



MINUTES

RETIREMENT BOARD MEETING MINUTES

REGULAR MEETING

August 10, 2016

8:00 a.m.

Retirement Board Conference Room

The Willows Office Park

1355 Willow Way, Suite 221

Concord, California

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

Absent: William Pigeon

Staff: Gail Strohl, Chief Executive Officer; Timothy Price, Chief Investment Officer; Karen Levy, General Counsel; Christina Dunn, Administrative/HR Manager; Henry Gudino, Accounting Manager and Tim Hoppe, Retirement Services Manager

Outside Professional Support:

Harvey Leiderman

Susan Hastings

Ed Hoffman

Representing:

Reed Smith LLP

Laughlin, Falbo, Levy & Moresi LLP

Verus Investments

1. Pledge of Allegiance

MacDonald led all in the *Pledge of Allegiance*.

2. Accept comments from the public

No member of the public offered comment.

3. Routine Items

It was M/S/C to approve the routine items of the August 10, 2016 meeting. (Yes: Allen, Andersen, Gordon, MacDonald, Phillips, Rodrigues, Smithey, Telles and Watts)

Gordon was no longer present for subsequent discussion and voting.

CLOSED SESSION

The Board moved into closed session pursuant to Govt. Code Section 54957.

The Board moved into open session.

4. It was M/S/C to accept the Medical Advisor's recommendation and grant the following disability benefits:

- a. Debra Hooper-Britton – Non-Service Connected (Yes: Allen, Andersen, Holcombe, MacDonald, Phillips, Rodrigues, Smithey, Telles and Watts)
- b. Graciela Olveda – Service Connected (Yes: Allen, Andersen, Holcombe, MacDonald, Phillips, Rodrigues, Smithey, Telles and Watts)

Gordon was present for subsequent discussion and voting.

5. It was **M/S/C** to accept the Administrative Law Judge’s recommendation and deny the service connected disability retirement for Nancy Michelli. (Yes: Andersen, Gordon, Phillips, Rodrigues, Smithey and Watts. No: Telles. Abs.: Allen and MacDonald)

Gordon was no longer present for subsequent discussion and voting.

6. It was **M/S/C** to accept the Administrative Law Judge’s recommendation and deny the non-service connected disability retirement for Gail Clark. (Yes: Allen, Andersen, Holcombe, MacDonald, Phillips, Rodrigues, Smithey, Telles and Watts)

Gordon was present for subsequent discussion and voting.

7. Update from Verus and Staff regarding Draft Investment Policy Statement

Hoffman reviewed the goals of the project noting the areas of focus are the governance structure, asset allocation, and Board-level policy issues. He also reviewed the process in drafting the new Investment Policy Statement (IPS) noting the new IPS focuses solely on policy issues. Procedural and operational items were moved from the IPS to 2 new documents, Investment Directives and Investment Procedures, in order to update and edit procedures and operational items without revising the IPS.

He stated further direction is needed from the Board on the placement of the Asset Allocation Table. The Table has been moved to the Investment Directives and will be updated annually (to account for the changing size of the liquidity program) instead of every 3-5 years.

Hoffman defined private equity and private credit asset classes noting a consultant will be hired to monitor them and an independent auditor will value them.

The Board also reviewed language in the current IPS on Economically Targeted Investing; Emerging Managers; and Tobacco. The Board directed staff and consultant to exclude specific language around these factors from the final draft of the new Investment Policy Statement. It was noted that the Board is not re-investing in tobacco.

The Draft Investment Policy Statement was reviewed and requested changes were discussed.

Watts was no longer present for subsequent discussion and voting.

Price reported the next step will be to incorporate the Board’s requested changes and come back possibly at the end of September with a draft document for consideration and possible approval.

8. Recommendation from Verus to retain Zeno Consulting for Transaction Cost Analysis services

Hoffman reported on why we need to do a transaction cost analysis (TCA) noting there has to be follow up by managers. He reviewed the background of the Zeno Consulting Group. Hoffman reviewed the three step process they will perform in their analysis. He noted they also offer soft-dollar audit services.

Two proposed options and their fees were reviewed; a Multi-Asset Class TCA without manager follow-up and a Multi-Asset Class TCA including manager follow-up. Hoffman and Price recommended Option 2 with the optional soft-dollar audit add-on service.

9. **Consider and take possible action to retain Zeno Consulting for Transaction Cost Analysis services**

After a discussion on the options, the terms of contract, when they are evaluated, it was M/S/C to retain Zeno Consulting for Option 2 for a 2-year term to be reviewed after 1 year and to include the soft-dollar audit option in the scope of services. (Yes: Allen, Andersen, Gordon, MacDonald, Phillips, Rodrigues, Smithey and Telles)

10. **Report from CIO on semi-annual rebalancing**

Price reviewed his memo noting the rebalancing was done a little differently because we will be implementing the new asset allocation in the next few months. He reported \$330 million was reallocated generally into fixed income.

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

Hoppe distributed a revised report noting these are the applications that have come to the department in the first 6 months of 2016. He reviewed the applications received by year, department, type of injury and illness, and by employer.

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

- a. It was M/S/C to authorize the attendance of 4 Board members at the CALAPRS Trustees Roundtable, September 30, 2016, Burbank, CA. (Yes: Allen, Andersen, Gordon, MacDonald, Phillips, Rodrigues, Smithey, Telles)

13. **Miscellaneous**

(a) Staff Report –

Strohl thanked Dunn for her hard work with NeoGov. She stated we have 3 new hires that started this week, an Office Specialist, a Member Services Supervisor, and a Member Services Technician. A Compliance Business Analyst will start next week. She reminded the Board there will be an Audit Committee meeting after the August 24 Board meeting.

Dunn gave an update on using NeoGov noting we have done 8 recruitments and hired 5 new staff members.

Gudino reported he is looking for an Accounting Supervisor and an Accountant. He is also looking at our banking policies and banking relationships to make sure we are getting the best value for the money.

(b) Outside Professionals' Report -

None

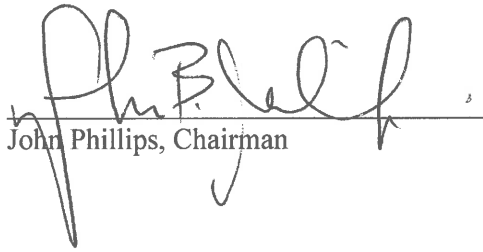
(c) Trustees' comments –

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Andersen asked when the new contribution rates will be available. Strohl stated we hope to have the Valuation Report in September.

Telles asked about the date of death for member Laura Hill stating it shows October 2014. Hoppe will look into it and get back to him. Also, he would like CCCERA to look into a program that may support widowed members at their homes.

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


John Phillips, Chairman


Scott Gordon, Secretary