



MINUTES

RETIREMENT BOARD MEETING MINUTES

SECOND MONTHLY MEETING
May 24, 2017
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, David MacDonald, John Phillips, William Pigeon, Todd Smithey, Jerry Telles and Russell Watts

Absent: Louie Kroll and Gabe Rodrigues

Staff: Gail Strohl, Chief Executive Officer; Christina Dunn, Deputy Chief Executive Officer; Timothy Price, Chief Investment Officer; Karen Levy, General Counsel; Wally Dutkiewicz, Compliance Officer; and Henry Gudino, Accounting Manager

Outside Professional Support:
Ed Hoffman
Joe Wiley

Representing:
Verus
Wiley Price & Radulovich LLP

1. Pledge of Allegiance

Andersen led all in the *Pledge of Allegiance*.

2. Accept comments from the public

No member of the public offered comment.

3. Approve minutes from the April 12, 2017 meeting

It was **M/S/C** to approve the minutes of the April 12, 2017 meeting. (Yes: Allen, Andersen, Gordon, MacDonald, Phillips, Smithey, Telles and Watts)

Pigeon was present for subsequent discussion and voting.

CLOSED SESSION

The Board moved into closed session pursuant to Govt. Code Section 54957, 54957.6 and 54956.9(d)(1).

The Board moved into open session.

4. There was no reportable action related to Govt. Code Section 54957.
5. There was no reportable action related to Govt. Code Section 54957.6.
6. There was no reportable action related to Govt. Code Section 54957.6.

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

Andersen was no longer present for subsequent discussion and voting.

8. Consider and take possible action to adopt updated Asset Allocation targets

Hoffman reported this item is coming back for formal approval noting the following changes are being recommended: 1) Increase the Liquidity program from 24% to 27%; 2) Decrease Private Credit's target from 16% to 12%; 3) Increase International Developed Equity from 10% to 12%; and 4) Eliminate the Plan's strategic cash target through the use of the Plan's overlay provider. Price noted they will be issuing an RFI to test the market for risk diversifying strategies.

It was M/S/C to accept the Alternative Mix as the Asset Allocation targets as presented. (Yes: Allen, Gordon, Holcombe, MacDonald, Phillips, Pigeon, Smithey, Telles and Watts).

It was M/S/C to approve and authorize the Alternative Mix as the Asset Allocation targets as presented. (Yes: Allen, Gordon, Holcombe, MacDonald, Phillips, Pigeon, Smithey, Telles and Watts)

9. Consider and take possible action to authorize search for Risk Parity mandate

Price reported this is the next step to implement the asset allocation and asked for formal authorization to launch a search for risk parity managers.

It was M/S/C to authorize staff and Verus to initiate a search for one or more risk parity managers. (Yes: Allen, Gordon, Holcombe, MacDonald, Phillips, Pigeon, Smithey, Telles and Watts)

10. Review of total portfolio performance for period ending March 31, 2017

Hoffman reviewed the first quarter summary highlighting the changes that have taken place since March 31, 2017. He also reviewed what drove the market noting that consumer spending continues to improve.

Pigeon was no longer present for subsequent discussion and voting.

He reviewed CCCERA's investment performance for the period ending March 31, 2017 noting the ending market value of the total fund portfolio is \$7,712,495,433. He reviewed the total fund ROI asset allocation vs. the long term target policy. He reported the total fund gross of fees was 3.6% compared to the policy index of 3.9% and the total fund net of fees was 3.5%. He reviewed the total fund risk analysis for 5 years stating the annualized return was 8.80% with a standard deviation of 4.87%. He also reviewed the managers that either under-performed and out-performed.

Hoffman reported that Wellington received another notification from the SEC that they are going to be looking at their valuation of private market instruments noting CCCERA does not have any exposure to that so he doesn't believe it will have an impact to the Real Total Return strategy. Also, First Eagle had previously received a subpoena from the Department of Labor and were recently notified the investigation was concluded and no action was being taken.

11. Review of Report on Liquidity Sub-portfolio

Price gave an update on the Liquidity Sub-portfolio report noting the model is fitting a lot closer with the March retirements included and staff will continue to monitor the coverage ratio over the next few months.

12. Presentation of the CCCERA 2017 Compliance Activity Plan

Dutkiewicz summarized the compliance activity planned for 2017 noting the main focus is on internal controls including how data is being reported and the components of the data. He stated the big project this year is the Pension Administration Review which includes the Pension Administration Systems Audit RFP and the Subledger Decommissioning Plan. Other reviews include an Accounting Department process review, a Member Services procedures update, an Investment Department procedures and supervisory structure review, GASB 72 implementation, and AB 2833 Public Investment Fund Disclosures. He also gave an update on the employer audits in process.

Strohl acknowledged and thanked Dutkiewicz and Dohrn for their work on compliance and audits.

Gordon was no longer present for subsequent discussion and voting.

13. Conference Seminar Attendance

- a. It was M/S/C to authorize the attendance of 1 staff member at the DLJ Annual Meeting, June 21, 2017, New York, NY. (Yes: Allen, Holcombe, MacDonald, Phillips, Smithey, Telles and Watts)
- b. It was M/S/C to authorize the attendance of 1 Board member and 2 staff members at the Modern Investment Theory & Practice for Retirement Systems, SACRS, July 24-26, 2017, Berkeley, CA. (Yes: Allen, Holcombe, MacDonald, Phillips, Smithey, Telles and Watts)

14. Miscellaneous

(a) Staff Report –

Strohl reported there will be an evaluation form available online for those that attended SACRS; the CCCERA picnic is on June 4th; there will be an Audit Committee meeting after the June 14th Board meeting; and she will be requesting approval to issue an RFP for custodial services in a few months.

Levy reported she attended SACRS and felt it was very educational. She highly recommends their ethics training for trustees and noted they also offer sexual harassment prevention training; the SACRS Legislative Committee is not sponsoring any bills this year; and, she will be providing a legislative update at the next meeting.

Price reported we have received the 2016 Transaction Cost Analysis report from Zeno Consulting and are following up on some issues that were highlighted. He stated overall it was a great report.

(b) Outside Professionals' Report -

None

(c) Trustees' comments –

Watts reported he attended SACRS and the new leadership was voted in at their business meeting.

Phillips reported he also attended SACRS and highlighted some “best practices” from several sessions he attended.

Telles reported San Bernardino County won the SACRS Bocce Tournament.

MacDonald reported he attended NCPERS felt it was an interesting conference. He also attended the TEDS training.

It was M/S/C to adjourn the meeting. (Yes: Allen, Holcombe, MacDonald, Phillips, Smithey, Telles and Watts)



John Phillips, Chairman



Scott Gordon, Secretary