COLA)</b>	<b>S/C = Safety Tier C</b>
<b>III = Tier III</b>	<b>P5.2 = PEPR Tier 5 (2% COLA)</b>	<b>S/D = Safety Tier D</b>
	<b>P5.3 = PEPR Tier 5 (3% COLA)</b>	<b>S/E = Safety Tier E</b>

**CERTIFICATION OF MEMBERSHIPS**

<b>Name</b>	<b>Employee Number</b>	<b>Tier</b>	<b>Membership Date</b>	<b>Employer</b>
Lappin, John	88792	S/E	03/01/20	Contra Costa County Fire Protection District
Lee, Karen	87383	P5.2	03/01/20	Contra Costa County
Leitner, Justin	86692	S/E	03/01/20	Contra Costa County Fire Protection District
Lopez, Danielle	86181	P5.2	03/01/20	Contra Costa County
Lowery, Zachary	88079	P5.2	03/01/20	Contra Costa County
Mabubay, Gizela Angelica	89152	P5.2	03/01/20	Contra Costa County
Maguire, Thomas	89081	S/E	03/01/20	Contra Costa County
Melgoza, Jessica	89200	P5.2	03/01/20	Contra Costa County
Morales, Isiah	89214	S/E	03/01/20	Contra Costa County
Moore, Stephanie	89178	III	03/01/20	Contra Costa County
Munoz, Hazel	88090	P5.2	03/01/20	Contra Costa County
Nazario, Michael	D7274	P4.3	03/01/20	Moraga-Orinda Fire District
Parker, Heidi	89215	P5.2	03/01/20	Contra Costa County
Patino-Torres, Yesenia	89160	P5.2	03/01/20	Contra Costa County
Pedicone, Cole	88799	S/E	03/01/20	Contra Costa County Fire Protection District
Poteet, Derek	88800	S/E	03/01/20	Contra Costa County Fire Protection District
Ramos, Jenica	87510	P5.2	03/01/20	Contra Costa County
Ruehl, Austin	87837	S/E	03/01/20	Contra Costa County Fire Protection District
Seat, Ashley	87400	P5.2	03/01/20	Contra Costa County
Soberal, Elke	50790	III	03/01/20	Contra Costa County
Skaife, Cory	89189	P5.2	03/01/20	Contra Costa County
Slaydon, James	84393	P5.2	03/01/20	Contra Costa County
Stansbury, Bryan	88803	S/E	03/01/20	Contra Costa County Fire Protection District
Terry, Samantha	89193	P5.2	03/01/20	Contra Costa County
Venne, Riley	88804	S/E	03/01/20	Contra Costa County Fire Protection District
Vera, Stephanie	86666	P5.2	03/01/20	Contra Costa County
Walls, Tiffany	D7274	P4.3	03/01/20	Moraga-Orinda Fire District
Webb, Heather	85215	P5.2	03/01/20	Contra Costa County
Winder, Alan	88805	S/E	03/01/20	Contra Costa County Fire Protection District
Woods, Bijoux	88791	S/E	03/01/20	Contra Costa County Fire Protection District

**Key:**

<b>I = Tier I</b>	<b>P4.2 = PEPR A Tier 4 (2% COLA)</b>	<b>S/A = Safety Tier A</b>
<b>II = Tier II</b>	<b>P4.3 = PEPR A Tier 4 (3% COLA)</b>	<b>S/C = Safety Tier C</b>
<b>III = Tier III</b>	<b>P5.2 = PEPR A Tier 5 (2% COLA)</b>	<b>S/D = Safety Tier D</b>
	<b>P5.3 = PEPR A Tier 5 (3% COLA)</b>	<b>S/E = Safety Tier E</b>

Items requiring Board Action

**A. Certifications of Membership – see list and classification forms.**

**B. Service and Disability Retirement Allowances:**

<u>Name</u>	<u>Number</u>	<u>Effective Date</u>	<u>Option Type</u>	<u>Tier</u>	<u>Selected</u>
Berry, Michael	61968	01/31/20	SR	Safety A	Unmodified
Bishop, Denise	49430	01/25/20	SR	Tier II and III	Unmodified
Breyer, Robert	47631	02/29/20	SR	Tier II and III	Unmodified
Casey, Sean	63472	01/01/20	SR	Tier I	Unmodified
Chapman, Patricia	D3483	02/09/20	SR	Tier I	Unmodified
Craigen, Kristen	54956	02/01/20	SR	Safety A	Unmodified
Cwiek, Thaddeus	74155	02/22/20	SR	Tier III	Option 2
Fong, Tamara	D3406	02/01/20	SR	Tier I	Unmodified
Earley, Valerie	71370	02/16/20	SR	Tier III	Unmodified
Jackson, Melvora	57050	02/07/20	SR	Tier II and III	Option 1
Johnson, William	76228	01/07/20	SR	Tier III	Unmodified
Kinnee, Gordon	46609	01/25/20	SR	Tier II and III	Unmodified
Lamberson, Veronica	61911	02/18/20	SR	Safety A	Unmodified
Lambert, Dennis	D3414	01/21/20	SR	Tier I	Unmodified
Laughlin, Debra	46942	01/22/20	SR	Tier III	Unmodified
Lee, Marguerite	51850	03/01/20	SR	Tier II and III	Unmodified
LeFebvre, Lisa	36737	02/26/20	SR	Tier II	Option 1
Mendoza, Mariano	46660	02/01/20	SR	Tier II and III	Unmodified
Nelson, Jeffrey	54195	03/01/20	SR	Safety A	Unmodified
Nguyen, Tri	D3406	02/29/20	SR	Tier I	Unmodified
Siegel, Thalia	54949	02/28/20	SR	Tier II and III	Unmodified
Strothers, Nancy	54654	01/29/20	SR	Tier II and III	Unmodified
Venton, Darren	62344	02/01/20	SR	Tier II and III	Unmodified
Vidales, Rosario	45542	02/29/20	SR	Tier II and III	Unmodified
Yacovetti, Christine	D9500	02/01/20	SR	Tier III	Unmodified
Young, Kathleen	63462	03/01/20	SR	Tier III	Unmodified

**C. Disability Retirement Applications: The Board's Hearing Officer is hereby authorized to issue subpoenas in the following cases involving disability applications:**

<u>Name</u>	<u>Number</u>	<u>Filed</u>	<u>Type</u>
Adams, David	48938	03/31/20	SCD
Ford Sr., Thomas	D3406	04/06/20	SCD

**Option Type**  
 NSP = Non-Specified  
 SCD = Service Connected Disability  
 SR = Service Retirement  
 NSCD = Non-Service Connected Disability  
 \* = County Advance  
 Selected w/option

**Tier**  
 I = Tier I  
 II = Tier II  
 III = Tier III  
 S/A = Safety Tier A  
 S/C = Safety Tier C

Pepra 4.2 = Pepra Tier 4 (2% COLA)  
 Pepra 4.3 = Pepra Tier 4 (3% COLA)  
 Pepra 5.2 = Pepra Tier 5 (2% COLA)  
 Pepra 5.3 = Pepra Tier 5 (3% COLA)  
 S/D = Pepra Safety Tier D  
 S/E = Pepra Safety Tier E

CONTRA COSTA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

BOARD OF RETIREMENT

**D. Deaths:**

<u>Name</u>	<u>Date of Death</u>	<u>Employer as of Date of Death</u>
Birse, Herbert	03/22/20	Contra Costa County
Casillas, Shirley	11/01/19	Contra Costa County
Crutch, Albert	12/18/19	Contra Costa County
Dothee, Harry	03/02/20	Contra Costa County
Frost, Roger	04/02/20	Contra Costa County
Harris, Barbara	04/04/20	Contra Costa County
Heibel, Norman	03/10/20	Central Contra Costa Sanitary District
Julian, Daniel	03/08/20	Contra Costa County
Maree, Donald	03/17/20	Contra Costa County
Nicholson, Robert	04/03/20	Contra Costa County
Patterson, William	04/07/20	Contra Costa County
Rigney, Julia	03/29/20	Contra Costa County
Spencer, B. Jean	04/21/20	Contra Costa County
Spiering, Rochelle	02/11/20	Contra Costa County
Stead, Judy	04/06/20	Contra Costa County

**Option Type**

NSP = Non-Specified  
 SCD = Service Connected Disability  
 SR = Service Retirement  
 NSCD = Non-Service Connected Disability  
 \* = County Advance  
 Selected w/option

**Tier**

I = Tier I  
 II = Tier II  
 III = Tier III  
 S/A = Safety Tier A  
 S/C = Safety Tier C

Pepra 4.2 = Pepra Tier 4 (2% COLA)  
 Pepra 4.3 = Pepra Tier 4 (3% COLA)  
 Pepra 5.2 = Pepra Tier 5 (2% COLA)  
 Pepra 5.3 = Pepra Tier 5 (3% COLA)  
 S/D = Pepra Safety Tier D  
 S/E = Pepra Safety Tier E

CCCERA Board of Trustees  
 Training & Educational Conference Expenses Paid During  
 Quarter 1 2020 (January- March)

<i>Meeting Date</i> <b>05/06/20</b> <i>Agenda Item</i> <b>#5</b>
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Trustee:	Conference Name/Purpose:	Location:	Dates:	Total
Candace Andersen	NONE			
Donald Finley	NONE			
Scott Gordon	NONE			
Jerry Holcombe	NONE			
Louie Kroll	CALAPRS General Assembly	Rancho Mirage, CA	Mar 7-10, 2020	1,692.99
Jay Kwon	SIT Client Conference	Carlsbad, CA	Feb 13-16, 2020	823.21
	CALAPRS General Assembly	Rancho Mirage, CA	Mar 7-10, 2020	922.97
David J. MacDonald	NCPERS 2020 Legislative Conference	Washington, DC	Jan 26-28, 2020	1,723.77
John Phillips	NONE			
William Pigeon	NONE			
Mike Sloan	NONE			
Todd Smithey	CALAPRS General Assembly	Rancho Mirage, CA	March 7-10, 2020	1,008.79
Russell V. Watts	NONE			

**Contra Costa County Employees' Retirement Association**  
Asset Allocation as of March 31, 2020

	Market Value	Percentage of Total Fund	Current Target Percentage	Current Target Over/(Under)	Long Term Target	Long Term Over/(Under)
<b>Liquidity</b>						
Sit	552,669,526	6.6%	6.0%	0.6%		
Dimensional Fund Advisors	413,652,257	4.9%	6.0%	-1.1%		
Insight	865,823,667	10.3%	12.0%	-1.7%		
<b>Total Liquidity</b>	<b>1,832,145,450</b>	<b>21.8%</b>	<b>24.0%</b>	<b>-2.2%</b>	<b>24.0%</b>	<b>-2.2%</b>
		<b>Range</b>				
		<b>16% - 28%</b>				
<b>Growth</b>						
<b>Domestic Equity</b>						
Boston Partners	179,037,451	2.1%	2.5%	-0.4%		
Jackson Square	213,837,026	2.5%	2.5%	0.0%		
BlackRock Index Fund	163,246,783	1.9%	2.0%	-0.1%		
Emerald Advisors	120,381,318	1.4%	1.5%	-0.1%		
Ceredex	107,312,686	1.3%	1.5%	-0.2%		
<b>Total Domestic Equity</b>	<b>783,815,264</b>	<b>9.3%</b>	<b>10.0%</b>	<b>-0.7%</b>	<b>5.0%</b>	<b>4.3%</b>
<b>Global &amp; International Equity</b>						
Pyrford (BMO)	392,588,559	4.7%	5.0%	-0.3%		
William Blair	405,741,804	4.8%	5.0%	-0.2%		
First Eagle	317,958,422	3.8%	4.0%	-0.2%		
Artisan Global Opportunities	352,105,128	4.2%	4.0%	0.2%		
PIMCO/RAE Emerging Markets	246,810,121	2.9%	4.0%	-1.1%		
TT Emerging Markets	262,473,033	3.1%	4.0%	-0.9%		
<b>Total Global &amp; International Equity</b>	<b>1,977,677,067</b>	<b>23.6%</b>	<b>26.0%</b>	<b>-2.4%</b>	<b>24.0%</b>	<b>-0.4%</b>
<b>Private Equity</b>	<b>1,070,485,342</b>	<b>12.8%</b>	<b>11.0%</b>	<b>1.8%</b>	<b>11.0%</b>	<b>1.8%</b>
<b>Private Credit</b>	<b>568,997,177</b>	<b>6.8%</b>	<b>5.0%</b>	<b>1.8%</b>	<b>12.0%</b>	<b>-5.2%</b>
<b>Real Estate - Value Add</b>	<b>173,472,206</b>	<b>2.1%</b>	<b>4.0%</b>	<b>-1.9%</b>	<b>4.0%</b>	<b>-1.9%</b>
<b>Real Estate - Opportunistic &amp; Distress</b>	<b>454,113,478</b>	<b>5.4%</b>	<b>4.0%</b>	<b>1.4%</b>	<b>4.0%</b>	<b>1.4%</b>
<b>Real Estate - REIT (Adelante)</b>	<b>61,404,863</b>	<b>0.7%</b>	<b>1.0%</b>	<b>-0.3%</b>	<b>1.0%</b>	<b>-0.3%</b>
<b>High Yield (Allianz)</b>	<b>186,258,968</b>	<b>2.2%</b>	<b>2.0%</b>	<b>0.2%</b>	<b>0.0%</b>	<b>2.2%</b>
<b>Risk Parity</b>			<b>5.0%</b>	<b>-0.1%</b>	<b>5.0%</b>	<b>-0.1%</b>
AQR GRP EL	212,979,688	2.5%				
PanAgora	201,563,058	2.4%				
<b>Total Other Growth Assets</b>	<b>2,929,274,780</b>	<b>34.9%</b>	<b>32.0%</b>	<b>2.9%</b>	<b>37.0%</b>	<b>-2.1%</b>
<b>Total Growth Assets</b>	<b>5,690,767,111</b>	<b>67.8%</b>	<b>68.0%</b>	<b>-0.2%</b>	<b>66.0%</b>	<b>1.8%</b>
		<b>Range</b>				
		<b>60% - 80%</b>				
<b>Risk Diversifying</b>						
AFL-CIO	343,783,680	4.1%	3.5%	0.6%	3.0%	1.1%
Parametric Defensive Equity	177,951,621	2.1%	2.5%	-0.4%	3.5%	-1.4%
Wellington Real Total Return	70,067,599	0.8%	2.0%	-1.2%	3.5%	-2.7%
<b>Total Risk Diversifying</b>	<b>591,802,900</b>	<b>7.1%</b>	<b>8.0%</b>	<b>-0.9%</b>	<b>10.0%</b>	<b>-2.9%</b>
		<b>Range</b>				
		<b>0% - 10%</b>				
<b>Cash and Overlay</b>						
Overlay (Parametric)	37,443,825	0.4%		0.4%		
Cash	242,040,035	2.9%		2.9%		
<b>Total Cash and Overlay</b>	<b>279,483,860</b>	<b>3.3%</b>	<b>0.0%</b>	<b>3.3%</b>	<b>0.0%</b>	<b>3.3%</b>
<b>Total Fund</b>	<b>8,394,199,321</b>	<b>100%</b>	<b>100%</b>		<b>100%</b>	

\*Current targets and ranges reflect asset allocation targets accepted by the Board on June 26, 2019 (BOR Resolution 2019-4)

**Private Market Investments**  
As of March 31, 2020

REAL ESTATE - Value Add	Inception Date	Target Termination	# of Extension	Discretion by GP/LP	New Target Termination	Funding Commitment	Market Value	% of Total Asset	Outstanding Commitment
Invesco IREF III	08/01/13	08/01/20				35,000,000	2,054,977	0.02%	
Invesco IREF IV	12/01/14	12/01/21				35,000,000	16,901,831	0.20%	5,191,261
Invesco IREF V	09/11/18	09/11/25				75,000,000	22,891,155	0.27%	52,829,506
Long Wharf FREG IV	08/14/13	09/30/21				25,000,000	3,815,153	0.05%	
Long Wharf FREG V	10/31/16	09/30/24				50,000,000	42,381,752	0.50%	
Long Wharf LREP VI	02/05/20					50,000,000	5,741,326	0.07%	43,607,532
LaSalle Income & Growth Fund VI	01/31/12	01/31/19				75,000,000	25,473,622	0.30%	3,946,000
LaSalle Income & Growth Fund VII	10/31/16	09/30/24				75,000,000	54,212,390	0.65%	15,697,379
						<b>630,000,000</b>	<b>173,472,206</b>	<b>2.07%</b>	<b>121,271,678</b>
<b>Outstanding Commitments</b>							<b>121,271,678</b>		
<b>Total</b>							<b>294,743,884</b>		

REAL ESTATE -Opportunistic & Distressed	Inception Date	Target Termination	# of Extension	Discretion by GP/LP	New Target Termination	Funding Commitment	Market Value	% of Total Asset	Outstanding Commitment
DLJ Real Estate Capital Partners, L.P. III	06/30/05	06/30/14	in full liq.			75,000,000	21,069,138	0.25%	4,031,338
DLJ Real Estate Capital Partners, L.P. IV	12/31/07	09/30/18				100,000,000	78,589,326	0.94%	3,162,610
DLJ Real Estate Capital Partners, L.P. V	07/31/13	12/31/22				75,000,000	45,002,375	0.54%	20,556,753
DLJ Real Estate Capital Partners, L.P. VI	02/28/19	01/31/29				50,000,000	23,527,733	0.28%	25,050,462
Oaktree Real Estate Opportunities Fund V	02/01/11	02/01/21				50,000,000	4,241,993	0.05%	25,750,000
Oaktree Real Estate Opportunities Fund VI	09/30/13	09/30/20				80,000,000	28,718,003	0.34%	18,400,000
Oaktree Real Estate Opportunities Fund VII	02/28/15	02/28/23				65,000,000	50,328,590	0.60%	18,720,000
Siguler Guff Distressed Real Estate Opp. Fund	07/30/11	07/30/22				75,000,000	29,666,553	0.35%	5,625,000
Siguler Guff Distressed Real Estate Opp. Fund II	08/31/13	08/31/25				70,000,000	46,830,792	0.56%	8,015,000
Siguler Guff Distressed Real Estate Opp. II Co-Inv	01/31/16	10/31/25				25,000,000	18,856,214	0.22%	4,462,138
Paulson Real Estate Fund II	11/10/13	11/10/20				20,000,000	23,463,776	0.28%	654,377
Angelo Gordon Realty Fund VIII	12/31/11	12/31/18				80,000,000	21,842,935	0.26%	12,334,302
Angelo Gordon Realty Fund IX	10/10/14	10/10/22				65,000,000	61,976,050	0.74%	7,572,500
						<b>830,000,000</b>	<b>454,113,478</b>	<b>5.41%</b>	<b>154,334,480</b>
<b>Outstanding Commitments</b>							<b>154,334,480</b>		
<b>Total</b>							<b>608,447,958</b>		

PRIVATE CREDIT	Inception Date	Target Termination	# of Extension	Discretion by GP/LP	New Target Termination	Funding Commitment	Market Value	% of Total Asset	Outstanding Commitment
Torchlight Debt Opportunity Fund III	09/30/08	06/30/16	2nd 1 YR	LP	06/30/18	75,000,000	0	0.00%	0
Torchlight Debt Opportunity Fund IV	08/01/12	08/30/20				60,000,000	10,150,950	0.12%	0
Torchlight Debt Opportunity Fund V	12/31/14	09/17/22				75,000,000	21,577,267	0.26%	15,000,000
Angelo Gordon Energy Credit Opportunities	09/10/15	09/10/20				16,500,000	4,138,549	0.05%	2,319,783
CCCERA StepStone	12/01/17	11/30/27				920,000,000	533,130,411	6.35%	421,105,965
						<b>1,274,500,000</b>	<b>568,997,177</b>	<b>6.78%</b>	<b>438,425,748</b>
<b>Outstanding Commitments</b>							<b>438,425,748</b>		
<b>Total</b>							<b>1,007,422,925</b>		



**Private Market Investments**  
As of March 31, 2020

PRIVATE EQUITY	Inception Date	Target Termination	# of Extension	Discretion by GP/LP	New Target Termination	Funding Commitment	Market Value	% of Total Asset	Outstanding Commitment
Adams Street Partners	12/22/95	12/22/25				244,310,534	149,150,961	1.78%	25,255,080
Adams Street Secondary II	12/31/08	12/31/20				28,365,000	5,933,326	0.07%	1,635,000
Adams Street Secondary V	10/31/12	10/31/22				30,845,875	21,193,651	0.25%	9,154,125
Adams Street Venture Innovation Fund	03/09/16	03/09/28				51,037,500	63,077,688	0.75%	23,962,500
AE Industrial Partners Fund II	05/18/18	05/18/28				7,921,855	7,608,903	0.09%	27,078,145
Bay Area Equity Fund	06/14/04	12/31/14	2nd 2 YR	LP	12/31/2017	10,000,000	2,403,851	0.03%	0
Bay Area Equity Fund II	2/29/09	12/31/19				10,000,000	9,731,303	0.12%	0
Carpenter Community BancFund	10/31/09	10/31/19				29,314,657	0	0.00%	0
EIF USPF II	06/15/05	06/15/15	3rd 1 YR	LP	06/15/18	65,029,556	6,601,604	0.08%	0
EIF USPF III	02/28/07	02/28/17	1st 1 YR	LP	02/28/18	71,409,097	14,958,655	0.18%	0
EIF USPF IV	06/28/10	06/28/20				62,677,763	40,172,052	0.48%	4
Ares EIF V	09/09/15	11/19/25				48,308,385	43,799,521	0.52%	8,692,054
Genstar Capital Partners IX, L.P.	02/21/19					12,306,038	11,929,381		38,378,208
Oaktree Private Investment Fund 2009	02/28/10	12/15/19				34,816,729	2,003,266	0.02%	6,308,961
Ocean Avenue Fund II	05/07/14	05/07/24				26,100,000	26,134,471	0.31%	3,900,000
Ocean Avenue Fund III	12/09/15	12/09/25				43,500,000	56,618,468	0.67%	6,500,000
Paladin III	08/15/08	08/15/18				33,767,853	48,793,097	0.58%	519,296
Pathway	11/09/98	05/31/21				124,952,575	13,982,429	0.17%	10,892,879
Pathway 2008	12/26/08	12/26/23				29,237,231	18,183,959	0.22%	3,173,690
Pathway 6	05/24/11	05/24/26				38,253,918	34,913,357	0.42%	4,020,237
Pathway 7	02/07/13	02/07/23				64,259,537	71,012,285	0.85%	8,732,121
Pathway 8	11/23/15	11/23/25				38,858,455	48,657,362	0.58%	13,038,216
Siguler Guff CCCERA Opportunities	06/03/14	05/31/25				155,705,741	181,247,856	2.16%	51,874,772
Siguler Guff Secondary Opportunities	12/31/16	12/31/26				29,999,802	68,660	0.00%	43,940,900
Siris Partners IV	05/18/18	05/18/28				16,204,485	18,790,695	0.22%	18,795,515
TPG Healthcare Partners, L.P.	06/28/19					707,439	43,107	0.00%	23,292,561
Trident VIII, L.P.	05/24/19					0	0	0.00%	40,000,000
<b>Real Assets</b>									
Aether III & III Surplus	11/30/13	11/30/20				74,080,118	70,417,052	0.84%	6,303,019
Aether IV	01/01/16	01/01/28				39,090,752	40,784,110	0.49%	13,174,389
Commonfund Capital Natural Resources IX	06/30/13	06/30/20				44,774,995	41,612,032	0.50%	5,225,005
Wastewater Opportunity Fund	12/31/15	11/30/22				23,769,697	20,662,241	0.25%	1,252,530
						<b>1,546,592,275</b>	<b>1,070,485,342</b>	<b>14.39%</b>	<b>395,099,206</b>
<b>Outstanding Commitments</b>							<b>395,099,206</b>		
<b>Total</b>							<b>1,465,584,549</b>		

Market value equals the most recent reported net asset value, plus capital calls after net asset value date, less distributions after net asset value date.  
The Target Termination column is the beginning of liquidation of the fund, however, some funds may be extended for an additional two or three years.



Meeting Date  
**05/06/20**  
Agenda Item  
**#5**

**Contra Costa County Employees' Retirement Association  
Liquidity Report – March 2020**

**March 2020 Performance**

	<b>Cash Flow</b>	<b>Coverage Ratio</b>
Benefit Cash Flow Projected by Model	\$42,500,000	
Liquidity Sub-Portfolio Cash Flow	\$42,500,000	<b>100%</b>
Actual Benefits Paid	\$40,621,078	<b>105%</b>
<i>Next Month's Projected Benefit Payment</i>	<i>\$42,500,000</i>	

**Monthly Manager Positioning – March 2020**

	<b>Beginning Market Value</b>	<b>Liquidity Program Cash Flow</b>	<b>Market Value Change/Other Activity</b>	<b>Ending Market Value</b>
Sit	\$550,944,412	(\$1,250,000)	\$2,975,114	\$552,669,526
DFA	\$435,726,781	(\$14,500,000)	(\$7,574,524)	\$413,652,257
Insight	\$912,339,956	(\$26,750,000)	(\$19,766,289)	\$865,823,667
<b>Liquidity</b>	<b>\$1,899,011,149</b>	<b>(\$42,500,000)</b>	<b>(\$24,365,699)</b>	<b>\$1,832,145,450</b>
Cash	\$175,618,704	\$1,878,922	\$64,542,409	\$242,040,035
<b>Liquidity + Cash</b>	<b>\$2,074,629,853</b>	<b>(\$40,621,078)</b>	<b>\$40,176,710</b>	<b>\$2,074,185,485</b>

**Functional Roles**

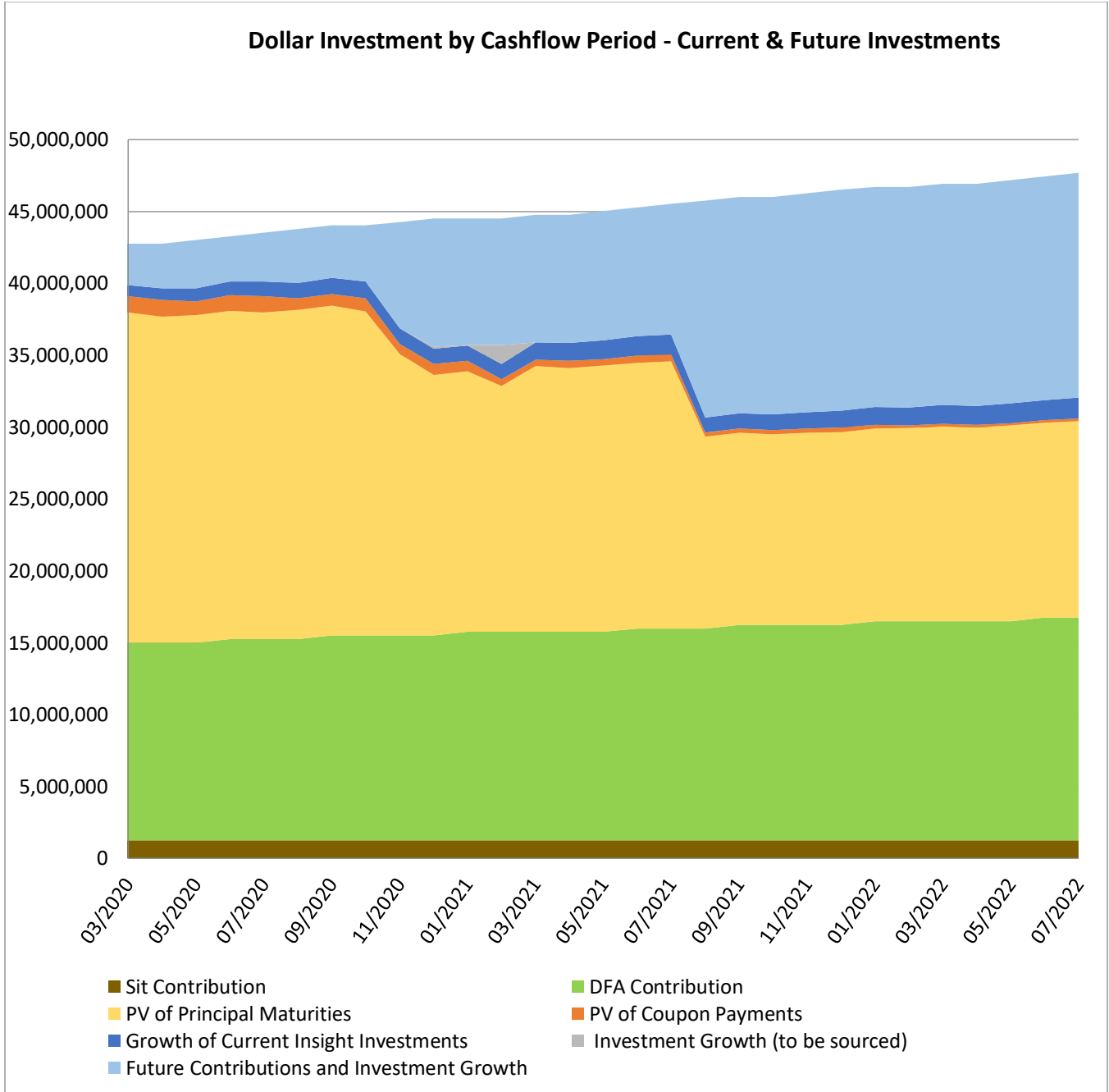
<b>Manager</b>	<b>Portfolio Characteristics</b>	<b>Liquidity Contribution</b>
Sit	High quality portfolio of small balance, government guaranteed mortgages with higher yields.	Pays out net income on monthly basis.
DFA	High quality, short duration portfolio of liquid, low volatility characteristics.	Pays out a pre-determined monthly amount. DFA sources liquidity from across their portfolio.
Insight	Buy and maintain (limited trading) portfolio of high quality, short duration, primarily corporates.	Completion portfolio makes a payment through net income and bond maturities that bridges the gap between other managers and projected payment.
Cash	STIF account at custodial bank.	Buffer in the event of any Liquidity shortfall/excess.

**Notes**

The third cash flow for 2020 from the liquidity program was completed on March 23<sup>rd</sup>. The actuarial model cash flow was slightly higher than actual experience, producing \$1.9 million more than the actual benefits paid.

### Cash Flow Structure

The chart below shows the sources of cash flow for the next several years of CCCERA’s projected benefit payments. This table will change slightly as the model is tweaked and as the portfolios receive new rounds of funding each August as part of the Annual Funding Plan.



Meeting Date

**05/06/20**

Agenda Item

**#8**



OAKTREE

Mastering the Market Cycle:  
Getting the Odds on Your Side

## What is risk?

Risk is the probability of loss

- This is what most people mean when they say “risk.”
- This is what people demand compensation for if they are to bear it.

## What is risk?

Risk is the probability of missing out

- Opportunities forgone represent a serious performance shortcoming.
- Thus the risk of missing opportunities is another important risk.

## What is risk?

Risk is the likelihood of being forced out at the bottom

- Many investors claim to be long-term oriented and thus immune to fluctuations.
- But bad-enough declines can make them sell:
  - because they lose confidence,
  - because they receive margin calls or
  - because of a need to fund real-world cash requirements.
- Some of the greatest pain in 2008 was felt by investors who had overestimated their ability to withstand volatility.
- **Selling at the bottom – turning a downward fluctuation into a permanent loss and missing out on a subsequent rebound – is the cardinal sin in investing.**

## What is risk?

Risk is unquantifiable in advance

- **Like anything else occurring in the future, risk can't be anything but a matter of opinion.**
- A variety of experts will view it and quantify it differently.



## What is risk?

Risk is unquantifiable even after the fact

- A profitable investment may (or may not) have been risky.
  - Was it a safe investment that was sure to produce a positive outcome?
  - Or was it a risky investment where the investor got lucky?
- Likewise, a losing investment may not have been risky, just unlucky.
- **The bottom line: it's impossible to quantify risk, even in hindsight.**
- For the outcome of an investment to be an accurate indicator of its riskiness, return would have to be a function of risk alone. There are too many factors at play for that to be the case.
- Thus, in particular, it's impossible to say high-returning portfolios were riskier and low-returning portfolios were safer. In fact, the opposite is often true.

Where does risk come from?

**Essentially risk says we don't know what's going to happen. . . . We walk every moment into the unknown.**

There's a range of outcomes, and we don't know where [the actual outcome is] going to fall within the range. Often we don't know what the range is.

– Peter Bernstein

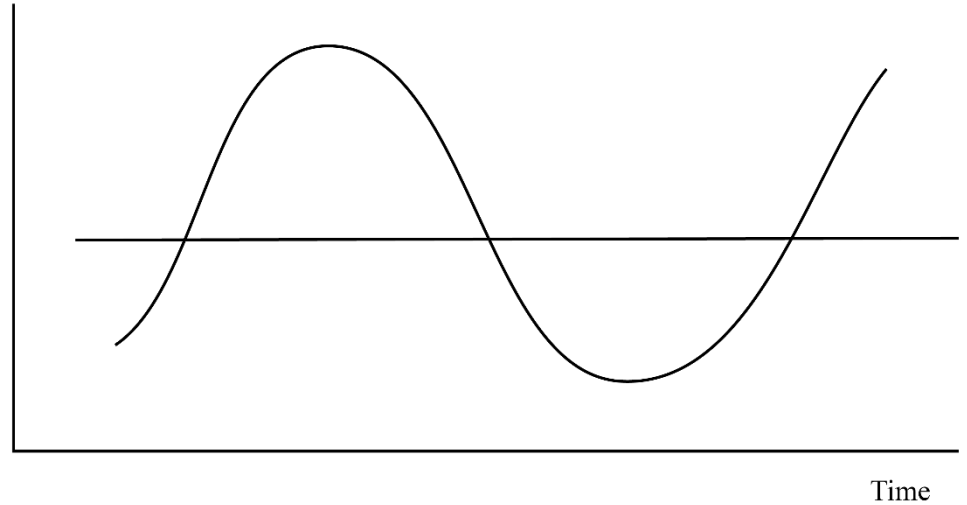
## What is a cycle?

A pattern of up-and-down oscillation over time around a midpoint.

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A pattern of up-and-down oscillation over time around a midpoint

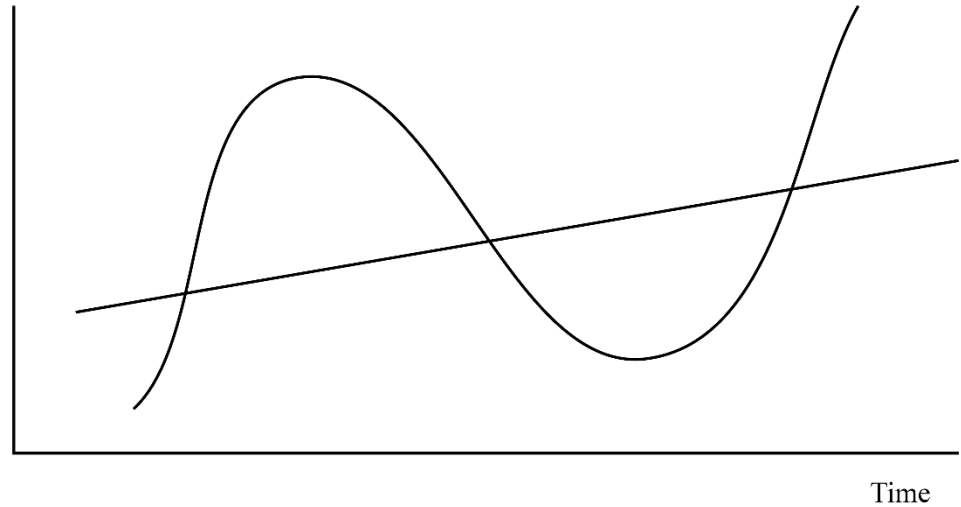
Sometimes the midpoint is thought of as stable, like the stock market's normal price/earnings ratio



## What is a cycle?

A pattern of up-and-down oscillation over time around a midpoint

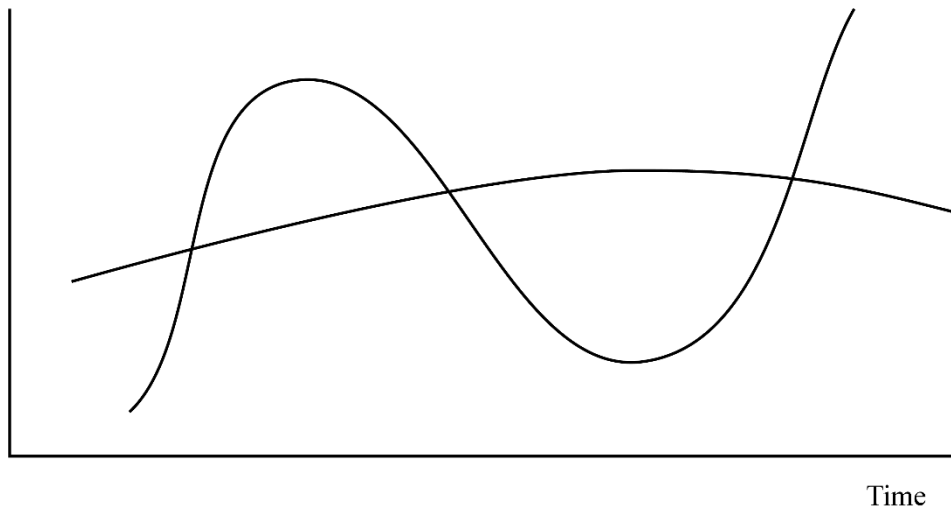
Sometimes the midpoint exhibits a secular trend, like the level of the stock market



## What is a cycle?

A pattern of up-and-down oscillation over time around a midpoint

Sometimes the midpoint consists of a secular trend that is itself cyclical, like the progress of a civilization or an economy



What is a cycle?

A progression where event A is followed by event B???

No, a progression where event A causes event B

Cycles are better understood in terms of this causality

## The causal nature of cyclical events

For example, take the cycle through which the issuance of high yield bonds affects the availability of opportunities in distressed debt:

- Risk-averse investors limit quantities issued and demand high quality.
- High-quality issuance leads to low default rates.
- Low default rates cause investors to become complacent and risk-tolerant.
- Risk tolerance opens investors to increased issuance and lower quality.
- Lower-quality issuance eventually is tested by economic difficulty and leads to increased defaults.
- Increased defaults have a chilling effect, resurrecting investors' risk-aversion.

The last words of each line are the first words of the next  
Thus each event in a cycle brings on the next event

This is how cyclical processes are best understood



## The causal nature of cyclical events

For example, take the cycle through which the issuance of high yield bonds affects the availability of opportunities in distressed debt:

- Risk-averse investors limit quantities issued and demand **high quality**.
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For example, take the cycle through which the issuance of high yield bonds affects the availability of opportunities in distressed debt:

- **Risk-averse** investors limit quantities issued and demand high quality.
- High-quality issuance leads to low default rates.
- Low default rates cause investors to become complacent and risk-tolerant.
- Risk tolerance opens investors to increased issuance and lower quality.
- Lower-quality issuance eventually is tested by economic difficulty and leads to increased defaults.
- Increased defaults have a chilling effect, resurrecting investors' **risk-aversion**.

And so it resumes.

## Why are there cycles?

Why don't things just grow every year at their long-term growth rates?

For example, if GDP grows at 2% on average, why doesn't it just grow 2% every year? Why sometimes 1% and sometimes 5%? And why sometimes negative?

And the return on the S&P 500 averages about 10% per year. Why not 10% every year? In fact, why so rarely between 8% and 12%?

The answer is simple, but key:

Most positive trends eventually are carried to excess, and those excesses eventually correct on their own or are corrected

Rather than ups and downs, it might be helpful to think in terms of excesses and corrections

Why do trends go to excess?

Because of the involvement of people

Physicist Richard Feynman said “Physics would be much harder if electrons had feelings”

To oversimplify, economies, markets and companies are made up of people, and people have feelings



## Why do trends go to excess?

- Positive emotions can contribute to management decisions that result in the over-expansion of factories, workforces and inventories

Periods of over-expansion are marked by above average economic growth

- Positive investor psychology causes asset prices to incorporate increasing optimism and thus grow faster than the assets' underlying fundamentals are growing

Periods of excessive appreciation are marked by above average returns but usually lead to precarious valuations

### What happens when excesses are corrected?

- Rapid expansion can bring manufacturing capacity to a level at which it is excessive. When demand falls short of the expectations on which the expansion was conditioned, factories may be shuttered, workers laid off and inventories wound down. These things contribute to below average growth . . . or recession.
- Given enough appreciation, the prices of assets – even desirable assets – eventually reach levels that are extreme and unsustainable. Thus, after a period in which they rise faster than fundamentals, asset prices are brought back into line with underlying value through a period in which they rise slower than fundamentals . . . or they decline.

## Are cycles dependable?

The key to understanding cycles lies in a quotation widely attributed to Mark Twain:

“History doesn’t repeat itself, but it does rhyme”

- The details of cycles vary – their amplitude, speed, power and duration
- So do their causes and effects

But certain underlying themes do recur

What are the recurring themes behind most market excesses on the upside?

- too much optimism
- too little risk aversion
- too much capital availability

## The role of optimism

The idealized decision-maker that economic theory is based on is always objective and unemotional, like Feynman's dependable electrons.

But investors are human, and as such they tend to swing wildly in terms of psychology or emotion: between optimism and pessimism, fear and greed, and credulousness and skepticism, for example.

An asset's price is a function of reality (its fundamentals) and how that reality is perceived (filtered through emotion, psychology, popularity). Excessively-positive perception causes prices to over-rate the fundamentals and become excessive.

In theory, investors are objective and rational and their psychology sticks to the "happy medium," avoiding extremes. In reality it rarely does.

## The role of optimism

In particular, market booms tend to be characterized by tales of unending prosperity and limitless potential that push asset valuations to levels above past norms. But in booms, investors eager to participate in these miracles rationalize their aggressive behavior with four particularly dangerous words:

“It’s different this time”

In other words, rules and limits that applied in the past have been suspended, this tree will grow to the sky, and this current miracle is worthy of valuations that generally have ended in tears in the past

It’s essential that investors keep an eye out for excessive optimism that leads to peak valuations (as well as for excessive negativism that produces bargains)

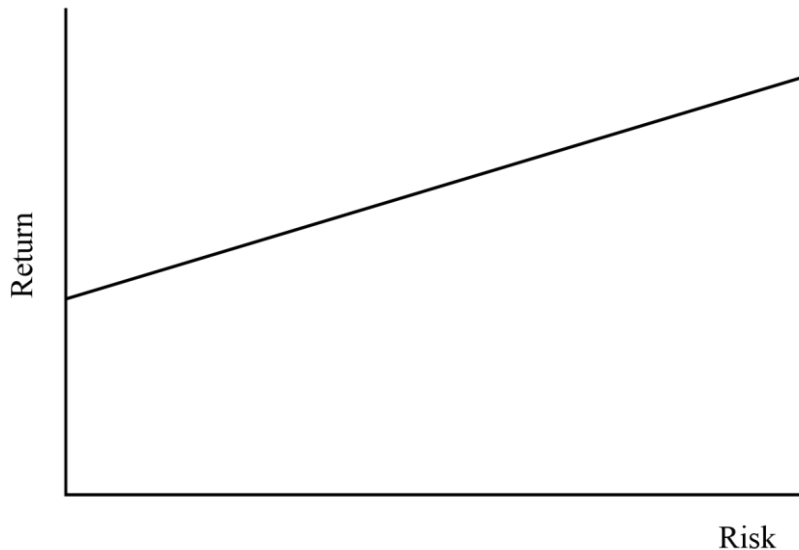
## The importance of risk aversion

People are usually risk averse . . . as they should be

People should insist on the possibility of incremental returns (a “risk premium”) if they’re to accept investments that seem incrementally risky

If they don’t, something’s wrong!

Thus investors usually face a “capital market line” that slopes up and to the right – that is, assets that appear riskier must appear to offer higher potential returns, or else no one will buy them



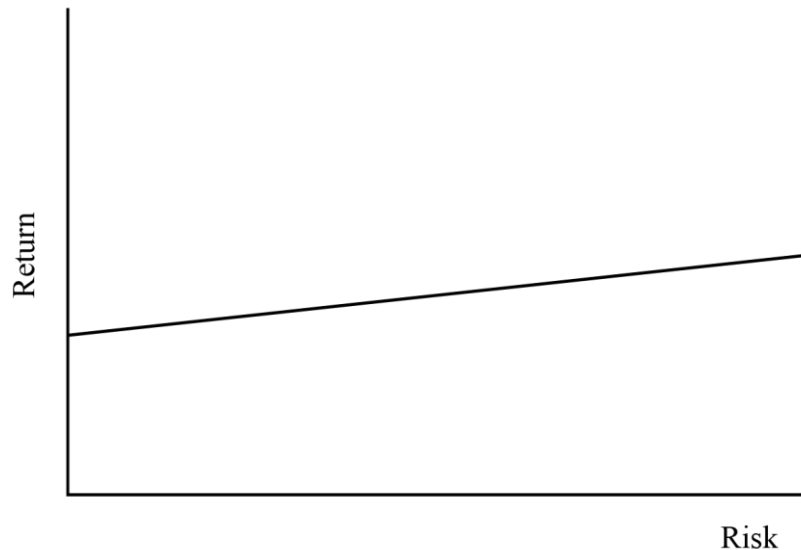
### The importance of risk aversion

Sometimes when enthusiasm is high, recent results have been good and the economic sky seems cloudless, investors drop their risk aversion

Since they're less concerned about risk, they fail to insist on adequate risk premiums, allowing the prices of risk assets to go too high

And when they don't insist on adequate risk premiums, they generally won't get them

When risk compensation is skimpy, investors should cut their risk





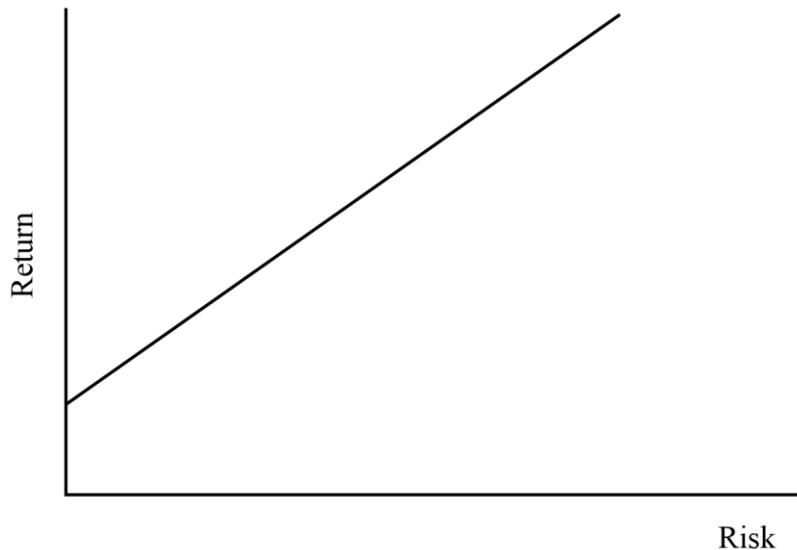
### The importance of risk aversion

And sometimes, when investors are depressed, recent results have been poor and trouble seems to loom everywhere, investors' risk aversion becomes exaggerated

When risk aversion is excessive, that negativity causes the level of risk compensation to likewise become excessive, and the prices of risk assets to be too low

In such times, most investors boycott the markets . . . despite the lavish potential reward for risk-bearing

When risk compensation is generous, investors should increase their risk



## The importance of risk aversion

Feynman's electrons – free from emotion – act as they should every time. If investors acted that way, they would demand a high risk compensation when risk is high, and vice versa.

But people, with their emotions, get excited when things are going well, buy avidly, and push up asset prices. At the resulting highs of the market cycle, they buy at the high prevailing prices, forget to demand adequate risk compensation as a condition for buying, and fail to sell if compensation is insufficient

And when things are going poorly, they smart from declines, become depressed, sell with urgency, and push prices down. At the cyclical market lows that result, they tend to find even swollen risk compensation inadequate, and thus they rarely buy

### The impact of capital availability

The volatile cycles in investor psychology and attitudes toward risk cause the “credit window” – the availability of capital – to open wide in good times and slam shut in bad. This cycle fluctuates wildly and is highly influential

When things are going well, capital is available in vast amounts. Suppliers of capital make generous assumptions in their analysis, give borrowers and issuers the benefit of the doubt, see little risk, and thus forget to demand much in the way of return or safety

Since many investors do this at the same time, the competition to make investments or supply capital becomes fierce

## The impact of capital availability

The conditions caused by a high level of investor ardor are summed up by the seven worst words in the world:

“Too much money chasing too few deals”

Heated bidding in the auction for opportunities to invest and lend causes prices to rise, prospective returns to fall, security structures to become weak, and risk to rise

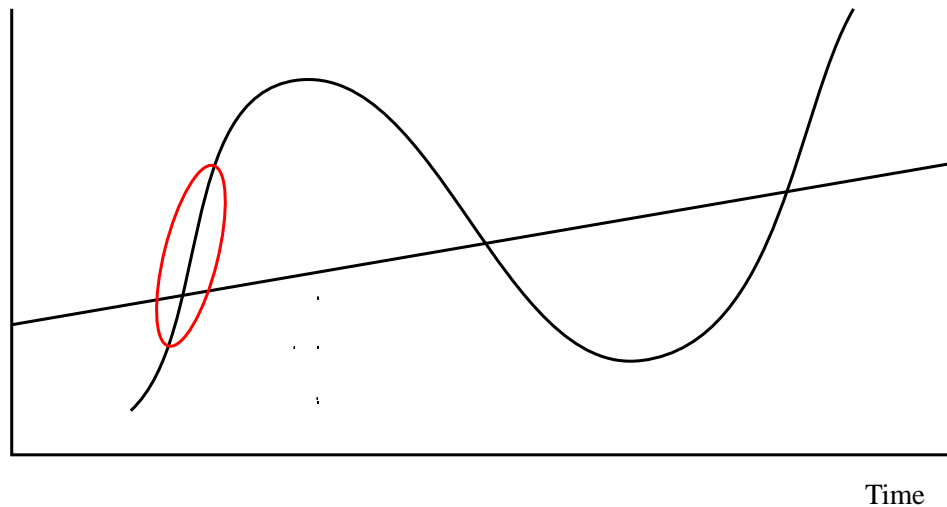
In such an environment, capital is available in large amounts, even for companies or deals of questionable worthiness. Thus any deal can get done, including risky ones, and undeserving companies can get financing and roll over their debts

Thus easy capital availability is a warning sign

To sum up, how do typical market cycles unfold?

On the way up –

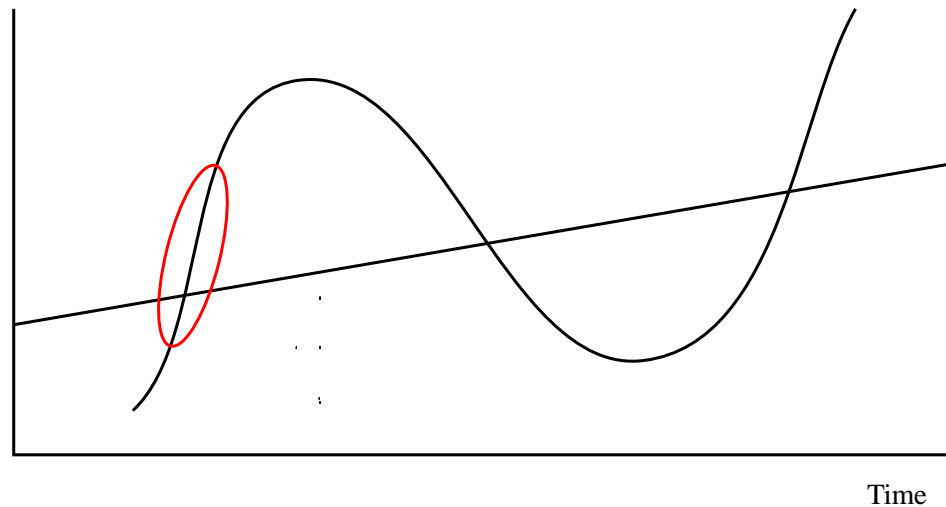
- economic fundamentals improve
- earnings increase and beat expectations
- the media report only good news



## To sum up, how do typical market cycles unfold?

As a result:

- expectations rise
- psychology strengthens
- people perceive only favorable developments
- capital is readily available
- asset prices rise
- holders are happy and buy more
- non-holders capitulate and start to buy
- risk aversion evaporates; people embrace risk, saying “the more risk you take, the more money you make”



## How do typical market cycles unfold?

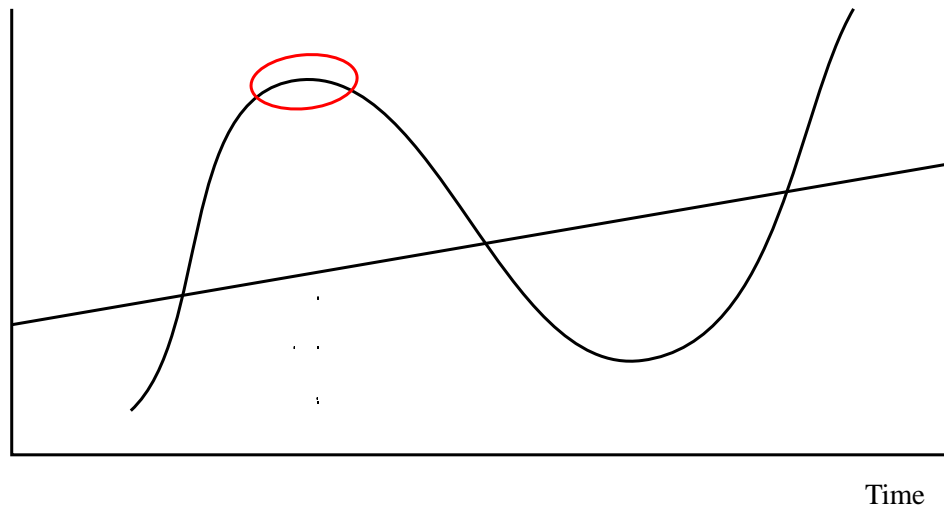
At the top –

- asset prices are high
- prospective returns are low
- risk is high

This is the time for caution!

But most people are euphoric, since the top in prices by definition coincides with peak psychology

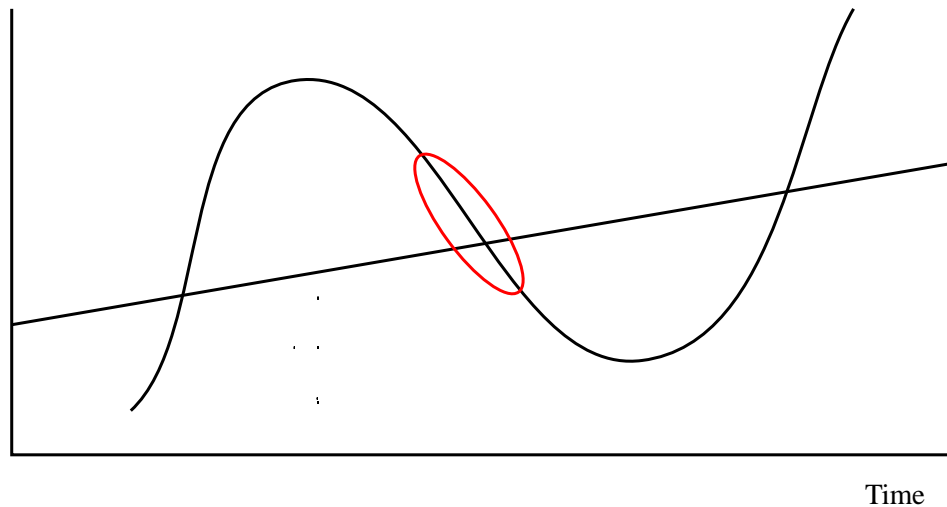
No one's willing to bear the risk of missing out on further gains



## How do typical market cycles unfold?

On the way down –

- economic fundamentals deteriorate
- earnings decline and fall short of expectations
- the media report only bad news

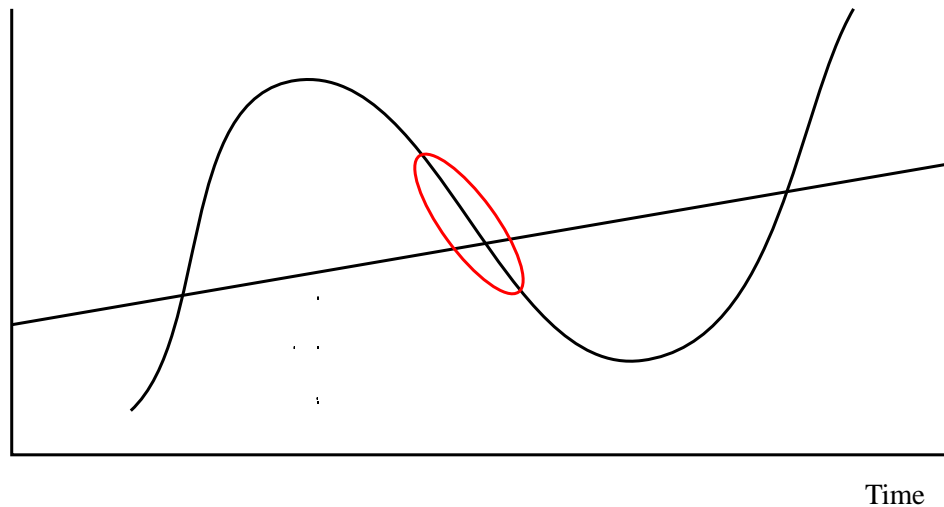




## How do typical market cycles unfold?

As a result:

- expectations decline
- psychology weakens
- people see only undesirable developments
- asset prices fall
- holders are chagrined and sell
- non-holders celebrate and stand pat
- risk aversion grows; investors flee from risk, saying “bearing risk is just a way to lose money”



## How do typical market cycles unfold?

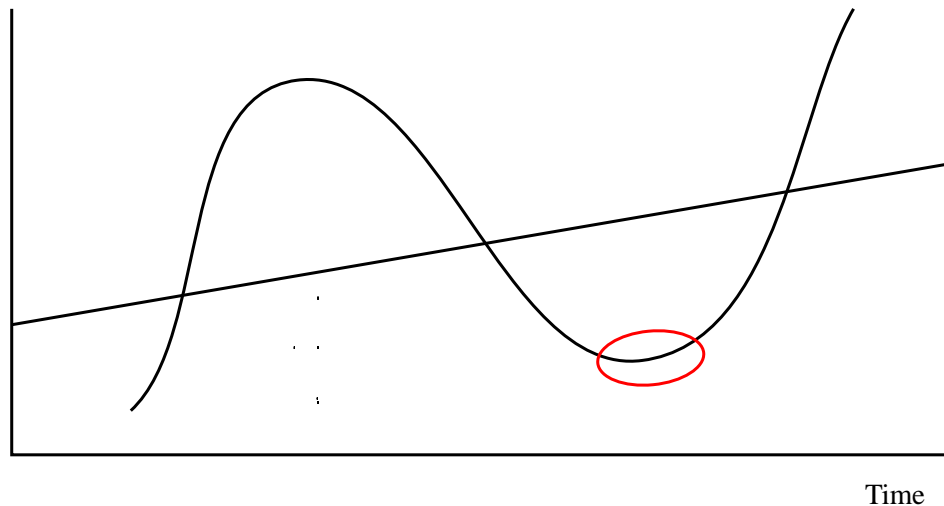
At the bottom –

- asset prices are low
- prospective returns are high
- risk is low

This is the time for aggressiveness!

But most people are scared stiff

No-one wants to commit capital under these conditions, since prices reach bottom at just the time when people are most depressed and cautious



## How do typical market cycles unfold?

The three stages of a bull market:

- The first stage, when only a few exceptionally farsighted people conclude that improvement could occur
- The second stage, when most people recognize that improvement actually is taking place
- The third stage, when everyone thinks things can only get better forever

## How do typical market cycles unfold?

This cycle in attitudes is summed up in the greatest of all investment adages:

“What the wise man does in the beginning, the fool does in the end”

How do typical market cycles unfold?

Or as Warren Buffett puts it:

“First the innovator, then the imitator, then the idiot”

## Getting the odds on your side

The market is like a lottery, and investment performance is like one lottery ticket (the actual outcome) drawn from a bowlful of tickets (the full range of possible outcomes)

Assets that are priced below their intrinsic value are more likely to turn out to be winners, and assets priced above intrinsic value are likely to be losers

Which ticket is chosen – which outcome occurs – is influenced by the merits, but also to a large extent by swings in emotion and random events. We never know enough about the future to be sure what the outcome will be – which ticket will be drawn – but we can have a sense for when the tickets in the bowl tilt the odds in our favor, or when they're against us

What determines the mix of tickets in the bowl, and thus the odds of investment success?

In large part, the position of the market in its cycle

## When are the odds against you?

What causes losing tickets to predominate in the bowl relative to winners?

- high level of investor optimism
- investors spurred on by greed
- recent market gains
- investors happy with their gains . . . or jealous of the gains of others
- unwise risk tolerance
- eagerness to supply capital

When are these things seen?

At cyclical highs

When are the odds on your side?

What causes winning tickets to predominate in the bowl relative to losers?

- dearth of optimism among investors
- high level of fear
- poor recent market performance
- widespread losses
- excessive risk aversion
- reluctance to supply capital

When are these things seen?

At cyclical lows



## Getting the odds on your side

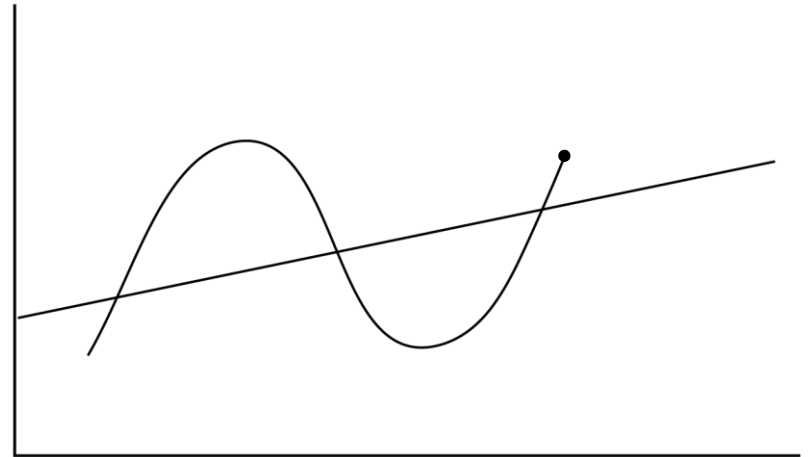
In recent years we have felt the market was high in its cycle.

- A high level of uncertainty
- Low prospective returns
- Full-to-high asset prices
- Risky behavior on the part of other investors

**Conditions like these make the market vulnerable to recession or exogenous events**

Thus we adopted the mantra “move forward, but with caution”

We felt the game was in the “eighth inning,” but we couldn’t see anything that would cause it to end



## Getting the odds on your side

Even if we know what inning we're in, we never know how many innings there will be in the game

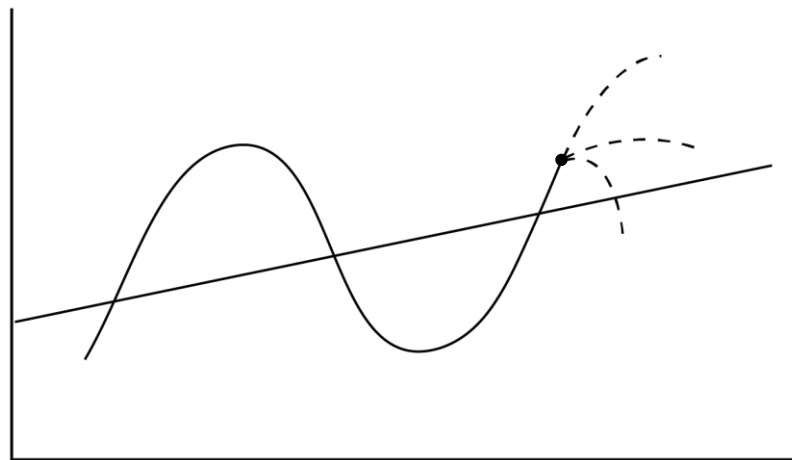
In other words, from any point in the cycle, anything can happen in the short run

But cyclical position influences the odds that the next move will be upwards, sideways or down

Knowing where we stand in the cycle – and thus the odds of success – can deliver one of the greatest advantages in investors' uncertain world

**You can't predict. But you can prepare**

Applying caution in recent years has helped us in 2020



## Getting the odds on your side

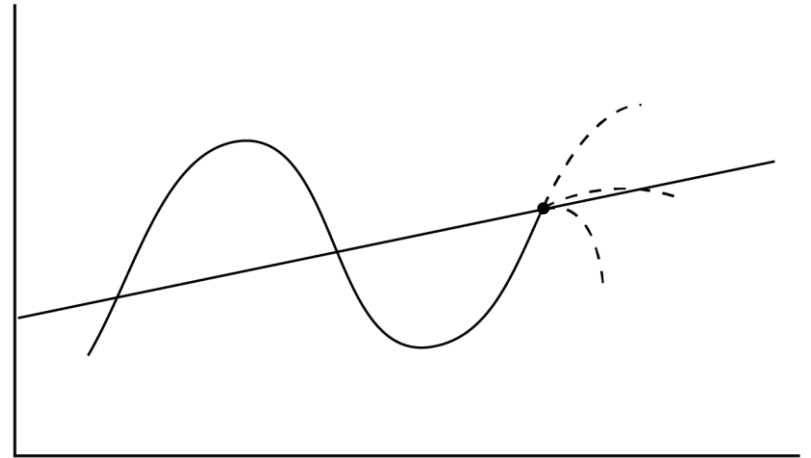
Today, conditions have been corrected to a degree:

- The market's riskiness has been exposed – there's less optimism
- Prospective long-term returns are higher
- Asset prices are lower
- Risky behavior has been discouraged

In other words, the market's cyclical position seems less precarious

**But today we have unprecedented exogenous events, not a “normal cycle”**

Thus we have to accept that the future is unusually unpredictable



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Meeting Date  
**05/06/20**  
Agenda Item  
**#9**

## MEMORANDUM

Date: May 6, 2020  
To: CCCERA Board of Retirement  
From: Karen Levy, General Counsel  
Subject: Consider and take possible action to cause an election to be held to fill the upcoming vacancy in the alternate safety seat of the Board of Retirement.

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### Update

The terms of the safety, alternate safety, and third general member seats of the Retirement Board expire on June 30, 2020. Donnie Finley and Todd Smithey applied for the safety member seat and the general member seat, respectively. By action of the County dated April 14, 2020, since only one candidate applied for each of the seats, no elections will be held and the candidates, Todd Smithey and Donnie Finley, will take their respective seats for the term beginning on July 1, 2020 and ending on June 30, 2023.

The alternate safety member seat on the Retirement Board will be vacant effective July 1, 2020. Pursuant to the County Employee Retirement Law of 1937 ("CERL"), in the event of a vacancy in the alternate safety member seat, the Retirement Board "shall cause an election to fill the vacancy to be held at the earliest possible date." (Govt. Code § 31523.) The candidates for the position are limited to the safety group not represented by the incumbent safety board member. The incumbent safety board member seat is from the deputy sheriffs' group (Govt. Code § 31470.2), therefore the candidates for the vacant alternate safety board member seat are limited to members from the firefighters' group (Govt. Code § 31470.4). In the event there are no candidates from the firefighter's group, then candidates may be from a safety group other than firefighters and sheriffs. In the event only one candidate has been nominated for election to the board member seat, no election will be held and a unanimous ballot will be cast in favor of the single candidate to fill the position, in accordance with Govt. Code § 31523(c).

### Recommendation

Consider and take possible action to cause an election to be held at the earliest possible date to fill the upcoming vacancy in the alternate safety seat of the Board of Retirement, in accordance with Government Code Section 31523.