



MINUTES

RETIREMENT BOARD MEETING MINUTES

SECOND MONTHLY MEETING

August 24, 2016

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, Louie Kroll, David MacDonald, John Phillips, Gabe Rodrigues, Todd Smithey, Jerry Telles and Russell Watts

Absent: None

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

Outside Professional Support:
Ed Hoffman
Maytak Chin

Representing:
Verus Consulting Group
Reed Smith LLP

1. **Pledge of Allegiance**

Phillips led all in the *Pledge of Allegiance*.

2. **Accept comments from the public**

Michael Pineschi, Unite Here, distributed two reports on Ares Energy Funds III, IV and V, stating they have all underperformed below their peers and the benchmark. He noted CCCERA is the only public pension fund that has made a commitment to Fund V in 2015. Unite Here urged CCCERA to re-evaluate their decision to invest in Ares Energy Funds.

3. **Approval of Minutes**

It was M/S/C to approve the minutes of the June 8, 2016 meeting with a correction taking William Pigeon off the present list. (Yes: Allen, Andersen, Gordon, MacDonald, Phillips, Rodrigues, Smithey, Telles and Watts)

It was M/S/C to approve the minutes of the June 22, 2016 meeting as presented. (Yes: Allen, Andersen, Gordon, MacDonald, Phillips, Rodrigues, Smithey, Telles and Watts)

CLOSED SESSION

The Board did not move into Closed Session.

4. This item was not discussed.

5. **Consider and take possible action to implement forfeiture of Jon Wilmot's pension in accordance with felony forfeiture provision Government Code Section 7522.72**

a. Presentation by CCCERA; Board questions

Karen Levy, General Counsel for CCCERA and Tim Hoppe, Retirement Services Manager presented on behalf of CCCERA.

Levy summarized the CCCERA memorandum including the background on the PEPRA felony forfeiture provision found in Government Code Sections 7522.72; Wilmot's job-related felony conviction for embezzlement from his employer, the Contra Costa County Fire Protection District; Penal Code Sections 503 and 508 defining embezzlement; Wilmot's membership with CCCERA and his retirement; and explained that Wilmot's job-related felony conviction met all of the necessary conditions set forth in PEPRA. Levy explained how the PEPRA forfeiture provisions would be implemented if the Board takes action to implement them, including a return of certain member retirement contributions to the member.

Hoppe reviewed the forfeiture calculations set forth in Exhibit L to CCCERA's memorandum. Hoppe noted that the member's service credit would be reduced by 13 years; contributions in the amount of \$249,937.64 made by the member since the first commission of the felony would be refunded; and the monthly retirement allowance of \$9,667.64 would be reduced to \$3,155.23 as of September 1, 2016. He also stated the member's monthly retirement allowance would be further reduced by \$603.33 per month for three years to repay the net total overpayment \$19,539.79.

b. Opportunity for member Jon Wilmot to present to the Board his position and any information or records relevant to the issue; Board questions

Timothy Talbot of the Rains Lucia Stern firm, representing Jon Wilmot, responded to issues brought up by CCCERA. He stated that the documentation presented around Wilmot's felony conviction is irrelevant and the application of the statute is open for interpretation. The reference to the felony forfeiture of former PERS executive director Buenrostro is completely irrelevant. The felony forfeiture provision found in Section 7522.72 simply does not apply to Wilmot. The statute is not ambiguous, but he believes the PEPRA definition of a member does not include retirees. He addressed the legislature's 2014 amendment changing the term "public employee" to "member" in order to clarify to whom the felony forfeiture statute applies. He also questioned the intent of the law and applying the law retroactively to a retiree. If you can't find clear intent to apply it to somebody who is already retired, you can't.

c. Public Comment

Gill Caravantes, Contra Costa County Fire Protection District employee and good friend of Jon Wilmot, stated he read CCCERA's charges and felt they didn't include that the felony Wilmot was convicted of would be converted to a misdemeanor. He asked the Board to consider Wilmot's position and rule in his favor.

d. Board deliberations and action

After a discussion, it was M/S/C to implement the felony forfeiture provision as to CCCERA member Jon Wilmot's retirement benefits, in accordance with Government Code Section 7522.72, starting with the September 1, 2016 retiree payroll. (Yes: Allen, Andersen, Gordon, MacDonald, Phillips, Rodrigues, Smithey, Telles and Watts)

6. Review of total portfolio performance for the period ending June 30, 2016

Hoffman reviewed what drove the market in the second quarter including the labor market, oil prices, U.S. Treasury yields and the Brexit price impact. He reviewed U.S. earnings noting that for five consecutive quarters earnings have come in on a year over year growth rate that is negative which is mostly attributed to the energy sector.

He reviewed CCCERA's investment performance for the period ending June 30, 2016 noting the ending market value of the total fund portfolio is \$7,139,804,873. He reviewed the total fund asset allocation history noting the current targets are in compliance with CCCERA's investment policy. He reported the total fund gross of fees QTD is 1.7% and YTD is 3.0% and the total fund net of fees QTD 1.6% and YTD is 2.8%. He reviewed the total fund risk analysis for 5 years gross of fees stating the annualized return is 8.07% with a standard deviation of 7.62%.

7. Consider and take possible action to add or remove investment managers from the watch list

Price reported staff is recommending no changes to the watch list at this time.

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

- a. It was M/S/C to authorize the attendance of 3 Board members at the Annual Employee Benefits Conference, IFEBP, November 12-16, 2016, Orlando, FL. (Yes: Allen, Andersen, Gordon, MacDonald, Phillips, Rodrigues, Smithey, Telles and Watts)

9. Miscellaneous

(a) Staff Report –

Strohl Reported the IT team met with each department to see how technology could improve processes; there will be a Subledger decommissioning project update at the next meeting; the Procurement Policy and the Conflict of Interest Policy will return to the Board in September with recommended revisions; a draft strategic plan will be brought to the Board. She reported on new hires: a Compliance Business Analyst, an Office Specialist, a Member Services Supervisor, and a Member Services Technician.

Levy reported the appellate court in the Marin AB197 case issued a published opinion and although it is published, it is still not final and can be appealed. The case has to do with the Marin Board's decision to implement AB197 and prospectively exclude from compensation earnable for legacy members certain pay items including on call pay, standby pay, call back pay, and other pay items. The appellate court upheld the exclusion of these pay items from "compensation earnable". She noted that the appellate court concluded that this is not a violation of the members' vested rights.

Price reported that at the September 14 meeting he will have the recommendation for the liquidity manager structure and the investment policy statement will be on the agenda at the end of September.

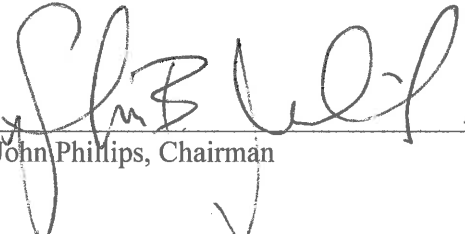
(b) Outside Professionals' Report -

Hoffman reported that he will be sending a memo soon on the use of Vertas as an investment transition manager going forward in light of the August 8 SEC charges filed against the prior firm, GTS, as well as three individuals. He noted that currently there are no transitions in process.

(c) Trustees' comments –

Rodrigues reported he attended the NCPERS Public Funds Forum and there was a session on funding using the FFP model and complimented Price.

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



John Phillips, Chairman



Scott Gordon, Secretary