



Meeting Date
10/02/13
Agenda Item
#4

**RETIREMENT BOARD MEETING
SPECIAL BOARD MEETING**

9:00 a.m.
July 24, 2013

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

Present: Debora Allen, Terry Buck, Richard Cabral, Scott Gordon, Brian Hast, Jerry Holcombe, Louie Kroll, Karen Mitchoff, John Phillips, Gabe Rodrigues and Russell Watts

Absent: Jerry Telles

Staff: Marilyn Leedom, Retirement Chief Executive Officer; Kurt Schneider, Retirement Deputy Chief Executive Officer; Timothy Price, Retirement Chief Investment Officer; Karen Levy, General Counsel; and Christina Dunn, Retirement Administration Manager

Outside Professional Support:
Harvey Leiderman
Jeff Youngman
Paul Angelo
John Monroe

Representing:
Reed Smith LLP
Milliman
The Segal Company
The Segal Company

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 from Segal regarding the December 31, 2012 Valuation Report – Paul Angelo, John Monroe

Angelo presented the December 31, 2012 valuation report, noting the recommended contribution rates do not go into effect until July 1, 2014. The contribution rate requirements in the report are based on the benefit provisions of the Retirement Association as administered by the Board, the characteristics of covered active members, terminated members, and retired members and beneficiaries as of December 31, 2012. The report is also based on the assets of the Plan as of December 31, 2012, economic assumptions regarding future salary increases and investment earnings, and other actuarial assumptions regarding employee terminations, retirement, death, etc.

He reported this year's report includes employee and employer rates for members covered under the newly created PEPRA General Tiers 4 and 5 and PEPRA Safety Tiers D and E. The report also includes the changes in the economic and non-economic assumptions, including changing the economic assumption from 7.75% to 7.25%. These assumption changes resulted in an increase in the recommended average employer contribution rate of 11.95% (from 37.87% to 49.82% of payroll) and an increase in the recommended average member contribution rate of 1.22% (from 10.98% to 12.20% of payroll).

Mitchoff was not present for subsequent discussion and voting.

In public comment, Donna Heymans, Rodeo-Hercules Fire District, noted the Rodeo-Hercules Fire District has the lowest safety benefit for its members yet it has the highest employer rate at 110% of payroll. She asked if that was primarily due to a decrease in salary contributions due to closing one of their stations and having a third less employees.

4. **Accept the December 31, 2012 Valuation Report and adopt the contribution rates for the period July 1, 2014 – June 30, 2015**

It was M/S/C to accept the December 31, 2012 Valuation Report and adopt the contribution rates for the period July 1, 2014 through June 30, 2015 as outlined in the CCCERA 2012 Actuarial Valuation. (Yes: Allen, Buck, Cabral, Gordon, Hast, Holcombe, Kroll, Phillips and Watts)

Rodrigues was not present for subsequent discussion and voting.

5. **Discussion with consultant and staff regarding managers scheduled to present**

Price gave an overview of the performance of the managers scheduled for presentations.

Cabral was not present for subsequent discussion and voting.

6. **Manager presentations:**

Small Cap Domestic Equity

Ceredex Small Cap Value – Steve Loncar

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

Loncar gave a brief overview of the firm, noting they have approximately \$9.6 billion in assets under management. He reviewed their investment team noting there have been no changes. He also reviewed their investment strategies, investment philosophy, process and performance.

Rodrigues was present for subsequent discussion and voting.

Loncar reviewed sector concentration, portfolio characteristics, the top 10 holdings and the total portfolio holdings.

Emerald Small Cap Growth – Joe Besecker, Joseph Garner, Richard Keller (Direct Lending Advisors)

Garner reviewed Emerald's 10-Step investment research process and the research analyst team. He reviewed the internal report on Sarepta Therapeutics noting the portfolio performance outpaced the benchmark as a result of stock selection within healthcare, consumer discretionary and producer durables sectors.

Keller gave an overview of his background and the reasons he joined Emerald.

Mitchoff was present for subsequent discussion and voting.

7. **Recommendation from staff for commitments to Distressed Real Estate Managers**

Price gave an overview of staff's memo and of the managers scheduled for presentation. The recommendation is to make capital commitments of up to \$80 million to Siguler Guff Distressed Real Estate Opportunities Fund II (DREOF II) and up to \$70 million to Oaktree Real Estate Opportunities Fund VI (ROF VI).

8. **Distressed Real Estate Manager Presentations:**

Siguler Guff DREOF II – George Siguler, James Corl, Anthony Corriggio, Nestor Weigand

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

Siguler gave an overview of the firm noting they have over \$10 billion in assets under management. He also introduced the presenting team.

Corl gave an overview of current distressed real estate opportunities. He reviewed the opportunity cycle for DREOF I and DREOF II. He gave an overview of CCCERA's investment in DREOF I and reviewed the summary of terms for DREOF II. He also reviewed a pending acquisition which will likely flow into DREOF II.

Corriggio reviewed several investments in DREOF I.

Weigand reviewed their investment process and co-investors.

Allen was not present for subsequent discussion and voting.

Oaktree ROF VI – Frances Maletis, John Brady

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

Maletis gave an overview of the firm noting they have over \$78 billion in assets under management.

Brady gave an overview of the distressed market and opportunities for clients. He stated Fund VI is a continuation of Fund V with \$1.2 billion in commitments to date.

9. **Consider and take possible action on staff recommendation for commitments to Distressed Real Estate Manager(s)**

After a discussion on fees, it was **M/** to make capital commitments of up to \$100 million to Siguler Guff Distressed Real Estate Opportunities Fund II (DREOF II) and up to \$50 million to Oaktree Real Estate Opportunities Fund VI (ROF VI).

An amended motion was **M/S/C** to make a capital commitment of \$70 million to Siguler Guff Distressed Real Estate Opportunities Fund II (DREOF II) and \$80 million to Oaktree Real Estate Opportunities Fund VI (ROF VI) subject to due diligence, legal review, and authorize the CEO to

sign the necessary contracts. (Yes: Buck, Gordon, Hast, Holcombe, Kroll, Mitchoff, Phillips, Rodrigues and Watts)

10. Consider and take possible action on Compensation Committee recommendation regarding unrepresented Retirement positions

Hast reviewed the Ad Hoc Compensation Committee's recommendations regarding compensation adjustments for unrepresented Retirement positions.

After discussion, it was **M/S/C** to approve item #1. (Yes: Buck, Gordon, Hast, Holcombe, Kroll, Mitchoff, Phillips, Rodrigues and Watts)

It was **M/S/C** to approve Item #2. (Yes: Buck, Gordon, Hast, Holcombe, Kroll, Phillips, Rodrigues and Watts. No: Mitchoff)

It was **M/S/C** to approve Item #3. (Yes: Buck, Gordon, Hast, Holcombe, Kroll, Mitchoff, Phillips, Rodrigues and Watts)

It was **M/S/C** to approve Item #4. (Yes: Buck, Gordon, Hast, Holcombe, Kroll, Mitchoff, Phillips, Rodrigues and Watts)

11. Miscellaneous

(a) Staff Report –

Leedom reported she and Price attended the Wurts Conference.

Staff is working on a change to the CCCERA logo.

Staff is working on setting up wireless for the board room and should be complete by September.

Levy distributed CDs with exhibits filed with the court in connection with the AB197 lawsuit, which a few board members requested.

She responded to questions regarding the process for replacing the Safety member position on the board in light of Mr. Buck's anticipated retirement.

(b) Outside Professionals' Report –

Leiderman reported Orange County adopted the same methodology, which CCCERA recently implemented, to include the cost of the COLA in optional settlement calculations.

Leiderman reported the safety alternate Board member doesn't automatically fill the vacancy of the regular safety Board member. The alternate Board member votes due to the absence of the regular member and votes until the vacancy is filled.

Youngman distributed a memo updating the Small-Mid Cap Private Equity Manager search noting the semi-finalists report will be presented at the September 11, 2013 meeting. The September 11, 2013 meeting will also be the quarterly meeting.

Youngman also distributed a Flash Report for the period ending June 30, 2013.

(c) Trustees' comments –

Buck reported the August 14, 2013 meeting will be his last meeting as he is retiring.

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

Brian Hast, Chairman

Jerry Telles, Secretary



Meeting Date
10/02/13
Agenda Item
#4

**RETIREMENT BOARD MEETING
REGULAR BOARD MEETING**

9:00 a.m.
August 14, 2013

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

Present: Debora Allen, Terry Buck, Richard Cabral, Scott Gordon, Brian Hast, Jerry Holcombe, Louie Kroll, Karen Mitchoff, John Phillips, Gabe Rodrigues, Jerry Telles and Rusty Watts

Absent: None

Staff: Kurt Schneider, Retirement Deputy Chief Executive Officer; Timothy Price, Retirement Chief Investment Officer; Karen Levy, General Counsel; and Christina Dunn, Retirement Administration Manager

Outside Professional Support:
Bob Helliesen
Marty Dirks

Representing:
Milliman
Milliman

1. Pledge of Allegiance

Buck led all in the *Pledge of Allegiance*.

2. Accept comments from the public

Helliesen reported Jeff Youngman is no longer with Milliman. Milliman has hired a senior investment consultant, Randy Young, who will start on September 11, 2013.

3. Approval of Minutes

It was **M/S/C** to approve the minutes of the May 29, 2013 meeting. (Yes: Allen, Buck, Hast, Kroll, Mitchoff, Phillips and Watts. Abs. Cabral and Gordon)

Telles was present for subsequent discussion and voting.

It was **M/S/C** to approve the minutes of the June 12, 2013 meeting. (Yes: Allen, Buck, Cabral, Hast, Mitchoff, Phillips, Telles and Watts. Abs. Gordon)

4. Routine Items

It was **M/S/C** to approve the routine items of the August 14, 2013 Board meeting. (Yes: Allen, Buck, Cabral, Gordon, Hast, Mitchoff, Phillips, Telles and Watts)

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

8. Report from staff on semi-annual rebalancing

Price summarized his memo on the semi-annual rebalancing. He reported a total of \$305 million was contributed to investment managers using the proceeds from employer pre-payment contributions and from withdrawals from five existing investment managers.

9. Staff recommendation for a Disability Counsel position

Levy reported on the request from Leedom for an in-house disability counsel position. The current disability counsel may be retiring and County Counsel has confirmed they will be unable to provide staffing for this position in the future. Levy noted the position would be full time working on disability matters only.

After a discussion on hours and salary, it was M/S to establish a new In-House Disability Counsel position as recommended by staff.

The Board discussed the cost involved and would like to see more information and an analysis of the difference in cost between hiring in-house staff as compared to hiring an outside attorney.

The motion and second were withdrawn.

The Board directed staff to return with further analysis of the costs for an in-house counsel and the costs of contracting out for the position.

10. Update from staff regarding the 2013 CCCERA Lawbook

Levy reported the CCCERA Lawbook has been updated to include PEPRA and distributed to the Board and staff and is also available on the CCCERA website under the publications link.

11. Conference Seminar Attendance

- a. It was M/S/C to authorize the attendance of 2 Board members at the Certificate of Achievement in Public Plan Policy Part I, IFEBP, October 19-20, 2013, Las Vegas, NV. (Yes: Allen, Buck, Cabral, Gordon, Hast, Mitchoff, Phillips, Telles and Watts)
- b. It was M/S/C to authorize the attendance of 1 staff member at the Annual Meeting, Conference of Consulting Actuaries, October 20-23, 2013, San Antonio, TX. (Yes: Allen, Buck, Cabral, Gordon, Hast, Mitchoff, Phillips, Telles and Watts)
- c. It was M/S/C to authorize the attendance of 1 staff member at the Annual Conference, Public Pension Financial Forum, October 27-30, 2013, Scottsdale, AZ. (Yes: Allen, Buck, Cabral, Gordon, Hast, Mitchoff, Phillips, Telles and Watts)
- d. It was M/S/C to authorize the attendance of 1 staff member at the Annual Conference, Carpenter Community Bancfund, September 4-6, 2013, Pelican Hill, CA. (Yes: Allen, Buck, Cabral, Gordon, Hast, Mitchoff, Phillips, Telles and Watts)
- e. It was M/S/C to authorize the attendance of 4 Board members and 2 staff members at the Annual Partners Meeting, Long Wharf Real Estate Partners, November 19-20, 2013, Atlanta, GA. (Yes: Allen, Buck, Cabral, Gordon, Hast, Mitchoff, Phillips, Telles and Watts)

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

CLOSED SESSION

The Board moved into closed session pursuant to Govt. Code Section 54957 and 54956.9(a).

The Board moved into open session.

5. It was M/S/C to accept the Medical Advisor's recommendation and deny the service connected disability retirement for Ollie Watson. (Yes: Allen, Buck, Cabral, Gordon, Hast, Mitchoff, Phillips, Telles and Watts)

Telles recused himself from Item 6 and was not present for subsequent discussion and voting.

6. It was M/S/C to accept the Hearing Officer's recommendation and grant the service connected disability retirement for Robert Laurence. (Yes: Allen, Buck, Cabral, Gordon, Hast, Mitchoff, Phillips and Watts) Telles recused himself from this item.

Telles was present for subsequent discussion and voting.

7. There was no reportable action related to Govt. Code Section 54956.9(a).

12. Miscellaneous

(a) Staff Report -

Levy thanked Buck for his 5 years of service and presented him with a plaque.

She reported there is now Wi-Fi in the Board room.

Levy reported CCCERA has received public records requests from investment research companies and the media for investment information and pension information.

Levy reported the Board of Supervisors adopted changes to salaries and a lump sum payment to unrepresented employees and management employees, including employees of CCCERA as requested by the Board. The county advised CCCERA that the Board's other requested changes (certification differentials and vacation buy backs) will be updated in September. Staff will report back on the effective dates for the differentials for CCCERA staff.

Schneider reported Segal has prepared their annual letters regarding the reconciliation of contribution rates by employer, the UAAL by employer and the projected contribution rates by employer. The letters were mailed to employers and emailed to the Board.

Price reported he, Leedom and Helliesen attended on-site visits to Oaktree and Siguler Guff.

He met with DLJ and toured potential Brooklyn properties.

Price reported the semi-finalist report on Small-Mid Cap managers will be provided at the September 11, 2013 meeting, which will also be the Quarterly meeting.

(b) Outside Professionals' Report -

None

(c) Trustees' comments –

Cabral reported on a newspaper article regarding call back pay and on-call pay.

Mitchoff asked if the DSA lawsuit can be on the September 4, 2013 meeting agenda.

Rodrigues thanked Buck for everything he has done and expressed his appreciation for all the help he has given him.

Hast thanked Buck for his years of service.

It was **M/S/C** to adjourn the meeting. (Yes: Allen, Buck, Cabral, Gordon, Hast, Mitchoff, Phillips, Telles and Watts)

Brian Hast, Chairman

Jerry Telles, Secretary