



MINUTES

RETIREMENT BOARD MEETING MINUTES

SECOND MONTHLY MEETING
November 24, 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, Jerry Holcombe, John Phillips, William Pigeon, Gabe Rodrigues, Todd Smithey, Jerry Telles and Russell Watts

Absent: Brian Hast and Louie Kroll

Staff: Gail Strohl, Retirement Chief Executive Officer, Timothy Price, Retirement Chief Investment Officer; Karen Levy, Retirement General Counsel; Wrally Dutkiewicz; Retirement Compliance Officer, Timothy Hoppe, Retirement Benefits Manager; Alexis Cox, Retirement Benefits Manager; and Christina Dunn, Retirement Admin/HR Manager

Outside Professional Support:	Representing:
Harvey Leiderman	Reed Smith LLP
Scott Whalen	Verus Consulting Group

1. Pledge of Allegiance

Watts led all in the *Pledge of Allegiance*.

2. Accept comments from the public

No members of the public offered comment.

CLOSED SESSION

The Board moved into closed session pursuant to Govt. Code Section 54957.6, 54956.81 and 54956.9(d)(1) (two cases)

The Board moved into open session.

3. CONFERENCE WITH LABOR NEGOTIATORS

(Government Code Section 54957.6)

Agency designated representatives:

Gail Strohl, Retirement Chief Executive Officer
Christina Dunn, Retirement Admin/HR Manager
Joe Wiley, CCCERA's Chief Negotiator

Employee Organization: AFSCME Local 2700
Unrepresented Employees: All CCCERA unrepresented positions

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

4. There was no reportable action related to Govt. Code Section 54956.81.
5. Levy reported that, on the matter of the failure of Rodeo-Hercules Fire Protection District to make full UAAL retirement contribution payments to CCCERA, in closed session on November 4, 2015, the Board directed its legal counsel to:
 - (1) Intervene in the pending special assessment lawsuit initiated against the district by a taxpayer, for the purposes of establishing CCCERA's primary right to any funds available from the District's special assessment fund, per CERL Sections 31584 and 31585; and
 - (2) Initiate a separate action to require the District and the Auditor-Controller to make full and timely payments to CCCERA and to pay all amounts past due.

Both actions were filed after CCCERA had made a demand for immediate payment to the District but received no response indicating whether the District is willing to pay.

The vote in closed session was as follows:

Yes: Allen, Andersen, Gordon, Hast, Kroll, Phillips, Rodrigues, Smithey, and Watts.

Nays: None

Abstentions: None

CCCERA has been advised that the District's Board of Directors has resolved on November 11, 2015 to pay all amounts currently owed to CCCERA and to continue making payments moving forward.

Certain amounts have been received to date, and the CCCERA Retirement Board will continue to monitor the matter and determine how to proceed in light of the circumstances.

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

8. Review of total portfolio performance for period ending September 30, 2015

The CCCERA Total Fund returned -4.1% for the third quarter, above the -4.9% return of the median public fund, below the 0.7% return of the CPI +4%, and in-line with the -4.1% return of the policy index. CCCERA's Total Fund performance trails the CPI +4% on a year-to-date and 1-year basis. The Total Fund is above the median, the CPI +4%, and the policy index over all other trailing time periods.

CCCERA domestic equities returned -7.8% for the quarter, below the -7.2% return of the Russell 3000 Index while ranking in the 46th percentile of all cap domestic equity portfolios.

CCCERA international equities returned -9.2% for the quarter, above the -10.2% return of the MSCI EAFE and the -12.1% return of the MSCI ACWI ex-US while ranking in the 35th percentile of MSCI ACWI ex-US portfolios.

CCCERA global equities returned -8.3% for the quarter, above the -9.4% return of the MSCI ACWI while ranking in the 48th percentile of global equity portfolios.

CCCERA domestic fixed income, excluding the Allianz high yield portfolio, returned 0.4% for the quarter, below the 0.7% return of the Barclays U.S. Universal while ranking in the 91st percentile of domestic core fixed income portfolios.

The Allianz high yield portfolio returned -4.9% for the quarter, in-line with the -4.9% return of the ML High Yield index while ranking in the 73rd percentile of domestic high yield fixed income portfolios.

CCCERA global fixed income returned -0.2% for the quarter, below the 0.9% return of the Barclays Global Aggregate Index while ranking in the 37th percentile of global fixed income portfolios.

The inflation hedging investments returned -5.8% for the quarter, below the 0.7% return of the CPI +4% benchmark.

CCCERA real estate returned 0.8% for the quarter, below the 2.2% return of the Real Estate benchmark.

9. Review of Watch List

a. Consider and take possible action to add or remove managers from the Watch List

Price gave an update on the Watch List and did not recommend any changes.

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

6. Presentation from staff and Ocean Avenue regarding proposed Ocean Avenue Fund III commitment – Jeff Ennis, Duran Curis

Chu reviewed Ocean Avenue's performance by investment type through June 30, 2015. He also reviewed projected fees.

A revised presentation booklet was distributed to the Board.

Ennis gave an overview of the team and their strategy noting they only invest in less competitive, inefficient markets, limit their total assets, seek to create value, aggressively manage costs and fees, and insist on and offer best practices in governance.

Curis reviewed the background of the team noting they will be hiring two new analysts next year. He also reviewed their current sponsors. He reviewed their market focus noting they target the least efficient segments of the private equity market. He reviewed comparisons of direct and indirect fees and costs noting they focus on cost reduction and upside optionality. He also reviewed the portfolio investors to date.

Ennis gave an update on the performance of Fund I noting the net IRR is 28.1% to date.

Pigeon was present for subsequent discussion and voting.

Ennis reported it is too early in Fund II for the performance to be notable. He reviewed the current commitments and pending transactions as well as the terms for Fund III. He reported at least 60%

of the Fund will be invested in direct investments with a target of \$250 million in limited partner commitments.

Holcombe was no longer present for subsequent discussion and voting.

7. **Consider and take possible action to commit to Ocean Avenue Fund III**

Allen questioned how a commitment to this Fund today affects the asset allocation revisions that will be upcoming. Price stated we are currently, and will be under the anticipated asset mixes, under-committed to private equity.

It was M/S/C to make a capital commitment of \$50 million to Ocean Avenue Fund III (OAF III), subject to successful due diligence and legal review and authorize the CEO to sign the necessary contracts. (Yes: Allen, Andersen, Gordon, Phillips, Pigeon, Rodrigues, Smithey, Telles and Watts)

10. **Consider and take possible action to retain Andrews Kurth LLP**

Price reported on the need to retain a specialty attorney to assist with the legal and contractual matters associated with the planned sale of the Willows Office Park. He reported INVESCO has a working relationship with Andrews Kurth LLP noting that although they are located in Dallas, they have familiarity with California laws.

It was M/S/C to retain Andrews Kurth LLP to assist with legal and contractual matters associated with the planned sale of the Willows Office Park in an amount not to exceed \$50,000. (Yes: Allen, Andersen, Gordon, Phillips, Pigeon, Rodrigues, Smithey, Telles and Watts)

11. **Consider and take possible action on Board meeting schedule for 2016**

It was M/S/C to approve the Board meeting schedule for 2016. (Yes: Allen, Andersen, Gordon, Phillips, Pigeon, Rodrigues, Smithey, Telles 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 NCPERS Legislative Conference, NCPERS, January 24-26, 2016, Washington, DC. (Yes: Allen, Andersen, Gordon, Phillips, Pigeon, Rodrigues, Smithey, Telles and Watts)

13. **Miscellaneous**

- (a) Staff Report –

Strohl reported staff is working on Trustee education hours. She reminded the Board that ethics training is offered at SACRS and on the County website; the Staff Appreciation Lunch is on December 10 and the Board will receive email invites. She reported she gave a brief overview of the Actuarial Valuation Report and the CAFR at the monthly all staff meeting. She gave an update on transitioning the data lines and email accounts; she will be presenting the 2016 budget at the December 9, 2015 meeting; and, she has received 3 media requests concerning the Deputy CEO recruitment.

Dunn reported open enrollment went well and we are ready to submit the information to the carriers. She stated we are very close to having the ADP system built noting the County has been very helpful in getting data to us from PeopleSoft. The NeoGov site for use in recruiting has started to be built and the new job classifications will be included in the site.

Dutkiewicz reported we are doing the final testing on our secure website noting the County will be the first site to be able to import files; and, GASB 72 will be released and he will be working with Strohl on an implementation plan.

Levy reported she will be giving a legislation update to the Board at the December 2nd meeting.

Price reminded the Board the next meeting will include the discussion of asset allocation options, including the FFP strategy.

(b) Outside Professionals' Report -

None

(c) Trustees' comments –

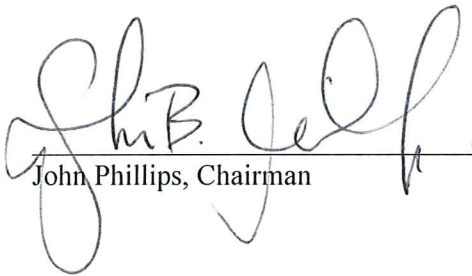
Watts recognized the investment team for a job well done this past year.

Gordon gave kudos to Pigeon for providing a link to download an IOS app to upload the calendar.

Phillips reported on the SACRS Advanced Trustee session noting he felt it was a good meeting.

Allen felt SACRS was much more interesting on the education level and felt Rodrigues had a lot to do with it.

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



John Phillips, Chairman



Scott Gordon, Secretary