



MINUTES

RETIREMENT BOARD MEETING MINUTES

SPECIAL BOARD MEETING
February 25, 2016
9:00 a.m.

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

Present: Debora Allen, Candace Andersen, Scott Gordon, Brian Hast, Jerry Holcombe, Louie Kroll, John Phillips, William Pigeon, Gabe Rodrigues, Todd Smithey, Jerry Telles and Russell Watts

Absent: None

Staff: Gail Strohl, Chief Executive Officer, Timothy Price, Chief Investment Officer; Karen Levy, General Counsel; Wrally Dutkiewicz; Compliance Officer, Christina Dunn, Administrative/HR Manager; Timothy Hoppe, Retirement Services Manager; and Alexis Cox, Member Services Manager

Outside Professional Support:	Representing:
Harvey Leiderman	Reed Smith LLP
Scott Whalen	Verus Consulting Group
Ed Hoffman	Verus Consulting Group
Tom Iannucci	Cortex Applied Research

1. **Pledge of Allegiance**

Telles led all in the *Pledge of Allegiance*.

Allen was present for subsequent discussion and voting.

2. **Accept comments from the public**

The following employees from AFSCME, Local 2700 spoke regarding the classification study for represented employees:

Rhonda Jones, Kelli Ingersoll, Nannette Mendoza, Lori Giacomelli and Charice Jimenez.

3. **Approval of Minutes**

It was M/S/C to approve the minutes of the December 16, 2015 Board meeting with amendment to Item 4, changing the last sentence in paragraph 1 to read "She stated the increase is largely due to delayed hires which are anticipated to be hired in 2016." (Yes: Allen, Andersen, Gordon, Hast, Phillips, Rodrigues, Smithey, Telles and Watts)

CLOSED SESSION

The Board moved into closed session pursuant to Govt. Code Section 54956.81.

The Board moved into open session.

4. There was no reportable action related to Govt. Code Section 54956.81.

Gordon was no longer present for subsequent discussion and voting.

5. Presentation from Cortex and Verus on governance issues

Price distributed an Investment Strategy & Board Governance booklet. He gave a brief overview of the agenda and the goals for the day noting this item will be in a workshop setting.

Whalen described effective governance in the decision making process including authority, responsibility, and accountability.

Gordon was present for subsequent discussion and voting.

Whalen reviewed the session objectives and the process to date including establishing an enterprise risk tolerance, developing an investment philosophy and selecting an investment strategy. He also reviewed the purpose, portfolio construction and performance evaluation of CCCERA's investment philosophy.

Iannucci gave a brief overview of internal governance & management commenting on the importance of having a well-aligned investment organization. He discussed the challenges in internal roles & responsibilities noting the fund should be managed for the long-run. He reviewed the different types of risk control; asset allocation risk, fiduciary risk, fortitude risk, excessive investment costs, human resources risk and manager risk.

He reviewed the background concepts of roles and responsibilities including delegation & fiduciary duty, prudence standards, accountability, and the anatomy of decisions.

Pigeon was present for subsequent discussion and voting.

Iannucci reviewed different governance models – Board-dominant, team-based, and staff-dominant noting a team-based model is best practice.

The Board identified where they are today and where they would like to be in relation to being Board-dominant. They identified leaning more towards a team-based model. The focus was on manager selection.

Whalen reviewed the prospective benefits of delegating authority including remaining well informed due to continuation of relevant and detailed discussions, more time for the Board to spend on addressing critical policies and process issues and a higher level of decision-maker accountability.

He reviewed 2 different scenarios for rebalancing: 1) back to target, where the policy remains largely unchanged, and 2) tactically away from target, where revisions provide for additional flexibility for staff to use judgment during dislocated markets.

Youngman distributed a sample monthly cash flow report.

Kroll and Phillips were no longer present for subsequent discussion and voting.

Whalen reviewed Opportunistic Investing with the current policy and recommended revisions.

The Board discussed the current money manager structure, manager hires and manager fires and recommended revisions.

Youngman distributed a sample work flow report, a sample research chart and a sample manager engagement form.

Gordon was no longer present for subsequent discussion and voting.

There was a lengthy discussion on money manager structure and the current policy/process as well as recommended revisions for hiring and firing money managers.

Andersen was no longer present for subsequent discussion and voting.

It was the consensus of the Board to continue this item at another meeting and have staff and Verus provide draft language of the Board's governance model and corresponding delegations of authority.

6. Consider and take possible action to adopt governance models from Cortex and Verus

This item was continued to a future meeting.

7. Consider and take possible action to authorize a search to identify prospective liquidity mandate managers

Hoffman reviewed the goals and constraints of the short-term government/credit mandate noting this is a highly customized search. He also reviewed the process for the Request For Information (RFI) and the Request For Proposal (RFP) for short-term government/credit mandate.

It was **M/S/C** to authorize a search to identify prospective liquidity mandate managers. (Yes: Allen, Hast, Holcombe, Rodrigues, Smithey, Telles and Watts)

Allen was no longer present for subsequent discussion and voting.

8. Review of total portfolio performance for period ending December 31, 2015

Hoffman gave an update on Verus noting their merger with Strategic Investment Solutions closed on December 31, 2015 and Verus now has an office in San Francisco.

He gave a forward looking analysis on U.S economics including the GDP, inflation, the Federal Funds Rate and unemployment. He discussed the increase in the Federal Reserve interest rate and the S&P 500 sector returns for the 4th quarter.

Rodrigues was no longer present for subsequent discussion and voting.

Hoffman reported on cash reconciliation for the period ending December 31, 2015 noting the ending market value of the total fund portfolio is \$7,047,505,832. He reviewed the asset allocation vs. the long term target policy. He also reviewed the total fund performance noting there was pretty strong performance from PIMCO StocksPlus. He commented on Jackson Square Partners stating they had a pretty strong quarter but will be monitoring their assets since they have parted ways with Delaware. He stated Jackson Square Partners have given them comfort that if all of the assets left they would be

fine. Trustee Watts asked if they should be on the Watch List. Price noted they have planned for a worst case scenario in their budget. If there is a loss in the mutual fund business then would evaluate it again. He reviewed the Closed End Funds noting the latest market valuation for all of the Torchlight funds are as of 12/31/15. He noted the investment fund fees are in line with our expectations. Leiderman commented on gross of fees vs. net of fees noting we pay benefits on net of fees.

Hoffman reviewed the Risk Dashboard commenting on portfolio risk, equity beta, interest rate risk, and credit risk. He reviewed exposure allocation by asset class. He stated a definition of each chart is on page 14 of the report.

9. Consider and take possible action to add or remove managers from the Watch List

It was M/S/C to approve the recommendation to not add or remove any managers from the Watch List. (Yes: Hast, Holcombe, Pigeon, Smithey, Telles and Watts)

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

- a. It was M/S/C to authorize the attendance of 1 Board member and 2 staff members at the ARES EIF 27th Annual Meeting and Energy Industry Conference, May 9-11, 2016, San Diego, CA. (Yes: Hast, Holcombe, Pigeon, Smithey, Telles and Watts)
- b. It was M/S/C to authorize the attendance of 3 Board members at the NCPERS Annual Conference & Exhibition, May 14-19, 2016, San Diego, CA. (Yes: Hast, Holcombe, Pigeon, Smithey, Telles and Watts)
- c. There was no reportable action on this item.
- d. It was M/S/C to authorize the attendance of 1 Board member and 1 staff member at the Siguler Guff & Company's 2016 Annual Conference, May 4-5, 2016, New York, NY. (Yes: Hast, Holcombe, Pigeon, Smithey, Telles and Watts).
An amended motion was M/S/C to authorize the attendance of 2 Board members and 1 staff member at the Siguler Guff & Company's 2016 Annual Conference, May 4-5, 2016, New York, NY. (Yes: Hast, Holcombe, Pigeon, Smithey, Telles and Watts)

Telles was no longer present for subsequent discussion and voting.

- e. It was M/S/C to authorize the attendance of 3 Board members at the 2016 CRCEA Spring Conference, April 11-13, 2016, Bakersfield, CA. (Yes: Hast, Holcombe, Rodrigues, Smithey and Watts)

11. Miscellaneous

- (a) Staff Report –

Strohl reported she may need to cancel the March 17, 2016 Board meeting and the item will be on the next agenda for consideration; she anticipates bringing panel management pay back at the next meeting; and, we will be transitioning information technology services from the County to CCCERA today.

Price reported Adams Street will be presenting their new venture capital offering at the March 9, 2016 meeting.

- (b) Outside Professionals' Report -

None

(c) Trustees' comments –

Hast reported he will not be at the March 9, 2016 meeting.

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



John Phillips, Chairman



Scott Gordon, Secretary