

CONTRA COSTA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

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March 28, 2012

<i>Meeting Date</i> 04/11/12 <i>Agenda Item</i> #3

The Board of Retirement met in regular session at 9:00 a.m. on Wednesday, March 28, 2012 in the Conference Room of the Contra Costa County Employees' Retirement Association, 1355 Willow Way, Suite 221, Concord, CA.

Present: Terry Buck, Brian Hast, Jerry Holcombe, Sharon Naramore, Jerry Telles, Maria Theresa Viramontes and Russell Watts

Absent: Debora Allen, Richard Cabral, John Gioia and John Phillips

Staff: Marilyn Leedom, Retirement Chief Executive Officer; Kurt Schneider, Retirement Deputy Chief Executive Officer and Vickie Kaplan, Retirement Accounting Manager

Outside Professional Support:	Representing:
Harvey Leiderman	Reed Smith LLP
Bob Helliesen	Milliman
Tim Price	Milliman

Other Attendees:

Luz Casas	Contra Costa County Employees' Retirement Association (CCCERA) Staff
Chih-Chi Chu	CCCERA Staff
Christina Dunn	CCCERA Staff
Justine Oyler	CCCERA Staff
Mike Sloan	CCCERA & RSG
Dan Heflin	Torchlight Investors
Bob Kopchains	Torchlight Investors
Todd Smithey	Central Contra Costa Sanitary District
Christian McCormick	INTECH
Jennifer Young	INTECH

1. Pledge of Allegiance

Buck led all in the *Pledge of Allegiance*.

2. Public Comment

No members of the public offered comment.

3. Approval of Minutes

It was **M/S/C** to approve the minutes of the March 14, 2012 meeting. (Yes: Buck, Hast, Holcombe, Telles, Viramontes and Watts)

4. Presentation from Torchlight Investors - Dan Heflin and Bob Kopchains

Prior to the presentation, Milliman gave an overview of Torchlight Investors noting the commitment recommended is \$60 million.

Kopchains gave an overview of the firm noting Heflin has been involved in the firm for 25 years. He reported they currently have \$3.3 billion under management. He reviewed the investment team and CCCERA's portfolio performance through December 31, 2011.

Heflin gave an overview of market conditions noting consumer spending and the federal debt is up. He reviewed government policy initiatives. He also reviewed sources of market distress.

Kapchains gave an overview of Fund IV including the projected portfolio allocation. Management fees were also discussed. It was noted the first close for Fund IV is expected to be in June 2012.

5. Consider and take possible action on Torchlight Debt Opportunities Fund IV

After a discussion on CCCERA's investments with Torchlight, it was *M/S/C* to commit \$60 million in Torchlight Debt Opportunities Fund IV, subject to successful due diligence, legal review and authorize the CEO to sign necessary contracts. (Yes: Buck, Hast, Holcombe, Telles, Viramontes and Watts).

6. Consider and take possible action to move assets from the INTECH Enhanced Plus Account to the INTECH Global Low Volatility Account - Jennifer Young and Christian McCormick

Helliesen gave an overview of CCCERA's investments with INTECH. He reported their new product is a global low volatility strategy and CCCERA's fee would be significantly decreased from the current fees paid to the INTECH Enhanced Plus Account.

Young waived the confidentiality disclaimer on the presentation material that was distributed.

Young gave a brief overview of INTECH's approach to Global Low Volatility and how they are organized. She reviewed a relative return strategy chart.

McCormick stated the Global Low Volatility strategy attempts to provide a greater downside protection, lower absolute volatility levels, and superior risk-return tradeoffs in exchange for reduced upside performance. He also reviewed a snapshot of the market.

Young reported INTECH's Low Volatility strategy outperforms the MSCI World Index over time. She also reviewed the standard deviation of returns for global portfolios.

It was *M/S/C* to move the current allocation of \$16 million from INTECH's Enhanced Plus account to INTECH's Global Low Volatility strategy subject to legal review of the new fund's documentation and to authorize the Retirement CEO to sign the contracts. (Yes: Buck, Hast, Holcombe, Telles, Viramontes and Watts).

7. Presentation of 2011 Budget vs. Actual

Schneider reviewed the Administrative Budget noting the overall actual expenses were 77% of budget.

Telles positively acknowledged the staff for operating the system significantly under budget, and reminded the Board of the compensation study completed a year and a half ago. He expressed his desire to have the Board to take action on it.

It was **M/S/C** to accept the 2011 Budget vs. Actual report. (Yes: Buck, Hast, Holcombe, Telles, Viramontes and Watts).

8. Presentation of Cash Flow report 2011

Kaplan reviewed the Cash Flow Report noting the increase in Employee Contributions is related to unrepresented employees and employees represented by Local 21 now being responsible for 100% of the employees' basic retirement benefit contributions. She also noted Retiree Payroll, Refunds and Active Member Deaths distributions have increased.

She reported investment fees have increased slightly and consulting fees remain flat. Overall CCCERA's cash position is positive.

It was **M/S/C** to accept the Cash Flow report for 2011. (Yes: Buck, Hast, Holcombe, Telles, Viramontes and Watts).

9. Consider and take possible action on staff recommendation for Tradewinds portfolio

Viramontes reported on the memo Board members received from Tradewinds advising them of personnel changes effective April 1, 2012.

Leedom, Buck, Telles and Price attended an on-site visit and met with staff and the 2 individuals who will step into the CIO position as Co-CIO's. Milliman recommends CCCERA terminate the relationship with Tradewinds and withdraw all of its funds as soon as possible.

After discussion, it was **M/S/C** to withdraw all funds from Tradewinds as soon as possible and transfer them to an appropriate temporary investment with State Street. (Yes: Buck, Hast, Holcombe, Telles, Viramontes and Watts).

It was noted that Tradewinds is a commingled fund which requires a 30-day notice to withdraw the funds. The expected distribution date would be May 1, 2012.

It was **M/S/C** to direct staff and Milliman to issue an RFP for a similar strategy in a global high conviction equity investment manager. (Yes: Buck, Hast, Holcombe, Telles, Viramontes and Watts).

It was noted this RFP would take priority over the search for the Real Asset Investment Manager(s).

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CLOSED SESSION

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

The Board moved into open session.

10. There was no reportable action related to Govt. Code Section 54956.9(a).

Watts was not present for subsequent discussion and voting.

11. Conference Seminar Attendance

- (a) It was **M/S/C** to authorize the attendance of all Board members and appropriate staff at the Spring Conference, SACRS, May 7-11, 2012, South Lake Tahoe, CA. (Yes: Buck, Hast, Holcombe, Telles and Viramontes)
- (b) It was **M/S/C** to authorize the attendance of 3 Board members and 2 staff members at the Client Conference, Adams Street Partners, May 30-31, 2012, Chicago, IL. (Yes: Buck, Hast, Holcombe, Telles and Viramontes)

12. Miscellaneous

(a) Staff Report -

Leedom reported she received a letter from Central Contra Costa Sanitary District requesting additional information regarding the use of a lump sum payment to pay down their Unfunded Actuarial Liability and the ensuing effect on contribution rates.

She received the Five-Year Projection of Employer Contribution Rate Changes letter from The Segal Company. She noted Segal is available to discuss at the next Board meeting. The Board directed staff to add to the next agenda.

Leedom noted that she will be responding to questions from First Five regarding pooling issues and contribution rates.

Leedom reported there will be an educational presentation on the Optional Settlement 4 Policy at the next Board meeting.

Leedom also reported there is new meeting calendar in the Board members mailbox. The only change is noting May 23, 2012 as the quarterly meeting. She noted there are three Board meetings in April.

Leedom reminded the Board they can take the required Ethics Class online at www.fppc.ca.gov when needed.

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Leedom reported Timothy Price has accepted the Retirement CIO position and will start with CCCERA on April 30, 2012.

(b) Outside Professionals' Report -

Helliesen reported Price will no longer be employed with Milliman.

Leiderman reported that at the upcoming SACRS attorney's session they will be discussing a San Jose pension ballot measure and how it affects current members.

(c) Trustees' Comments - None

It was **M/S/C** to adjourn the meeting. (Yes: Buck, Hast, Holcombe, Telles and Viramontes)

Maria Theresa Viramontes, Chairman

John Phillips, Secretary