



RETIREMENT BOARD MEETING
SPECIAL BOARD MEETING
9:00 a.m.
July 24, 2013

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

Present: Debora Allen, Terry Buck, Richard Cabral, Scott Gordon, Brian Hast, Jerry Holcombe, Louie Kroll, Karen Mitchoff, John Phillips, Gabe Rodrigues and Russell Watts

Absent: Jerry Telles

Staff: Marilyn Leedom, Retirement Chief Executive Officer; Kurt Schneider, Retirement Deputy Chief Executive Officer; Timothy Price, Retirement Chief Investment Officer; Karen Levy, General Counsel; and Christina Dunn, Retirement Administration Manager

Outside Professional Support:
Harvey Leiderman
Jeff Youngman
Paul Angelo
John Monroe

Representing:
Reed Smith LLP
Milliman
The Segal Company
The Segal Company

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 Segal regarding the December 31, 2012 Valuation Report** – Paul Angelo, John Monroe

Angelo presented the December 31, 2012 valuation report, noting the recommended contribution rates do not go into effect until July 1, 2014. The contribution rate requirements in the report are based on the benefit provisions of the Retirement Association as administered by the Board, the characteristics of covered active members, terminated members, and retired members and beneficiaries as of December 31, 2012. The report is also based on the assets of the Plan as of December 31, 2012, economic assumptions regarding future salary increases and investment earnings, and other actuarial assumptions regarding employee terminations, retirement, death, etc.

He reported this year's report includes employee and employer rates for members covered under the newly created PEPRA General Tiers 4 and 5 and PEPRA Safety Tiers D and E. The report also includes the changes in the economic and non-economic assumptions, including changing the interest discount assumption from 7.75% to 7.25%. These assumption changes resulted in an increase in the recommended average employer contribution rate of 11.95% (from 37.87% to 49.82% of payroll) and an increase in the recommended average member contribution rate of 1.22% (from 10.98% to 12.20% of payroll).

Mitchoff was not present for subsequent discussion and voting.

In public comment, Donna Heymans, Rodeo-Hercules Fire District, noted the Rodeo-Hercules Fire District has the lowest safety benefit for its members yet it has the highest employer rate at 110% of payroll. She asked if that was primarily due to a decrease in salary contributions due to closing one of their stations and having a third less employees.

4. **Accept the December 31, 2012 Valuation Report and adopt the contribution rates for the period July 1, 2014 – June 30, 2015**

It was M/S/C to accept the December 31, 2012 Valuation Report and adopt the contribution rates for the period July 1, 2014 through June 30, 2015 as outlined in the CCCERA 2012 Actuarial Valuation. (Yes: Allen, Buck, Cabral, Gordon, Hast, Holcombe, Kroll, Phillips and Watts)

Rodrigues was not present for subsequent discussion and voting.

5. **Discussion with consultant and staff regarding managers scheduled to present**

Price gave an overview of the performance of the managers scheduled for presentations.

Cabral was not present for subsequent discussion and voting.

6. **Manager presentations:**

Small Cap Domestic Equity

Ceredex Small Cap Value – Steve Loncar

Prior to the presentation, Ceredex waived the confidentiality disclaimer on the presentation materials, noting this is a public meeting and any information discussed will be available to the public.

Loncar gave a brief overview of the firm, noting they have approximately \$9.6 billion in assets under management. He reviewed their investment team noting there have been no changes. He also reviewed their investment strategies, investment philosophy, process and performance.

Rodrigues was present for subsequent discussion and voting.

Loncar reviewed sector concentration, portfolio characteristics, the top 10 holdings and the total portfolio holdings.

Emerald Small Cap Growth – Joe Besecker, Joseph Garner, Richard Keller (Direct Lending Advisors)

Garner reviewed Emerald's 10-Step investment research process and the research analyst team. He reviewed the internal report on Sarepta Therapeutics noting the portfolio performance outpaced the benchmark as a result of stock selection within healthcare, consumer discretionary and producer durables sectors.

Keller gave an overview of his background and the reasons he joined Emerald.

Mitchoff was present for subsequent discussion and voting.

7. **Recommendation from staff for commitments to Distressed Real Estate Managers**

Price gave an overview of staff's memo and of the managers scheduled for presentation. The recommendation is to make capital commitments of up to \$80 million to Siguler Guff Distressed Real Estate Opportunities Fund II (DREOF II) and up to \$70 million to Oaktree Real Estate Opportunities Fund VI (ROF VI).

8. **Distressed Real Estate Manager Presentations:**

Siguler Guff DREOF II – George Siguler, James Corl, Anthony Corriggio, Nestor Weigand

Prior to their presentation, Siguler Guff waived the confidentiality disclaimer on the presentation materials, noting this is a public meeting and any information discussed will be available to the public.

Siguler gave an overview of the firm noting they have over \$10 billion in assets under management. He also introduced the presenting team.

Corl gave an overview of current distressed real estate opportunities. He reviewed the opportunity cycle for DREOF I and DREOF II. He gave an overview of CCCERA's investment in DREOF I and reviewed the summary of terms for DREOF II. He also reviewed a pending acquisition which will likely flow into DREOF II.

Corriggio reviewed several investments in DREOF I.

Weigand reviewed their investment process and co-investors.

Allen was not present for subsequent discussion and voting.

Oaktree ROF VI – Frances Maletis, John Brady

Prior to their presentation, Oaktree waived the confidentiality disclaimer on the presentation materials, noting this is a public meeting and any information discussed will be available to the public.

Maletis gave an overview of the firm noting they have over \$78 billion in assets under management.

Brady gave an overview of the distressed market and opportunities for clients. He stated Fund VI is a continuation of Fund V with \$1.2 billion in commitments to date.

9. **Consider and take possible action on staff recommendation for commitments to Distressed Real Estate Manager(s)**

After a discussion on fees, it was M/ to make capital commitments of up to \$100 million to Siguler Guff Distressed Real Estate Opportunities Fund II (DREOF II) and up to \$50 million to Oaktree Real Estate Opportunities Fund VI (ROF VI).

An amended motion was M/S/C to make a capital commitment of \$70 million to Siguler Guff Distressed Real Estate Opportunities Fund II (DREOF II) and \$80 million to Oaktree Real Estate Opportunities Fund VI (ROF VI) subject to due diligence, legal review, and authorize the CEO to

sign the necessary contracts. (Yes: Buck, Gordon, Hast, Holcombe, Kroll, Mitchoff, Phillips, Rodrigues and Watts)

10. Consider and take possible action on Compensation Committee recommendation regarding unrepresented Retirement positions

Hast reviewed the Ad Hoc Compensation Committee's recommendations regarding compensation adjustments for unrepresented Retirement positions.

After discussion, it was **M/S/C** to approve recommendation item #1 to include all Retirement unrepresented positions in the County's upcoming unrepresented Management Resolution for all salary adjustments. (Yes: Buck, Gordon, Hast, Holcombe, Kroll, Mitchoff, Phillips, Rodrigues and Watts)

It was **M/S/C** to approve recommendation item #2 including the implementation of a vacation sell back of 1/3 of their annual vacation accrual every 13 months for all unrepresented employees hired or promoted to an unrepresented position after April 1, 2011, on a prospective basis. (Yes: Buck, Gordon, Hast, Holcombe, Kroll, Phillips, Rodrigues and Watts. No: Mitchoff)

It was **M/S/C** to approve recommendation item #3 including the implementation of a 5% certification differential for any unrepresented Retirement employee with either of the following active certifications: Chartered Financial Analyst (CFA) or Associate of the Society of Actuaries (ASA). (Yes: Buck, Gordon, Hast, Holcombe, Kroll, Mitchoff, Phillips, Rodrigues and Watts)

It was **M/S/C** to approve recommendation item #4 including the implementation of a 2.5% certification differential for any unrepresented Retirement employee with the Certified Employee Benefit Specialist (CEBS) certification. (Yes: Buck, Gordon, Hast, Holcombe, Kroll, Mitchoff, Phillips, Rodrigues and Watts)

11. Miscellaneous

(a) Staff Report –

Leedom reported she and Price attended the Wurts Conference.

Staff is working on a change to the CCCERA logo.

Staff is working on setting up wireless for the board room and should be complete by September.

Levy distributed CDs with exhibits filed with the court in connection with the AB197 lawsuit, which a few board members requested.

She responded to questions regarding the process for replacing the Safety member position on the board in light of Mr. Buck's anticipated retirement.

(b) Outside Professionals' Report –

Leiderman reported Orange County adopted the same methodology, which CCCERA recently implemented, to include the cost of the COLA in optional settlement calculations.

Leiderman reported the safety alternate Board member doesn't automatically fill the vacancy of the regular safety Board member. The alternate Board member votes due to the absence of the regular member and votes until the vacancy is filled.

Youngman distributed a memo updating the Small-Mid Cap Private Equity Manager search noting the semi-finalists report will be presented at the September 11, 2013 meeting. The September 11, 2013 meeting will also be the quarterly meeting.

Youngman also distributed a Flash Report for the period ending June 30, 2013.

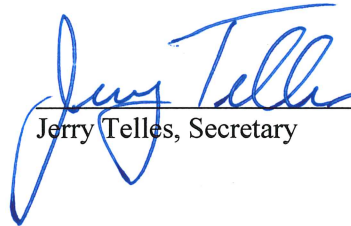
(c) Trustees' comments –

Buck reported the August 14, 2013 meeting will be his last meeting as he is retiring.

It was M/S/C to adjourn the meeting. (Yes: Buck, Gordon, Hast, Holcombe, Kroll, Mitchoff, Phillips, Rodrigues and Watts)



Brian Hast, Chairman



Jerry Telles, Secretary