AGENDA

RETIREMENT BOARD MEETING

REGULAR MEETING March 9, 2016 9:00 a.m.	Retirement Board Conference Room The Willows Office Park 1355 Willow Way, Suite 221 Concord, California

THE RETIREMENT BOARD MAY DISCUSS AND TAKE ACTION ON THE FOLLOWING:

1. Pledge of Allegiance.

2. Accept comments from the public.

3. Approve minutes from the January 13, 2016 Board meeting.

4. Routine items for March 9, 2016.

    a. Approve certifications of membership.
    b. Approve service and disability allowances.
    c. Accept disability applications and authorize subpoenas as required.
    d. Approve death benefits.
    e. Accept Asset Allocation Report

CLOSED SESSION

5. The Board will continue in closed session to consider the Hearing Officer's recommendation regarding the disability application for David Reese.

6. CONFERENCE WITH LABOR NEGOTIATORS
    (Government Code Section 54957.6)

    Agency designated representatives:
    Gail Strohl, Chief Executive Officer
    Christina Dunn, Admin/HR Manager
    Joe Wiley, CCCERA's Chief Negotiator

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

7. CONFERENCE WITH LABOR NEGOTIATOR
    (Government Code Section 54957.6)

    Agency designated representative:
    Joe Wiley, CCCERA's Chief Negotiator
    Unrepresented Employee: Chief Executive Officer

The Retirement Board will provide reasonable accommodations for persons with disabilities planning to attend Board meetings who contact the Retirement Office at least 24 hours before a meeting.

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8. The Board will continue in closed session pursuant to Govt. Code Section 54956.9(d)(4) to confer with legal counsel regarding the initiation of litigation (one case).

OPEN SESSION

9. Consider and take possible action to:
    a. Determine whether panel management pay is pensionable compensation for four physicians who retired prior to 2013.
    b. Provide direction on recovery of pension overpayments.

10. Presentation from staff and Adams Street regarding proposed Adams Street Venture Innovation Fund commitment.

11. Consider and take possible action to commit to Adams Street Venture Innovation Fund.

12. Consider and take possible action to cancel the March 17, 2016 meeting.

13. Miscellaneous
    a. Staff Report
    b. Outside Professionals' Report
    c. Trustees' comments

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MINUTES

RETIREMENT BOARD MEETING MINUTES

REGULAR MEETING January 13, 2016 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, William Pigeon, Gabe Rodrigues, Todd Smithey, Jerry Telles and Belinda Zhu

Absent: Russell Watts

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

Outside Professional Support:	Representing:
Harvey Leiderman	Reed Smith LLP
Susan Hastings	Laughlin, Falbo, Levy & Moresi LLP

1. Pledge of Allegiance

Smithey led all in the *Pledge of Allegiance.*

2. Accept comments from the public

No members of the public offered comment.

3. Routine Items

It was **M/S/C** to approve the routine items of the January 13, 2016 meeting. (Yes: Allen, Andersen, Hast, Holcombe, Kroll, Phillips, Rodrigues, Smithey and Zhu)

Gordon, Pigeon and Telles were present for subsequent discussion and voting.

CLOSED SESSION

The Board moved into closed session pursuant to Govt. Code Section 54957.6, 54957 and 54956.9(d)(1).

The Board moved into open session.

4. CONFERENCE WITH LABOR NEGOTIATORS
(Government Code Section 54957.6)

Agency designated representative:
Gail Strohl, Chief Executive Officer
Unrepresented Employees: All CCCERA unrepresented positions

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

5. It was **M/S/C** to accept the Medical Advisor's recommendation and grant the following disability benefits:

a. Lori Currie – Non-service Connected (Yes: Allen, Andersen, Gordon, Hast, Phillips, Rodrigues, Smithey, Telles and Zhu)

6. This item was referred back to the Hearing Officer for further proceedings with instructions.

7. It was **M/S/C** to adopt the report and recommendation of the Administrative Law Judge and deny Lawrence Nunes' petition to have his application accepted as filed. (Yes: Allen, Andersen, Gordon, Hast, Phillips, Rodrigues, Smithey, Telles and Zhu)

8. This item was referred back to the Hearing Officer for further proceedings with instructions.

9. There was no reportable action related to Govt. Code Section 54956.9(d)(1).

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

10. <u>Presentation from McLagan regarding CCCERA investment employee compensation</u>

Strohl introduced Mike Oak of the McLagan firm.

Oak gave a brief background of the McLagan firm. He gave an overview of the analysis used to complete the investment employee compensation study. He reviewed the types of organizations used in the study and the current market salaries for the Chief Investment Officer, Investment Officer and Investment Analyst positions.

Rodrigues was no longer present for subsequent discussion and voting.

11. <u>Consider and take possible action to adopt McLagan's recommended salary adjustment</u>

Price reviewed the comparisons of dollars spent on outside consultants and the need to retain experienced staff especially with the changes made to the asset allocation. He also discussed the duties of the investment analysts noting they are mostly doing the work of an investment officer.

It was **M/S/C** to continue a decision on this item until the next meeting in January and to deal with all of the personnel adjustments at the same time. (Yes: Allen, Hast, Holcombe, Phillips, Smithey, Telles and Zhu)

12. <u>Consider and take possible action to authorize the CEO to execute a contract with Segal Consulting for the annual member benefit statements</u>

Strohl reported Segal Consulting has produced the annual member benefit statements for CCCERA in the previous years. She noted this item is coming to the Board because of the dollar amount of the contract.

It was **M/S/C** to authorize the CEO to execute a contract with Segal Consulting for the annual member benefit statements in an amount not to exceed $70,000. (Yes: Allen, Hast, Holcombe, Phillips, Smithey, Telles and Zhu)

Hast was no longer present for subsequent discussion and voting.

13. Update from the Compliance Officer

Dutkiewicz gave an update on compliance activities.

14. Consider and take possible action to move the January 28, 2016 meeting to January 27, 2016.

It was **M/S/C** to move the January 28, 2016 meeting to January 27, 2016 with a start time of 8:30 a.m. (Yes: Holcombe, Phillips, Smithey, Telles and Zhu. No: Allen)

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

a. It was **M/S/C** to authorize the attendance of 2 Board members at the Trustees' Roundtable, CALAPRS, February 5, 2016, Burbank, CA. (Yes: Allen, Holcombe, Phillips, Smithey, Telles and Zhu)
b. It was **M/S/C** to authorize the attendance of all Board members and 5 staff members at the CALAPRS General Assembly, CALAPRS, March 5-8, 2016, Indian Wells, CA. (Yes: Allen, Holcombe, Phillips, Smithey, Telles and Zhu)
c. It was **M/S/C** to authorize the attendance of 1 Board member at the Investment Basics, IFEBP, February 15-18, 2016, San Diego, CA. (Yes: Allen, Holcombe, Phillips, Smithey, Telles and Zhu)
d. It was **M/S/C** to authorize the attendance of 1 Board member at the Retirement Plan Basics, IFEBP, February 19-20, 2016, San Diego, CA. (Yes: Allen, Holcombe, Phillips, Smithey, Telles and Zhu)

16. Miscellaneous

(a) Staff Report –

Strohl reported CCCERA received a Certificate of Excellence from GFOA for the 2014 PAFR; and, CCCERA employees participated in a 1-year independence celebration.

Price reported John Angelo of Angelo Gordon passed away on January 1 noting there is no immediate impact on the strategies we are invested in; he gave an update on the Energy Credit Fund with Angelo Gordon; First Eagle received an inquiry from the Department of Labor noting there is no immediate impact on CCCERA; and, Ed Hoffman from Verus will be at the next meeting.

Levy reported she will be chairing the next CALAPRS attorneys' roundtable and is lining up topics and speakers for the five hour mandatory continuing legal education, including one hour of ethics education.

Dunn reported she distributed the elimination of recourse statements for the fiduciary insurance, we processed our first CCCERA payroll on January 8th; we are looking to streamline the Board member travel process and new forms have been created.

Dutkiewicz gave an update on separating IT from the County and now have all the user requests for the Secure File Transfer site noting everything is going smoothly.

Hoppe reported staff is working on the 1099R Forms.

(b) Outside Professionals' Report -

None

(c) Trustees' comments –

None

It was **M/S/C** to adjourn the meeting. (Yes: Allen, Holcombe, Phillips, Smithey, Telles and Zhu)

John Phillips, Chairman

Scott Gordon, Secretary

CONTRA COSTA COUNTY CCCERA
Employees' Retirement Association

MEMORANDUM

Date: March 9, 2016

To: Board of Retirement

From: Wrally Dutkiewicz, CFE
Compliance Officer

Subject: Consider and Take Possible Action Regarding Compensation Paid to Physicians During Their Final Average Salary Year Was for Payment for Services that was Panel Management Pay and Provide Guidance On Recovery of Pension Overpayments.

Background

Panel Management Pay (PMP) refers to the delivery of primary care services through telephone and electronic communication with patients and other members of the medical team and the coordination of patient care including specialty care delivered at multiple locations. In 2011, the Contra Costa County Health Services Department began to compensate those physicians who performed "Panel Management" duties by paying them one (1) hour and thirty (30) minutes of on-call pay for each day worked at the straight time rate (1.0) of the physician's base rate of pay. This Panel Management Pay was paid to physicians using the existing on-call pay earn code D32 and pension contributions were collected on the PMP amounts paid. The goal of providing physicians with Panel Management on-call pay was to encourage physicians to expand their primary care clinics to increase patient access and provide additional compensation to the physicians for the expanded and after-hours responsibilities it entailed.

In 2011 the Contra Costa Health Services department issued to physicians one of three letters. The first letter provided physicians confirmation that that they had met all the criteria to receive Panel Management on-call compensation. Effective July 1, 2011, physicians who consistently worked five or more clinics in primary care family medicine, internal medicine, adult medicine, pediatrics, and language specific clinics would receive on-call compensation for their Panel Management responsibilities.[1]

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[1] See Attachment #1, email dated 2/22/2016 with each of the three letters attached.

The qualifying clinics did not appear to be mandatory duty for the physicians, which may have necessitated the need for the Contra Costa Health Services department to send out the second and third type of letters to physicians. The second letter informed a physician that he or she was providing enough direct patient care but did not have an open panel for patient assignment and solicits the physician's interest in accepting automatic panel assignments to qualify for Panel Management on-call pay. The third letter was sent to physicians who may not have had any or a limited number of primary care clinics and encourages the physician to expand the number of qualifying care clinics in order to receive Panel Manager on-call compensation.

Exclusion from Pensionable Compensation

Pursuant to the CERL, pay for overtime work is excluded from pensionable compensation for both Legacy and PEPRA members. Pursuant to GC§31461(b)(3) CCCERA staff reviewed the conditions and duties under which "Panel Management" on-call pay was paid to physicians and deemed that the pay was not pensionable compensation as the payments were for overtime that the physicians worked to provide the additional services.[2] Upon notification of this determination the County performed the following corrective actions for its active CCCERA membership:

- Adopted Resolution No. 2013/372 on 9/24/2013 to ratify prior PMP payments and establish a designated form of pay to replace the use of the D32 on-call pay code;

- Refunded pension contributions collected on behalf of its active members who received PMP payments for the period 2011 through 2013 and issued corrected W2C for the 2011 and 2012 tax years. The 2013 contributions were refunded and then reported wages adjusted for 2013 W2 tax form reporting;

- Provided CCCERA with the County's correction files including copies of the payment warrants issued to all affected active members who received PMP pay.

CCCERA, based on the data provided by the County, returned interest on pension contributions attributed to Panel Management on-call pay as taxable distributions to the active membership and reported these on Form 1099 for the 2014 tax year.

Pension Overpayments Attributed to the Inclusion of PMP in FAS and Collection Thereof.

During the review of the data that had been provided by the County there were five (5) retired members that were identified that had received PMP payments coded as D32 during their service which, at the time of their retirement, had been included in their final average salary (FAS) for pension calculation purposes.

[2] See Attachments #2 9/18/2013 email from E. Verigin, CCC –AC, #3 9/26/2013 Letter from B. Compbell, CCC-AC, #3 10/14/2013 Letter of Determination from M. Leedom, CCCERA CEO

Staff reviewed each of the five (5) pension calculations to determine what each retiree's adjusted prospective pension would be with the exclusion of the PMP payments in FAS and, to what extent an overpayment had been made. Once these calculations had been finalized there were four (4) retirees identified as having overpayments. Each of the retirees were notified via letters dated August 7th, 2015.

The following pension overpayments, net of contributions plus interest, were calculated as having been paid to the retirees:

Farey, K.	$ 17,096.18
Hearst, D.	$ 37,217.16
Hinman, P	$ 28,804.44
Slauson, D.	$ 31,170.73
Total	$114,288.51

Should the Board of Retirement determine that the payment of on-call (D32) compensation was for services rendered by the retiree was that which has been described as *Panel Management Pay* then the amount of the overpayments would need to be collected by CCCERA in order to return these funds to the retirement system.

Recommendation

1) Consider and take possible action to determine whether the on-call (D32) compensation paid to four physicians during their final average salary year was for overtime work providing Panel Management services and therefore should be excluded as pensionable compensation.

2) In consideration of possible action #1, then the Board may consider and take possible action to direct staff to pursue collection of the overpayments from either:

   a. The County pursuant to the amount indicated in Attachment 14. This would be consistent with Internal Revenue Service correction programs which provide that an appropriate correction method may include having the employer contribute the amount of overpayment with appropriate interest in lieu of seeking recoupment from plan participants and beneficiaries. Rev. Proc. 2015-27,Sec.3.02(3). Compliance with IRS correction provisions would protect the tax-qualified status of the plan.

   b. Each of the retirees per the statements of overpayment indicated in Attachments 15 through 18. Recovery of benefit overpayments may proceed as set forth in CCCERA's Overpayment of Benefits Policy (Tab III)

3/9/2016 BOR Memo – Panel Management Pay (PMP) Corrections – Background Documents		
Attachment	1.	Email Dated 2/22/2016 From Dr. D Goldstein re: Data Requested by CCCERA • Copy Letter #1 dated 5/5/2011 - memo to physicians qualifying for Panel Management on-call pay; • Copy Letter #2 dated 5/5/2011 – memo to physicians to open panel assignment to qualify for Panel Management on-call pay; • Copy Letter #3 dated 5/5/2011 – memo to physicians encouraging them to expand number of primary care clinics to become eligible for Panel Manager on-call pay.
	2.	Email Dated 9/18/2013 from Elizabeth Verigin, Contra Costa County Assistant Auditor Controller to Marilyn Leedom, CCCERA CEO re: Panel Management Pay Final Resolution (Attached)
	3.	Letter from Robert Campbell, Contra Costa County Auditor Controller dated 9/26/2013 re: Retirement Determination for New Pay Code
	4.	Letter from Marilyn Leedom, CCCERA CEO to Robert Campbell, Contra Costa County Auditor Controller dated 10/14/2013 re: Retirement Compensable Determinations of New Pay Codes
	5.	Slauson, D. Summary of On-Call paid for panel management activities with accompanying timesheets for member's FAS period.
	6.	Farey, K. Summary of On-Call paid for panel management activities with accompanying timesheets for member's FAS period.
	7.	Hearst, D. Summary of On-Call paid for panel management activities with accompanying timesheets for member's FAS period.
	8.	Hinman, P. Summary of On-Call paid for panel management activities with accompanying timesheets for member's FAS period.
	9.	MOU Between Contra Costa County and Physicians' and Dentists' Organization of Contra Costa (PDOCC) – October 1, 2005 – September 30, 2008, pgs. 30-34
	10	MOU Between Contra Costa County and Physicians' and Dentists' Organization of Contra Costa (PDOCC) – October 1, 2008 – October 31, 2016, pgs. 17,24-25
	11	Letter from Kurt Schneider, CCCERA Deputy CEO to Marie Rulloda, Contra Costa County Chief Accountant dated 9/4/2014 re: Prepayment True Up and Panel Management Adjustments
	12	Copy of Contra Costa County Warrant Listing Report dated 3/25/2014 evidencing Panel Management Pay contribution refunds to active members
	13	Roster Panel Management Pay – Interest on Contributions Adjustments Completed.
	14	Summary of Overpayments with Interest a/o 3/1/2016
	15	Farey, K. – Statement of overpayment and member repayment options.
	16	Hearst, D. – Statement of overpayment and member repayment options.
	17	Hinman, P. – Statement of overpayment and member repayment options.
	18	Slauson, D. – Statement of overpayment and member repayment options.

MEMORANDUM

Date: March 9, 2016

To: CCCERA Board of Retirement

From: Timothy Price, Chief Investment Officer
Chih-chi Chu, Jeff Youngman, Investment Analysts

Subject: Adams Street Venture Innovation Fund

Recommendation

We recommend that CCCERA make a capital commitment of $75 million to Adams Street Venture Innovation Fund (ASVIF), subject to satisfactory on-site due diligence and legal review.

ASVIF is a dedicated offering of Adam Street's preferred venture capital relationships. The fund will invest in the same venture capital funds that are expected to be included in the firm's global fund of funds offerings for 2016-2018. Adams Street is one of the earliest institutional venture capital investors with a track record dating back in 1972. In the past, these venture capital funds were mostly allocated to the Adams Street's global fund programs. In recent years, Adams Street has raised successively smaller global fund of funds offerings, reflecting the trend among many institutional investors away from the fund of funds business model. The percentage allocation to venture capital within these diversified funds has remained largely consistent, but the dollar allocation levels has declined with overall global fund size. Most venture capital funds pre-authorize dollar commitments to their long-term partners based upon the long-term relationship. Adams Street is understandably reluctant to cede their access to this roster of venture capital relationships by not taking their pro-rata share of future funds, hence creating this opportunity to invest in a dedicated pool of high quality venture capital funds with more favorable economics than those of similar caliber venture capital fund-of-funds in the market.

CCCERA has a long history with Adams Street. Over the past few years CCCERA has not increased its commitment to Adams Street's global program to reflect CCCERA's growing private equity allocation; instead CCCERA chose a more targeted approach such as allocating commitments to Adams Street's dedicated secondary funds when they were available and attractive after the financial crisis. We view ASVIF as another opportunity to further enhance CCCERA's risk/return profile of the investment pool managed by Adams Street. ASVIF's target annual net return is 15-20%. Below is the summary of CCCERA's investments managed by Adams Street:

Program	Inception	COMMITMENT AMOUNT	% INVESTED OR RESERVED	Net IRR
Global Fund of Funds (multiple vintages)	Mar-96	$270,000,000	93%	10.59%
Secondary Funds (II&V)	Jan-09	$70,000,000	76%	14.80%

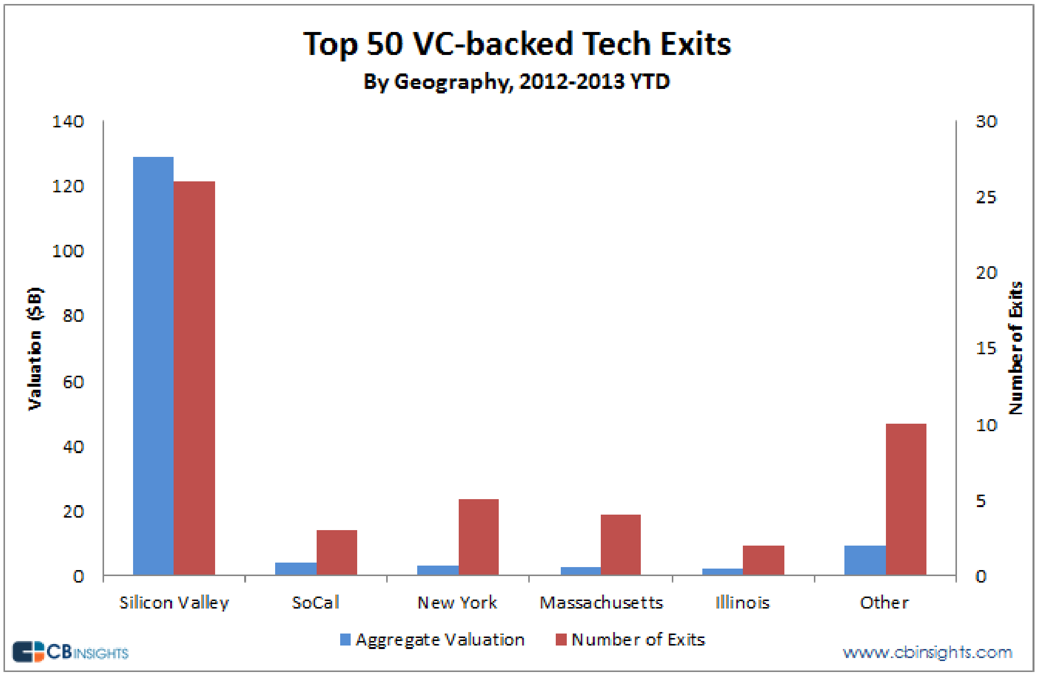
Venture Capital Overview

Venture capital has spawned many industries, including semi-conductors, software, e-commerce, biotech, and social networking. Along the way it has also produced many successful companies, such as Intel, Microsoft, Apple, Google, Amazon, Genentech, Tesla, and Facebook, to name a few. In today's low growth environment, venture capital is arguably the most prominent area for investors to seek growth, propelled by the quest to own the next generation of breakthrough technologies and to benefit from the disruption of legacy business models. Some of the widely talked-about innovation topics currently include self-driving cars, nanotechnology, robotics application, FinTech (use of technology to make financial services more efficient), etc. All of these are financed primarily by venture capital.

With the expectation of outsize returns comes the reality that many venture-backed companies will fail. Companies that don't evolve, or adopt the wrong technologies are often abandoned by their customers quickly and punished severely in the capital markets. Venture capital is the land of a few large successes and many small failures. This model rewards investing early during the companies' lifecycle when the product or model isn't proven and therefore the company valuation is less established.

For entrepreneurs seeking venture capital funding, there is a natural tendency to reach out to investors with whom they have previously worked or to investors who have access to the boards or senior management of the established companies in their respective industries. When fundraising, entrepreneurs seek knowledge, experience, and access to the industry more than just money. Because there is a finite pool of investors who have the combination of knowledge, experience, access, and pocket, successful investment results are more concentrated within that finite pool of investors. Having said that, venture capital is also a rare industry that rewards failures. People are not judged by whether they failed, but by what they learned from the failures so they can make the next venture a success. Therefore, although successful investors are often critical and selective on the entrepreneurs they choose to work with, they are curious and open-minded on the ideas they see or hear.

On a global scale, the United States is the largest venture capital market, followed by China, India, Europe, and Israel. And within the United States, Silicon Valley dominates all other regions. Below is a recent analysis by CB INSIGHTS on the geographic distribution of venture capital activity in the United States.



ASVIF Investment Strategy

ASVIF will be run out of Adams Street's Silicon Valley office, on Sand Hill Road in Menlo Park. It intends to invest in 10 to 20 venture funds over the next two to three years. Adams Street established the Menlo Park office in 2006 in order to have more direct access to GP relationship and venture capital deal flow. ASVIF's pipeline of venture capital funds includes high caliber GPs with the combination of knowledge, experience, access, and capital.

One of the distinguishing characteristics of ASVIF is the fund's willingness to engage in due diligence on new funds started by seasoned venture partners. Just as ASVIF evaluates its underlying GP's willingness and ability to source early stage companies, CCCERA staff focused on ASVIF's willingness and ability to source newer funds. In the venture capital industry, high profile funds typically raise more money, but it's often the individual partners who have the knowledge, experience, and access. Many successful partners start out their own funds to be more specialized in sub-industry, and to better align their personal interests to the success of their investments. We believe ASVIF's blended approach of securing long-term relationships while also backing new funds (with seasoned partners) can capture more alpha than re-ups with the old funds.

Other features of ASVIF's investment strategy include:

- Time diversification: By pacing its investments over 10 – 12 quarters, ASVIF can construct its portfolio to weather market cycles while taking advantage of long term secular trends.

- Early focus: 60 – 70% of ASVIF's investments will be in the funds that target early stage companies. By nature of this focus on early stage companies, ASVIF will be subject less to valuation volatility often concerned in the venture capital market.

- Consistency: ASVIF constructs its portfolio with similar amounts of investment in each fund regardless of fund size. This equal-weighted method has been Adams Street's key to success in its primary funds investment program. By equal-weighing its investments, ASVIF reduces the risk of losing big with mega funds and increases the chance of more significant contributions from the small funds.

- Geographic expansion: Although Silicon Valley remains the most powerful profits engine in venture capital *within* United States, it does not preclude ASVIF to seek prominent and unique opportunities overseas. ASVIF can invest up to 20 -30% of the fund outside United States.

Overview of Adams Street and ASVIF Investment Team

Adams Street Partners' legacy started at First National Bank of Chicago in 1972, focusing on venture capital investments. Later, Brinson Partners acquired the interests from First National Bank of Chicago. In 1995 Brinson Partners combined with Swiss Bank Corporation's investment management business (later become UBS AG). Adams Street was formed in 2001, comprised of the Brinson Partners' private equity group. Today Adams Street is 100% employee owned with AUM over $27 billion.

Although Adams Street is raising smaller flagship global funds, we have tracked the firm's growing pool of investment talent. The current head of investments is Jeff Diehl who was promoted within Adams Street and leads the direct investment program. The head of the Primary Fund Investments is Kelly Meldrum who is overseeing ASVIF. The key ASVIF investment personnel are highlighted below:

- *Kelly Meldrum, CFA,* is Head of Primary Investments at Adams Street. Kelly opened Adams Street's Menlo Park office in 2006 and is based there. Before joining Adams Street in 2005 Kelly was Director of Private Equity for Hewlett Foundation. Prior to that she was with HP, managing its venture capital partnership interests. Kelly started her career at the venture capital group in Morgan Stanley. As seen throughout her career Kelly has been cultivating relationships in the venture capital industry, building roaster of quality portfolios and putting together capable teams to manage them. Kelly received her BS from Bentley College.

- *Tom Gladden* is a partner at Adams Street based in Chicago. Tom specializes in venture and growth capital fund investments. Prior to joining Adams Street in 2002, Tom worked at Duke Management Company. Prior to that he was the Executive Director of the Youth and Family Resource Center in Chicago, responsible for financial, administrative, and operations. He also worked at APM Incorporated where he managed task forces in hospitals throughout the country. Tom has a BA from Dartmouth College and MS from University of Chicago.

- *Saguna Malhotra* is a partner at Adams Street based in Menlo Park. Prior to joining Adams Street she was the Managing Director of Private Equity at Stanford Management Company where she oversaw $6 billion of private equity portfolio. She was also a member of the investment committee making decisions for Stanford's broader investment program. Saguna also started her career at Morgan Stanley, in its Financial Sponsors Group. Prior to joining Adams Street Saguna had known Kelly for 10 years. Saguna has a BS from University of Pennsylvania.

- *Michael Taylor* is a senior associate based in Menlo Park. He joined Adams Street in 2012. Mike started his career in Investment Banking at Bank of America Merrill Lynch.

Track Record Review

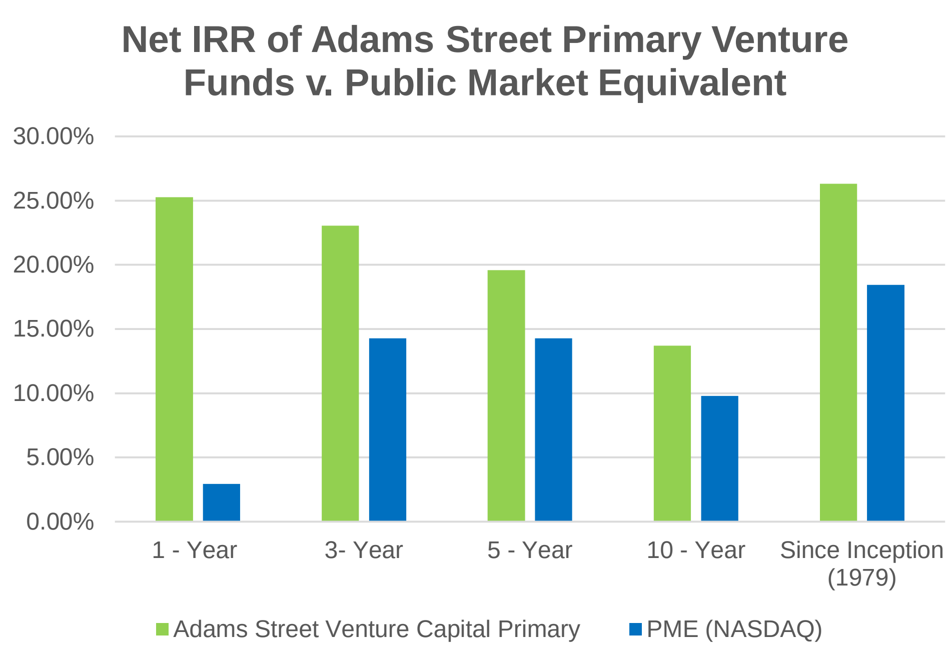
CCCERA started its investment program with Brinson Partners (Adams Street's predecessor) in 1996, and added Adams Street's dedicated secondary fund program in 2009 when there was massive selling of partnerships to the secondary market due to liquidity squeeze caused by the the great financial crisis. The combined since-inception net IRR of 10.9% has outperformed its PME (Public Market Equivalent), MSCI World Total Return, by more than 400 bps. Below is the summary table of CCCERA's Adams Street investment program, as of September 30, 2015:

CCCERA Level – Key Program Metrics

Program	Subscription	Drawn	Market Value	Distribution	Net IRR	Multiple
Partnership	$270	$192	$124	$163	10.6%	1.5x
Secondary	$70	$50	$36	$31	14.8%	1.3x
Total	$340	$242	$160	$194	10.9%	1.5x

Number in millions, source: CCCERA quarterly report from Adams Street

Adams Street's track record in venture capital is also strong (see chart below). We should note again that venture capital investing is subject to binary outcomes and boom/bust cycles. We believe that 2015 was likely a peak in venture capital exits and valuations before we enter into another period of retrenchment

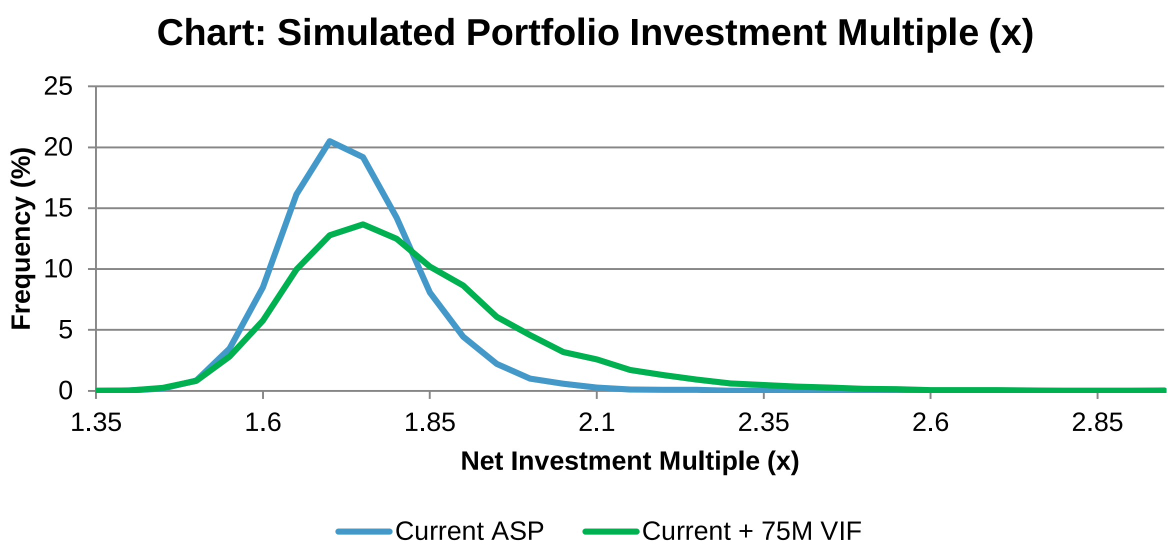


Adams Street also provided the peer rankings (Burgiss Venture Net IRR Universe) of the likely GPs to be included in ASVIF, shown below:

	Funds Vintages 2002 - 2012 - Quartile Performance			
	Most Recent Vintage	-------------------------------		Oldest Vintage
Firm A	1st	2nd	2nd	
Firm B	2nd	1st		
Firm C	3rd	1st	1st	1st
Firm D	2nd	3rd	1st	
Firm E	1st	2nd	1st	
Firm F	2nd	2nd	1st	
Firm G	1st	2nd		
Firm H	New Firm			
Firm I	1st	1st	1st	4th
Firm J	1st	1st	1st	
Firm K	3rd	3rd	4th*	
Firm L	2nd	1st*		

**Adams Street was not an investor in these funds*

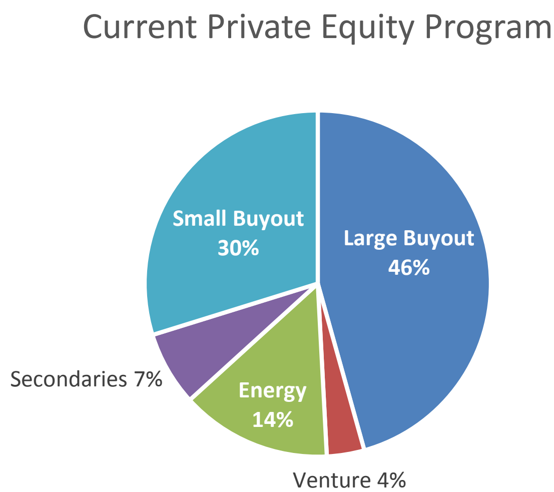
Staff asked Adams Street to run risk/return simulations over two scenarios: CCCERA's Adams Street program both with and without a $75mm commitment to ASVIF. Below is the comparison between CCCERA's current Adams Street Program (ASP) and the new Adams Street Program with a $75 million commitment to ASVIF:



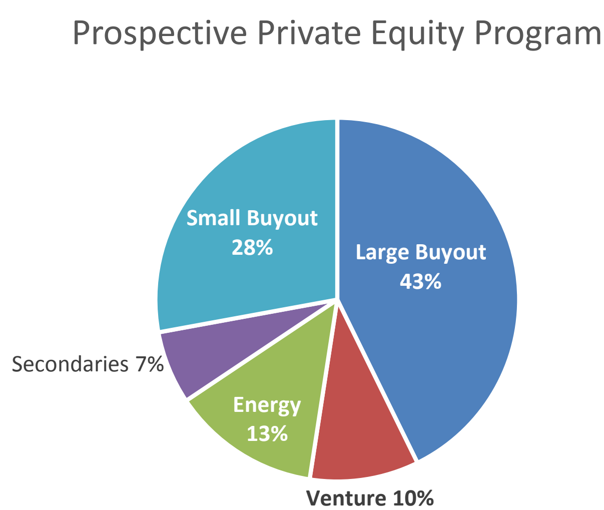
The simulated addition would be expected to expand the range of potential outcomes, but increase the expected median return without the corresponding shift to the left side (higher probability of lower returns).

Impact of Allocation on CCCERA's Private Equity Portfolio

CCCERA's current private equity program is generally diversified across large and small buyouts, energy, secondaries and venture capital. Note that Adams Street and Pathway run large diversified portfolios which may include more than one sub-sector, but are generally dominated by mid-large buyout funds. The current composition of CCCERA's private equity program is shown in the chart below (note that this includes current market value of investments and uncalled capital):



The venture capital allocation is small and shrinking as the Bay Area Equity Funds I & II (vintages 2004 and 2009, respectively) and Paladin III (vintage 2007) are in the distribution phase of their fund lives. Without making new commitments to venture capital, CCCERA's exposure will diminish in the coming years (the Bay Area Equity Funds and Paladin are expected to liquidate in 2017). A $75 million allocation to the Adams Street Venture Innovation Fund will increase the venture allocation to 10%, and reduce the energy, small buyout and large buyout allocations by 1%, 2% and 3%, respectively. This is shown in the chart below:



CCCERA Commitment Availability for Private Equity Investments

Based on CCCERA's fund value of $6.95 billion as of January 31, 2016, a 10% target allocation to alternative investments is $695 million. CCCERA's alternative investments market value as of January 31, 2016 was approximately $605 million. Outstanding commitments to alternative investments, which have not yet been drawn, totaled $487 million. The combination of market values and outstanding commitments is $1.09 billion.

Hitting a specific target allocation for private equity is challenging due to the capital call and distribution cycle. There is significant lag time in alternative investments between commitments and actual investments, while partnership commitments made in the early years start to make distributions, which decreases the allocation to alternative investments. Taking into account CCCERA's asset value, capital deployment lag time and distribution characteristics of investing in private equity, CCCERA needs to over-commit relative to the desired target of 10% ($695 million) in alternative investments. Using an estimate for over-commitment of 100% in this analysis, the total amount available for CCCERA to commit to alternative investments is $298 million. These figures are detailed below:

	Value (Millions)
CCCERA Total Fund	**$6,948**
as of 1/31/2016	
Private Equity @ 10%	**$695**
Private Equity Target	$695
less Closed End Investments	$605
less Commitments	$487
Available to Commit	-$397
plus 100% Over-Commitment	$695
Estimated Available to Commit	**$298**

CCCERA has recently adopted a new asset allocation, which calls for a move from a 10% target allocation to a new 17% target allocation to private equity going forward. A $75 million investment in ASVIF is a strong start with a known partner towards building into the larger private equity allocation approved under the FFP structure, while also reserving flexibility for the private equity program pending an implementation plan to be approved by the Board in the near future.

It should also be noted that if CCCERA does not make any new allocations to venture capital, the fund will have no exposure to this area of private equity after the Bay Area Equity Funds and Paladin dissolve in 2017-19. In light of this, Staff desires to maintain vintage year diversification and market exposure to the asset class without materially over or underweighting the asset class pending the forthcoming implementation plan. An allocation of $75 million accomplishes these goals.

Risks of Investing in ASVIF

Outlined below are the most relevant risks associated to this investment:

Valuation - Equity markets (both private and public) appear to be coming off a high point in valuations in 2015. Volatility in the public markets may impact the private equity market, both in the prospects of venture-backed firms exiting via the IPO market as well as the ability of strategic acquirers to use their stock as currency for acquisitions. We believe the pullback in valuations is creating a better opportunity to make new venture capital commitments over the next several years, but we may be early.

Diversification - The Adams Street Venture Innovation Fund will primarily target funds that focus on the technology sector. This is not uncommon for venture capital funds, however it is a concentrated industry risk. Additionally, the fund will be targeting the bulk of its investments in the United States (expected 70%-80% of investments). Again, this is not uncommon for venture funds.

The portfolio of ASVIF will be equal-weighted across the underlying funds, which builds in some diversification across fund sponsors, and the underlying funds will be diversified across the stage of investment including seed, early, and to a lesser extent later stage and growth investments.

Key Person Risk - Venture capital, more than most any other asset class, relies heavily on relationships between the investor, general partners, and the target investment (recipient of the equity). In the event that Kelly Meldrum is unable to perform her duties as it relates to the Adams Street Venture Innovation Fund, the relationships that drive the fund’s operations could also be at risk.

Venture Capital Batting Average - The classic venture capital heuristic is that every single major win has to cover nine material losses. Though the Adams Street Venture Innovation Fund will be diversified across fund sponsors and vintage years, venture capital is a volatile asset class with generally binary outcomes.

Summary of Key Terms of Adams Street Venture Innovation Fund

The Fund:	Adams Street Venture Innovation Fund LP
Fund Size:	$150mm
GP Commitment:	No less than 2%
Investment Focus:	The Fund will invest in private equity funds, creating a portfolio of primary investments focused on the venture capital subclass, on a global basis.
Investment Period:	Up to five years following the commencement date (though expected to be two to three years)
Fund Term:	12 years following the commencement date (subject to extensions of up to three successive one-year periods at the discretion of the GP)
Guideline:	No more than 15% in single underlying investment
Fees:	The average annual management fee is expected to be approximately 68bps (the expected average annual management fee after 10% CCCERA relationship discount, please see explanation on the following page)
Carry:	No GP carry for this fund

Estimated Fee Schedule

Adams Street will not charge carried interest on the Venture Innovation Fund, only a management fee. Because of this, we have not outlined our typical example of cash flows for private investments. Below is the estimated fee schedule of a $75 million investment in ASVIF:

Year	Management Fee (bps)	Management Fee ($)	After 10% Discount
1*	110.0	$232,031	$208,828
2*	110.0	$577,500	$519,750
3*	110.0	$745,594	$671,034
4	110.0	$825,000	$742,500
5	110.0	$825,000	$742,500
6	110.0	$825,000	$742,500
7	110.0	$825,000	$742,500
8#	99.0	$742,500	$668,250
9#	88.0	$660,000	$594,000
10#	77.0	$577,500	$519,750
11#	66.0	$495,000	$445,500
12#	55.0	$412,500	$371,250
13#	44.0	$330,000	$297,000
14#	33.0	$247,500	$222,750
15#	22.0	$165,000	$148,500
Total Fees		$8,485,125	$7,636,613
Average Annual Fee ($)		$565,675	$509,108
Average Annual Fee (bps)		0.75%	0.68%

*Fees in years 1-3 will be based on actual amounts committed at the end of each quarter. Assuming 40% is invested by the end of year 1, 80% is invested by the end of year 2 and 100% is invested by the end of year 3 Adams Street estimates management fees will equate to 28.125%, 70% and 90.375% of full year fees in years 1 through 3, respectively.

Fees are reduced 10% per year beginning in year 8 as follows:

Year 8 - fees are 90% of full year fees
Year 9 - fees are 80% of full year fees
Year 10 - fees are 70% of full year fees
etc.

Verus

Memorandum

To: **Contra Costa County Employees' Retirement Association**

From: **Manager Research Group**

Date: **February 29, 2016**

RE: **Opinion on proposed investment in the ASP Venture Innovation Fund**

Executive Summary

It is our view that a diversified private equity portfolio includes an allocation to Venture Capital ("VC"). VC can be a driver of economic growth, having produced leading technology, disruptive business models, and some of the most recognizable companies in recent history. The asset class is generally high risk/reward with a few investments the driving total portfolio returns. Against this backdrop, select leading VC managers seem capable of consistently generating above average returns. These persistent return managers are exceedingly difficult to access and limited partner ("LP") allocations are often the results of long historical relationships.

Adams Street Partners, LLC ("ASP"), a $27 billion fund-of-funds manager with a 40+year history of investing in the Venture Capital market, is seeking $150 million in limited partner commitments to the ASP Fund. The proposed investment in the ASP Venture Innovation Fund LP (the "ASP Fund") appears to provide CCCERA with access to a selection of these persistent return managers. Based on our review of the Staff's research, we do not see any significant issues with their diligence on the investment opportunity in general and the strategy in particular.

Diligence Performed

At the client's request, we performed an initial review of the ASP Fund. This included a review of the offering materials, an in-person meeting with the manager, as well as a review of the Staff's Investment Memorandum.

The Market Opportunity

Venture Capital as an asset class has performed strongly over the last 1, 3, and 5 years generating an average IRR of 20.5%, 17.0% and 14.7% respectively[1]. However, VC valuations are elevated and the softness of the overall economic environment, including limited recent IPO activity, may point toward lower average returns going forward. Within the VC landscape, early-stage and growth type investments may be more insulated from a market correction. Early stage

[1] Preqin Private Equity Horizon IRRs as at 6/30/15.

investments may be capable of generating positive returns in a low-growth environment whereas larger and later stage investment may rely on difficult to achieve valuations and assumptions.

While the market environment may generally inform investment decisions, it is difficult to time a private market investment decision. Venture Capital funds invest over 3-5 years and exit those investments in years 3-15. The investment environment will likely change significantly over the course of a fund's life. In the VC market, top quartile managers seem capable of generating consistent above average returns[2]. These leading VC funds are often oversubscribed, difficult to access, and LP allocations are the result of nurturing long relationships with the managers. Investors with access to these persistent return managers may be capable of generating returns above the market average.

The Offering

ASP is seeking $150 million in limited partner commitments to the ASP Fund. The ASP Fund looks to make 10-20 primary commitments to the Venture Capital subclass, on a global basis. ASP targets a mix of stages with 60-70% of the ASP Funds capital earmarked for early stage investments.

Over its 40+ years in the market, ASP has secured meaningful allocations to leading VC managers. Historically these allocations were used by the ASP flagship fund and other globally diversified ASP fund-of-funds vehicles. Investor interest in the diversified fund-of-funds model has waned and the ASP diversified funds are generally smaller today than they were in the past. Portfolio construction limitations in these smaller diversified funds limits the size of individual VC commitments. Rather than release a portion of these allocations back to the VC manager, ASP has elected to raise the ASP Fund to maintain their historical investment pace and dollar allocations to the VC space. During the investment period, the ASP Fund will generally make VC commitments pro-rata with the global diversified fund-of-funds. Additionally, the fee structure of the ASP Fund is favorable to that of other dedicated VC fund-of-funds mangers in market.

Conclusion

While we note that VC valuations are elevated and the recent success of the asset class may be difficult to replicate in the coming years, market timing is challenging and a diversified Private Equity includes a VC allocation. If an investor decides to participate in the VC asset class, a commitment to the Fund seems reasonable. In our opinion, Staff performed a logical review of the opportunity set and their decision to recommend the Fund is based on a thorough analysis of the Fund, ASP, and the investment team.

[2] Private Equity Performance: Returns, Persistence and Capital Flows. Steve Kaplan and Antoinette Schoar.

CCCERA Board Meetings 2016

Eff. 3.9.16

January

Su	Mo	Tu	We	Th	Fr	Sa
					1	2
3	4	5	6	7	8	9
10	11	12	B	14	15	16
17	18	19	20	21	22	23
24	25	26	27	SB	29	30
31						

H - New Year's Day
H - Martin Luther King Jr. Day

February

Su	Mo	Tu	We	Th	Fr	Sa
	1	2	3	4	5	6
7	8	9	B	11	12	13
14	15	16	17	18	19	20
21	22	23	24	SB/Q	26	27
28	29					

H - Presidents' Day

March

Su	Mo	Tu	We	Th	Fr	Sa
		1	2	3	4	C
C	C	C	B	10	11	12
13	14	15	16	17	18	19
20	CII	CII	CII	SB	25	26
27	28	29	30	31		

April

Su	Mo	Tu	We	Th	Fr	Sa
					1	2
3	4	5	6	7	8	9
10	11	12	B	14	15	16
17	18	19	20	21	22	23
24	25	26	B W	W	W	W

May

Su	Mo	Tu	We	Th	Fr	Sa
1	2	3	SB	5	6	7
8	9	S	S	S	S	14
N	N	N	N	N	20	21
22	23	24	B Q	26	27	28
29	30	31				

H - Memorial Day

June

Su	Mo	Tu	We	Th	Fr	Sa
			1	2	3	4
5	6	7	B	9	10	11
12	13	14	15	16	17	18
19	20	21	B	23	24	25
26	27	28	29	30		

July

Su	Mo	Tu	We	Th	Fr	Sa
					1	2
3	4	5	6	7	8	9
10	11	12	B	14	15	16
PPI	PPI	PPI	PPI	SB	22	23
24	25	26	B	28	29	30
31						

H - Independence Day

August

Su	Mo	Tu	We	Th	Fr	Sa
	1	2	3	4	5	6
7	8	P	B P	P	P	13
14	15	16	17	18	19	20
21	22	23	B Q	25	26	27
28	29	30	31			

September

Su	Mo	Tu	We	Th	Fr	Sa
				1	2	3
4	5	6	7	8	9	10
11	12	13	B	15	16	17
18	19	20	21	22	23	24
25	26	27	B CII	CII	30	

H - Labor Day

October

Su	Mo	Tu	We	Th	Fr	Sa
						1
2	3	4	5	6	7	8
9	10	11	B	13	14	15
16	17	18	19	SB	21	22
23	24	25	B	27	28	29
30	31					

November

Su	Mo	Tu	We	Th	Fr	Sa
		1	SB	3	4	5
6	7	S	S	S	S 11	I
I	I	I	I	17	18	19
20	21	Q	23	24	25	26
27	28	29	30			

H - Veterans Day
H - Thanksgiving

December

Su	Mo	Tu	We	Th	Fr	Sa
				1	2	3
4	5	6	7	8	9	10
11	12	13	B	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	31

H - Christmas Day Observed

B	Board Meeting	CII	CII	P	Pepperdine University: Principles of Pension Management
Q	Quarterly Meeting	C	CALAPRS	PPI	SACRS: Public Pension Investment Management
SB	Special Board Meeting	N	NCPERS	W	Wharton: Portfolio Concepts and Management
S	SACRS	I	IFEBP		