



MINUTES

RETIREMENT BOARD MEETING MINUTES

SECOND MONTHLY MEETING
May 23, 2018
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, Jay Kwon, David MacDonald, John Phillips, Gabe Rodrigues, Todd Smithey, Jerry Telles and Russell Watts

Absent: William Pigeon

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 Colin Bishop, Member Services Manager

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|-------------------------------|---------------------|
| Outside Professional Support: | Representing: |
| Ed Hoffman | Verus Investments |
| Victoria May | Insight Investments |
| Gerard Berrigan | Insight Investments |

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. Review of total portfolio performance for period ending March 31, 2018

a. Presentation from Verus

Hoffman reviewed the first quarter summary highlighting the changes that have taken place since March 31, 2018.

He reviewed CCCERA's investment performance for the period ending March 31, 2018 noting the ending market value of the total fund portfolio is \$8,445,903,088. He reviewed the total fund asset allocation vs. the long term target policy. He also reviewed the total fund risk analysis for 5 years stating the annualized return was 8.62% with a standard deviation of 4.40%.

Hoffman reviewed the performance of individual funds.

b. Presentation from staff

Price reported this is the first time this report is being presented and noted this report complements the Verus quarterly performance report. He stated it is intended to provide a thesis for what we are expecting from each portfolio and measures how well we are implementing each function. Strohl commented that this report will be included with every quarterly report.

Youngman reviewed the liquidity portfolio noting the target allocations are based on the Phase 2b implementation. He stated we are closely tracking excess cash and future benefit payments. He also reviewed the growth portfolio and the risk diversifying portfolio noting they are working as expected.

Price reviewed the format of the report including the appendix. He stated the appendix includes manager notes and a thesis on each manager.

4. **Review of Report on Liquidity Sub-portfolio**

Price reported this review is on the liquidity sub-portfolio only and will discuss the role of the sub-portfolio under the FFP structure, how they are staffed with managers, how they are operating in line with expectations and will review how the money flows through the system. He stated he will present the growth and risk diversified sub-portfolios later in the year. He also stated Insight is present to discuss their role in the program.

He briefly reviewed the role of the liquidity sub-portfolio noting the objectives are to match four years of benefit payments and produce cash flows to match the monthly benefit payments. He stated this sub-portfolio uses a multi-manager structure and is working well. He reviewed the roles of the managers noting Sit invests in high yielding government backed mortgages, DFA focuses on obtaining fixed income exposures via the most liquid securities available, and Insight matches liabilities with short duration government and corporate fixed income securities. He reviewed the annual, semi-annual and monthly processes to update the model and refresh the program noting the plan to refresh the liquidity sub-portfolio is presented to the Board each year in the Annual Funding Plan. He also reviewed the Board's decision to match four years of benefit payments which will be reviewed every 3-5 years and Zone 2 rebalancing which allows taking a portion of Growth for up to one year of benefit payments for rebalancing in extraordinary market environments. He noted Zone 2 rebalancing has not been utilized to date.

Insight – Victoria May, Gerard Berrigan

May gave an overview of the firm noting they are solutions specialists, have over \$830 billion in assets under management and are owned by BNY Mellon. She stated they have approximately \$40 billion in assets in North America and reviewed how their business has grown in the past two years. She noted the largest part of the growth of their U.S. business and team comes from corporate and public pensions.

Berrigan reviewed the portfolio construction noting that the portfolio is doing what it is designed to do, which is to make sure the cash is available to make the monthly benefit payments. He reviewed the asset allocation for benefit payments as of March 31, 2018. He stated that the market value of the portfolio will fluctuate but ideally we would never have to sell a security and realize a gain or loss. The benefit payments are made strictly from the cash flows coming off the securities.

He reviewed the portfolio attributes noting it is a very high quality portfolio, there are no below investment grade securities, the average rating is a solid AA-, and it is well diversified among major sectors and subsectors of the market.

5. **Consider and take possible action to adopt Board of Retirement Resolution 2018-1 to increase the salary ranges by 3% for all unrepresented classifications effective July 1, 2018, with the exception of the Chief Executive Officer**

Strohl recommended a 3% salary increase for all unrepresented classifications, except the Chief Executive Officer, in order to retain and recruit qualified individuals to work at CCCERA.

It was M/S/C to adopt Board of Retirement Resolution 2018-1 to increase the salary ranges by 3% for all unrepresented classifications effective July 1, 2018, with the exception of the Chief Executive Officer. (Yes: Andersen, Gordon, Holcombe, MacDonald, Phillips, Rodrigues, Smithey, Telles and Watts)

6. **Consider and take possible action to adopt CCCERA Position Pay Schedules effective July 1, 2018 which reflects the salary range changes in Board of Retirement Resolution 2018-1.**

It was M/S/C to adopt CCCERA Position Pay Schedules effective July 1, 2018. (Yes: Andersen, Gordon, Holcombe, MacDonald, Phillips, Rodrigues, Smithey, Telles and Watts)

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

- a. It was M/S/C to authorize the attendance of 1 Board member at the SACRS/UC Berkeley Program, July 15-18, 2018, Berkeley, CA. (Yes: Andersen, Gordon, Holcombe, MacDonald, Phillips, Rodrigues, Smithey, Telles and Watts)
- b. It was M/S/C to authorize the attendance of 3 Board members at the NASRA Annual Conference, August 4-8, 2018, San Diego, CA. (Yes: Andersen, Gordon, Holcombe, MacDonald, Phillips, Rodrigues, Smithey, Telles and Watts)
- c. No action was taken on this item. CALAPRS Principles of Pension Management, August 27-30, 2018, Malibu, CA.

8. **Miscellaneous**

(a) Staff Report –

Strohl reported that at the All Staff Meeting, the Communications Coordinator gave an update on ways staff communicate with members; the external auditors are working on our 2017 audit; CCCERA staff are working on the CAFR; Segal is working on the valuation report; she acknowledged Henry Gudino and his staff for all of their hard work noting he has been here two years; she appreciated the help from the County as most of the data issues with the County have been resolved; Colin Bishop's prior experience has served him well as he is doing a great job; and Tim Hoppe in Retirement Services has been doing a great job also.

(b) Outside Professionals' Report -

None


(c) Trustees' comments –

Phillips reported on his takeaways from the SACRS Conference and noted it was a very interesting conference.

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



Todd Smithey, Chairman



David MacDonald, Secretary