



RETIREMENT BOARD MEETING MINUTES

SECOND MONTHLY BOARD MEETING

9:00 a.m.

September 17, 2014

Retirement Board Conference Room

The Willows Office Park
1355 Willow Way, Suite 221
Concord, California

Present: Debora Allen, Scott Gordon, Brian Hast, Jerry Holcombe, Louie Kroll, Karen Mitchoff, John Phillips, William Pigeon, Gabe Rodrigues, Todd Smithey and Jerry Telles

Absent: Russell Watts

Staff: Gail Strohl, Retirement Chief Executive Officer, Kurt Schneider, Deputy Retirement Executive Officer; Timothy Price, Retirement Chief Investment Officer; Karen Levy, Retirement General Counsel; Christina Dunn, Retirement Administration Manager, Chih-Chi Chu, Retirement Investment Analyst; and Jeff Youngman, Retirement Investment Analyst

Outside Professional Support:	Representing:
Bob Helliesen	Milliman
Marty Dirks	Milliman
Dorian Young	Milliman

1. Pledge of Allegiance

Hast led all in the *Pledge of Allegiance*.

2. Accept comments from the public

No members of the public offered comment.

3. Presentation from staff and Torchlight regarding potential commitment to the Torchlight Debt Opportunity Fund V – Daniel Heflin, Michael Romo

Chu gave an overview of Torchlight noting they have a very strong fixed income program which consistently ranks very high among our peers. He reviewed CCCERA's investments with Torchlight noting we committed \$60 million to Fund IV and based on our allocation table, we are able to commit \$75 million to Fund V.

Heflin gave a brief overview of the presentation and the firm.

Romo reported Torchlight is now 100% owned by the partners and has always been focused on real estate debt. He reviewed the teams noting they have been together over 14 years. He also reviewed the firm's key milestones and their track record.

Heflin reviewed CCCERA's portfolio performance from inception through June 30, 2014 as well as portfolio performance change since March 2012 when they last presented to the Board.

He gave an overview of the federal debt level and the projected federal budget deficit. He stated the lending market has not returned to its pre-2008 level. He reviewed current market opportunities and Torchlight's investment focus.

He reviewed their investment strategy for Debt Opportunity Fund V and their initial target portfolio allocation. He also reviewed the terms and capital amount for Fund V.

4. **Consider and take possible action regarding potential commitment to the Torchlight Debt Opportunity Fund V**

After a discussion on management fees, it was M/S/C to make a capital commitment of \$75 million to the Torchlight Debt Opportunity Fund V subject to due diligence, on-site, legal review and authorize the CEO to sign the necessary documents. (Yes: Allen, Gordon, Hast, Mitchoff, Phillips, Rodrigues, Smithey and Telles)

5. **Presentation from staff on private real estate pacing schedule**

Price reviewed CCCERA's Real Estate Program, current real estate market trends, staff's recommended allocation and the impact on CCERA's combined real estate portfolio. He reported every 2 years staff provide the Board with recommended allocation schedules for private equity and private real estate.

Youngman reported CCCERA's real estate target allocation is 12 ½% as of July 31, 2014 with an available \$177 million to commit to real estate. Staff feels the core side of real estate has been keeping up but the distressed and opportunistic strategies are the best places to invest. He briefly reviewed Oaktree's and Angelo Gordon's strategy.

Price discussed the recommended European allocation. He also gave a brief overview of current real estate funds coming on the market in the immediate future.

The Board complimented staff on their memos.

Gordon was no longer present for subsequent discussion and voting.

6. **Presentation from staff and Oaktree regarding potential commitment to the Oaktree Real Estate Opportunities Fund VII – Frances Maletis, Justin Guichard**

Price reviewed potential commitments to the Oaktree Real Estate Opportunities Fund VII and Angelo Gordon Realty Fund IX prior to both presentations.

Price reported part of the allocation commitment being recommended is \$65 million to Oaktree Real Estate Opportunities Fund VII and \$65 million to Angelo Gordon Realty Fund IX.

Youngman gave an overview of the relationship between CCCERA and Oaktree noting the performance of their real estate funds have been positive contributors to the real estate portfolio on a gross-of fees basis. He also reviewed CCCERA's current investments with Oaktree noting their funds have increased in size and have been able to deploy capital very quickly.

Youngman reviewed Angelo Gordon's approach to investing in opportunistic real estate. He also gave an update on the amount of commitments available for private real estate investments and a summary of terms for both of the new funds.

Oaktree waived the confidentiality clause in the presentation materials.

Maletis gave an overview of the firm noting there are over 800 employees located globally with their headquarters in Los Angeles and have over \$91 in assets under management.

Guichard reviewed their approach over the last eight years noting they have acquired significant assets. He also gave an overview on the outlook on the areas of investments they are focusing on.

He reviewed the primary points of Real Estate Opportunities Fund VII noting they are focusing on borrowers who borrow too much and lenders who lent too much. He reported the size of Fund VII is targeted for \$3 to \$3.5 billion. He stated they expect 75% of their investments going forward to be centered around commercial assets with 50% in the U.S. and 25% in Europe.

Guichard reviewed their investment team and their track record noting that to date they have a 95:1 profit-to-loss ratio for funds whose investments were led by John Brady.

Maletis stated the first close is penciled in for February 3, 2015 and they have already received commitments. Fee discounts were also discussed.

It was the consensus of the Board to move to Item 8.

8. **Presentation from staff and Angelo Gordon regarding potential commitment to the Angelo Gordon Realty Fund IX** – Colleen Casey, Reid Liffmann

Angelo Gordon waived the confidentiality clause in the presentation materials.

Casey gave an overview of the firm noting they are privately owned with 70 partners. Their two core strengths are credit and real estate and are currently managing over \$27 billion. She noted that 80% of their clients are institutional and they work with about 50 public pension plans.

Liffmann gave an overview of their strategy noting they are a bottoms-up real estate investor and use conservative leverage. He reviewed their real estate investment team noting employees stay for a very long time. He reviewed their approach to real estate stating they hire experienced fund managers and they partner with local real estate entrepreneurs. He also reviewed the performance of their Opportunistic Realty Funds.

Allen was no longer present for subsequent discussion and voting.

Liffmann gave an update on CCCERA's investment in Realty Fund VIII as of March 31, 2014 noting the portfolio is doing very well. He reviewed their acquisitions in 2013, recent deals and their existing assets.

Casey reviewed the terms, management fees, and fee break they are offering on Fund IX noting the first closing will be on October 10, 2014.

9. **Consider and take possible action regarding potential commitment to the Angelo Gordon Realty Fund IX**

After discussion, a motion was M/S/C to commit \$65 million to Angelo Gordon Realty Fund IX subject to due diligence, legal review and authorize the CEO to sign the necessary contracts. (Yes: Hast, Holcombe, Mitchoff, Phillips, Rodrigues, Smithey and Telles)

It was the consensus of the Board to move to Item 7.

7. **Consider and take possible action regarding potential commitment to the Oaktree Real Estate Opportunities Fund VII**

Phillips reported he owns a modest number of shares and asked if he should recuse himself. It was noted he is not required to but if he feels he would benefit from the investment then he should.

Hast asked for the motion to be contingent on clarification of the Fund Name being “a Cayman Islands exempted limited partnership” and it being a feeder fund.

After discussion, it was M/S/C to commit \$65 million to the Oaktree Real Estate Opportunities Fund VII as recommended by staff subject to due diligence, legal review including review of the Cayman Islands Fund and Feeder Fund and authorize the CEO to sign all necessary contracts. (Yes: Hast, Holcombe, Mitchoff, Phillips, Rodrigues, Smithey and Telles)

10. **Review of total portfolio performance**

Dirks distributed a Flash Report for the period ending August 31, 2014.

Young gave an overview of the market in general and also for the second quarter noting it was a good quarter for fixed income. He also gave an overview of how the market typically performs in an election year.

Dirks discussed the key points of the quarterly report noting the CCCERA Total Fund returned 3.8% for the second quarter.

Price noted we are about 9 months away from an asset allocation report when asset classes can be reviewed.

Helliesen reported the flash report shows Domestic Equities and Bonds are up noting it is a preview of what we will see on next quarterly report.

a. **Consideration of any managers already under review or to be placed under review**

Dirks reported on the managers on the watch list noting Adams Street and DBL are not on the report because they were put on watch at the end of the 2nd quarter. He stated both were put on watch due to personnel changes. He reported the on-site visit to Adams Street went well and recommends removing Adams Street from the Watch list.

After a discussion, it was M/S/C to remove Adams Street from the Watch List. (Yes: Hast, Holcombe, Mitchoff, Phillips, Rodrigues, Smithey and Telles)

Helliesen reported on Adelante performance and feels they can be removed from Watch List. He gave an update on Lord Abbett and PIMCO and recommends keeping them on the Watch List for another quarter.

It was M/S/C to remove Adelante from the Watch list. (Yes: Hast, Holcombe, Mitchoff, Phillips, Rodrigues, Smithey and Telles)

b. **Consideration of any changes in allocations to managers**

There were no changes in allocations to managers.

c. Discussion of revision to 1st quarter 2014 performance report

Helliesen reported on the revisions to the 1st quarter report noting the bulk of the revisions were due to a software glitch with their provider. He also reported Milliman failed to include 2 new funds in the original report.

11. Consider and take possible action to issue a Request for Proposal for Website Redesign

After a discussion, it was M/S/C to issue the Request for Proposal for Website Redesign with a correction to 3.1, third bullet, removing the word "to" in the second line and removing "and approved by a two-thirds majority of the Board" from 3.2.6 regarding overages. (Yes: Hast, Holcombe, Mitchoff, Phillips, Rodrigues, Smithey and Telles)

12. Miscellaneous

(a) Staff Report –

Strohl reported staff has been working on preparing CCCERA to become an independent district effective January 1, 2015.

She reported staff is also working on the internal office remodel to improve the workflow.

She has received media inquiries regarding the Investment Consultant RFP and also from a reporter with the LA Times regarding the use of base pay or base pay plus in pensionable compensation for PEPRA members.

Price reported the next project will be on real assets and underwriting the INVESCO funds.

Levy reported the two RFP's are out for the Chief Labor Negotiator and the Labor and Employment Law Legal Counsel with a final submission date of October 3, 2014.

Dunn reported the landscapers removed the shrubbery from the parking lot due to safety issues.

(b) Outside Professionals' Report -

Helliesen reported they are vigorously working on their response to the RFP CCCERA issued for an Investment Consultant.

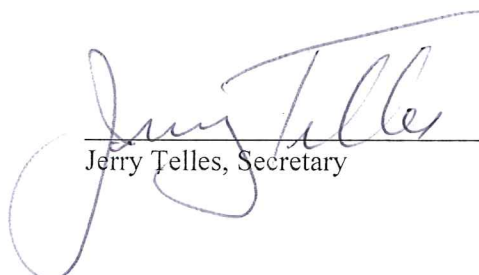
(c) Trustees' comments –

Phillips reported the Affiliates Committee is sponsoring a dinner on the first night of SACRS.

It was M/S/C to adjourn the meeting. (Yes: Hast, Holcombe, Mitchoff, Phillips, Rodrigues, Smithey and Telles)



Brian Hast, Chairman



Jerry Telles, Secretary