



MINUTES

RETIREMENT BOARD MEETING MINUTES

SECOND MONTHLY MEETING
January 25, 2017
9:00 a.m.

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

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

Absent: Debora Allen and Jerry Telles

Staff: Gail Strohl, Chief Executive Officer; Timothy Price, Chief Investment Officer; Karen Levy, General Counsel; Wrally Dutkiewicz, Compliance Officer; Christina Dunn, Administrative/HR Manager; and Henry Gudino, Accounting Manager

Outside Professional Support: Ed Hoffman
Representing: Verus

1. **Pledge of Allegiance**

Gordon led all in the *Pledge of Allegiance*.

2. **Accept comments from the public**

Michael Pineschi, Unite Here, spoke on the performance and management of Ares Energy Fund V, noting CCCERA is the only public pension fund that committed to Fund V, which is still fundraising.

Pigeon and Rodrigues were present for subsequent discussion and voting.

3. **Presentation on recommended structure and manager lineup for emerging market equity mandate**

Price gave an overview of the emerging market equity manager search noting this is the first search conducted by Verus for CCCERA utilizing the approved lists generated by the firm's Manager Research Group and that CCCERA staff conducted an independent review of the recommendations. He reported on the differences between this search and how searches were conducted 5 years ago. He also reviewed the new asset allocation targets.

Hoffman gave an overview of the search process noting that the search identified 6 emerging market equity managers as semi-finalists from the 453 strategies originally identified. He described the on-site and in-office meetings as well as the due diligence write-ups on top candidates.

Hoffman reviewed a comparison between PIMCO and TT International and how they work together including their performance as of 3Q16. He also reviewed their portfolio characteristic and fees. He noted they want the strategies to perform differently but also complement each other.

4. Presentation from proposed emerging market equity managers:

a. TT International – Niall Paul, Greg Casano

Casano gave an overview of the firm and their investment culture. He reported they were established in 1988 and have 100 employees with offices in London, New York and Hong Kong noting there are 16 partners and all are actively invested. He stated they use a top-down / bottom-up approach in stock selection. There was a discussion on possible trade restrictions with the new administration and the effect on emerging markets.

Paul reviewed their investment philosophy in emerging markets, their pricing anomalies, their investment approach, their performance, and their investment team. He also reviewed their investment process, current portfolio characteristics, and active country weights.

b. PIMCO – Stephanie King, John West (RAE), Brent Leadbetter (RAE), Sasha Talcott

PIMCO/Research Affiliates waived the confidentiality statement in the presentation materials.

King introduced the presenting team.

West gave an overview on the background of Research Affiliates noting they have been working with PIMCO since 2005. He reviewed their team and their investment philosophy noting they use a systematic equity strategy with an unemotional, rules-based investment process.

Leadbetter reviewed their approach to equity investing and how they build their portfolio. He stated their strategy performs well and has delivered consistent long-term excess returns. He reviewed excess returns vs core index and value index in emerging markets. He also reviewed trailing returns for emerging markets.

Talcott summed up the presentation on why they believe Research Affiliates emerging market strategy is a compelling solution for CCCERA.

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

5. Consider and take possible action to retain TT International for emerging market equity strategy

After a discussion, it was M/S/C to retain TT International for emerging market equity strategy and allocate an initial \$300mm subject to satisfactory due diligence and legal review and authorize the CEO to execute the necessary contracts. (Yes: Andersen, Gordon, Holcombe, Kroll, MacDonald, Phillips, Pigeon and Watts)

6. Consider and take possible action to retain PIMCO for emerging market equity strategy

It was M/S/C to retain PIMCO for emerging market equity strategy and allocate an initial \$300mm subject to satisfactory due diligence and legal review and authorize the CEO to execute the necessary contracts. (Yes: Andersen, Gordon, Holcombe, Kroll, MacDonald, Phillips, Pigeon and Watts)

7. Presentation on recommended structure and management of passive US equity mandate

Price briefly reviewed his memo on the passive US equity manager search.

Hoffman introduced Glen Cagan, Consulting Associate, who joined Verus in April.

Hoffman reported this is a \$70mm allocation to a passive US Equity strategy. He reviewed the index options and index performance.

Gordon was no longer present for subsequent discussion and voting.

Hoffman reviewed the investment vehicle criteria and structures including the use of an overlay provider. He reviewed a list of providers and reported BlackRock is the lowest priced option and the fund's track record has demonstrated the ability to closely track the benchmark.

8. **Presentation from BlackRock on proposed passively-managed Russell 1000 Index strategy** - Scott Dohemann, Samantha Taylor

BlackRock waived the confidentiality statement in the presentation materials.

Taylor gave a brief overview of the firm noting they are the creator of the first index fund and have \$2 trillion in AUM.

Dohemann reviewed their index equity platform and their experience over the past 45 years. He also reviewed how their portfolios are structured noting they use a team-based approach. He reviewed their philosophy and process, performance and oversight, benchmark knowledge, portfolio construction and management cycle. He also reviewed the Russell 1000 fund performance in 2016 and tracking differences.

9. **Consider and take possible action to retain BlackRock for passively-managed Russell 1000 Index strategy**

It was M/S/C to retain BlackRock for passively-managed Russell 1000 Index strategy and allocate an initial \$70mm subject to satisfactory due diligence and legal review and authorize the CEO to execute the necessary contracts. (Yes: Andersen, Holcombe, Kroll, MacDonald, Phillips, Pigeon and Watts)

10. **Conference Seminar Attendance**

- a. It was M/S/C to authorize the attendance of 1 Board member and 1 staff member to the Artisan Partners Investment Forum, Artisan Partners, June 13-14, 2017, Milwaukee, WI. (Yes: Andersen, Holcombe, Kroll, MacDonald, Phillips, Pigeon and Watts)
- b. There was no reportable action on this item.
- c. It was M/S/C to authorize the attendance of 1 additional Board member to the Commonfund Forum, Commonfund, March 4-7, 2017, San Antonio, TX. (Yes: Andersen, Holcombe, Kroll, MacDonald, Phillips, Pigeon and Watts)
- d. It was M/S/C to authorize the attendance of 4 Board members and 4 staff members to The Pension Bridge Annual Conference, The Pension Bridge, April 18-19, 2017, San Francisco, CA. (Yes: Andersen, Holcombe, Kroll, MacDonald, Phillips, Pigeon and Watts)

11. **Miscellaneous**

- (a) Staff Report –

Strohl reported Trustees will be receiving an email from the County regarding the Form 700 and noted the Form can be completed online and it is very easy to use.

Levy introduced attorney Alison Greene, CCCERA's new Deputy General Counsel.

- (b) Outside Professionals' Report -

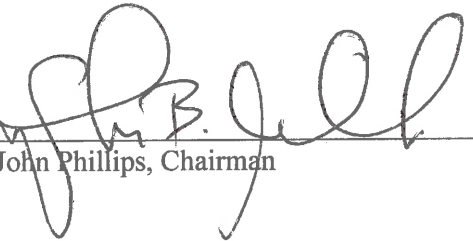
Hoffman reported Trustees will be receiving an email for the Verus Summit which will be held on August 28-29, 2017 in San Francisco.

(c) Trustees' comments –


MacDonald asked about potential on-site visits. Price stated the on-site for TT International is being deferred until the commingled fund structure has been fully negotiated and will notify the Board in late March.

Watts reported he attended the Institutional Investors Risk & Liquidity Forum and felt it was excellent.

It was M/S/C to adjourn the meeting. (Yes: Andersen, Holcombe, Kroll, MacDonald, Phillips, Pigeon and Watts)



John Phillips, Chairman



Scott Gordon, Secretary