



MINUTES

RETIREMENT BOARD MEETING MINUTES

SECOND MONTHLY MEETING

9:00 a.m.

June 25, 2015

Retirement Board Conference Room

The Willows Office Park

1355 Willow Way, Suite 221

Concord, California

Present: Debora Allen, Candace Andersen, Scott Gordon, Brian Hast, Jerry Holcombe, Louie Kroll, John Phillips, Gabe Rodrigues, Todd Smithey and Russell Watts

Absent: William Pigeon and Jerry Telles

Staff: Gail Strohl, Retirement Chief Executive Officer, Kurt Schneider, Deputy Retirement Chief Executive Officer; Timothy Price, Retirement Chief Investment Officer; Vickie Kaplan, Retirement Accounting Manager; Christina Dunn, Retirement Administration Manager and Jeffrey Youngman, Retirement Investment Analyst

Outside Professional Support:

Harvey Leiderman

John Monroe

Rosalva Flores

Ashley Casey

Scott J. Whalen

Representing:

Reed Smith LLP

Segal Consulting

Brown Armstrong

Brown Armstrong

Verus Consulting Group

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.

3. Presentation by Segal Consulting on the December 31, 2014 GASB 67 Valuation – John Monroe

Monroe reviewed the background of GASB 67 noting that it deals with pension plan financial reporting. He reviewed the terms used in GASB - Total Pension Liability (TPL) and Net Pension Liability (NPL).

He stated the NPL is equal to the difference between the TPL and the Plan's Fiduciary Net Position. The Plan's Fiduciary Net Position is equal to the market value of assets. The NPL decreased from \$1.47 billion as of December 31, 2013 to \$1.20 billion as of December 31, 2014, primarily due to the gain from lower than expected salary increases during the calendar year 2013. The discount rates used to determine the TPL and NPL as of December 31, 2013 and 2014 were 7.25%.

Monroe reviewed the information required to be included in the CAFR noting that for GASB 67 purposes, when determining the NPL, the investment return assumption used is net of investment

expenses only and is not net of administrative expenses. He also reviewed a summary of the changes in NPL, actual contributions, and employer allocations as of December 31, 2014.

In public comment, Jackie Lorrekovich, Contra Costa County Fire Protection District, asked if the NPL is very similar to the UAAL. Monroe stated it is on a market value basis but when compared to an actuarial value basis there will be a difference.

4. **Presentation by Brown Armstrong on the audit of the December 31, 2014 financial statements**
– Rosalva Flores, Ashley Casey

Kaplan introduced Flores and Casey. She reviewed the key changes to the 2014 Comprehensive Annual Financial Report (CAFR) noting that pension liability is new in the financial statement. She thanked Schneider and Marrs for their help on the CAFR.

Flores gave an overview of the purpose of the audit, the audit process, the significant audit areas, and the scope of the audit work noting they used a risk based approach.

Flores reported Brown Armstrong gave CCCERA a clean audit and congratulated the organization. She also reported there were no material weaknesses.

Strohl noted this is the first year there were no findings in the audit.

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

9. **Consider and take possible action to grant the Chief Executive Officer authority to execute a contract with ADP for human resource information system services, payroll and timekeeping**

It was M/S/C to grant the Chief Executive Officer authority to execute a contract with ADP for human resource information system services, payroll and timekeeping, subject to legal review. (Yes: Allen, Andersen, Gordon, Hast, Phillips, Rodrigues, Smithey, Telles and Watts)

10. **Conference Seminar Attendance**

a. It was M/S/C to authorize the attendance of 1 staff member at the Private Equity Exclusive, Pension Bridge, July 20-21, 2015, Chicago, IL. (Yes: Allen, Andersen, Gordon, Hast, Phillips, Rodrigues, Smithey, Telles and Watts)

b. It was M/S/C to authorize the attendance of 2 Board members and 1 staff member at the 2015 Public Funds Forum, Robbins Geller Rudman & Dowd, September 8-10, 2015, Laguna Beach, CA. (Yes: Allen, Andersen, Gordon, Hast, Phillips, Rodrigues, Smithey, Telles and Watts)

It was the consensus of the Board to move to Item 8.

8. **Consider and take possible action to amend Resolution 2015-1 providing for salary and benefits for unrepresented employees of CCCERA effective January 1, 2015 with the proposed clarification to Section 17. Deferred Compensation sub section B**

Dunn reported this item is to clarify the language in Resolution 2015-1 to state that employees hired after January 1, 2009 are not eligible to receive both the retiree medical premium subsidy and the additional \$150 per month deferred compensation contribution.

It was M/S/C to amend Resolution 2015-1 providing for salary and benefits for unrepresented employees of CCCERA effective January 1, 2015 with the proposed clarification to Section 17. Deferred Compensation sub section B. (Yes: Allen, Andersen, Gordon, Hast, Phillips, Rodrigues, Smithey, Telles and Watts)

It was the consensus of the Board to move to Item 5.

5. Presentation from staff and Angelo Gordon regarding potential commitment to the Angelo Gordon Energy Credit Opportunities Fund - Colleen Casey, Todd Dittmann, David Kamin

Price gave a brief introduction on why staff is recommending this commitment and how it fits into CCCERA's overall plan. He noted the CCCERA Investment Policy Statement has a target of up to 5% allowed for opportunistic investments.

Youngman reviewed staff's research process noting their research led to a focus on credit strategies and specifically on credit consolidation through non-investment grade, distressed debt and direct lending. Staff chose to focus on upstream oil and gas. After researching options and reviewing 11 different private equity funds, staff felt that the Angelo Gordon Energy Credit Opportunity Fund combined the best aspects of what was uncovered during the research process. He stated fees are only paid on called capital.

Price reported staff focused on the fund's team and the importance of that team remaining the same.

Casey introduced Todd Dittmann and David Kamin. She gave an overview of the firm noting they are an opportunistic firm.

Kamin reviewed the fund noting it is an energy credit opportunities fund. He stated they use a three pronged approach which is not solely dependent on the price of oil. He reviewed the portfolio mix including distressed debt, corporate credit and direct lending. He also reviewed the investment team.

Dittmann reviewed their approach to the energy sector.

Casey reviewed the terms of the fund noting the target size is \$750 million to \$1 billion.

6. Consider and take possible action regarding potential commitment to the Angelo Gordon Energy Credit Opportunities Fund

Price noted Verus Consulting also reviewed the fund at staff's request.

Whalen reported Verus Consulting is not as enthusiastic about the overall opportunity. He noted Angelo Gordon is a solid firm and staff performed a logical review of the opportunity and the risks involved but was concerned about the volatility of the price of oil and gas.

Price reviewed the fees and the preferred return on the investment. He noted it is a fast moving market and that this is a closed end fund.

After a discussion on the risks involved with the fund, it was **M/S/C** to approve staff's recommendation to allocate between \$75 million and \$125 million, at staff's discretion, to the Angelo Gordon Energy Credit Opportunities Fund subject to a successful on-site visit, legal review, and authorize the Chief Executive Officer to sign the necessary contracts. (Yes: Allen, Andersen, Gordon, Hast, Phillips, Rodrigues, Smithey, Telles and Watts)

It was the consensus of the Board to move to Item 11.

11. Miscellaneous

(a) Staff Report –

Strohl reported Segal will be presenting the valuation report at the July 8, 2015 Board meeting; the IRS determination letter cycle is changing; and, July 1, 2015 is CCCERA's 70th anniversary.

Price reported Commonfund will be presenting at the July 23, 2015 Board meeting.

(b) Outside Professionals' Report -

Whalen reported Verus Consulting would like to have a 2-day workshop the week of September 14th or the week of September 21st noting the dates do not have to be consecutive. He will send out an email survey for availability.

(c) Trustees' comments -

Phillips reported he attended the DBL Investors Conference with Pigeon and Chu noting it was an interesting conference.

Andersen reported she attended the Equilibrium Capital Conference with Price noting that overall it was very interesting.

Rodrigues reported he attended his first SACRS Board meeting and it went well.

Gordon reported he attended the CALAPRS Trustees' Roundtable and felt it was poorly attended. He noted he will be co-chairing the next Roundtable and would like ideas for the agenda.

Gordon and Kroll were no longer present for subsequent discussion and voting.

It was the consensus of the Board to move to Item 7.

7. Presentation from Verus Consulting on results of Enterprise Risk Tolerance (ERT) assessment

Whalen reported on the results of the interviews that were conducted with the Board and staff. He reviewed the findings on mission and objectives, time horizon, investment philosophy, investment risk, organizational risk and environmental (peer and headline) risk.

Phillips was no longer present for subsequent discussion and voting.

Whalen reported on the plan sponsor review. There was a discussion on the Watch List and how effective it is. Investment philosophy was also discussed. He stated he would like to do an education session on risk management.

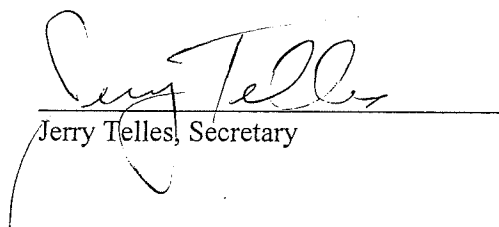
Andersen was no longer present for subsequent discussion and voting.

Whalen reported all of the metrics of the plan sponsor appear solid.

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



Brian Hast, Chairman



Jerry Telles, Secretary