



**MINUTES**

**RETIREMENT BOARD MEETING MINUTES**

SECOND MONTHLY MEETING  
January 27, 2016  
8:30 a.m.

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, John Phillips, William Pigeon, Gabe Rodrigues, Todd Smithey and Russell Watts

Absent: Candace Andersen 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; Tim Hoppe, Retirement Services Manager; and Alexis Cox, Member Services Manager

Outside Professional Support:	Representing:
Harvey Leiderman	Reed Smith LLP
Ed Hoffman	Verus

**1. Pledge of Allegiance**

Smithey led all 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 of the October 22, 2015 Board meeting with a correction to Item 8 adding the following paragraphs and listing Gordon's vote as "no" on the final motion:

It was **M/S** to hold a closed session pursuant to Govt. Code Section 54954.2(b)(2) because there is a need for the Board to take immediate action in light of the District's failure to make its full payments towards the UAAL and the need for action came to the attention of the Board subsequent to the agenda being posted.

It was **M/S/C** to call for the question. (Yes: Allen, Andersen, Gordon, Hast, Phillips, Rodrigues, Smithey, Telles and Watts).

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action in light of the District's failure to make its full payments towards the UAAL and the need for action came to the attention of the Board subsequent to the agenda being posted. (Yes: Allen, Andersen, Hast, Phillips, Rodrigues, Smithey, Telles and Watts. No: Gordon)

(Yes: Gordon, Hast, Holcombe, Kroll, Phillips, Rodrigues and Smithey).

It was **M/S** to approve the minutes of the November 4, 2015 Board meeting. After a discussion on Item 9, the **M/S** were withdrawn pending review of Item 9 in the audio.

It was **M/S/C** to approve the minutes of the November 24, 2015 Board meeting. (Yes: Gordon, Hast, Holcombe, Kroll, Phillips, Rodrigues and Smithey)

It was **M/S/C** to approve the minutes of the December 2, 2015 Board meeting. (Yes: Gordon, Hast, Holcombe, Kroll, Phillips, Rodrigues and Smithey)

It was **M/S/C** to approve minutes of the December 9, 2015 meeting. (Yes: Gordon, Hast, Holcombe, Kroll, Phillips, Rodrigues and Smithey)

Allen, Pigeon and Watts were present for subsequent discussion and voting.

#### **CLOSED SESSION**

The Board moved into closed session pursuant to Govt. Code Section 54957.6 and 54956.9(a).

The Board moved into open session.

#### **4. CONFERENCE WITH LABOR NEGOTIATORS**

(Government Code Section 54957.6)

Agency designated representative:

Gail Strohl, Chief Executive Officer

Unrepresented Employees: All CCCERA unrepresented positions

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

#### **5. There was no reportable action related to Govt. Code Section 54956.9(da).**

Allen was no longer present for subsequent discussion and voting.

#### **6. Presentation from Koff and Associates regarding total compensation report**

This item was combined with Item 7.

#### **7. Consider and take possible action to adopt salary adjustments for unrepresented classifications, except for the CEO, effective February 1, 2016**

Strohl reviewed the background on the classification and compensation study noting the need for CCCERA to be competitive in the market with both salaries and benefits. She reviewed her recommendations and asked the Board to adopt the recommendations as presented.

It was **M/S/C** to adopt the salary adjustments for unrepresented classifications, except for the CEO as recommended with a change to the placement of the Investment Analyst position which would be placed at salary range 43 and with the removal of the salary differential for the CFA certification effective February 1, 2016. (Yes: Gordon, Hast, Holcombe, Kroll, Phillips, Rodrigues, Smithey and Watts)

Strohl thanked Katie Kaneko and Koff & Associates for all their hard work on the study.

**8. Educational presentation from Verus on Transition Management and Transaction Cost Analysis**

Hoffman gave an overview of transition management and transaction cost analysis. He defined transition management as management of a transition event, which includes a one-time analysis that measures the total trading costs of the event. He defined trade cost analysis as on-going analysis used to measure the total trading costs of fund managers on a day-to-day basis. He defined legacy managers, target managers and transition managers as related to accountability, alignment of interest, expertise, execution, project management, analysis & reporting, and commission rates.

Hoffman reported several events have impacted the industry/focus list over the last 4 years. Price noted that previously all of CCCERA's transitions have gone through State Street.

There was a discussion on key considerations when evaluating a transition event.

Hoffman defined diversified transition managers, custodial banks, and boutique transition managers. He reviewed the 3 different types of transaction cost analysis; commission and taxes, market impact and delay. He also reviewed types of transaction costs and transaction monitoring.

**9. Consider and take possible action to direct Verus to develop a model program for Transition Management and Transaction Cost Analysis**

It was M/S/C to request Verus to provide the Board with a model program of which service providers to use for specific transition types. (Yes: Gordon, Hast, Holcombe, Kroll, Phillips, Rodrigues, Smithey and Watts)

It was M/S/C to request Verus and staff to work with leading Transaction Cost Analysis provider(s) to develop an initial review of the portfolio. (Yes: Gordon, Hast, Holcombe, Kroll, Phillips, Rodrigues, Smithey and Watts)

Gordon was no longer present for subsequent discussion and voting.

**10. Educational presentation from Verus on Cash Overlay Program**

Hoffman gave an overview of the session goals on the Cash Overlay program. He reviewed the challenges of holding cash in a portfolio and the use of derivatives in cash overlay strategies. He also discussed future costs.

He reviewed the types of strategies: cash equitization/liquidity management; passive rebalancing/asset allocation; duration matching/liability-driven investing; volatility management; and active insights, and the expected benefits from each. He also reviewed considerations when selecting providers.

**11. Consider and take possible action to direct Verus and Staff to review potential Cash Overlay providers and return with recommendations**

It was M/S/C to direct Verus and staff to identify policy considerations and draft language to appropriately employ and monitor overlay capabilities and request Verus to collaborate with staff on a review of potential Cash Overlay providers and return with recommendations to the Board. (Yes: Hast, Holcombe, Kroll, Phillips, Rodrigues, Smithey and Watts)

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

- a. It was **M/S/C** to authorize the attendance of 1 Board member and 1 staff member at the Oaktree Conference, Oaktree, March 16-17, 2016, Beverly Hills, CA. (Yes: Hast, Holcombe, Kroll, Phillips, Rodrigues, Smithey and Watts)
- b. It was **M/S/C** to authorize the attendance of 1 Board member at the CII Spring 2016 Conference, CII, March 21-23, 2016, Washington, DC. (Yes: Hast, Holcombe, Kroll, Phillips, Rodrigues, Smithey and Watts)

13. **Miscellaneous**

(a) Staff Report –

Strohl reported she recently received information on this year's COLA and it will be on the next meeting agenda for the Boards consideration; and, she has been having discussions on the timing of the experience study and the valuation study that Segal is working on noting information from 2012, 2013, and 2014 will be used in this years' experience study.

Dutkiewicz gave an update on panel management pay noting that the affected doctors and the Auditor-Controller from the County are not available on February 9, 2016 so the item will return to the Board in March.

Levy reported on the CALAPRS Attorneys' Roundtable noting it was well attended and educational. The Roundtable provided five hours of mandatory continuing legal education, including one hour of legal ethics.

(b) Outside Professionals' Report -

Leiderman complimented Levy on her chairing the CALAPRS Attorneys' Roundtable noting she did an excellent job. He gave an update on pension reform initiatives noting they will not be part of the upcoming election in November.

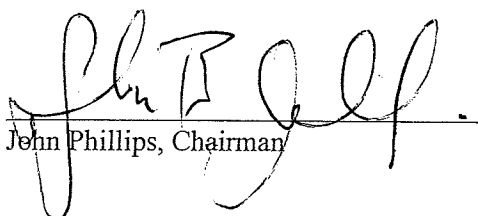
Hoffman reported on personnel changes at First Eagle; Verus will be back in March with the Transition Management and Cash Overlay programs; and, there will be a governance discussion at the February meeting.

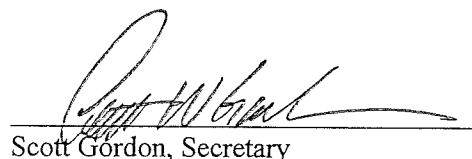
(c) Trustees' comments –

Watts reported he listened to the audio from the November 24, 2015 regarding the June 30, 2015 quarterly performance under Item 8 and he would like to see more of the discussion from the quarterly report included in the minutes.

Pigeon reported a correction to the December 2, 2015 meeting minutes noting that he did not return to the meeting after he left during Item 10.

It was **M/S/C** to adjourn the meeting. (Yes: Hast, Kroll, Phillips, Rodrigues, Smithey and Watts)

  
John Phillips, Chairman

  
Scott Gordon, Secretary