



## MINUTES

### RETIREMENT BOARD MEETING MINUTES

SECOND MONTHLY MEETING  
February 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, David MacDonald, John Phillips, Gabe Rodrigues, Todd Smithey and Rusty Watts

Absent: Jay Kwon, William Pigeon and Jerry Telles

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; and Colin Bishop, Member Services Manager

Outside Professional Support:	Representing:
Harvey Leiderman	Reed Smith LLP
Ed Hoffman	Verus Investments

#### 1. Pledge of Allegiance

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

#### 2. Accept comments from the public

No member of the public offered comment.

Gordon was present for subsequent discussion and voting.

#### **CLOSED SESSION**

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

The Board moved into open session.

#### 3.

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

4. **Review of total portfolio performance for period ending December 31, 2017**

Hoffman reviewed the fourth quarter summary highlighting the changes that have taken place since December 31, 2017.

He reviewed CCCERA's investment performance for the period ending December 31, 2017 noting the ending market value of the total fund portfolio is \$8,532,697,023. He reviewed the total fund asset allocation vs. the long term target policy. He reported the total fund gross of fees return was 3.3% which fell in line with the policy index for the quarter and the total fund gross of fees return was 14.2% compared to the policy index of 13.8% year to date. He reviewed the total fund risk analysis for 5 years stating the annualized return was 9.71% with a standard deviation of 4.49%. He noted the portfolio is targeted to 7% and the expected volatility is 11-12%.

Hoffman reviewed alternatives and the benchmark used noting this is a difficult number to report on quarter to quarter. He noted the S&P 500+4 is a hard benchmark to beat.

Hoffman also reviewed the performance of individual funds as well as their fees.

5. **Presentation from staff and Parametric regarding a potential commitment to Parametric Defensive Equity**

Price gave an overview of the risk diversifying portfolio including the portfolio construction and manager selection process noting the mandate requirements are a low correlation with broad equity market indices, a positive expected rate return in normal market environments, and a high degree of liquidity during periods of equity market stress. He stated the risk diversifying assets are expected to make up 12% of CCCERA's Total Fund assets when fully funded and the recommended \$200mm allocation to Parametric Defensive Equity would make up approximately 2.3% of Total Fund assets.

Andersen was no longer present for subsequent discussion and voting.

Price noted that the strategy is not benchmark defined but behavior defined.

**Parametric** – Ben Lazarus and Jay Strohmaier

Prior to their presentation, Parametric waived the confidentiality disclaimer on the presentation materials noting this is a public meeting and any information discussed will be available to the public.

Lazarus gave an overview of the strategy noting this is a custom strategy. He gave an overview of the firm noting they have \$17.6 billion in AUM in the Volatility Risk Premium (VRP) suite of strategies and 33 public clients that use a similar approach. He also reviewed the portfolio management team.

Strohmaier reviewed the factors that drive the VRP, options as financial insurance, and the relative valuation of options. He reviewed the challenges and the solutions of the Defensive Equity Portfolio noting it can be customized to target specific risk/return profiles and is low cost. He stated the Defensive Equity provides exposure to the VRP through the systematic sale of S&P 500 index Put and Call options.

Lazarus reviewed the portfolio construction, implementation details and potential risks. He also reviewed the expected returns and fees noting the fee schedule includes a discount to CCCERA for being customers.

6. **Consider and take possible action regarding a commitment to Parametric Defensive Equity**

It was M/S/C to make an initial allocation to the Parametric Defensive Equity in the amount of \$200mm. (Yes: Gordon, Holcombe, Kroll, MacDonald, Phillips, Rodrigues, Smithey and Watts)

**7. Annual Statement of Compliance with Board Resolutions**

Price reported this is the first Statement of Compliance with Board Resolutions as required by the Investment Policy Statement. He reported the resolutions adopted in 2017 were all asset allocation related and all allocations remained within their range over the year.

**8. Consider and take possible action approving and authorizing the Chief Executive Officer to execute a contract with the Office of Administrative Hearings**

Dunn reviewed the background on the contract with the Office of Administrative Hearings noting that the amount in the previous agreement has been exhausted.

It was M/S/C to approve and authorize the Chief Executive Officer to execute a contract with the Office of Administrative Hearings for a three year period in an amount not to exceed \$150,000. (Yes: Gordon, Holcombe, Kroll, MacDonald, Phillips, Rodrigues, Smithey and Watts)

**9. Consider authorizing the attendance of Board:**

- a. It was M/S/C to authorize the attendance of 1 Board member at the 2018 CRCEA Spring Conference, Santa Barbara County, April 16-18, 2018, Santa Barbara, CA. (Yes: Gordon, Holcombe, Kroll, MacDonald, Phillips, Rodrigues, Smithey and Watts)
- b. There was no action taken on this item. Angelo, Gordon & Co.'s 2018 Investor Conference, Angelo Gordon & Co., April 17, 2018, New York, NY.
- c. There was no action taken on this item. Portfolio Concepts and Management, International Foundation of Employee Benefit Plans, April 23-26, 2018, Philadelphia, PA.
- d. It was M/S/C to authorize the attendance of 1 Board member at the Annual Institutional Symposium, Dimensional Fund Advisors, April 23-25, 2018, Austin, TX. (Yes: Gordon, Holcombe, Kroll, MacDonald, Phillips, Rodrigues, Smithey and Watts)
- e. It was M/S/C to authorize the attendance of 1 Board member at the Siguler Guff & Company's 2018 Annual Conference, Siguler Guff, April 25-26, 2018, New York, NY. (Yes:, Gordon, Holcombe, Kroll, MacDonald, Phillips, Rodrigues, Smithey and Watts)
- f. It was M/S/C to authorize the attendance of 2 Board members at the Public Funds Roundtable, Institutional Investor, April 25-27, 2018, Los Angeles, CA. (Yes:, Gordon, Holcombe, Kroll, MacDonald, Phillips, Rodrigues, Smithey and Watts)

**10. Miscellaneous**

- (a) Staff Report –

Strohl reported Dutkiewicz served on a panel on public pension system operational compliance at the NAPPA Conference; and CCCERA had an extended manager meeting to discuss their annual goals and progress.

- (b) Outside Professionals' Report -

None

- (c) Trustees' comments –

Phillips reported on the Sit Conference he attended with Rodrigues, Holcombe and Price and said it was fascinating.

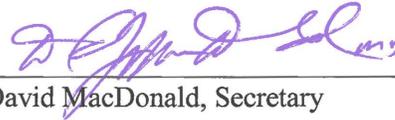
Holcombe also reported on the Sit Conference.

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



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Todd Smithey, Chairman



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David MacDonald, Secretary