



## MINUTES

### RETIREMENT BOARD MEETING MINUTES

REGULAR MEETING  
November 28, 2018  
9:00 a.m.

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

Present: Candace Andersen, Scott Gordon, Jerry Holcombe, Louie Kroll, Jay Kwon, David MacDonald, John Phillips, William Pigeon, Gabe Rodrigues, Todd Smithey, Jerry Telles and Russell Watts

Absent: None

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

Outside Professional Support:	Representing:
Harvey Leiderman	Reed Smith LLP
Christopher Boucher	Wiley Price & Radulovich LLP
Ed Hoffman	Verus Investments

#### 1. Pledge of Allegiance

The Board, staff and audience joined in the *Pledge of Allegiance*.

Telles and MacDonald were present for subsequent discussion and voting.

#### 2. Accept comments from the public

Jeff Carman, Contra Costa County Fire Protection District, spoke regarding two employees who retired after 30 years and standby pay was not included in their Final Average Salary (FAS) calculations. He stated the employees were under the impression that standby pay would be included in their FAS. He also stated that CCCERA changed the rules and the District was notified of the change by email.

He stated the members paid a contribution rate based on standby pay being included in their FAS. He expressed his concern that there isn't an appeal process and feels it is unethical that the employees were denied payment for what they have already paid for. He noted that contributions are still being collected but will never get paid out. He also felt CCCERA should have notified him directly so that the language in the MOU could have been changed. He asked the Board to make this right noting that a thorough review will show that their standby pay is covered under the rules.

Andersen asked if this item could be placed on a future agenda so that the Board has an opportunity to discuss this matter. It was the consensus of the Board to place this on a future agenda.

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

**6. Consider and take possible action to authorize the CEO to execute a contract with PARS (Public Agency Retirement Services) for Other Post-Employment Benefit (“OPEB”) Trust Fund Management Services and to adopt Board of Retirement Resolution 2018-4 approving the adoption of the PARS Public Agencies Post-Employment Benefits Trust**

Strohl briefly reviewed the background on the need for an OPEB trust fund manager for retiree health care. Strohl noted it was more cost effective to outsource the administration of the trust as opposed to administering it in-house.

Presentation from Andrew Brown, High Mark Capital Management and Jennifer Meza, PARS.

Smithey reported PARS is the trust fund manager for CentralSan and Watts reported they are also the trust fund manager for the County.

Meza reviewed the PARS trust team noting there are two other parties involved in the team, US Bank and HighMark Capital Management. She also reviewed their client list. She reviewed the purpose of a Section 115 Trust noting they offer a full service program and there are no minimum contributions. She reviewed the advantages of the program including security, flexibility, efficiency and service.

Brown reviewed the background of his firm noting they have 44 investment professionals with 27 of them holding the Chartered Financial Analyst (CFA) designation. He stated they will be celebrating their 100 year anniversary next year and have been partnered with PARS for 27 years.

Price reviewed his memo outlining the investment options.

After a discussion on the risks, the cost savings, and the investment plans, it was M/S/C to 1) authorize the CEO to execute a contract with Public Agency Retirement Services (PARS) for Other Post-Employment Benefit (“OPEB”) Trust Funds Management Services and 2) appoint the CEO as the CCCERA’s plan administrator for the program, whose authority shall include the selection of an appropriate investment option, and 3) adopt Board of Retirement Resolution 2018-4 approving the adoption of the PARS Public Agencies Post-Employment Benefits Trust for the purpose of pre-funding OPEB obligations, and 4) approve the transfer of the reserve amount currently being held for OPEB matters (approximately \$2.5 million) into the PARS account after it is setup. (Yes: Andersen, Gordon, Holcombe, MacDonald, Phillips, Pigeon, Smithey, Telles and Watts)

It was the consensus of the Board to move into Closed Session for Item 3 and Item 5.

**CLOSED SESSION**

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

The Board moved into open session.

3. 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)(1).
  - a. MacDonald recused himself from this item and was not present for discussion and voting. There was no reportable action related to Govt. Code Section 54956.9(d)(1).
  - b. There was no reportable action related to Govt. Code Section 54956.9(d)(1).
  - c. There was no reportable action related to Govt. Code Section 54956.9(d)(1).

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

Andersen was no longer present for subsequent discussion and voting.

**7. Consider and take possible action to authorize the CEO to execute a contract with one of the below firms for actuarial consulting services**

Strohl reported there were two finalists, Segal and Cheiron, selected from the three firms that responded to the RFP for actuarial services that was issued on September 28, 2018.

- a. Presentation from Segal Consulting – Paul Angelo, John Monroe, Eva Yum, Alfred Wang and Emily Klare (via telephone conference)

Angelo reviewed Segal’s team and their distinguishing features. The team members introduced themselves and reviewed their relevant backgrounds.

Monroe reviewed milestone projects that Segal has completed for CCCERA including depooling, asset smoothing, and the new GASB accounting and financial reporting requirements. He reviewed additional services available to CCCERA. He also reviewed the reasons Segal should be selected including their level of expertise, experience with other ’37 Act systems, and their superior service.

- b. Presentation from Cheiron - Graham Schmidt, Bill Hallmark and Anne Harper

Harper gave an overview of the firm and the staff proposed to work on the CCCERA team noting they have nine offices nationwide and that she is located in the San Diego office. She reviewed their client list noting there are six ’37 Act systems that they provide actuarial consulting services to and there are nine ’37 Act systems that they have provided audits for.

Schmidt introduced himself and stated he is located in the Oakland office. He also reviewed his background and noted he has been with Cheiron since 2013.

Hallmark introduced himself and stated he is located in the Portland office and has been with Cheiron since 2009.

Rodrigues was no longer present for subsequent discussion and voting.

Hallmark reviewed a risk dashboard and long-term investment risk model. He also reviewed how different cost groups show their returns noting that the model can be programmed for investment staff to look at projections.

Schmidt reviewed the transition process.

Strohl commented this is one of CCCERA’s critical vendors noting both firms would do a great job.

It was M/S/C to continue with Segal Consulting as the actuarial firm and authorize the CEO to execute a contract with Segal Consulting. (Yes: Gordon, Holcombe, Phillips, Pigeon, Smithey, Telles and Watts. No: Kwon and MacDonald)

Holcombe was no longer present for subsequent discussion and voting.

**8. Review of total portfolio performance for period ending September 30, 2018**

- a. Presentation from Verus

Hoffman gave an update on economic growth.

He reviewed CCCERA's investment fund performance for the period ending September 30, 2018 noting the ending market value of the total fund portfolio is \$8,788,140,564. He reviewed the total fund executive summary net of fees and the total fund performance summary gross of fees. He also reviewed personnel changes at Insight and Parametric Defensive Equity.

b. Presentation from Staff

Price reviewed each sub-portfolio and reported CCCERA is meeting expectations in each of the three portfolios except Positive Real Returns in the Risk Diversifying sub-portfolio. He noted CCCERA is still building out the Growth sub-portfolio.

He reported the StepStone Group will be making a presentation on private equity pricing at the next meeting. He also reported the SEC investigation into Wellington has been closed and there are no actions against the firm.

On a total fund basis, CCCERA is capturing more of the upside and less of the downside. He reviewed the Total Fund Performance vs. the Simple Target Index noting the Total Fund has produced a better Sharpe ratio relative to the Simple Target Index, indicating that CCCERA is being favorably rewarded for the risk taken in the portfolio. Watts asked that the Staff Report be placed on CCCERA's website in the Investment section.

It was consensus of the Board to move into Closed Session for Item 4.

**CLOSED SESSION**

The Board moved into closed session pursuant to Govt. Code Section 54957.

The Board moved into open session.

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

Telles was no longer present for subsequent discussion and voting.

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

**9. Consider and take possible action to adopt the 2019 CCCERA Budget**

Gudino presented the 2019 proposed CCCERA Budget noting the proposed total budget is \$14.1 million, an overall increase of \$566,000 which is about 4% over the 2018 Budget. He stated the increases are attributed to an increase in personnel and benefits, funding for the health benefits OPEB trust, temporary wages for one time assignments, additional professional fees, and IT system improvements and disaster recovery expenses. He stated the 2019 proposed administrative budget of \$10.6 million is at 11.5 basis points which is well under the CERL limit of 21 basis points.

It was M/S/C to adopt the 2019 CCCERA Budget as presented. (Yes: Gordon, Kroll, Kwon, MacDonald, Phillips, Pigeon, Smithey and Watts)

**10. Report from Audit Committee Chair on November 7, 2018 Audit Committee meeting**

Phillips provided a report from the November 7, 2018 Audit Committee meeting.

**11. Miscellaneous**

(a) Staff Report –

Strohl reported on issues with the property manager related to a power outage.

(b) Outside Professionals' Report -

None

(c) Trustees' comments –

Watts reported on the SACRS Conference he attended.

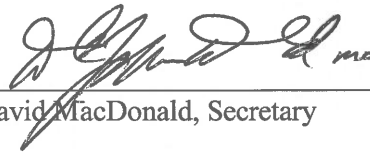
Pigeon reported on the NCPERS Public Safety Conference and the SACRS Conference noting he felt the SACRS Conference was a lot better than the NCPERS Conference.

It was M/S/C to adjourn the meeting. (Yes: Gordon, Kroll, Kwon, MacDonald, Phillips, Pigeon, Smithey and Watts)



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Todd Smithey, Chairman



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David MacDonald, Secretary