



AGENDA

RETIREMENT BOARD MEETING

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

THE RETIREMENT BOARD MAY DISCUSS AND TAKE ACTION ON THE FOLLOWING:

1. Pledge of Allegiance.
2. Accept comments from the public.
3. Approve minutes from the October 22, November 4, November 24, December 2, and December 9, 2015 Board meetings.

CLOSED SESSION

4. CONFERENCE WITH LABOR NEGOTIATOR
(Government Code Section 54957.6)

Agency designated representatives:
Gail Strohl, Retirement Chief Executive Officer

Unrepresented Employees: All CCCERA unrepresented positions
5. The Board will continue in closed session pursuant to Govt. Code Section 54956.9(a) to confer with legal counsel regarding pending litigation (two cases):
 - a. *Debra M. Carmel v. County of Contra Costa, et al*, Contra Costa County Superior Court, Case No. C12-02360.
 - b. *Board of Retirement v. Rodeo-Hercules Fire Protection District, et al.*, Contra County Superior Court, Case No.: N15-1906.

The Retirement Board will provide reasonable accommodations for persons with disabilities planning to attend Board meetings who contact the Retirement Office at least 24 hours before a meeting.

OPEN SESSION

6. Presentation from Koff and Associates regarding total compensation report.
7. Consider and take possible action to adopt salary adjustments for unrepresented classifications, except for the CEO, effective February 1, 2016.
8. Educational presentation from Verus on Transition Management and Transaction Cost Analysis.
9. Consider and take possible action to direct Verus to develop a model program for Transition Management and Transaction Cost Analysis.
10. Educational presentation from Verus on Cash Overlay Program.
11. Consider and take possible action to direct Verus and Staff to review potential Cash Overlay providers and return with recommendations.
12. Consider authorizing the attendance of Board and/or staff:
 - a. Oaktree Conference, Oaktree, March 16-17, 2016, Beverly Hills, CA. (Note: Conflict with Meeting)
 - b. CII Spring 2016 Conference, CII, March 21-23, 2016, Washington, DC.
13. Miscellaneous
 - a. Staff Report
 - b. Outside Professionals' Report
 - c. Trustees' comments

The Retirement Board will provide reasonable accommodations for persons with disabilities planning to attend Board meetings who contact the Retirement Office at least 24 hours before a meeting.



MINUTES

RETIREMENT BOARD MEETING MINUTES

SECOND MONTHLY MEETING
October 22, 2015
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, Retirement Chief Executive Officer, Timothy Price, Retirement Chief Investment Officer; Karen Levy, Retirement General Counsel; Wrally Dutkiewicz, Retirement Compliance Officer; Tim Hoppe, Retirement Benefits Manager; Alexis Cox, Retirement Benefits Manager; and Christina Dunn, Retirement Admin/HR Manager

Outside Professional Support:	Representing:
Harvey Leiderman	Reed Smith LLP
Paul Angelo	Segal Company
Edward Hoffman	Verus Consulting Group
Scott Whalen	Verus Consulting Group

1. Pledge of Allegiance

Telles led all in the *Pledge of Allegiance*.

2. Accept comments from the public

No members of the public offered comment

3. Approval of Minutes

It was **M/S/C** to approve the minutes of the August 12, 2015 Board meeting. (Yes: Allen, Andersen, Gordon, Hast, Phillips, Rodrigues, Smithey, Telles and Watts)

It was **M/S/C** to approve the minutes of the August 27, 2015 Board meeting. (Yes: Allen, Andersen, Gordon, Hast, Phillips, Rodrigues, Smithey, Telles and Watts)

It was **M/S/C** to approve the minutes of the September 9, 2015 Board meeting with a correction to the wording after Item 10 from "It was the consensus of the Board to move into Closed Session" to "It was the consensus of the Board to recess Item 10 in order to move into Closed Session to consider Items 6-8." (Yes: Allen, Andersen, Gordon, Hast, Phillips, Rodrigues, Smithey, Telles and Watts)

Allen was present for subsequent discussion and voting.

CLOSED SESSION

The Board moved into closed session pursuant to Govt. Code Section 54957.6, 54956.9(d)(2), and 54956.81.

The Board moved into open session.

4. 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(d)(2).
6. There was no reportable action related to Govt. Code Section 54956.81.
7. **Consider and take possible action to amend Resolution 2015-9 providing for salary and benefits for unrepresented employees of CCCERA effective January 1, 2016 with the proposed clarification to Section 9. Long-Term Disability Insurance.**

Dunn reported this item is to generalize the language since the long term disability insurance provided in the CCCERA unrepresented employees resolution is not available at an 85% coverage level and the recommended language reflects the coverage CCCERA is able to provide.

It was **M/S/C** to amend Resolution 2015-9 providing for salary and benefits for unrepresented employees of CCCERA effective January 1, 2016 with a change to Section 9. Long-Term Disability Insurance, CCCERA will provide Long-Term Disability Insurance as presented. (Yes: Allen, Andersen, Gordon, Hast, Phillips, Rodrigues, Smithey, Telles and Watts)

8. **Consider and take possible action to revise the amortization period for Rodeo-Hercules Fire Protection District**

Strohl reported a request was received from the Rodeo-Hercules Fire Protection District to revise the Unfunded Actuarial Accrued Liability (UAAL) amortization period to 30 years for Cost Group #12.

In public comment, Charles Hanley, Fire Chief of Rodeo-Hercules Fire Protection District, discussed the financial hardship the District has noting changing the amortization period will provide some relief.

Different options were discussed and the effects those options would have on the District.

It was **M/S** to extend the amortization period to 18 years for Cost Group #12.

After discussion, there was a substitute motion to continue the item to a future meeting with additional information provided by CCCERA staff on the Board's options.

It was noted that the District was not currently making the full payment towards the UAAL.

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

CLOSED SESSION

The Board moved into closed session pursuant to Govt. Code Section 54956.9(d)(4) to confer with legal counsel regarding whether to initiate litigation (one case).

The Board moved into open session.

Chairperson Phillips noted that there was no reportable action on the Board's conference with legal counsel regarding whether to initiate litigation pursuant to Govt. Code Section 54956.9(d)(4).

Andersen and Kroll were not present for subsequent discussion and voting.

9. Consider and take possible action to authorize a transfer from the employer advance reserve to the post retirement death benefit reserve

Strohl reviewed the recommendation to transfer \$556,656 from the Employer Advance Reserve to the Post Retirement Death Benefit Reserve.

It was **M/S/C** to authorize a transfer of \$556,656 from the Employer Advance Reserve to the Post Retirement Death Benefit reserve as outlined in the Segal letter dated August 21, 2015. (Yes: Allen, Gordon, Hast, Holcombe, Phillips, Rodrigues, Smithey, Telles and Watts)

10. Consider and take possible action to approve the GASB 68 report from Segal

Angelo reviewed the GASB 68 Actuarial Valuation noting this was the first GASB 68 report. He noted the differences between GASB 67 and GASB 68.

It was **M/S/C** to accept the GASB 68 report from Segal. (Yes: Allen, Gordon, Hast, Holcombe, Phillips, Rodrigues, Smithey, Telles and Watts)

11. Report from Verus on status of asset allocation study

Whalen reviewed the stages that were completed in the Investment Strategy Development Workshop as well as the next steps. He previewed the governance structure that will be discussed in January and some thoughts on best practices regarding outsourcing investments.

12. Consider and take possible action to add a Board meeting on December 2, 2015

It was **M/S/C** to add a Board meeting on December 2, 2015. (Yes: Allen, Gordon, Hast, Holcombe, Phillips, Rodrigues, Smithey, Telles and Watts)

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

a. It was **M/S/C** to authorize the attendance of 1 Board members and 1 staff member at the 2015 Fall Advisory Committee Meeting and Annual Partners Meeting, Long Wharf Real Estate Partners, Cambridge, MA. November 18-19, 2015. (Yes: Allen, Gordon, Hast, Holcombe, Phillips, Rodrigues, Smithey, Telles and Watts).

b. It was **M/S/C** to authorize the attendance of 1 Board members and 1 staff member at the 2015 Annual Review, Paulson Real Estate Funds, New York, NY. November 20, 2015. (Yes: Allen, Gordon, Hast, Holcombe, Phillips, Rodrigues, Smithey, Telles and Watts).

14. Miscellaneous

(a) Staff Report –

Strohl reported she provided written notification to the County to terminate certain services; the new CCCERA website will be launched on October 10, 2015 and thanked the Board for their comments; and, she gave a status report on the total compensation study.

Dunn reported ADP payroll is on target; the benefits open enrollment workshop is October 29, 2015; there will be 4 parking spaces dedicated to CCCERA's visitors; and a contract has been signed with NeoGov for recruitment software.

Dutkiewicz gave an update on the HazMat on-call retiree lookback review; and a secure file transfer site has been created for employer imports.

Price reported on the on-site visit to Siguler Guff and noted that Tom Fuller with Angelo Gordon is leaving the distressed debt fund but that there is no direct impact on the CCCERA fund.

(b) Outside Professionals' Report -

Leiderman reported the Department of Labor has put out a pronouncement this morning on considering environmental, social and governance issues when fund fiduciary are making investment decisions and has noted that trustees can consider these issues if there are no higher costs and a prudent process is followed.

Whalen reported on Verus' acquisition of SIS noting they are very excited about it.

(c) Trustees' comments –

Watts reported he was present at the June 10, 2015 meeting and the minutes were reported correctly so the change he noted previously to the minutes was not needed.

Gordon also reported on the Siguler Guff on-site noting he felt very comfortable with them; he attended the Torchlight Conference and felt it was interesting.

Telles reported he attended the California Retired County Employees Association Conference and felt it was fairly interesting; he reported on the RSG lawsuit against the County regarding retiree medical and there is a meeting on November 10, 2015 regarding a proposed settlement; Would like to adjourn the meeting in honor of Bill Shin, past Mayor of Concord and also former CCCERA Board member, who recently passed away.

It was **M/S/C** to adjourn the meeting in honor of Bill Shin. (Yes: Allen, Gordon, Hast, Holcombe, Phillips, Rodrigues, Smithey, Telles and Watts)

John Phillips, Chairman

Scott Gordon, Secretary



MINUTES

RETIREMENT BOARD MEETING MINUTES

SECOND MONTHLY MEETING
November 24, 2015
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, Jerry Holcombe, John Phillips, William Pigeon, Gabe Rodrigues, Todd Smithey, Jerry Telles and Russell Watts

Absent: Brian Hast and Louie Kroll

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

Outside Professional Support:	Representing:
Harvey Leiderman	Reed Smith LLP
Scott Whalen	Verus Consulting Group

1. Pledge of Allegiance

Watts led all in the *Pledge of Allegiance*.

2. Accept comments from the public

No members of the public offered comment.

CLOSED SESSION

The Board moved into closed session pursuant to Govt. Code Section 54957.6, 54956.81 and 54956.9(d)(1) (two cases)

The Board moved into open session.

3. CONFERENCE WITH LABOR NEGOTIATORS

(Government Code Section 54957.6)

Agency designated representatives:

Gail Strohl, Retirement Chief Executive Officer
Christina Dunn, Retirement Admin/HR Manager
Joe Wiley, CCCERA's Chief Negotiator

Employee Organization: AFSCME Local 2700
Unrepresented Employees: All CCCERA unrepresented positions

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

4. There was no reportable action related to Govt. Code Section 54956.81.
5. Levy reported that, on the matter of the failure of Rodeo-Hercules Fire Protection District to make full UAAL retirement contribution payments to CCCERA, in closed session on November 4, 2015, the Board directed its legal counsel to:
 - (1) Intervene in the pending special assessment lawsuit initiated against the district by a taxpayer, for the purposes of establishing CCCERA's primary right to any funds available from the District's special assessment fund, per CERL Sections 31584 and 31585; and
 - (2) Initiate a separate action to require the District and the Auditor-Controller to make full and timely payments to CCCERA and to pay all amounts past due.

Both actions were filed after CCCERA had made a demand for immediate payment to the District but received no response indicating whether the District is willing to pay.

The vote in closed session was as follows:

Yes: Allen, Andersen, Gordon, Hast, Kroll, Phillips, Rodrigues, Smithey, and Watts.

Nays: None

Abstentions: None

CCCERA has been advised that the District's Board of Directors has resolved on November 11, 2015 to pay all amounts currently owed to CCCERA and to continue making payments moving forward.

Certain amounts have been received to date, and the CCCERA Retirement Board will continue to monitor the matter and determine how to proceed in light of the circumstances.

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

8. Review of total portfolio performance for period ending June 30, 2015

The CCCERA Total Fund returned -4.1% for the third quarter, above the -4.9% return of the median public fund, below the 0.7% return of the CPI +4%, and in-line with the -4.1% return of the policy index. CCCERA's Total Fund performance trails the CPI +4% on a year-to-date and 1-year basis. The Total Fund is above the median, the CPI +4%, and the policy index over all other trailing time periods.

CCCERA domestic equities returned -7.8% for the quarter, below the -7.2% return of the Russell 3000 Index while ranking in the 46th percentile of all cap domestic equity portfolios.

CCCERA international equities returned -9.2% for the quarter, above the -10.2% return of the MSCI EAFE and the -12.1% return of the MSCI ACWI ex-US while ranking in the 35th percentile of MSCI ACWI ex-US portfolios.

CCCERA global equities returned -8.3% for the quarter, above the -9.4% return of the MSCI ACWI while ranking in the 48th percentile of global equity portfolios.

CCCERA domestic fixed income, excluding the Allianz high yield portfolio, returned 0.4% for the quarter, below the 0.7% return of the Barclays U.S. Universal while ranking in the 91st percentile of domestic core fixed income portfolios.

The Allianz high yield portfolio returned -4.9% for the quarter, in-line with the -4.9% return of the ML High Yield index while ranking in the 73rd percentile of domestic high yield fixed income portfolios.

CCCERA global fixed income returned -0.2% for the quarter, below the 0.9% return of the Barclays Global Aggregate Index while ranking in the 37th percentile of global fixed income portfolios.

The inflation hedging investments returned -5.8% for the quarter, below the 0.7% return of the CPI +4% benchmark.

CCCERA real estate returned 0.8% for the quarter, below the 2.2% return of the Real Estate benchmark.

9. Review of Watch List

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

Price gave an update on the Watch List and did not recommend any changes.

It was the consensus of the Board to move to Item 6.

6. Presentation from staff and Ocean Avenue regarding proposed Ocean Avenue Fund III commitment – Jeff Ennis, Duran Curis

Chu reviewed Ocean Avenue's performance by investment type through June 30, 2015. He also reviewed projected fees.

A revised presentation booklet was distributed to the Board.

Ennis gave an overview of the team and their strategy noting they only invest in less competitive, inefficient markets, limit their total assets, seek to create value, aggressively manage costs and fees, and insist on and offer best practices in governance.

Curis reviewed the background of the team noting they will be hiring two new analysts next year. He also reviewed their current sponsors. He reviewed their market focus noting they target the least efficient segments of the private equity market. He reviewed comparisons of direct and indirect fees and costs noting they focus on cost reduction and upside optionality. He also reviewed the portfolio investors to date.

Ennis gave an update on the performance of Fund I noting the net IRR is 28.1% to date.

Pigeon was present for subsequent discussion and voting.

Ennis reported it is too early in Fund II for the performance to be notable. He reviewed the current commitments and pending transactions as well as the terms for Fund III. He reported at least 60%

of the Fund will be invested in direct investments with a target of \$250 million in limited partner commitments.

Holcombe was no longer present for subsequent discussion and voting.

7. Consider and take possible action to commit to Ocean Avenue Fund III

Allen questioned how a commitment to this Fund today affects the asset allocation revisions that will be upcoming. Price stated we are currently, and will be under the anticipated asset mixes, under-committed to private equity.

It was **M/S/C** to make a capital commitment of \$50 million to Ocean Avenue Fund III (OAF III), subject to successful due diligence and legal review and authorize the CEO to sign the necessary contracts. (Yes: Allen, Andersen, Gordon, Phillips, Pigeon, Rodrigues, Smithey, Telles and Watts)

10. Consider and take possible action to retain Andrews Kurth LLP

Price reported on the need to retain a specialty attorney to assist with the legal and contractual matters associated with the planned sale of the Willows Office Park. He reported INVESCO has a working relationship with Andrews Kurth LLP noting that although they are located in Dallas, they have familiarity with California laws.

It was **M/S/C** to retain Andrews Kurth LLP to assist with legal and contractual matters associated with the planned sale of the Willows Office Park in an amount not to exceed \$50,000. (Yes: Allen, Andersen, Gordon, Phillips, Pigeon, Rodrigues, Smithey, Telles and Watts)

11. Consider and take possible action on Board meeting schedule for 2016

It was **M/S/C** to approve the Board meeting schedule for 2016. (Yes: Allen, Andersen, Gordon, Phillips, Pigeon, Rodrigues, Smithey, Telles 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 at the NCPERS Legislative Conference, NCPERS, January 24-26, 2016, Washington, DC. (Yes: Allen, Andersen, Gordon, Phillips, Pigeon, Rodrigues, Smithey, Telles and Watts)

13. Miscellaneous

(a) Staff Report –

Strohl reported staff is working on Trustee education hours. She reminded the Board that ethics training is offered at SACRS and on the County website; the Staff Appreciation Lunch is on December 10 and the Board will receive email invites. She reported she gave a brief overview of the Actuarial Valuation Report and the CAFR at the monthly all staff meeting. She gave an update on transitioning the data lines and email accounts; she will be presenting the 2016 budget at the December 9, 2015 meeting; and, she has received 3 media requests concerning the Deputy CEO recruitment.

Dunn reported open enrollment went well and we are ready to submit the information to the carriers. She stated we are very close to having the ADP system built noting the County has been very helpful in getting data to us from PeopleSoft. The NeoGov site for use in recruiting has started to be built and the new job classifications will be included in the site.

Dutkiewicz reported we are doing the final testing on our secure website noting the County will be the first site to be able to import files; and, GASB 72 will be released and he will be working with Strohl on an implementation plan.

Levy reported she will be giving a legislation update to the Board at the December 2nd meeting.

Price reminded the Board the next meeting will include the discussion of asset allocation options, including the FFP strategy.

(b) Outside Professionals' Report -

None

(c) Trustees' comments –

Watts recognized the investment team for a job well done this past year.

Gordon gave kudos to Pigeon for providing a link to download an IOS app to upload the calendar.

Phillips reported on the SACRS Advanced Trustee session noting he felt it was a good meeting.

Allen felt SACRS was much more interesting on the education level and felt Rodrigues had a lot to do with it.

It was **M/S/C** to adjourn the meeting. (Yes: Allen, Andersen, Gordon, Phillips, Pigeon, Rodrigues, Smithey, Telles and Watts)

John Phillips, Chairman

Scott Gordon, Secretary



MINUTES

RETIREMENT BOARD MEETING MINUTES

FIRST MONTHLY BOARD MEETING
November 4, 2015
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 and Russell Watts

Absent: Jerry Telles

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

Outside Professional Support:
Susan Hastings

Representing:
Laughlin, Falbo, Levy & Moresi LLP

Board members Gordon and Rodrigues attended remotely from The Lodge at Torrey Pines in La Jolla, CA.

1. Pledge of Allegiance

Andersen led all in the *Pledge of Allegiance*.

2. Accept comments from the public

Jack Funk, retired, spoke on Item 9. He stated four physician retirees were notified that their pensions were cut so they sent letters to the Retirement Board and have not received a response. He feels the cut in their pensions was incorrect.

Allen was present for subsequent discussion and voting.

Dr. David Hearst, retiree working for Health Services, noted he was speaking on behalf of three other physicians and that they are requesting a hearing to discuss whether panel management pay was pensionable at the time of their retirement. He read a letter to the Board written by him, Dr. Krista Farey, Dr. Priscilla Hinman, and Dr. Dana Slauson, regarding panel management pay. He answered questions from the Board regarding the definition of panel management pay.

Levy stated this is the public comment section of the meeting and the item of whether Panel Management Pay is pensionable is not on the Agenda. She advised that it is the CCCERA Board of Retirement's role to determine whether or not pay items are pensionable. She suggested the Board move to Item 9 noting a discussion on Panel Management Pay being pensionable would have to be on a future agenda in order to be considered by the Board.

It was the consensus of the Board to move to Item 9.

9. Consider and take possible action regarding the collection of pension overpayments from Contra Costa County due to its erroneous reporting of panel management pay as pensionable compensation

The Board felt there may need to be more information on this item before making a decision. The Board requested copies of the correspondence that has been sent out.

It was **M/S/C** to continue this item and direct staff to come back with further analysis and background on the difference facets of this item, after which the Board may consider whether to agendaize the item of whether panel management pay received by the affected retirees was pensionable. (Yes: Allen, Andersen, Gordon, Hast, Kroll, Phillips, Rodrigues, Smithey and Watts)

There was a discussion on issuing a stay on the reduction of retiree payments until a decision is made.

It was **M/S** that beginning in December the reduction be reinstated for the 4 retirees, subject to any overpayments, which would be the responsibility of the retirees. (Yes: Hast and Kroll. No: Allen, Andersen, Gordon, Phillips, Rodrigues, Smithey and Watts). Motion Failed.

It was the consensus of the Board to move to Item 3.

3. Approval of Minutes

It was **M/S/C** to approve the minutes of the September 23, September 29, and September 30, 2015 meetings. (Yes: Allen, Andersen, Gordon, Hast, Kroll, Phillips, Rodrigues, Smithey and Watts)

4. Routine Items

It was **M/S/C** to approve the routine items of the November 4, 2015 meeting with the exception of Lillian Holbrook, Item 4.D. Deaths, noting she was not a Central Contra Costa Sanitary District employee. (Yes: Allen, Andersen, Gordon, Hast, Kroll, Phillips, Rodrigues, Smithey and Watts)

It was **M/S/C** to add an emergency closed session item to discuss initiating litigation pursuant to Govt. Code Section 54954.2(b)(2) because there is a need for the Board to take immediate action and the need for action came to the attention of CCCERA subsequent to the agenda being posted. Levy discussed the immediate need for action noting that CCCERA was just informed that the Rodeo-Hercules Fire Protection District announced a settlement and the Chief had recently announced they were not making full contributions. (Yes: Allen, Andersen, Gordon, Hast, Kroll, Phillips, Rodrigues, Smithey and Watts)

CLOSED SESSION

The Board moved into closed session pursuant to Govt. Code Section 54957, 54956.9(d)(2), 54956.9(d)(1) and 54956.9(d)(4).

The Board moved into open session.

- 5.** It was **M/S/C** to accept the Medical Advisor's recommendation and grant the following disability benefits:
- a. Kristine Bouchard – Non-service Connected (Yes: Allen, Andersen, Gordon, Hast, Kroll, Phillips, Rodrigues, Smithey and Watts)

- b. Arturo Cruz – Non-service Connected (Yes: Allen, Andersen, Gordon, Hast, Kroll, Phillips, Rodrigues, Smithey and Watts)
 - c. Matthew Parkinen – Service Connected (Yes: Allen, Andersen, Gordon, Hast, Kroll, Phillips, Rodrigues, Smithey and Watts). Note: Pigeon recused himself and was not present during this discussion.
 - d. Peter Wells – Service Connected (Yes: Allen, Andersen, Gordon, Hast, Kroll, Phillips, Pigeon, Smithey and Watts). Note: Pigeon voted for Rodrigues because he is a firefighter.
6. It was **M/S/C** to accept the Administrative Law Judge’s recommendation and deny the service connected disability retirement for James Lee. (Yes: Allen, Andersen, Gordon, Hast, Kroll, Phillips, Rodrigues, Smithey and Watts)
7. There was no reportable action related to Govt. Code Section 54956.9(d)(2).
8. There was no reportable action related to Govt. Code Section 54956.9(d)(1).
- 8a. In open session, it was **M/S/C** 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 settlement reportedly reached between the Rodeo Hercules Fire District and taxpayer Pearson, as the District has defaulted on making its full UAAL payments to CCCERA as required by law. The Board determined that this matter is urgent and the Pearson settlement announcement came to the attention of CCCERA after the posting of the agenda. The Board is authorized under the Brown Act, Government Code Section 54954.2(b)(2), to discuss this matter although it was not on the agenda. (Yes: Allen, Andersen, Gordon, Hast, Kroll, Phillips, Rodrigues, Smithey and Watts)

The Board moved into closed session pursuant to Gov’t Code Section 54956.9(d)(4) to confer with legal counsel regarding whether to initiate litigation (one case).

The Board moved into open session.

Chairperson Phillips noted that there was no reportable action on the Board’s conference with legal counsel regarding whether to initiate litigation pursuant to Govt. Code Section 54956.9(d)(4).

Gordon and Rodrigues were no longer present for subsequent discussion and voting.

10. Educational Presentation on Brown Act Fundamentals

Levy gave a presentation on the Brown Act noting the public has a right to know in advance what the Board will be discussing and voting on.

11. Miscellaneous

(a) Staff Report –

Strohl reported the Audit Committee meeting will be rescheduled. She reported the deceased employee listed on the Routine Items as a Central Contra Costa Sanitary District is actually an alternate payee and is part of Central Contra Costa Sanitary District. The telephone service was successfully changed from the County and the data will be moved over next month. Open enrollment for January 2016 benefits for all staff was held last week, CCCERA’s website was launched last week.

Price reported Ocean Avenue will be presenting their Fund III at the next meeting and Verus will be presenting the quarterly investment report at the next meeting. He reported staff and Verus are working on fine tuning the investment strategies and final asset allocation for the December 2, 2015 meeting.

Dutkiewicz reported he received requests from the County to review 110 pay classes with the majority being from Health Services. He stated this is compliance and ethics week and he is promoting it throughout the office.

- (b) Outside Professionals' Report -

None

- (c) Trustees' comments –

Pigeon reported he attended the NCPERS Conference with Rodrigues and Smithey and that he wasn't very impressed.

Smithey noted he felt the same.

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

John Phillips, Chairman

Scott Gordon, Secretary



MINUTES

RETIREMENT BOARD MEETING MINUTES

SPECIAL MEETING
December 2, 2015
9:00 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, Jerry Telles and Russell Watts

Absent: Candace Andersen

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

Outside Professional Support:
Edward Hoffman
Harvey Leiderman
Joe Wiley

Representing:
Verus Consulting Group
Reed Smith LLP
Wiley Price & Radulovich LLP

1. Pledge of Allegiance

Kroll led all in the *Pledge of Allegiance*.

2. Accept comments from the public

No members of the public offered comment.

Rodrigues and Hast were present for subsequent discussion and voting.

CLOSED SESSION

The Board moved into closed session pursuant to Govt. Code Section 54957.6, 54956.81 and 54956.9(d)(1).

The Board moved into open session.

3. There was no reportable action related to Govt. Code Section 54957.6.
4. There was no reportable action related to Govt. Code Section 54957.6.
5. There was no reportable action related to Govt. Code Section 54956.81.

6. There was no reportable action related to Govt. Code Section 54956.9(d)(1).

Smithy was no longer present for subsequent discussion and voting.

7. **Presentation from Koff and Associates regarding classification and total compensation report**

Strohl introduced Katie Kaneko of Koff and Associates.

Kaneko gave a brief overview of the firm and how the study was performed. She noted this report is only for the unrepresented group. She also noted the word "Retirement" was removed from all of the job titles. She reported other title changes were made to positions in Benefits and Member Services to better reflect their assignments and there were also 3 classifications that were changed from exempt to non-exempt for overtime purposes.

She reviewed the compensation portion of the study including the comparative agencies that were used in the compensation study noting it was necessary to expand out of the area. She described the employer's costs that were included in total compensation. She defined how the cost of labor is factored into the recommendations. She also reviewed different options for implementing the salary adjustments.

The Board complimented and thanked Kaneko for her report.

8. **Consider and take possible action to adopt Koff and Associates recommended classification and salary adjustments**

It was M/S/C to accept the report presented by Koff and Associates; further, to approve implementation of all the recommendations therein related to proposed classification and title changes; further, to defer any salary adjustments pending a meeting of the Board in January 2016 to consider specific adjustments with the intent to make any approved salary adjustments effective February 1, 2016. (Yes: Allen, Gordon, Hast, Holcombe, Phillips, Pigeon, Rodrigues, Telles and Watts).

Smithy was present for subsequent discussion and voting.

9. **Presentation from Verus Consulting regarding final asset allocation selections**

Hoffman summarized the Plan profile. He reviewed operating cash flows and total cash flows. He also reviewed benefit and expense protections with 24-month, 36-month and 48-month reserves. There was a lengthy discussion on the reserves.

Hoffman reviewed the asset allocation analysis of the current portfolio, functionally focused portfolio (FFP) and Risk Diversified portfolio. He also reviewed the investment model evaluation summary comparison.

10. **Consider and take possible action to adopt a new asset allocation strategy**

After a lengthy discussion on the investment model evaluation summary, it was M/S/C to adopt the FFP asset allocation strategy as policy. (Yes: Allen, Holcombe, Gordon, Hast, Phillips, Rodrigues, Smithy, Telles and Watts)

Pigeon was no longer present for subsequent discussion and voting.

It was M/S to adopt a 4-year unconstrained strategy. After a discussion on peer/headline risk being high and the complexity of the portfolio, the motion and second were withdrawn.

Pigeon was present for subsequent discussion and voting.

It was **M/S** to adopt a 3-year constrained strategy. (Yes: Allen, Telles and Watts. No: Gordon, Holcombe, Hast, Phillips, Rodrigues and Smithey). Motion Failed.

After a lengthy discussion, it was **M/S/C** to adopt a 4-year unconstrained strategy. (Yes: Gordon, Holcombe, Hast, Phillips and Smithey. No: Allen, Rodrigues, Telles and Watts).

Gordon and Watts were no longer present for subsequent discussion and voting.

11. Miscellaneous

(a) Staff Report –

Strohl reported she will be presenting the 2016 proposed budget next week and we will be celebrating CCCERA's 1 year anniversary as an independent employer in January.

Dunn reported the Staff Appreciation Lunch is next week.

(b) Outside Professionals' Report -

None

(c) Trustees' comments –

None

It was **M/S/C** to adjourn the meeting in memory of Virginia Holcombe. (Yes: Allen, Hast, Holcombe, Phillips, Rodrigues, Smithey and Telles)

John Phillips, Chairman

Scott Gordon, Secretary



MINUTES

RETIREMENT BOARD MEETING MINUTES

FIRST MONTHLY BOARD MEETING
December 9, 2015
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, Retirement Chief Executive Officer; Timothy Price, Retirement Chief Investment Officer; Karen Levy, Retirement General Counsel; Wrally Dutkiewicz, Retirement Compliance Officer; Tim Hoppe, Retirement Benefits Manager; Alexis Cox, Retirement Benefits Manager; and Christina Dunn, Retirement Admin/HR Manager

Outside Professional Support: Harvey Leiderman
Representing: Reed Smith LLP

1. Pledge of Allegiance

Holcombe 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 7, 2015 meeting. (Yes: Allen, Andersen, Gordon, Hast, Phillips, Rodrigues, Smithey, Telles and Watts)

4. Routine Items

It was M/S/C to approve the routine items of the December 9, 2015 meeting as revised. (Yes: Allen, Andersen, Gordon, Hast, Phillips, Rodrigues, Smithey, Telles and Watts)

It was the consensus of the Board to move to Item 9.

9. **Consider and take possible action regarding the collection of pension overpayments from Contra Costa County due to its erroneous reporting of panel management pay as pensionable compensation**

Dutkiewicz reviewed the background on Panel Management Pay which included, but was not limited to, correspondence between CCCERA and the County, analysis of overpayments, calculations of interest refund amounts, adopted Resolutions and corrective actions.

In public comment, Jack Funk, retired from the public defender's office and member of RSG but here in an individual capacity, stated letters were sent to 4 retirees who had their pensions cut. The retirees then sent letters to the CCCERA Board requesting a hearing, to which there was no response. He felt there wasn't any dialogue between the retirees and CCCERA and he requested the Board give the 4 retirees the due process they deserve.

Dutkiewicz noted the item on the agenda is to consider and take possible action regarding the collection of pension overpayments from the County. The issue to determine whether or not Panel Management Pay is pensionable is not on this agenda, as previously directed by the Board.

Strohl noted staff is currently reviewing the pensionability of several pay codes.

Dr. David Hearst, retired physician, stated there was no input from physicians as to whether Panel Management Pay should be pensionable. He discussed the work performed that was coded to Panel Management Pay noting they were told that work was pensionable. He quoted an April 14, 2014 letter from Leiderman regarding the D16 pay code.

Levy reported the County had determined there was an error in coding and made a correction. CCCERA then reviewed retirees who had the pay included in their FAS and determined what each retiree's adjusted prospective pension would be with the exclusion of the Panel Management Pay payments in their FAS.

Leiderman stated staff has determined Panel Management Pay is not pensionable and if the Board wants to make the determination, then that should be done prior to approving this item.

Dr. Priscilla Hinman, retired physician, stated her pension was cut and she is also here to request to be heard.

The Board directed staff to agendize this item on a future agenda in order for the Board to determine whether the pay at issue received by the five affected retirees is pensionable.

It was the consensus of the Board to move into Closed Session.

CLOSED SESSION

The Board moved into closed session pursuant to Govt. Code Section 54957, 54956.81, 54956.9(d)(2) and 54956.9(d)(4).

The Board moved into open session.

5. It was **M/S/C** to accept the Medical Advisor's recommendation and grant the following disability benefits:
 - a. Keith Chelini – Service Connected (Yes: Allen, Andersen, Gordon, Hast, Phillips, Rodrigues, Smithey, Telles and Watts)
6. There was no reportable action related to Govt. Code Section 54956.81.

7. There was no reportable action related to Govt. Code Section 54956.9(d)(2).
8. There was no reportable action related to Govt. Code Section 54956.9(d)(4).

It was the consensus of the Board to move to Item 10.

10. Consider and take possible action to adopt the 2016 Compliance Activity Plan as recommended by the audit committee

Smithey reported the Audit Committee met on November 24, 2015 and are recommending the Board adopt the 2016 Compliance Activity Plan.

It was **M/S/C** to adopt the 2016 Compliance Activity Plan as recommended by the audit committee. (Yes: Allen, Andersen, Gordon, Hast, Phillips, Rodrigues, Smithey, Telles and Watts)

11. Legislative Update

Levy gave an update on recently enacted legislation and any impact the legislation may have to CCCERA.

12. Consider and take possible action to add a Board meeting on December 16, 2015

Strohl requested adding a Board meeting on December 16, 2015.

It was **M/S/C** to add a Board meeting on December 16, 2015. (Yes: Allen, Andersen, Gordon, Hast, Phillips, Rodrigues, Smithey, Telles and Watts)

13. 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 Advanced Principles of Pension Management, CALAPRS, January 27-29, 2016, Los Angeles, CA. (Yes: Allen, Andersen, Gordon, Hast, Phillips, Rodrigues, Smithey, Telles and Watts)
- b. It was **M/S/C** to authorize the attendance of 1 Board member and 1 staff member at the Aether's 2016 Annual Meeting, Aether Investment Partners, January 28, 2016, Denver, CO. (Yes: Allen, Andersen, Gordon, Hast, Phillips, Rodrigues, Smithey, Telles and Watts)
- c. It was **M/S/C** to authorize the attendance of 4 Board members and 2 staff members at the Commonfund Forum 2016, Commonfund, February 27-March 1, 2016, Orlando, FL. (Yes: Allen, Andersen, Gordon, Hast, Phillips, Rodrigues, Smithey, Telles and Watts)

14. Miscellaneous

- (a) Staff Report –

Strohl reported CCCERA received the Public Pension Coordinating Council (PPCC) Award for 2015; the census data we received from CCCERA's open enrollment is being provided to our outside actuary for inclusion in the OPEB valuation report; we will be transitioning our data from the County in January; she will be presenting an executive summary in January on the year in review; and, she formally recognized the executive and management team for all their work on becoming independent.

- (b) Outside Professionals' Report -

Leiderman commended Strohl for sending so many staff members to CALAPRS training on pension administration.

(c) Trustees' comments –

Telles asked Strohl if she has been contacted by represented staff regarding the classification study; complimented Strohl and her staff on all the hard work they did on becoming independent.

Rodrigues asked the Board for ideas for the upcoming SACRS spring conference.

Smithey noted that at the November 24, 2015 Audit Committee meeting Dutkiewicz gave a presentation on in-house and outside internal auditors and the committee gave staff direction to provide additional information at the next meeting.

Holcombe wished everyone a very happy holiday.

Watts reminded everyone tomorrow is the last day to pay property taxes.

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

John Phillips, Chairman

Scott Gordon, Secretary



<u>Meeting Date</u> 1/27/16 <u>Agenda Item</u> #7
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MEMORANDUM

Date: January 27, 2016
To: CCCERA Board of Retirement
From: Gail Strohl, Chief Executive Officer
Subject: Consider and take possible action to adopt salary adjustments for unrepresented classifications, except for the CEO, effective February 1, 2016.

On January 1, 2015, CCCERA became an independent employer. An employer is tasked with conducting the activities of the organization in a manner consistent with its mission. The effective administration of a \$7 billion public pension plan requires a complex, dynamic organization that is prepared to adapt and change in an ever evolving landscape. The challenges confronted by CCCERA make it essential to have a collaborative team, exhibiting strength and fortitude. As a new employer, CCCERA has more potential exposure to risk and liability and thus the CCCERA team has additional responsibilities.

The qualification recently added to all job specifications is to have the “ability to demonstrate strict confidentiality, professionalism, integrity and compliance with applicable laws and regulations at all times.” It is not an idealistic notion, it is imperative that it is practiced by qualified and engaged employees. The ability to attract and retain qualified employees is paramount to fulfilling CCCERA’s fiduciary responsibility. In the Bay Area, there is currently a tight job market with a large number of organizations competing for the same, high quality employees. Due to this fact, it is even more imperative to ensure that CCCERA as an employer provides fair compensation and benefits.

On December 2, 2015, the Board received and discussed the Koff and Associates total compensation study and recommended the discussion be continued in January 2016. All unrepresented employee classifications within CCCERA, except for the CEO, should move to a consistent salary structure, typical of most public agencies. The attached recommended structure (Appendix III) was prepared by Koff and Associates and consists of five steps that are 5% apart from each other with 2.5% between each range except for the executive team. For the executive positions, it is recommended to have a salary range without steps that allows for a new annual performance review program.



On January 13, 2016, the Board received and discussed the McLagan investment employee compensation report and recommended the discussion be continued at the next Board meeting. Koff and Associates as well as McLagan prepared comprehensive compensation studies for CCCERA unrepresented employees. The attached recommended salary ranges, as shown in Appendix I and II, are based on the information provided in their reports. Currently, there is a 5% differential for employees with a CFA (Chartered Financial Analyst) certification. In light of new salary ranges, it is prudent to remove this differential. The approval of the attached recommended salary ranges will ensure that CCCERA will have a fair and competitive compensation structure.

Recommendation:

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

APPENDIX I

Contra Costa County Employees' Retirement Association
 Proposed Range Recommendations - Unrepresented
 January 2016

Class Title	Current Maximum Monthly Salary	Recommended Salary Range (see attached schedule)	Recommended Monthly Salary Range
Retirement Services Manager	\$10,338	41	\$8,529-10,366
Retirement Services Supervisor	\$7,897	30	\$6,519-7,924
Member Services Manager	\$10,338	41	\$8,529-10,366
Member Services Supervisor	\$7,897	30	\$6,519-7,924
Accounting Manager	\$10,338	42	\$8,737-10,619
Accounting Supervisor	\$7,663	30	\$6,519-7,924
Accountant	\$6,825	20	\$5,108-6,209
Investment Officer	N/A	57	\$12,601-15,316
Investment Analyst	\$9,819	41	\$8,529-10,366
Administration/Human Resources Manager	\$8,447	41	\$8,529-10,366
Administration/Human Resources Supervisor	\$7,899	30	\$6,519-7,924
Communications Coordinator	\$8,127	27	\$6,061-7,367
Information Technology Manager	\$9,919	49	\$10,366-12,601
Information Systems Programmer Analyst	\$7,810	28	\$6,209-7,547
Information Technology Coordinator	\$6,865	24	\$5,632-6,845

APPENDIX II

Contra Costa County Employees' Retirement Association
 Proposed Range Recommendations - Executive
 January 2016

Class Title	Current Maximum		Recommended Monthly Salary Range
	Monthly Salary	Monthly Salary	
Compliance Officer	\$10,855	\$8,955-11,642	
Deputy General Counsel	\$12,824	\$12,293-15,981	
Deputy Chief Executive Officer	\$12,934	\$13,892-18,059	
General Counsel	\$13,736	\$15,316-19,910	
Chief Investment Officer	\$16,534*	\$17,328-22,527	

*includes 5% CFA differential

Appendix III

Contra Costa County Employees' Retirement Association
Salary Schedule
November 2015

Salary Range #	Monthly Salary Range					Biweekly Salary Range				
	Step 1	Step 2	Step 3	Step 4	Step 5	Step 1	Step 2	Step 3	Step 4	Step 5
1	3214	3375	3544	3721	3907	1484	1558	1636	1717	1803
2	3293	3457	3630	3812	4002	1520	1596	1675	1759	1847
3	3375	3544	3721	3907	4102	1558	1636	1717	1803	1893
4	3457	3630	3812	4002	4202	1596	1675	1759	1847	1940
5	3544	3721	3907	4102	4307	1636	1717	1803	1893	1988
6	3630	3812	4002	4202	4413	1675	1759	1847	1940	2037
7	3721	3907	4102	4307	4523	1717	1803	1893	1988	2087
8	3812	4002	4202	4413	4633	1759	1847	1940	2037	2138
9	3907	4102	4307	4523	4749	1803	1893	1988	2087	2192
10	4002	4202	4413	4633	4865	1847	1940	2037	2138	2245
11	4102	4307	4523	4749	4986	1893	1988	2087	2192	2301
12	4202	4413	4633	4865	5108	1940	2037	2138	2245	2358
13	4307	4523	4749	4986	5236	1988	2087	2192	2301	2417
14	4413	4633	4865	5108	5363	2037	2138	2245	2358	2475
15	4523	4749	4986	5236	5498	2087	2192	2301	2417	2537
16	4633	4865	5108	5363	5632	2138	2245	2358	2475	2599
17	4749	4986	5236	5498	5772	2192	2301	2417	2537	2664
18	4865	5108	5363	5632	5913	2245	2358	2475	2599	2729
19	4986	5236	5498	5772	6061	2301	2417	2537	2664	2797
20	5108	5363	5632	5913	6209	2358	2475	2599	2729	2866
21	5236	5498	5772	6061	6364	2417	2537	2664	2797	2937
22	5363	5632	5913	6209	6519	2475	2599	2729	2866	3009
23	5498	5772	6061	6364	6682	2537	2664	2797	2937	3084
24	5632	5913	6209	6519	6845	2599	2729	2866	3009	3159
25	5772	6061	6364	6682	7016	2664	2797	2937	3084	3238
26	5913	6209	6519	6845	7188	2729	2866	3009	3159	3317
27	6061	6364	6682	7016	7367	2797	2937	3084	3238	3400
28	6209	6519	6845	7188	7547	2866	3009	3159	3317	3483
29	6364	6682	7016	7367	7736	2937	3084	3238	3400	3570
30	6519	6845	7188	7547	7924	3009	3159	3317	3483	3657
31	6682	7016	7367	7736	8122	3084	3238	3400	3570	3749
32	6845	7188	7547	7924	8321	3159	3317	3483	3657	3840
33	7016	7367	7736	8122	8529	3238	3400	3570	3749	3936
34	7188	7547	7924	8321	8737	3317	3483	3657	3840	4032
35	7367	7736	8122	8529	8955	3400	3570	3749	3936	4133
36	7547	7924	8321	8737	9173	3483	3657	3840	4032	4234
37	7736	8122	8529	8955	9403	3570	3749	3936	4133	4340
38	7924	8321	8737	9173	9632	3657	3840	4032	4234	4446
39	8122	8529	8955	9403	9873	3749	3936	4133	4340	4557
40	8321	8737	9173	9632	10114	3840	4032	4234	4446	4668
41	8529	8955	9403	9873	10366	3936	4133	4340	4557	4785
42	8737	9173	9632	10114	10619	4032	4234	4446	4668	4901
43	8955	9403	9873	10366	10885	4133	4340	4557	4785	5024
44	9173	9632	10114	10619	11150	4234	4446	4668	4901	5146
45	9403	9873	10366	10885	11429	4340	4557	4785	5024	5275
46	9632	10114	10619	11150	11708	4446	4668	4901	5146	5404
47	9873	10366	10885	11429	12000	4557	4785	5024	5275	5539
48	10114	10619	11150	11708	12293	4668	4901	5146	5404	5674
49	10366	10885	11429	12000	12601	4785	5024	5275	5539	5816
50	10619	11150	11708	12293	12908	4901	5146	5404	5674	5957
51	10885	11429	12000	12601	13231	5024	5275	5539	5816	6106
52	11150	11708	12293	12908	13553	5146	5404	5674	5957	6255
53	11429	12000	12601	13231	13892	5275	5539	5816	6106	6412
54	11708	12293	12908	13553	14231	5404	5674	5957	6255	6568
55	12000	12601	13231	13892	14587	5539	5816	6106	6412	6732
56	12293	12908	13553	14231	14942	5674	5957	6255	6568	6897
57	12601	13231	13892	14587	15316	5816	6106	6412	6732	7069
58	12908	13553	14231	14942	15690	5957	6255	6568	6897	7241
59	13231	13892	14587	15316	16082	6106	6412	6732	7069	7422
60	13553	14231	14942	15690	16474	6255	6568	6897	7241	7603
61	13892	14587	15316	16082	16886	6412	6732	7069	7422	7793
62	14231	14942	15690	16474	17298	6568	6897	7241	7603	7984
63	14587	15316	16082	16886	17730	6732	7069	7422	7793	8183
64	14942	15690	16474	17298	18163	6897	7241	7603	7984	8383
65	15316	16082	16886	17730	18617	7069	7422	7793	8183	8592
66	15690	16474	17298	18163	19071	7241	7603	7984	8383	8802
67	16082	16886	17730	18617	19548	7422	7793	8183	8592	9022
68	16474	17298	18163	19071	20024	7603	7984	8383	8802	9242
69	16886	17730	18617	19548	20525	7793	8183	8592	9022	9473
70	17298	18163	19071	20024	21026	7984	8383	8802	9242	9704
71	17730	18617	19548	20525	21551	8183	8592	9022	9473	9947
72	18163	19071	20024	21026	22077	8383	8802	9242	9704	10189
73	18617	19548	20525	21551	22629	8592	9022	9473	9947	10444
74	19071	20024	21026	22077	23181	8802	9242	9704	10189	10699



**PERSPECTIVES
THAT DRIVE
ENTERPRISE
SUCCESS**



JANUARY 27, 2016

Education Session: Transition Management and Transaction Cost Analysis

Contra Costa County Employees' Retirement Association

Session goals

- Provide education and increase familiarity with transition management
- Provide guidance to Verus on next steps, specifically to provide a review of capable service providers and recommendation for selection

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Overview

Potential cost of transitions

Only considering explicit (“direct”) costs can be naive.

- Even more so today where commission rates have experienced significant compression.*

Transition Management

- Management of a transition event, which includes a one-time analysis that measures the total trading costs of the event.

Trade Cost Analysis

- On-going analysis used to measure the total trading costs of fund managers on a day-to-day basis.



Estimated Explicit Costs
“Direct” Costs

Potential Implicit Costs
“Indirect” Costs

Source: Northern Trust.

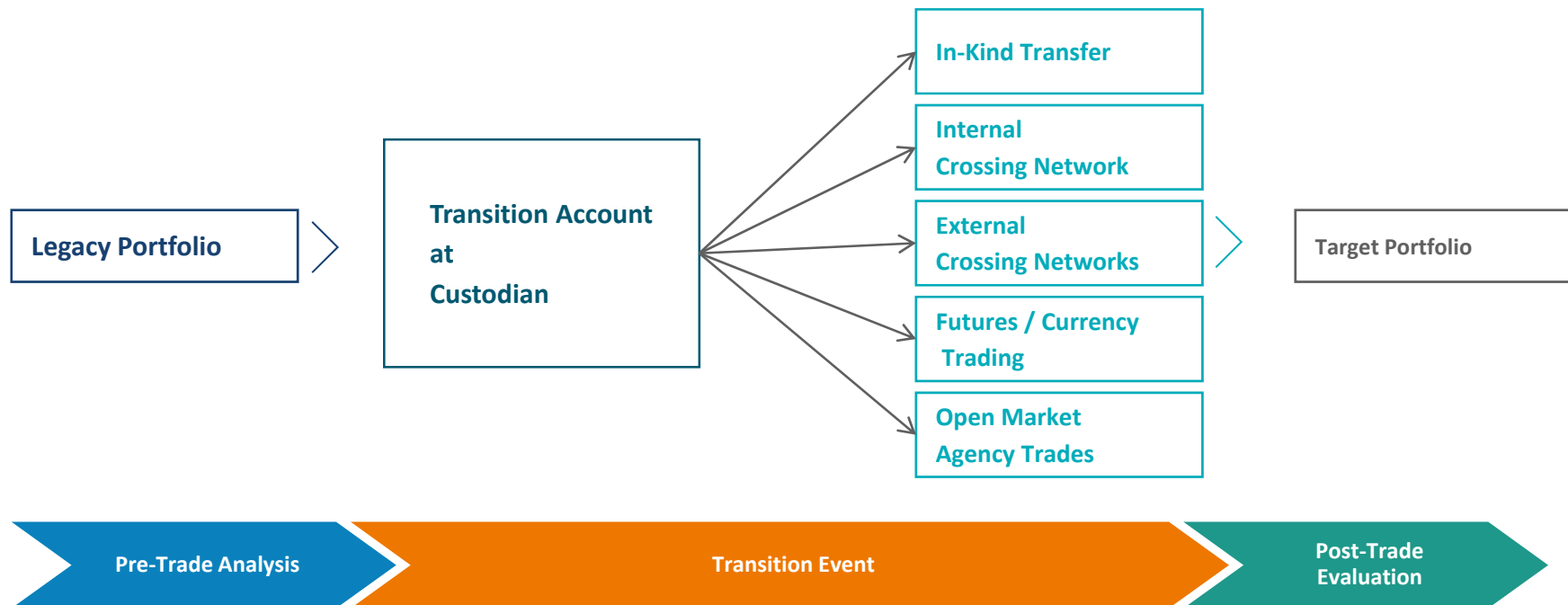
*Below one cent per share for many large domestic equity transitions

Transition management

What is transition management?

Transition management is a systematic, controlled process that uses all available sources of liquidity to minimize the total cost and risk of transitioning plan assets from one investment strategy to another.

- Using a transition manager can add accountability and transparency to the transition process.



The transition management decision

Money moving in/out/within a portfolio = risk

—Fiduciary liability

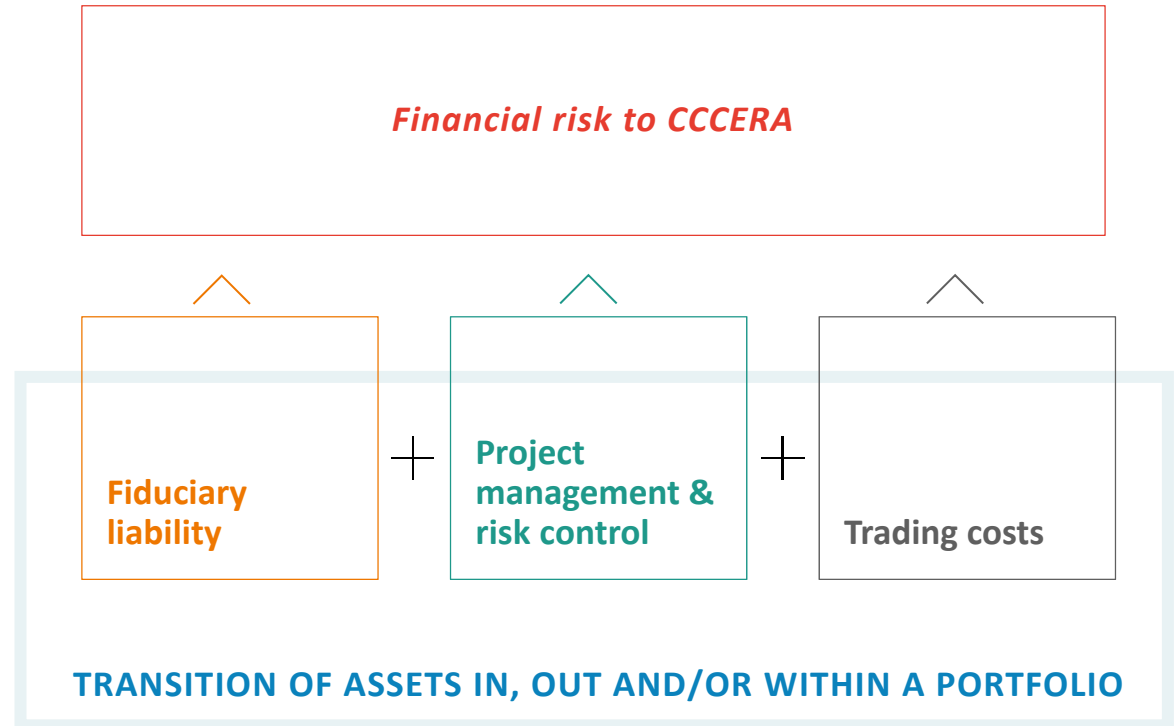
- Transition event requires fiduciary responsibility & oversight

—Project management & risk control

- Best execution of trade in a risk controlled environment
 - Maximize in-kind transfers
 - Minimize market impact

—Trading costs

- Commission costs (explicit)
- Implementation shortfall (implicit)



Every time money is moving in/out/within a client's portfolio, there are risks involved and someone is acting as transition manager.

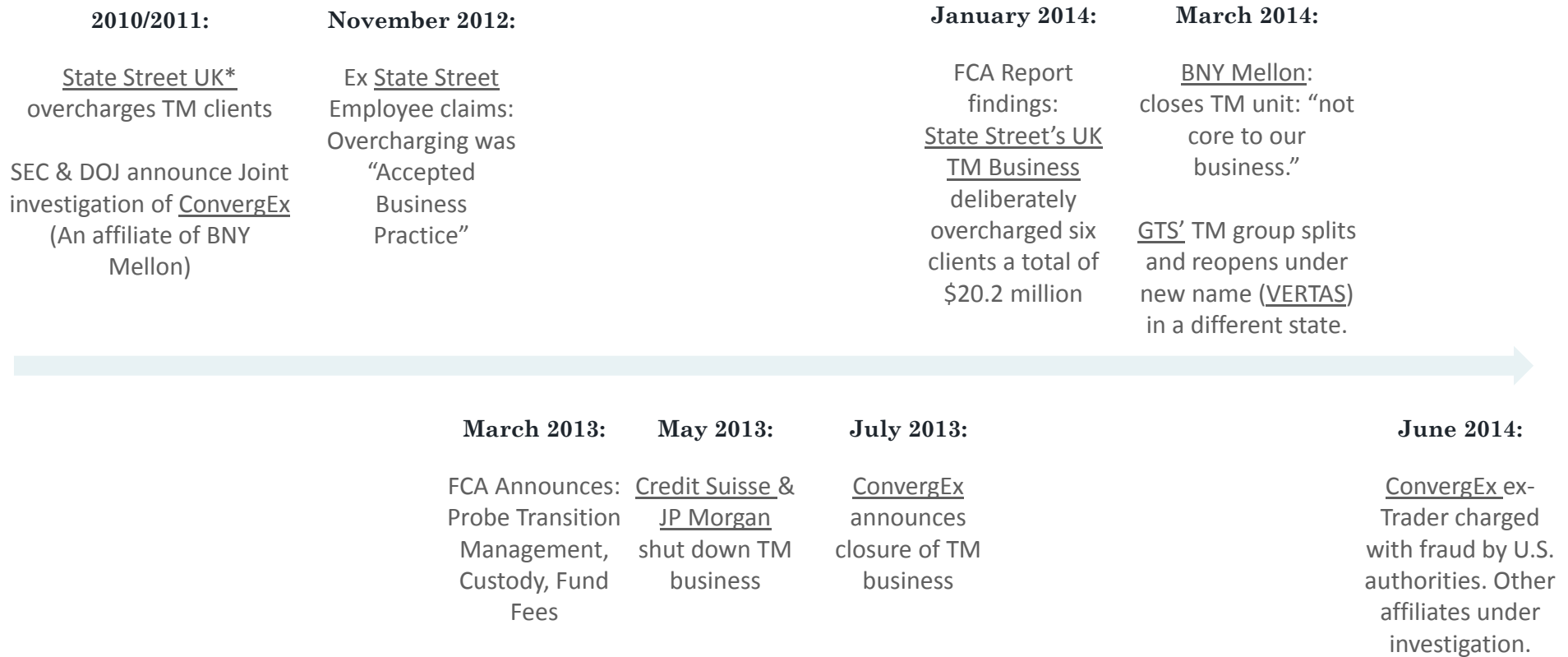
Why transition management?

	Legacy Manager	Target Manager	Transition Manager
Accountability	<i>Assists</i> the transition	<i>Assists</i> the transition	<i>Manages</i> the transition
Alignment of Interest	Little – has just been terminated/reduced	Little – generally request performance holiday	Large – performance explicitly linked to transition
Expertise	Portfolio management Security selection & research	Portfolio management Security selection & research	Transition management Risk management, project management, trade development & execution
Execution	Often limited experience in high volume, big ticket trades	Often limited experience in high volume, big ticket trades	Experts in high volume, big ticket trades
Project Management	Minimal Client tends to be more heavily involved	Minimal Client tends to be more heavily involved	Significant - Manages and co-ordinates whole transition Client can choose level of involvement
Analysis & reporting	Limited – often just trade files; focus on performance reporting	Limited – often just trade files; focus on performance reporting	Detailed pre-trade analysis Extensive post trade analysis
Commission Rates*	Typically higher	Typically higher	Typically lower

**Commission rates for asset managers are typically higher since asset managers include soft dollar arrangements for research into the commission rates they charge. Transition management providers do not have the same arrangements and are able to offer lower commission rates on average.*

Transition management industry timeline

Several events have impacted the industry/focus list over the last 4 years



Underlined providers are either no longer in the TM business or on the Verus focus list and are not approved for transition management use with Verus Clients.

** State Street financial service company headquartered in the USA and operating in the UK through State Street Bank Europe Limited and State Street Global Markets International Limited (together "State Street UK").*

Transition event considerations

Key considerations when evaluating a transition event:

- Concentration of securities in the portfolio
- Sub-asset classes within equities and fixed income (domestic vs. global)
- Size of transition relative to total portfolio value
- Trading costs with legacy manager, target manager, and custodian
- Liquidity of securities and markets traded
- Timing of the event

Every transaction has a transition manager who could be held liable in the event of an error.

Transition manager considerations

Key considerations when evaluating a transition manager:

- Areas of expertise
- Business model
- Transition costs
- Tenure, depth of experience, and structure of transition management team
- Access to liquidity
- Transparency
- Potential conflicts of interest
- Historical transition activity (i.e., client type, asset class, performance, etc.)

Project management

Diversified Transition Managers

- Managers experienced with a high market value of assets transitioned
 - Absolute value of transitioned assets
 - Client type (defined benefit, defined contribution, endowment/foundation)
- Large trading operations and experienced teams
- High number of team members dedicated exclusively to transition management
- Independence

Custodial Banks

- In certain circumstances, the custodian may offer unique capabilities and efficiencies to manage transitions

Boutique Transition Managers

- Exclusive focus to transition management
- May specialize in particular asset classes or capabilities
- Independence

Transaction cost analysis

Types of transaction costs

There are 3 major types of costs, with only 1 of them being explicit

Commission and taxes

- Explicit costs that are paid directly out of the fund
- Can be seen directly on trade reports

Market Impact

- A measure of market liquidity that reflects the cost faced by a trader of an index or security
- Usually reflected in a bid-ask spread

Delay

- The difference between the decision price and actual implementation price
- Also referred to as opportunity costs

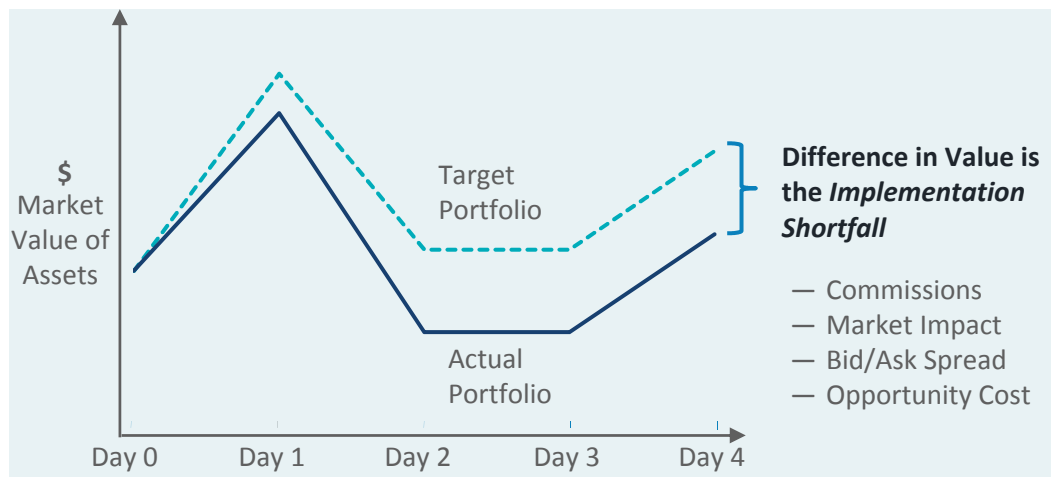
Measuring performance

Implementation Shortfall

What would the ending portfolio value be if it had instantaneously transitioned from the legacy portfolio to the target portfolio?

— Includes the explicit costs as well as the market impact incurred prior to completion of the transition as compared to the legacy portfolio's performance.

- Commissions, mark-ups and/or project management fees (charged by the transition manager), and taxes which are together referred to as “explicit costs”
- Trading costs such as the bid-ask spread, market impact, and opportunity costs which are together referred to as “implicit costs.”



Transaction monitoring

Evaluate, manage, and control trade costs

Prudent monitoring can help:

- Manage and control excessive trading costs
- Ensure trading strategies are consistent with investment styles
- Deter soft dollar and trading abuses
- Provide some insight into performance attribution
- Improve transparency of delay costs

Summary

Next steps

Transition Management

- Request Verus to provide the Board with a model program of which service providers to use for specific transition types.

Transaction Cost Analysis

- Request Verus and Staff to work with leading provider(s) to develop an initial review of the portfolio.
- After review of provider(s), determine whether to proceed with the relationship.

Appendix

Key transition management terms

- Agency Trade
 - A trade where the transition manager interfaces with the market on behalf of the asset owner and does not act as a counterparty.
- Crossing (Internal)
 - Refers to the ability of a transition manager to offset (“cross”) the transition flow of its client’s legacy and target portfolios against its index funds or other internal trading flows. If natural internal crosses exit, such transactions are free of commissions with virtually no market impact.
- Crossing (External)
 - Similar in concept to internal crossing; however, the transition manager uses external liquidity to “cross” its client’s transition flow. In contrast to the internal variety, external crossing exposes the transition flow to the potential of information leakage.
- Dark Liquidity Pool
 - A private alternative trading system or platform where the details of trade orders are not made available to the public. A transition manager may utilize dark pools in an attempt to mitigate market impact when trading large orders (as compared to the security’s daily trading volume).
- Explicit Costs
 - The most visible costs during the transition period. Costs include commissions, market taxes, exchange fees and custody fees. While the most apparent, explicit costs are the least significant component of trade expenses.
- Legacy Portfolio
 - The existing portfolio that the client seeks to exit. Also known as the incumbent portfolio.

Source: Northern Trust, Russell

Key transition management terms (cont.)

- Implementation Shortfall
 - Assumes that the legacy portfolio is converted instantaneously to the target at the outset of the transition period and at zero cost. Essentially, implementation shortfall is the measure of the total cost of the transition event.
- Implicit Costs
 - The least visible costs during the transition period. Costs include market impact, bid/ask spread and opportunity costs. Implicit costs represent the most significant expense of a trade.
- Information Leakage
 - The release of material information about a pending trade before the actual order is placed. Information leakage increases the total cost of a transition event since it allows arbitrageurs to “front run” the transition.
- Market Impact
 - The movement of a security’s price after placing a trade order.
- Opportunity Costs
 - Costs associated with the time required to complete the full transition from the legacy to the target portfolio.
- Post-trade Analysis
 - An analysis of the actual costs associated with a transition event compared to the pre-trade estimates.

Source: Northern Trust, Russell

Key transition management terms (cont.)

- Pre-hedging
 - Trading on a bank's account ahead of a transition event with the potential economic gain accruing to the transition manager.
- Pre-trade Analysis
 - An analysis of the estimated trading costs (both explicit and implicit) associated with a transition event compared against an unmanaged transition benchmark providing characteristics of the legacy and target portfolios.
- Principal Trade
 - A trade where the transition manager becomes the counterparty to the transaction, either by supplying liquidity from its own inventory or assuming the risk of the position.
- T-Standard
 - A standardized performance metric designed to calculate implementation shortfall during a transition event.
- Target Portfolio
 - The portfolio that a client seeks to purchase (with the proceeds from the legacy portfolio). Also known as the destination portfolio.
- Transfer-In-Kind
 - Securities that are instantaneously transferred from the legacy to the target portfolio with no liquidity impact. Since transfer-in-kind securities are not traded in the market, they incur no explicit or implicit costs.

Source: Northern Trust, Russell

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The material may include estimates, outlooks, projections and other “forward-looking statements.” Such statements can be identified by the use of terminology such as “believes,” “expects,” “may,” “will,” “should,” “anticipates,” or the negative of any of the foregoing or comparable terminology, or by discussion of strategy, or assumptions such as economic conditions underlying other statements. No assurance can be given that future results described or implied by any forward-looking information will be achieved. Actual events may differ significantly from those presented. Investing entails risks, including possible loss of principal. Risk controls and models do not promise any level of performance or guarantee against loss of principal.



**PERSPECTIVES
THAT DRIVE
ENTERPRISE
SUCCESS**



JANUARY 27, 2016

Education Session: Cash Overlay

Contra Costa County Employees' Retirement Association

Session Goals

- Provide education and increase familiarity with overlay concepts and usage
- Identify policy considerations in employing overlay capabilities
 - Ensure consistency with FFP asset allocation approach
 - Provide definition of allowable uses of overlay capabilities
- Provide guidance to Verus on next steps, specifically to provide a review of capable service providers and recommendation for selection
 - Selection process will be similar to that of selecting an investment manager

Table of contents



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SEATTLE 206-622-3700

LOS ANGELES 310-297-1777

SAN FRANCISCO 415-362-3484

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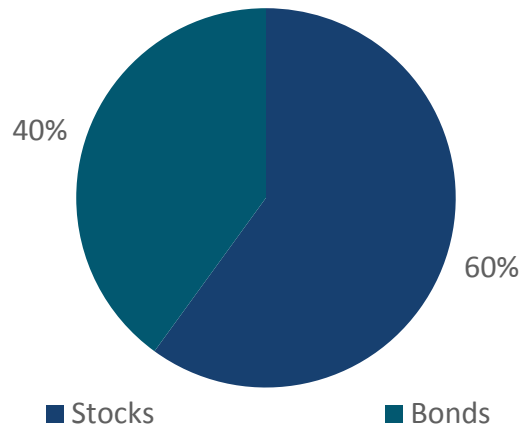
Overview

The challenge

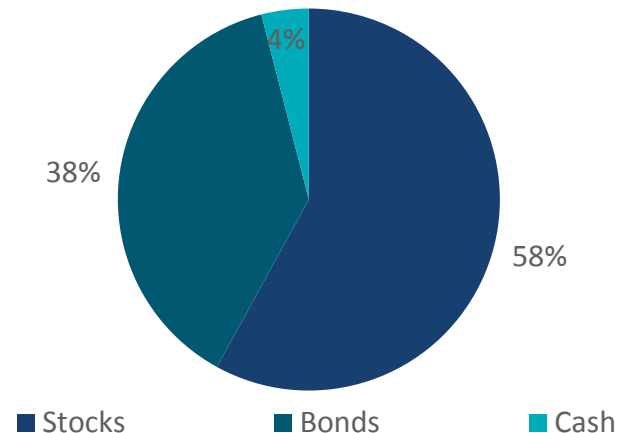
Holding cash in a portfolio is usually necessary, but comes with side effects

- Excess cash prevents the portfolio from being fully invested according to policy
 - Example: a 60/40 portfolio with 4% cash may actually be a 58/38/4 portfolio
- Tracking error thus results from the portfolio being out of balance relative to its policy
- Over time, cash generates a “drag” on return since it underperforms most other asset classes

INTENDED PORTFOLIO



ACTUAL PORTFOLIO



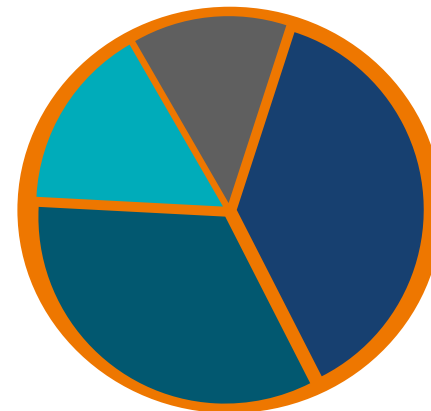
The solution

- Through the use of derivatives, cash overlay strategies efficiently gain exposures in a portfolio to reduce the effects of holding cash.
- Derivatives allow the portfolio to gain the expected exposures to various asset classes without investing in the “physical” securities.
- Overlay strategies may “equitize” the cash position or rebalance a portfolio as desired.
- For CCCERA, overlay offers operational efficiency to effect general asset class rebalancing while specific investment strategies are being identified

PORTFOLIO WITHOUT CASH OVERLAY



PORTFOLIO WITH CASH OVERLAY



Risk management

Engaging in derivative transactions can be risky but these risks can be managed

- *Derivatives: a security with a price that is dependent upon or derived from one or more underlying assets. The derivative itself is a contract between two or more parties based upon the asset or assets. Its value is determined by fluctuations in the underlying asset.*¹

- One significant risk involved with derivatives is leverage
 - To mitigate this risk, the notional exposure may be capped at the current cash balance
 - This prevents explicit leverage due to derivatives and ensures cash is available to collateralize the derivatives

- Forward contracts assume counterparty risk
 - Counterparties must be reviewed by the service provider
 - Exposure limits must be set with each counterparty
 - Pre-trade compliance checks must be completed before contracts can be entered

¹ Source: *Investopedia*. <http://www.investopedia.com/terms/d/derivative.asp>
Policy guidelines must be established to address the proper use of an overlay strategy.
Leverage and counterparty risks are examples but others must be considered as well.

Types of strategies

Services and expected benefits

Strategy	Expected Benefit
Cash equitization / liquidity management	Improve returns and flexibility
Passive rebalancing / asset allocation	Allows the realignment of asset class exposures without the transaction costs associated with physicals and does not disrupt underlying managers
Duration matching / liability-driven investing	Provide low cost and flexible means to modify effective duration or to match assets to liabilities
Volatility management	Provides flexibility for cheaply adjusting beta risk and implementing hedges
Active insights	Discretionary tilts and active management with the goals of increasing returns

Cash equitization

Equitization: using derivatives to economically convert cash position to equity or other asset class exposures

Why?

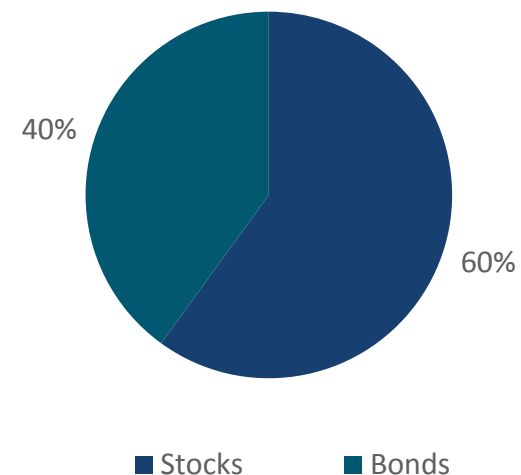
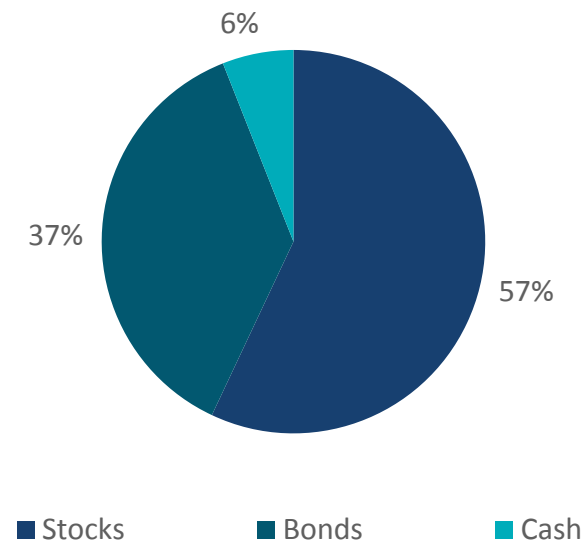
- Improves tracking error relative to policy
- Increases capital efficiency
- Maintains flexibility of underlying assets

Strategy

- Cash securitization for derivatives exposures

Risks

- Potential losses greater than physical portfolio alone



Passive rebalancing

Passive rebalancing: using derivatives to gain desired asset class exposures through the use of derivatives rather than trading actual portfolio positions.

Why?

- Less disruptive to managers.
- Typically lower cost to realign assets using derivatives.

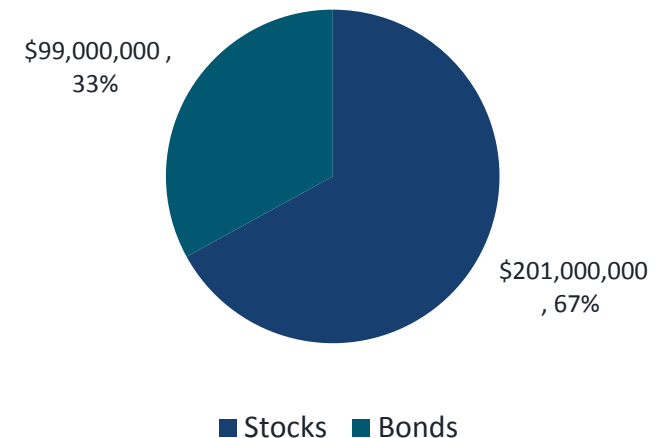
Example:

- \$300 million portfolio; with 67% stocks, 33% bonds
- Policy targets = 60% Stocks, 40% bonds
- Sell \$21M notional in stock futures.
- Buy \$21M notional in bond futures.
- Exposure after overlay = 60% Stocks, 40% Bonds.

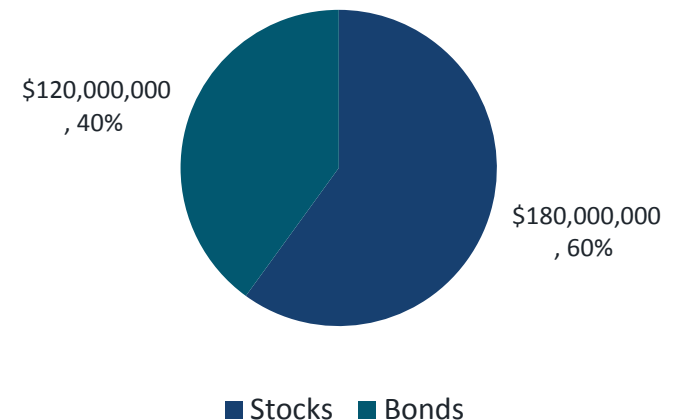
Risks

- Tracking error to component benchmarks.
- Small rebalances are fine, larger adjustments should be implemented using physicals.

CURRENT ALLOCATION \$300M PORTFOLIO



FINAL EXPOSURE AFTER REBALANCE OVERLAY \$300M PORTFOLIO



Duration matching

Duration matching: using derivatives to align total portfolio duration to the duration of pension liabilities

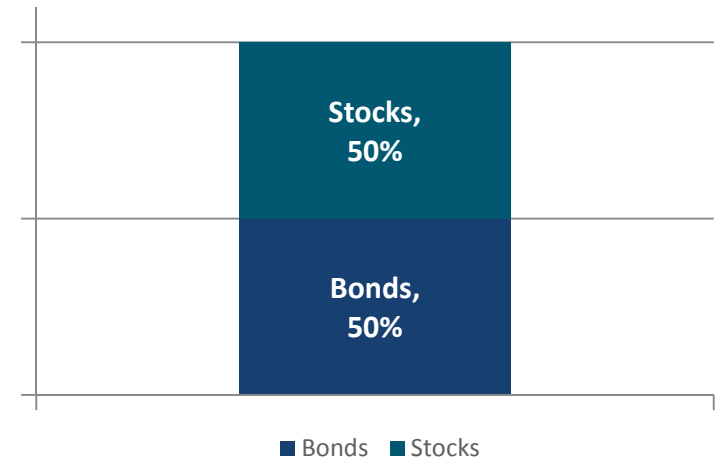
Why?

- Hedge interest rate risk
- Reduce basis risk between assets and liabilities
 - Within the credit sector, the number of long-dated securities is low

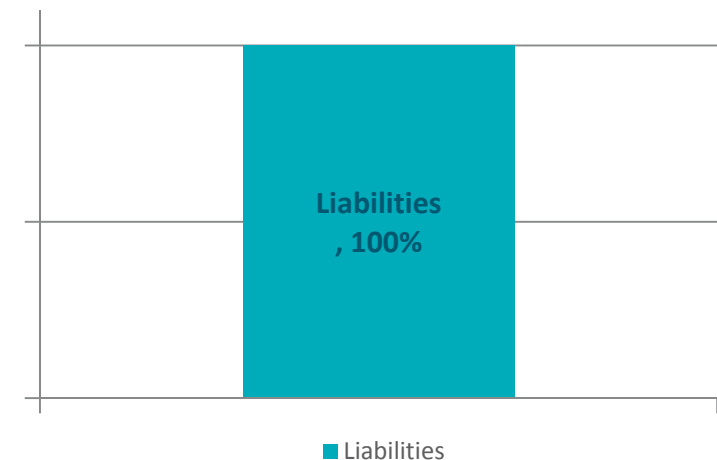
How does it work?

- Enter into a swap agreement to receive fixed & pay floating on a notional amount to effectively increased the duration of the assets to the desired target
- Entering into a swap agreement transforms duration but does not change the portfolio's overall market value.

ASSETS - 8 YEAR DURATION



LIABILITIES - 12 YEAR DURATION



Summary

Considerations when selecting providers

Selecting a service provider involves more than just an assessment of costs

Use of forwards and futures

- Ability to assess counterparty risk with forwards
- Access to counterparties and desired exposures

Index replication capabilities

- Lowest tracking error
- Lowest costs for gaining exposures

Reporting

- Trading cost analysis
- Implementation effectiveness

A search of service providers will include a variety of metrics to determine the best fit for CCCERA.

Next steps

- Identify policy considerations and draft language to appropriately employ and monitor overlay capabilities
- Request Verus to collaborate with Staff on a review of potential providers and make a recommendation to the Board

Appendix

Risks

Risk	Description
Basis risk	Risk attributable to uncertain movements in the spread between a futures price and a spot price
Communication / Information risk	Overlay index exposures are maintained based on underlying investment values provided by one or more third parties. There are often delays in the receipt of updated information which can lead to exposure imbalance risks. Inadequate communication regarding cash flow moves into and out of fund and manager changes can lead to unwanted asset class exposures and loss.
Tracking error	Futures (synthetic) returns do not perfectly track benchmark index returns. This divergence between the price behavior of a position or portfolio and the price behavior of a benchmark is tracking error and impacts performance.
Margin / Liquidity risk	Potential that the market moves in a manner adverse to the futures or swap position causing a mark-to-market loss of capital to the fund and a resulting need to raise liquidity or to close positions; this could happen at a time when underlying fund or positions are also declining in value.
Leverage	Creation of market exposure in excess of underlying collateral value may lead to significant capital losses and result in position liquidation.
Counterparty	Counterparty credit risk on OTC trading and trade disruption risk related to exchange traded futures.
Collateral	The program may experience losses on the underlying designated assets in addition to potential losses on the index market exposure overlaying these assets.
Market risk	Market performs in a way that was not anticipated. For example, cash outperforms capital markets.

Forwards and Futures

- **Forward contracts:** More credit risk, price fixed at the start, cash flows settled on delivery
 - Traded OTC as customized contracts that are privately negotiated between parties
 - Entail more credit risk and market risk as they are not backed by the exchange's clearing house
 - Settled at the forward price agreed on at the trade date
 - No cash flows until delivery
- **Futures contracts:** Protected by clearing house, price fixed on last trading day, cash flows settled with margin calls
 - Exchange traded, standardized instruments transacted through brokerage firms
 - Default exposure lives with the exchange's clearing house
 - Settled at the settlement price fixed on the last trading day of the contract
 - Requires initial margin and periodic margin calls
- **Similarities:** Forward settlement via cash or physical asset, require leverage
 - Both contracts are binding agreements to act at a later date
 - May be physically settled or cash settled
 - Both require leverage

Futures and forwards are the two major types of forward commitments.

While they share similar characteristics, they have unique differences.

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Oaktree Conference 2016

March 16-17, 2016 | The Beverly Hilton | Beverly Hills, California



OAKTREE

WEDNESDAY, MARCH 16

SESSION	DURATION	TIME	LOCATION
Breakfast Buffet	1h	7:30 – 8:30	Beverly Hills Ballroom
Main Sessions (includes lunch ¹)	5h 45m	8:30 – 2:15	International Ballroom
Concurrent Strategy-specific Breakout Sessions			
Breakout Session #1A			
Distressed Opportunities	1h 30 m	2:30 – 4:00	International Ballroom
Senior Loans	1h	2:30 – 3:30	Dayton
Real Estate Debt	1h	2:30 – 3:30	Canon
Break	15 m	4:00 – 4:15	International Terrace
Breakout Session #1B			
European Principal & European Dislocation	1h	4:15 – 5:15	Wilshire Ballroom
Mezzanine Finance	1h	4:15 – 5:15	Palm
Emerging Markets Equities	1h	4:15 – 5:15	Brighton
Cocktail Reception	1h	6:00 – 7:00	Beverly Hills Ballroom
Dinner	2h	7:00 – 9:00	International Ballroom

THURSDAY, MARCH 17

SESSION	DURATION	TIME	LOCATION
Breakfast Buffet	55 m	7:00 – 7:55	Beverly Hills Ballroom
Main Sessions: Part I	2h 25m	7:55 – 10:20	International Ballroom
Concurrent Strategy-specific Breakout Sessions			
Breakout Session #2A			
Global Principal	1h	10:20 – 11:20	Wilshire Ballroom
Infrastructure Investing	1h	10:20 – 11:20	Dayton
High Yield Bonds	1h	10:20 – 11:20	Canon
Lunch	1h 40m	11:20 – 1:00	Beverly Hills Ballroom
Breakout Session #2B			
Real Estate Opportunities	1h	1:00 – 2:00	Wilshire Ballroom
Emerging Markets Opportunities	1h	1:00 – 2:00	Whittier
Power Opportunities	1h	1:00 – 2:00	Dayton
Main Sessions: Part II	1h	2:15 – 3:15	International Ballroom
Closing Remarks	15m	3:15 – 3:30	International Ballroom

Meeting Date
1/27/16
Agenda Item
#12a.

As of January 5, 2016

Subject to change.
Contact RSVPConference@oaktreecapital.com for additional information.
1 Lunch will be held in the Beverly Hills Ballroom from 11:45AM – 1:15PM

Luz Casas

From: Oaktree Conference 2016 <RSVPConference@oaktreecapital.com>
Sent: Thursday, January 07, 2016 1:33 PM
To: Chih-chi Chu
Cc: Luz Casas
Subject: Oaktree Conference 2016 | March 16 & 17 | Beverly Hills, CA

OAKTREE CONFERENCE | 2016



*Oaktree Capital Management, L.P. requests your
presence
at the Oaktree Conference 2016*

Wednesday, March 16 - Thursday, March 17

The Beverly Hilton
9876 Wilshire Boulevard
Beverly Hills, California 90210

To view the agenda, please [click here](#).

Please respond by March 4, 2016. Due to limited space, we respectfully request that attendance be limited to no more than two per organization. Attire is business casual. Should you have any questions, please contact RSVPConference@oaktreecapital.com or +1 213 830-6700.

Please respond by selecting *Accept* or *Decline* below:



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<http://www.cvent.com/d/HZnyHzdQCkiu0thgceVC5A/Incm/P1/1Q?>

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CII Spring 2016 Conference

March 21-March 23 | The Mandarin Oriental
1330 Maryland Avenue SW, Washington, DC 20024

MONDAY, MARCH 21

- 12:00 – 7:00 **Registration and Member Lounge Open**
- 12:30-2:00 **Education course- TBD**
- 2:00—3:15 **Member-Hosted Meetings**
- 3:30 – 5:30 **Opening Remarks**
- Plenary Session 1: Capital Deployment: Buybacks in Perspective**
- Plenary Session 2: TBD**
James Doty, Chair, Public Company Accounting Oversight Board
- 5:30 – 7:00 **Reception**

TUESDAY, MARCH 22

- 7:30 – 7:00 **Registration and Member Lounge Open**
- 7:30 – 8:30 **Continental Breakfast**
- 8:30 – 9:30 **Plenary 1: Director Discussion**
Deborah Wright, Director, Time Warner, Voya Financial
- 9:30 - 10:30 **Second Plenary: Lifting the Veil on Private Equity**
John Chiang, California State Treasurer
Peter Freire, CEO, Institutional Limited Partners Association
Adam Weinstein, Managing Director, New Mountain Capital
Moderator: Ash Williams, Executive Director & CIO, Florida State
- 10:30 – 11:00 **Networking Break**
- 11:00 – 12:15 **Plenary: Broadening the Definition of Risk—Environmental Factors**
Ian Lanoff, Principal, The Groom Law Group
Bess Joffe, Managing Director, TIAA-CREF
TerriJo Saarela, Director of Corporate Governance, State of Wisconsin
Investment Board
- 12:30 – 1:45 **Lunch Speaker:**

Antoine van Agtmael, co-author, *The Smartest Places on Earth: Why Rustbelts Are the Emerging Hotspots of Global Innovation*

- 2:00 – 3:15 **Constituency Meetings**
- 3:15 – 3:45 **Networking Break**
- 4:00 – 5:30 **Member-Hosted meetings**
- 5:30 – 7:00 **Reception**

WEDNESDAY, MARCH 23

- 8:00 – 9:15 **General Members' Business Meeting & Breakfast (Closed Meeting)**
- 9:00 – 12:00 **Registration & Member Lounge Open**
- 9:00 – 9:30 **Continental Breakfast**
- 9:30 – 9:45 **Policies Committee Update**
- 9:45 – 10:45 **International Governance Committee**
- 10:45 – 11:00 **Networking Break**
- 11:00 – 12:15 **Activism Committee**
- 12:15 – 1:15 **Networking Buffet Lunch & Meeting Adjourned**