



MINUTES

RETIREMENT BOARD MEETING MINUTES

SECOND MONTHLY MEETING
September 23, 2015
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, Brian Hast, Jerry Holcombe, Louie Kroll, John Phillips, Gabe Rodrigues, Todd Smithey, Jerry Telles and Russell Watts

Absent: Will Pigeon

Staff: Gail Strohl, Retirement Chief Executive Officer, Kurt Schneider, Deputy Retirement Chief Executive Officer; Timothy Price, Retirement Chief Investment Officer; Alexis Cox, Retirement Benefits Manager; and Christina Dunn, Retirement Administration Manager

Outside Professional Support:
Jeff Rieger

Representing:
Reed Smith LLP

1. **Pledge of Allegiance**

Telles led all in the *Pledge of Allegiance*.

2. **Accept comments from the public**

No members of the public offered comment.

3. **Approval of Minutes**

It was M/S/C to approve the minutes of the June 10, 2015 Board meeting with a correction to remove Watts from voting on Item 7 as he was not present at the meeting. (Yes: Andersen, Holcombe, Phillips, Rodrigues, Smithey, Telles and Watts)

It was M/S/C to approve the minutes of the July 23, 2015 Board meeting. (Yes: Andersen, Holcombe, Phillips, Rodrigues, Smithey, Telles and Watts)

Allen, Gordon and Hast were present for subsequent discussion and voting.

CLOSED SESSION

The Board moved into closed session pursuant to Govt. Code Section 54957.6.

The Board moved into open session.

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

5. **Presentation from staff on Real Asset commitment pace**

Price and Youngman reviewed their memo regarding CCCERA's real asset commitment schedule noting the pace has been slower than originally thought and staff now recommends a practice of 75% over-commitment to direct funds, and a 100% over-commitment to fund of funds. This is a change from the recommendation the Board received on November 25, 2014 which was to over-commit by 75% for both direct and indirect funds.

6. **Presentation from staff and Aether regarding proposed Aether IV Commitment** – Troy Schell, David Rhoades, Sean Goodrich

Youngman noted this is a follow – on fund to Aether Real Assets III and will follow a similar strategy of investing in real asset funds. Staff recommendation is to commit \$50 million to the Aether Real Assets IV strategy.

Rhoades introduced the team and provided an overview of Aether noting they are currently raising their fourth fund.

Goodrich discussed commodity prices noting that they focus on agriculture, energy and metals. He noted they believe that prices will increase and they will be able to take advantage of this in their funds. He also discussed Aether's biases noting that they are biased towards smaller funds, operational experience and are not dependent on financial leverage or technological innovation.

Schell reviewed what differentiates Aether noting their research database is customized solely for real assets due diligence and monitoring, their sole focus on real assets investments and their unique approach to investment sourcing.

Rhoades reviewed the returns of the Aether Real Asset (ARA) funds as of March 31, 2015 and June 30, 2015 noting that for June 30th the rate of returns were – ARA I: 6.7%, ARA II: -0.2%, ARA III: 6.3%, and ARA III Surplus: 9.1%.

7. **Consider and take possible action to commit to Aether Real Assets IV**

It was M/S/C to commit \$50 million to Aether Real Assets IV strategy subject to a successful on-site visit, legal review and authorize the Chief Executive Officer to execute the necessary contracts. (Yes: Allen, Andersen, Gordon, Hast, Phillips, Rodrigues, Smithey, Telles and Watts)

Telles was no longer present for subsequent discussion and voting.

8. **Presentation from staff and Siguler Guff regarding proposed Siguler Guff DREOF II Co-investment Fund commitment** – Matt Brewer, Jim Corl

Price and Youngman reviewed their memo noting this new fund is a co-investment fund, offered primarily to the investors in Siguler Guff Distressed Real Estate Fund II.

Prior to their presentation, Siguler Guff waived the confidentiality disclaimer on the presentation materials.

Brewer noted this offering is a small distressed real estate investment fund that is being offered to current investment partners in the Siguler Guff Distressed Real Estate Fund II. He stated they are close to 80% committed in the current fund and have additional opportunities that they would like to take advantage of. There is a two year investment period with this co-investment fund.

Corl provided an update on the current investments noting Fund I and II have done very well. He noted that Fund II will continue the strategy used in Fund I and will focus on opportunities Siguler Guff believes present the best value characteristics. He also discussed the fees noting fees are charged on investment capital only.

9. Consider and take possible action to commit to Siguler Guff DREOF II Co-investment Fund

After a discussion on fees, it was M/S/C to commit \$25 million to Siguler Guff DREOF II Co-investment Fund subject to a successful on-site visit, legal review and authorize the Chief Executive Officer to execute the necessary contracts. (Yes: Allen, Andersen, Gordon, Hast, Kroll, Phillips, Rodrigues, Smithey and Watts).

10. Consider and take possible action to authorize the CEO to execute a contract with McLagan for an investment compensation study

Strohl reviewed her memo noting on August 12, 2015, the Board of Retirement authorized the CEO to execute a contract with Koff and Associates for a total compensation and classification study. McLagan is a consulting firm that specializes in compensation studies for investment classifications.

It was M/S/C to authorize the CEO to execute a contract with McLagan for an investment compensation study at a total cost of \$15,000. (Yes: Allen, Andersen, Gordon, Hast, Kroll, Phillips, Rodrigues, Smithey and Watts)

11. Consider and take possible action to accept the actuarial valuation of future annual costs of proposed changes to Other Post Employment Benefits as provided by Milliman

Dunn introduced John Botsford of Milliman.

Milliman waived the confidentiality disclaimer on the presentation materials.

Botsford reviewed his report regarding the proposed retiree health benefit changes effective January 1, 2016. He discussed the assumptions and methodology used to create the different scenarios.

It was M/S/C to accept the actuarial valuation of future costs of proposed changes to Other Post Employment Benefits as provided by Milliman. (Yes: Allen, Andersen, Gordon, Hast, Kroll, Phillips, Rodrigues, Smithey and Watts)

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

- a. It was M/S/C to authorize the attendance of 1 Board member at the CRCEA Fall Conference, CRCEA, October 19-21, 2015, Stockton, CA. (Yes: Allen, Andersen, Gordon, Hast, Kroll, Phillips, Rodrigues, Smithey and Watts).
- b. It was M/S/C to authorize the attendance of 1 Board member and 1 staff member at the Educational Forum, CalPERS, October 26-28, 2015, San Jose, CA. (Yes: Allen, Andersen, Gordon, Hast, Kroll, Phillips, Rodrigues, Smithey and Watts).
- c. It was M/S/C to authorize the attendance of all Board members and appropriate staff at the SACRS Fall Conference, SACRS, November 17-20, 2015, San Diego, CA. (Yes: Allen, Andersen, Gordon, Hast, Kroll, Phillips, Rodrigues, Smithey and Watts).

13. Miscellaneous

- (a) Staff Report –

Strohl introduced Alexis Cox, the new Benefits Manager; she gave an update on the total compensation and classification study; and, she asked that Board members let her know if they are unable to attend the September 29th and 30th Board meeting.

Dunn reported there was an ADP kickoff meeting to set up payroll; the AFSCME MOU will be coming to the Board at the October 7, 2015 meeting; and, possible buyers will be touring the building at the end of the week.

Price gave an update on on-site visits; and, stated the September 29th and 30th Board meetings will be at the Pleasant Hill Community Center.

(b) Outside Professionals' Report -

None

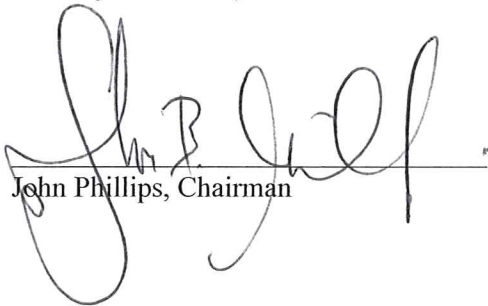
(c) Trustees' comments –

Holcombe reported he attended the CALAPRS Trustee Roundtable and felt it was excellent.

Rodrigues stated he felt the CALAPRS Trustee Roundtable was the best one he has attended.

Gordon stated he appreciated the comments regarding the CALAPRS Trustee Roundtable.

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


John Phillips, Chairman


Scott Gordon, Secretary