



MINUTES

RETIREMENT BOARD MEETING

SECOND MONTHLY MEETING
9:00 a.m.

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

October 22, 2014

Present: Debora Allen, Scott Gordon, Brian Hast, Jerry Holcombe, Louie Kroll, Karen Mitchoff, 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; Christina Dunn, Retirement Administration Manager; Wrally Dutkiewicz, Retirement Compliance Officer and Chih-chi Chu, Retirement Investment Analyst

Outside Professional Support:	Representing:
Bob Helliesen	Milliman
Marty Dirks	Milliman
Dorian Young	Milliman

1. Pledge of Allegiance

Hast led all in the *Pledge of Allegiance*.

2. Accept comments from the public

No members of the public offered comment.

Gordon was present for subsequent discussion and voting.

3. Presentation from staff and INVESCO regarding potential commitment to the INVESCO U.S. Real Estate Fund IV – Max Swango, Jay Hurley, Kevin Conroy

Price reviewed the background on investing in real estate noting we are looking at a \$35 million allocation to Fund IV. He discussed the fees and noted in the future there will be an example on how the fees will be paid.

Chu reported INVESCO is one of CCCERA's three value add managers. He gave an overview of CCCERA's relationship with INVESCO. He also reviewed Fund IV noting it has closed one notable transaction in San Francisco to date.

Pigeon was present for subsequent discussion and voting.

Chu reviewed the past performance of Funds I, II and III.

Allen was present for subsequent discussion and voting.

Swango gave an overview of the firm and the real estate team. He reviewed CCCERA's investments in Fund I, II and III and gave a summary of Fund IV.

Conroy summarized Funds I, II and III.

Hurley reviewed their value added performance track record. He also reviewed their relative performance noting capital has been returned to investors at a faster pace than their peers. He also reviewed their investment philosophy and portfolio construction including their portfolio construction targets for Value Fund IV.

Swango reviewed the current market fundamentals – supply, demand and revenue growth. He also reviewed the terms of Fund IV and the current investments in the Fund.

4. Consider and take possible action regarding potential commitment to the INVESCO U.S. Real Estate Fund IV

It was M/S/C to invest \$35 million in the INVESCO U.S. Real Estate Fund IV subject to due diligence, legal review and authorize the CEO to sign all necessary contracts. (Yes: Allen, Gordon, Hast, Mitchoff, Phillips, Rodrigues, Smithey, Telles and Watts)

5. Update for Board on status of Investment Consultant Search

Price distributed a memo from Cortex on the respondents noting 3 of the firms have been removed from consideration based on different factors. Cortex and staff are preparing their evaluation on the remaining 10 firms. He reported a summary report will be available on November 17th and is on schedule at this point. The final presentations will be in the first quarter of 2015. He noted the firms listed on the memo are in a quiet period and should not have communication with Board members regarding the RFP.

6. Consider appointment of an ad hoc committee to review the request for proposal responses for labor and employment legal counsel

Levy reported this committee is a limited purpose and limited duration committee. The purpose of the ad hoc committee is to review the responses to the request for proposal and make a recommendation to the full Board regarding the selection of one or more labor and employment law firms. Gordon, Holcombe, Telles and Watts volunteered for the ad hoc committee.

Holcombe was no longer present for subsequent discussion and voting.

7. Consider and take possible action to establish an audit committee of the Board

The Board discussed the purpose of having a standing audit committee. They questioned how many '37 Act Boards have a standing audit committee. Levy noted there are quite a few in the larger systems. Strohl noted the Government Finance Officers Association (GFOA) recommends public pension boards have a standing audit committee and they have specific documentation that the committee would be privy to.

There was a discussion on the pros and cons of an ad hoc committee versus a standing committee. Levy noted standing committees are subject to the Brown Act requirements of open and public meetings with notice to the public. It was recommended that the Board adopt a written policy or charter regarding the establishment of the standing audit committee that would set forth the subject

matters within the purview of the committee. A standing committee could not take final action but would provide recommendations to the full Board. The Board requested information on how many '37 Acts have a standing audit committee and if those boards feel they are beneficial.

It was **M/S** to establish a standing audit committee with their initial charge being 1) reviewing recommendations of CCCERA staff and outside auditor regarding the audited financial statements, CCCERA internal controls and audit and compliance plans; and 2) review and address audit and compliance review findings; and direct a committee to be formed and return with further recommendations regarding the scope of the audit committees functions and a sampling of what other systems do with respect to their audit committee and strongly encourage committee membership with both employee organizations and appointed trustees.

Levy noted the Board may have to amend its regulations and submit them to the Board of Supervisors for approval and then a committee charter would need to be adopted.

An amended motion was **M/S/C** to direct staff/CEO/general counsel to conduct a survey with all other plans and bring back information on all of the necessary steps to establish an audit committee. (Yes: Allen, Gordon, Hast, Mitchoff, Phillips, Rodrigues, Smithey, Telles and Watts)

Gordon was no longer present for subsequent discussion and voting.

8. Conference Seminar Attendance

- a. It was **M/S/C** to authorize the attendance of two staff members at the Annual Partners Meeting, Long Wharf Real Estate Partners, November 19-20, 2014, Boston, MA. (Yes: Allen, Hast, Mitchoff, Phillips, Rodrigues, Smithey, Telles and Watts)

Gordon was present for subsequent discussion and voting.

9. Miscellaneous

- (a) Staff Report –

Price reported on a correction regarding Oaktree RE Opportunities Fund VII and the Cayman Islands feeder fund noting everything is in a Cayman fund and it was set up that way because they expected a higher percentage of non-US investors and to avoid double taxation. The process still goes through Reed Smith Legal counsel.

Strohl reported the interior renovations are continuing; investments will be in their suite in the beginning of November; she gave an update on the website development RFP noting they have received 5 proposals and are in the process of evaluating them.

She provided some updates on CCCERA becoming an independent district: staff is working with the County on service agreements so everything will be in place by January for CCCERA to become the employer of its staff; staff will be coming back to the Board with 2 resolutions, one confirming CCCERA as an independent district and one consenting to CCCERA's continued participation in the CCCERA retirement system.

Dutkiewicz reported he is continuing to work on employer audits; his first report of preliminary findings was delivered to Bethel Island and he is waiting for their response; he is working on his second employer on-site audit.

- (b) Outside Professionals' Report –

None


(c) Trustees' comments –

Telles reported he attended the Torchlight Client Service Conference in New York and felt the conference was well worth it. He also met with Sigular Guff. He attended the Angelo Gordon on-site visit and was comfortable with their investment presentation. He also attended the Torchlight on-site visit. He attended the California Retirees Conference in Sacramento and stated CCCERA was the topic of discussion because we are the only system that has completely separated from the county. He reported one issue that came up is whether or not to allow differentials to PEPRA members for '37 Act systems. It was noted all but two systems (including CCCERA) are allowing differentials.

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



Brian Hast, Chairman



Jerry Telles, Secretary