



RETIREMENT BOARD MEETING  
**SECOND MONTHLY MEETING**

9:00 a.m.  
April 24, 2013

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. Consider and take possible action on semi-finalist list for Private Real Asset Manager.
4. Update from staff on Assessment and Determination of Compensation Enhancements.
5. Educational presentation on the Disability process for CCCERA.
6. Update from staff on status of current investment projects.
7. Consider and take possible action on CCCERA Mission Statement.

*CLOSED SESSION*

8. The Board will go into closed session pursuant to Govt. Code Section 54956.9(a) to confer with legal counsel regarding existing litigation (two cases):
  - a. *Board of Retirement v. County of Contra Costa, et al.*, Alameda County Superior Court, Case No. RG11608520.
  - b. *Contra Costa County Deputy Sheriffs Association, et al., v. CCCERA, et al.*, Contra Costa County Superior Court, Case No. N12-1870.

*OPEN SESSION*

9. 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.

# MEMO

MEETING DATE
APR 24 2013
AGENDA ITEM #4

**Date:** April 10, 2013  
**To:** CCCERA Board of Retirement  
**From:** Kurt Schneider, Deputy Chief Executive Officer  
**Subject:** Assessment and Determination of Compensation Enhancements

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At the January 9, 2013 meeting, the Retirement Board adopted a Policy Regarding Assessment and Determination of Compensation Enhancements. This policy was established to comply with new Gov. Code §31542, which requires the Board to establish a procedure for assessing and determining whether an element of compensation was paid to enhance a member's retirement benefit. Any compensation element which the Board determines was paid to enhance a member's benefit must be excluded from "pensionable compensation" under Gov. Code §7522.34 and "compensation earnable" under Gov. Code §31461 (as amended by AB 197).

The purpose of this memo is to summarize the implementation of staff's review and assessment of final compensation as directed by the Board. The assessment policy requires staff to take the following steps when reviewing compensation for this purpose.

1. Assess whether the item of compensation was earned within the period during which final compensation is to be calculated;
2. Assess whether the compensation exceeds a members' base pay, and if so, whether the earnings codes reported are retirement compensable;
3. Review any other factors that cause staff to believe that an item of compensation included in final compensation was paid to enhance a member's retirement benefit; and
4. Review information and explanation provided by the member and the employer in response to CCCERA's request as to the facts and circumstances concerning an item of compensation that staff believes may have been paid to enhance the member's retirement benefit.

The first two steps have always been undertaken by CCCERA staff when calculating retirement benefits and are not new to this policy. The third step is now required for the first time by the new legislation, effective January 1, 2013. The Board has asked staff for an overview of the review process and what factors staff is considering in its determination.

As staff completes steps one and two above, the compensation during the final averaging period is broken out by pay item. The amounts during the final averaging period are then compared to recent periods both by individual pay item and in total. Any increase in compensation (for an individual pay item or in total) above a certain threshold is flagged for further review.

If further review is required, the member's pay history is reviewed as far back as possible to determine how the amount of the pay item varied over time. A statistical analysis is done to determine the likelihood that the increase witnessed in the final averaging period is due to chance alone. If that likelihood is below a certain threshold, the member and the employer are asked for an explanation of the increase. If the explanation provided is insufficient, a written report is prepared and presented to the Board for their determination.

CONTRA COSTA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

**POLICY REGARDING ASSESSMENT AND DETERMINATION OF  
COMPENSATION ENHANCEMENTS**

Adopted: 1/9/2013

**PURPOSE:**

The CCCERA Board of Retirement is required to establish a procedure for assessing and determining whether an element of compensation was paid to enhance a CCCERA member's benefit. (Government Code Section 31542, eff. January 1, 2013.) In keeping with this requirement, the Retirement Board has set forth the following procedure.

**LEGAL AUTHORITY:**

Government Code Section 31542 provides:

- (a) The board shall establish a procedure for assessing and determining whether an element of compensation was paid to enhance a member's retirement benefit. If the board determines that compensation was paid to enhance a member's benefit, the member or the employer may present evidence that the compensation was not paid for that purpose. Upon receipt of sufficient evidence to the contrary, a board may reverse its determination that compensation was paid to enhance a member's retirement benefits.
- (b) Upon a final determination by the board that compensation was paid to enhance a member's retirement benefit, the board shall provide notice of that determination to the member and employer. The member or employer may obtain judicial review of the board's action by filing a petition for writ of mandate within 30 days of the mailing of that notice.
- (c) Compensation that a member was entitled to receive pursuant to a collective bargaining agreement that was subsequently deferred or otherwise modified as a result of a negotiated amendment of that agreement shall be considered compensation earnable and shall not be deemed to have been paid to enhance a member's retirement benefit.

## **POLICY:**

The following policies and procedures shall be effective as to the assessment and determination of whether an element of compensation was paid to enhance a member's retirement benefit.

### **I. STAFF REVIEW AND ASSESSMENT**

With respect to all retirement applications with an effective date of retirement on or after January 1, 2013, the Board directs CCCERA staff to review all compensation included within the calculation of the member's final compensation within the meaning of California Government Code Sections 7522.32, 7522.34, 31461, 31462, 31462.1, 31462.11, and 31462.2, as applicable, for the purpose of making an initial assessment as to whether any item of compensation included in final compensation was paid to enhance a member's retirement benefit. In conducting such review and making such initial assessment, staff shall consider:

- a. Whether the item of compensation was earned within the period during which final compensation is to be calculated;
- b. Whether the compensation exceeds a members' base pay, and if so, whether the earnings codes reported are retirement compensable;
- c. Any other factors that cause staff to believe that an item of compensation included in final compensation was paid to enhance a member's retirement benefit; and
- d. Information and explanation provided by the member and the employer in response to CCCERA's request as to the facts and circumstances concerning an item of compensation that staff believes may have been paid to enhance the member's retirement benefit.

A member and the employer shall be given no less than 15 days to respond to such a written request. Staff may conduct such written and oral follow-up communication as staff believes is appropriate in the exercise of reasonable diligence.

### **II. PREPARATION OF WRITTEN ADMINISTRATIVE RECOMMENDATION AND BOARD ACTION**

- a. If after conducting the initial assessment described above, CCCERA staff believes that an item of compensation was paid to enhance a member's retirement benefit, staff shall prepare a written report to the Board of Retirement making an administrative recommendation to the Board that any item not be included in the calculation of the member's retirement benefit. The report shall contain a description of the reasons for staff's recommendation, including the specific facts and circumstances supporting staff's recommendation.
- b. The report shall be noticed and agendized for a regular meeting of the Board, at which time the Board will act upon staff's administrative recommendation.

Before the Board acts, CCCERA, the member, and the employer shall be given an opportunity to be heard by the Board.

- c. Written notice of the Board meeting and a copy of staff's report shall be provided to the member and the employer no later than 10 days before the recommendation is presented to the Board for action.
- d. At the meeting, the Board will make a decision as to whether the item of compensation was paid to enhance the member's retirement benefit.
- e. CCCERA will provide the member and the employer written notice of the Board's decision with 5 days, which will inform the member and the employer of their right to seek judicial review of the Board's action by filing a petition for writ of mandate within 30 days after the mailing of that notice.
- f. If the Board finds the item of compensation should be included, staff will adjust the member's benefit to include said item, retroactive to the effective date of retirement.
- g. If the payment of the member's benefit would be delayed by seeking resolution through the administrative processes set forth herein, CCCERA may process the benefit excluding the compensation in question. If it is later determined the compensation should be included, CCCERA will adjust the benefit retroactive to the effective retirement date.

**MEETING DATE**

April 24, 2013

**AGENDA ITEM**

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# Disability Retirement Process

Contra Costa County Employees'  
Retirement Association

## Initial Contact

**Initial Contact:**

Member may call or drop-in, or  
Employer may call CCCERA directly

- Disability process explained
- Disability packet mailed
- Counseling Appointment

## Application Filed with CCCERA

- ▶ Applications must be filed with at least one medical report to support application.
- ▶ Applications filed without supporting medical evidence are returned to the member until this information is filed with CCCERA.
- ▶ Burden of proof of disability is on the applicant.

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## Eligibility to File for Disability Retirement

- ▶ Service Connected:
  - All Tiers: disability retirement may be filed at any time during your employment. (All Tiers) §31720 and 31720.1
- ▶ Non-Service:
  - Tier 1 and Safety: disability retirement after completing at least five (5) years of retirement service credit. §31720
  - Tier 3: disability retirement after completing at least ten (10) years of retirement service credit. §31720.1

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## **Service Connected vs. Non-Service Connected Disability Retirement Tier 1 and Safety:**

- ▶ Member must be “Permanently incapacitated for performance of duty”:

### Service connected:

The incapacity is a result of injury or disease arising out of or in the course of employment and the member is unable to continue performing usual and customary duties of current position.

### Non-Service connected:

The incapacity did not arise from his or her employment and the member is unable to continue performing usual and customary duties of current position.

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## **Tier 1 and Safety Disability Allowance:**

- ▶ Service Connected disability retirement:

50% of final one year average compensation, or the amount of the regular service retirement, whichever is greater.

- ▶ Non-Service Connected disability retirement:

Generally equal to 1/3 of your final one year average compensation, or regular service retirement, whichever is greater.

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## Service Connected vs. Non-Service Connected Disability Retirement Tier 3:

- ▶ Service Connected Disability: the incapacity is substantially caused by injury or disease arising out of or in the course of employment, and the member is unable to engage in any gainful employment.
- ▶ Non-Service Connected disability: the incapacity was not caused by injury or disease arising out of or in the course of employment, and the member is unable to engage in any gainful employment.

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## Service Connected vs. Non-Service Connected Disability Retirement Tier 3:

- ▶ “Permanent incapacity” is defined as:
  - The member is unable permanently to engage in any “substantial gainful employment”.
  - “Substantial Gainful Employment”, as adopted by the Board in 1991, is the ability to earn either the amount the applicant would receive in the initial disability benefit or \$300, whichever is more.
  - “Permanent Inability” to work is determined by examination of a combination of many specific factors, such as age, experience, training, education and appropriate jobs available.

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## **Tier 3 Disability Retirement Allowance:**

- ▶ For both Service Connected and Non-Service Connected disability:
  - 40% of final three year average salary plus 10% of final three year average salary for each of your minor children (up to three children), or
  - The amount of the regular service retirement, whichever is greater.

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## **37 Act Presumptions – Safety**

- ▶ Heart Presumption §31720.5
- ▶ Cancer Presumption §31720.6
- ▶ Blood-Born Infectious Disease §31720.7
- ▶ Biochemical Substance §31720.9
- ▶ Effect: members with the above conditions are relieved of the burden of proving their illness arose out of and in the course of employment, but permanent incapacity must still be proved. Presumptions are rebuttable

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## Application and Medical Evidence Filed

- ▶ Application filed by Department:
  - Member notified
  - If member joins in filing, applicant has burden of proof of disability and department is notified.
  - If member does not join in filing, department has burden of proof of disability and is notified that member did not join in the filing.
  
- ▶ Application filed by Member:
  - Confirmation letter sent to member
  - Department is notified

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## Additional Records Requested by Staff:

- ▶ Risk Management:
  - Medical records
  
- ▶ Employer:
  - Job Description
  - Essential Job Duties
  - Request information on accommodations
  - Other records as available
  
- ▶ Occupational Health:
  - As available

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## Board's Medical Advisor

- ▶ CCCERA staff submits the following to medical advisor for review and recommendation:
  - All medical records received
  - Disability Application
  - Job Description and Completed Essential Functions and accommodation response from department
  - Occupational Health records

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## Board Medical Advisor May Recommend Any of the Following:

- ▶ Recommendation to grant application as filed.
- ▶ There is insufficient medical evidence to make recommendation.
- ▶ Recommendation to grant non-service connected disability when applicant filed for service connected disability retirement.

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If the Medical Advisor Recommendation is to Grant:

- ▶ Applicant is notified.
- ▶ Department is notified.
- ▶ Employer Human Resources department is notified.
- ▶ The recommendation is placed on next available Retirement Board agenda.

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If Medical Advisor Opines there is insufficient medical evidence for determination:

- ▶ Applicant, department, and employer Human Resources department are notified.
- ▶ Applicant advised they can file additional medical evidence to support claim for disability retirement, and/or request a hearing within six (6) months.

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## Recommendation to Grant NSCDR When Application is for SCDR

- ▶ Letter sent to Member regarding recommendation
- ▶ Member may accept the recommendation for NSCDR
- ▶ Member may object to recommendation and submit additional medical evidence to support claim for service connected disability and staff will resubmit additional evidence to Medical Advisor.
- ▶ If the Medical Advisor issues the same recommendation, then the member may accept the recommendation and request a hearing within six (6) months to determine causation (*may also supply additional medical evidence in support of claim for a service connected disability retirement*).

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## When a Disability Hearing is Requested by Applicant:

- ▶ CCCERA staff sends complete file to County Counsel.
- ▶ Vocational assessment conducted for Tier 3 applicants.
- ▶ County Counsel begins discovery process.
- ▶ Independent Medical Evaluation is requested on behalf of the Retirement Board.

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## If Applicant Does not Request a Hearing or Submit additional evidence:

- ▶ File is closed.
- ▶ Confirming letter to applicant.
- ▶ Department and Employer HR are notified.

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## Questions???

# ???

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## APPLICATION OF "SUBSTANTIAL GAINFUL EMPLOYMENT" UNDER TIER III DISABILITY

For a member in Tier III to be found disabled, the member must be unable permanently to engage in any substantial gainful employment (Government Code Section 31720.1).

In making this determination, the following will apply:

- **"Substantial employment"** is work activity that involves physical or mental effort, regardless of the time spent.
- **"Gainful employment"** is work activity that is done for pay or profit, whether or not a profit is realized, including work as a self-employed individual.

In general, employment will be considered gainful if the monthly salary from that employment is equal to or exceeds the greater of either: (a) \$300 a month, or (b) the initial monthly disability retirement benefit which would otherwise be payable.

In general, self-employment will be considered gainful, without regard to income if the activity is comparable to that of unimpaired individuals who are in the same or similar business as their means of livelihood.

- Inability will be determined using the following factors:
  - a) Previous work experience.
  - b) Education or training whether formally obtained through schooling or informally obtained through work experience.
  - c) Transferability of knowledge, skills and abilities to other work.
  - d) The extent to which chronological age affects the ability to adapt to a new work setting.
  - e) The existence of jobs in one or more occupations, having requirements which the member is able to meet and which lie within a 100 mile radius of the member's residence, regardless of whether a specific job vacancy exists, or whether the member would be hired if he or she applied, or whether the member wishes to do a particular job.

Adopted 4/16/91

# Memorandum

**Date:** April 16, 2013  
**To:** CCCERA Board of Retirement  
**From:** Timothy Price, Retirement CIO  
**Subject:** Investment Projects Update



## **Overview**

CCCERA is currently engaged in a number of investment projects. In addition to our ongoing monitoring of the funds, we are in the midst of a build-out of private real assets, an expansion of the private equity programs, a review of real estate opportunities, a review of the fixed income program and a study of futures overlay strategies. This memo outlines the current status of these various projects and when the Board can expect to see these topics on upcoming agendas. Given that some of these projects are in their early stages, we may revise the discussion dates as the projects advance towards completion.

## **Private Real Assets**

Board Presentation: April 24, 2013

The Board selected the Wellington Real Total Return and PIMCO All Asset Funds as the first real asset managers in November 2012. Both of these managers are expected to maintain liquid, publicly-traded portfolios that will serve as the real asset/inflation hedging portion of the CCCERA portfolio. The Board authorized Milliman to search for private real asset investments that would complement the publicly traded portfolios. Milliman launched this search in December 2012. Milliman has evaluated energy, agriculture, timber, water and various other strategies. If we hold a special Board meeting in May, we may be able to commit to the new strategies by July.

## **Private Equity**

Expected Board Presentation: July/August 2013

In December 2012, the Board approved a roadmap to prudently increase our private equity allocation over the course of the next three years (please find a copy of that earlier memo attached for your reference). The primary projects launched as a result of that memo were increased allocations to the Adams Street and Pathway Fund of Funds anchor programs as well as the search to identify a third fund of funds program that will focus on somewhat smaller to middle market funds. The Board approved a \$70 million commitment to Pathway Capital's PPEF I-7 multi-investor fund in March. Milliman will launch the search for the new fund of funds anchor manager in May 2013. We expect Milliman to present their semi-finalist report to the Board in July or August of 2013.

As outlined in the December memo, after identifying the new fund of funds manager, we will begin the research process on any other follow funds coming to market in the next several months.

### **Real Estate Review**

Expected Board Presentation: May 8, 2013

The CCCERA Investment Staff has been engaged in a review of potential real estate investments for the better part of the past year. The commercial real estate market has been in a state of flux both locally and nationally as the recovery takes hold in an uneven pattern. Staff will provide our recommendation on the best sources of risk-adjusted returns at this point in time along with how best to implement any new commitments to closed-end funds. We anticipate completing our review shortly and providing our recommendations at the May 8, 2013 meeting. Based upon Board direction, staff will return to the Board with specific recommendations at a future Board meeting.

### **Fixed Income Structure Review**

Expected Board Presentation: Third Quarter 2013

CCCERA last engaged in a major restructuring of the fixed income program in 2009. Much of this restructuring occurred due to a change in the core plus manager, but the post financial crisis marketplace and resulting opportunities played a role as well. Over the course of the next several months, staff will conduct in-depth reviews of each current fixed income manager to determine if we can be better utilizing their strengths to respond to future market shocks and opportunities. Some of the topics we will be exploring will include, but not be limited to, the use of shorter and negative duration strategies, long/short strategies and capital structure arbitrage strategies. We anticipate that any recommendations resulting from this study would take the form of recommended changes to the individual managers' investment guidelines and/or target allocations, but not necessarily changes to the manager lineup.

### **Projected Cash Flow Study**

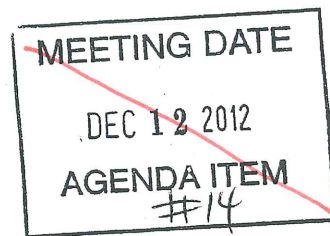
Expected Board Presentation: Late 2013

CCCERA currently experiences significant (\$1-10 mm) cash flows in or out most weeks of the year. These cash flows include capital calls and distributions from our private partnerships, benefit payments, payroll and annual pre-payments from employers. We invest or raise cash on the most prudent and cost effective terms possible, but we have noted that the volume of these transactions has increased in recent years to the point where the transaction costs are becoming more noticeable. Staff will explore several strategies of how to mitigate the transaction costs associated with these regular payments.

### **Conclusion**

This memo is intended to provide the Board with some preliminary guidance about the various projects that will be discussed over the course of remainder of the year. Other issues will undoubtedly arise over this period, but the projects discussed in this memo are our highest current priorities.

# Memorandum



**Date:** December 5, 2012  
**To:** CCCERA Board of Retirement  
**From:** Timothy Price, Retirement CIO; Chih-chi Chu, Investment Analyst  
**Subject:** Alternative Investment Funding

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## *Overview*

In June, 2011 the Board adopted the most recent asset allocation study (Mix 8) conducted by Milliman. Among other changes resulting from the study, the allocation to Alternative Investments was increased from 7% to 10%. Due to the private partnership structures of most alternative investments, assets are committed and then drawn down over the investment period, typically several years. During the course of the investment period, some early investments may be maturing, resulting in a return of capital. The net result is that in order to achieve the 10% allocation, CCCERA must over-commit by 50-100% of the intended capital amount.

CCCERA's Alternative Investment program is anchored by two private equity fund of funds (Adams Street and Pathway). CCCERA has typically committed to each firm's offerings every two years. Complementing the fund of funds anchors have been a series of niche-oriented strategies, including EIF (energy), Paladin (homeland security), Carpenter (community banking), Bay Area Equity Funds (Bay Area venture capital) and Nogales (California-centric buyout). These have been direct investments into focused strategies and have been approved by the Board on a one-off basis.

## *Recommendation*

This memo outlines a number of steps to bring CCCERA's Alternative Investments up to the long-term target of 10% over the next several years. We believe the following structure would best serve to diversify and expand the alternative investment program.

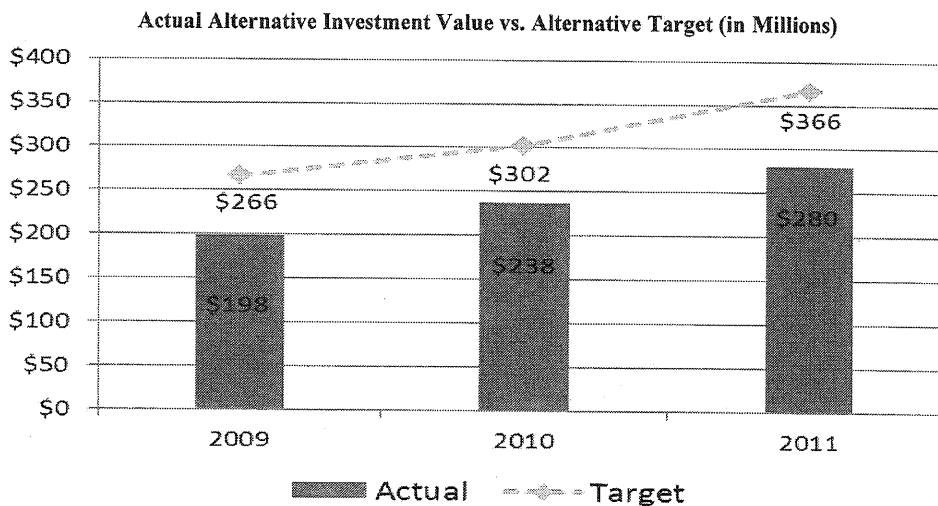
- Step 1            Maintain the strategic partnerships with both Adams Street and Pathway, and increase the commitment size moderately, subject to ongoing due diligence.
  
- Step 2            Add a third fund-of-funds to the "anchor" portion of the program to provide further diversification. We recommend that this allocation focus on small to middle market opportunities, complementing the more blue chip nature of the Adams Street and Pathway funds. Instruct Milliman to issue an RFP for this strategy in early 2013. Maintain exposure to this offering by re-subscribing every 2-3 years.

- Step 3 Monitor new fund offerings from the other existing managers in the Alternative Investment allocation. Consider committing to follow-on funds on a case-by-case basis. In 2013, Paladin will be raising a cybersecurity-focused fund and Carpenter will be raising a follow-on community banking fund.
- Step 4 Provide Board education on dedicated non-US strategies. This education would encompass growth opportunities in emerging and developed markets as well as turnaround opportunities which today are primarily in Europe.
- Step 5 Provide Board education on niche-oriented venture capital and fixed income alternatives including long/short credit funds, bank loan funds and direct lending funds.

***Recent History of CCCERA Actual Alternative Investments (vs. Target Allocation)***

For Alternative Investments, which are mostly private partnership in nature, there is a significant lag period from when a commitment is made to private equity funds until actual dollars are invested. The majority of CCCERA's alternative investments are fund-of-funds. In this area of alternatives, when a dollar is committed by CCCERA, it can take up to six to seven years before the final committed dollar is invested. Meanwhile, partnership commitments made in the first few years begin distributing capital.

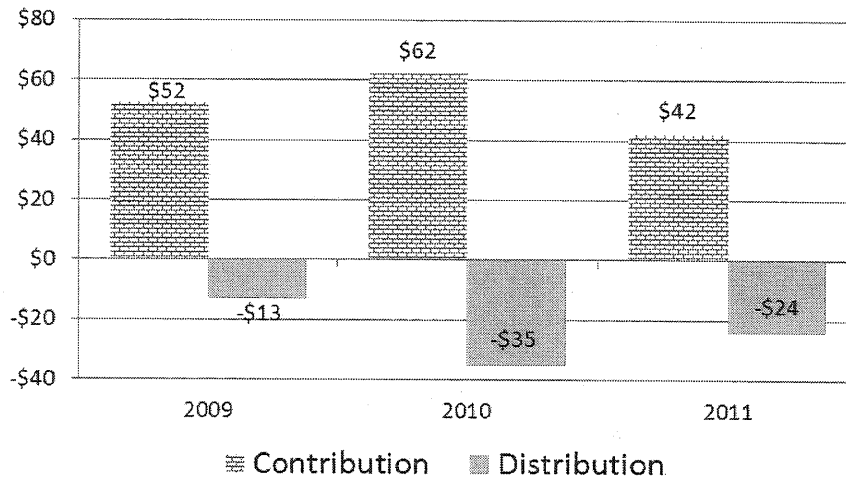
The chart below compares CCCERA's actual (dollar) value of alternative investments to the target value of 7% mandated by the previous asset allocation (2008-2011).



CCCERA's actual allocation (running on a 100% over-commitment schedule) to Alternative Investments over this period was about 5% of total assets, compared to the 7% target.

The following chart shows the contribution and distribution histories of CCCERA's alternative investments during the past three years. (In the context of determining asset values, a contribution generally increases asset valuation whereas a distribution decreases the asset valuation.)

### Recent Contribution/Distribution Summary of Alternative Investments



CCCERA's actual allocation to the alternative investment program has been due both to the growth of Total Fund Assets and the contribution/distribution characteristics of the Alternative Investments private partnerships. The next section will review the most current spending target of CCCERA's Alternative Investments program.

#### *CCCERA Available Commitments to Alternative Investments*

Based on the October 31, 2012 market value of \$5.6 billion and CCCERA's 10% target allocation to Alternative Investments, CCCERA has a target allocation of \$563 million to alternative investments. CCCERA's alternative investments had a market value of approximately \$362 million as of October 31, 2012. Outstanding commitments to alternative investments that have not yet been drawn total \$242 million. The market value plus outstanding commitments total \$604 million, \$41 million greater than the dollar target of \$563 million.

However, taking into account the lag time of deploying private equity investments and distribution characteristics of our mature private equity program, CCCERA needs to over-commit relative to the desired target of \$563 million to alternative investments. Historically CCCERA has been over-committing 100% of its target allocation. Based upon this over-commitment amount threshold, the total amount available for CCCERA to commit to alternative investments is \$522 million. These figures are illustrated in the table on page 6 of this memo.

### *Options to Increase Alternative Investments Allocation*

We recommend the following steps for reaching the alternative investment target allocation.

- 1) Increase the commitment amount to the existing fund of funds managers.

This is the simplest component of increasing our exposure, but it does not increase the diversification of the overall alternative investment program. Also, Adams Street and/or Pathway might place limits on future CCCERA commitments based upon their internal capacity. We recommend that meaningfully larger allocations to Adams Street and Pathway going forward, but these larger allocations should not be the primary means of growing the alternative investment program invested assets.

- 2) Add a third anchor to the fund of funds program, with an emphasis on small to middle market funds.

This area has traditionally generated very strong returns (IRR ranging from mid to high teens) yet has been overlooked by many institutional investors who focus mostly on the larger buyout space (IRR ranging from high single digit to low teens) where they can deploy large amounts of capital. The higher return in this space can be attributed to lower entry multiple due to less competition, broader exit opportunities (buyers from larger buyout firms), more operation and marketing levers to pull by professional managers due to less sophisticated business owners, etc. The risk/volatility in this space can also be somewhat lower due to less leverage applied in the investments and more control from the investors. A typical portfolio company in this space would have \$10~\$100 million in revenues. These small private companies represent 95% of the investment universe yet the capital raised to invest in these companies represents only 4% of the universe in the last four years.

- 3) Consider the Emerging Markets/Global Non-U.S. private equity strategy.

This strategy would provide increased exposure for CCCERA to private equity firms that invest in the growing areas such as emerging markets or distress areas such as developed Europe. We are aware of US-based firms that have fund of funds based upon the US private equity model to access these markets.

- 4) Consider additional program enhancements.

Look at the potential of adding niche-oriented venture capital and/or private debt funds. Specifically, look at venture capital firms with strong track records that may not be investible through Pathway or Adams Street due to strategy, size or other factors. The Bay Area is home to many boutique venture capital firms.

Additionally, when the opportunities arise the Board may also want to consider looking into floating rate debt strategies such as bank loans, long-short fixed income strategies (potential loss on shorting fixed income is limited, unlike shorting the equities) or direct lending opportunities.

**Conclusion**

Currently, to maintain exposure to Alternative Investments, CCCERA relies mostly on re-subscribing (re-upping) with the existing alternative managers as new funds are launched. As noted in our recommendation, we would like to continue doing just that with Adams Street and Pathway, but also expand into a third fund of funds option that would focus on smaller and mid-sized opportunities. Additionally, we will provide education to the Board on dedicated non-US strategies, venture capital and/or alternative debt-oriented strategies.

The table below lays out our proposed investment calendar for the next three years. We will use this as a roadmap to identify new investment strategies and work towards deploying more capital within the alternative investment category to reach the long-term target allocation of 10%.

**Proposed Three Year Alternative Investment Roadmap**

	<b>2013</b>	<b>2014</b>	<b>2015</b>
Adams Street		Increase Allocation	
Pathway	Increase Allocation		Increase Allocation
Energy Investors		Consider	
Nogales			
Bay Area Equity			Consider
Paladin	Consider		
Carpenter	Consider		
<i>New Small/Mid FoF</i>	<i>RFP</i>		<i>Re-commit</i>
<i>New Non-US Strategies</i>	<i>Board Education</i>		
<i>New Venture Capital/ Alternative Debt Strategies, etc.</i>	<i>Board Education</i>	<i>Board Education</i>	
<b>Projected Annual Commitments</b>	<b>~\$200 mm</b>	<b>~\$200 mm</b>	<b>~\$120 mm</b>



**CCCCERA Alternative Investment Positions as of 9/30/12**

<b>Fund</b>	<b>Commitment</b>	<b>Called Capital</b>	<b>Distribution</b>	<b>Net Asset Value</b>	<b>Uncalled Capital</b>
Adams Street Partners	180,000,000	120,643,000	86,259,000	87,049,000	48,088,000
Adams Street Secondary II	30,000,000	14,142,000	0	26,319,000	15,112,000
Adams Street Secondary V	40,000,000	2,600,000	0	2,600,000	37,400,000
Pathway	125,000,000	101,341,000	62,107,000	74,841,000	21,395,000
Pathway 2008	30,000,000	8,485,000	198,000	9,870,000	20,647,000
Pathway 6	40,000,000	1,062,000	0	2,120,000	38,055,000
EIF USPF I	30,000,000	39,035,000	63,094,000	1,848,000	0
EIF USPF II	50,000,000	59,092,000	28,862,000	40,564,000	0
EIF USPF III	65,000,000	64,337,000	17,122,000	46,636,000	663,000
EIF USPF IV	50,000,000	10,506,000	573,000	8,929,000	39,494,000
Nogales Investment	15,000,000	18,026,000	7,896,000	3,223,000	1,651,000
Bay Area Equity Fund	10,000,000	10,000,000	11,187,000	9,215,000	0
BAEF II	10,000,000	4,916,000	0	4,773,000	4,732,000
Paladin III	25,000,000	17,058,000	6,016,000	12,391,000	8,343,000
Carpenter	30,000,000	24,054,000	278,000	31,095,000	7,157,000
<b>Total</b>	<b>730,000,000</b>	<b>495,297,000</b>	<b>283,592,000</b>	<b>361,473,000</b>	<b>242,737,000</b>

**Estimated Available to Commit**

Target to Alternatives	\$563 mm (10% total of Total Fund target)
Less Current Value	\$362 mm
Less Uncalled Commitments Available to Commit	\$243 mm
Plus 100% Over-Commitment	-\$41 mm
Estimated Available to Commit	\$563 mm
	\$522 mm

# MEMO



**Date:** April 24, 2013  
**To:** CCCERA Board of Retirement  
**From:** Marilyn Leedom, Chief Executive Officer  
**Subject:** CCCERA Mission Statement  
**Recommendation:** Adopt a Mission Statement for publication use and to facilitate awareness of CCCERA's function

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Mission Statements represent a clear and succinct representation of the purpose and the nature of an agency. In addition, these statements serve as reminders to all stakeholders of the focus and intention of an organization. These documents have a variety of other business uses, such as introductions in employee handbooks, on web sites, and as summary statements for business reports.

At present, CCCERA does not have a formal statement. We visited this subject a few years ago, but Board discussion did not result in a solid preference for a particular Mission Statement. Most of our sister '37 Act Retirement Systems use very brief Mission Statements in their publications, followed by a series of goals. A listing of these mission statements available on system websites is attached.

Recently one of our Board members and staff attended the Advanced Trustee Training through CALAPRS at UCLA. The importance of a short (no more than two sentences) Mission Statement for systems and organizations such as ours was highlighted and reiterated. CCCERA staff has drafted four different versions of a Mission Statement for the Board's consideration:

1. CCCERA's mission is to provide the promised benefits to members while managing assets prudently and administering benefits in accordance with plan provisions.
2. CCCERA's mission is to provide, protect and oversee the promised benefits through prudent management of system assets exclusively for the benefit of members and their beneficiaries, and to administer the system in accordance with our plan provisions.
3. CCCERA strives to deliver prompt, professional and courteous service in administering service retirement, disability retirement, death and survivor benefits for active and retired members and their beneficiaries in accordance with our plan provisions, and to ensure plan assets are managed with care, skill, prudence and diligence.
4. CCCERA's mission is to provide secure retirement benefits by the commitment to act for the exclusive benefit of the plan and its participants, manage the assets prudently and administer benefits with impartiality.

I respectfully recommend the Board of Trustees adopt a Mission Statement that represents the intention and goals of the retirement association.

<b>System</b>	<b>Mission</b>
ACERA	To provide ACERA members and employers with flexible, cost-effective, participant-oriented benefits through prudent investment management and superior member services.
Fresno	to administer the retirement benefits provided for by law to the members and beneficiaries of the Fresno County Employees' Retirement Association in a prudent, accurate, cost-effective, and timely manner; and ... to administer the investment funds of the Association in a cost-effective manner that achieves FCERA's investment and funding objectives within prudent levels of risk.
Kern	To prudently administer the retirement benefits and to provide quality membership services for eligible public employees, retirees, and their beneficiaries.
LACERA	We produce, provide and protect the promised benefits
Mendocino	To provide members and their beneficiaries with sustainable benefits and exceptional service through professional plan administration and prudent investment practices.
Merced	MCERA is committed to providing quality services and managing MCERA's assets in a prudent manner.
Orange	The role of the Orange County Employees Retirement System is to provide secure retirement and disability benefits, quality information concerning those benefits, and prompt, professional and courteous service that meets the highest standards of excellence. In carrying out that role, the Board of Retirement and staff are committed to act for the exclusive benefit of the plan and its participants, manage assets of the plan prudently, and administer benefits with impartiality.
Sacramento	We are dedicated to providing the highest level of retirement services and managing system resources in an effective and prudent manner.
San Bernardino	It is the purpose of the San Bernardino County Employees' Retirement Association to provide the members and their beneficiaries with those retirement and related benefits and services which they have earned and which are commensurate with their years of service and compensation.
San Diego	to prudently manage the fund, efficiently administer benefits, and provide superior service to SDCERA members.
San Joaquin	The SJCERA exists for the exclusive purpose of providing accurate, timely benefits and services to its members and their beneficiaries. The Association is also responsible for maximizing investment returns on member and County contributions, and defraying reasonable expenses of administration.
San Mateo	SamCERA exists to serve as loyal fiduciary for its members and as prudent administrator of the retirement system.

Santa Barbara	SBCERS is committed to fulfilling its fiduciary responsibility by providing the highest quality of service to all members and plansponsors, and protecting promised benefits through prudent investing while ensuring reasonable expenses of administration.
Sonoma	The purpose of the Sonoma County Employees' Retirement Association is to provide and protect retirement benefits for its members and beneficiaries.
Stanislaus	StanCERA secures and manages investment funds to provide benefits to its members.
Tulare	TCERA exists for the sole purpose of providing benefits to our members with the goals of maximizing member service, enhancing member communication to increase awareness of available benefits, and minimizing employer contributions.
Ventura	The Ventura County Employees' Retirement Association (VCERA) is committed to providing retirement, death and disability benefits to our members and their beneficiaries in an accurate and timely manner. VCERA shall strive to project a positive image by the delivery of services to our members, their beneficiaries and all other stakeholders, in a courteous and professional manner.