



## AGENDA

### RETIREMENT BOARD MEETING

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

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 June 10 and July 23, 2015 Board meetings.

#### *CLOSED SESSION*

4. 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/Masa Shiohira, CCCERA's Chief Negotiator

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

#### *OPEN SESSION*

5. Presentation from staff on Real Asset commitment pace.
6. Presentation from staff and Aether regarding proposed Aether IV commitment.
7. Consider and take possible action to commit to Aether IV.
8. Presentation from staff and Siguler Guff regarding proposed Siguler Guff DREOF II Co-investment Fund commitment.
9. Consider and take possible action to commit to Siguler Guff DREOF II Co-investment Fund.

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.

10. Consider and take possible action to authorize the CEO to execute a contract with McLagan for an investment compensation study.
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.
12. Consider authorizing the attendance of Board and/or staff:
  - a. CRCEA Fall Conference, CRCEA, October 19-21, 2015, Stockton, CA.
  - b. Educational Forum, CalPERS, October 26-28, 2015, San Jose, CA.
  - c. SACRS Fall Conference, SACRS, November 17-20, 2015, San Diego, CA.
13. Miscellaneous
  - a. Staff Report
  - b. Outside Professionals' Report
  - c. Trustees' comments

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.



## MINUTES

### RETIREMENT BOARD MEETING MINUTES

FIRST MONTHLY BOARD MEETING  
9:00 a.m.

June 10, 2015

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 and Jerry Telles

Absent: William Pigeon and Russell Watts

Staff: Gail Strohl, Retirement Chief Executive Officer, Kurt Schneider, Deputy Retirement Chief Executive Officer; Timothy Price, Retirement Chief Investment Officer; Karen Levy, Retirement General Counsel; Vickie Kaplan, Retirement Accounting Manager; and Christina Dunn, Retirement Administrative/HR Manager

Outside Professional Support:  
Susan Hastings  
Joe Wiley

Representing:  
Laughlin, Falbo, Levy & Moresi LLP  
Wiley, Price & Radulovich LLP

#### 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. Approval of Minutes

It was M/S/C to approve the minutes of the March 19, 2015 meeting changing the word “their” to “there” on the first line of Item 7.(a), Staff Report. (Yes: Allen, Andersen, Gordon, Hast, Kroll, Phillips, Rodrigues and Smithey)

Telles was present for subsequent discussion and voting.

It was M/S/C to approve the minutes of the March 25, 2015 meeting. (Yes: Allen, Andersen, Gordon, Hast, Phillips, Rodrigues, Smithey and Telles)

#### 4. Routine Items

It was M/S/C to approve the routine items of the June 10, 2015 meeting. (Yes: Allen, Andersen, Gordon, Hast, Phillips, Rodrigues, Smithey and Telles)

## **CLOSED SESSION**

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

The Board moved into open session.

5. It was **M/S/C** to accept the Medical Advisor's recommendation and grant the following disability benefits:
  - a. Khalid Abdul-Majied – Service Connected (Yes: Allen, Andersen, Gordon, Hast, Rodrigues, Smithey and Telles. Abs.: Phillips)
  - b. Joyce Henkel – Non-service Connected (Yes: Allen, Andersen, Gordon, Hast, Phillips, Rodrigues, Smithey and Telles)
6. It was **M/S/C** to accept the Administrative Law Judge's recommendation and deny the service connected disability retirement for Janice Stogner-Smith. (Yes: Allen, Andersen, Gordon, Hast, Phillips, Rodrigues, Smithey and Telles)
7. Levy reported the following out of closed session pursuant to Brown Act, Government Code Section 54957.1(a)(2):

In closed session on September 10, 2014, the Board directed its legal counsel to initiate action seeking to recover overpayments of retirement allowance paid after the death of the retiree. The retiree, Margaret Richards, passed away in 2002 but the death was never reported to CCCERA, resulting in the overpayments. CCCERA discovered the overpayments in 2014 and immediately stopped future payments. CCCERA filed actions in Oregon State court seeking recovery of the overpayments.

The vote in closed session was as follows:

Yes: Allen, Gordon, Hast, Mitchoff, Phillips, Rodrigues, Smithey, Telles and Watts.

No: None

Abstentions: None

8. There was no reportable action related to Govt. Code Section 54957.6
9. **Consider and take possible action to adopt a hearing policy for non-disability matters**

Levy reviewed her memo regarding a hearing policy for non-disability matters noting this policy closely resembles the disability hearing process. She reviewed the purpose of the policy, the rules by which administrative hearings for non-disability matters would be conducted, and definitions contained in the policy.

She recommended changing the definition of "Hearing Officer" to include State Bar Association membership. She also recommended deleting the last paragraph of Section C.1., changing the first part of IV. Policy, F. Board Consideration and Action, 3. Error of Law, to "When a party's motion for reconsideration is for a cause mentioned in Section F.2. above."

After a discussion on communications with Board members, it was **M/S/C** to adopt the Hearing Policy for Non-Disability Matters with the changes identified by general counsel. (Yes: Allen, Andersen, Gordon, Hast, Phillips, Rodrigues, Smithey and Telles)

10. **Review of 2014 administrative budget vs. actual report**

Strohl reported CCCERA is once again under budget noting the main areas under budget are salaries and benefits, which is due to delayed hires. This contributed to temporary salaries being over budget. She reported maintenance service contracts is over budget due to items needing to be reclassified to other accounts. She noted the administrative budget was 28% under budget.

**11. Market stabilization account report as of December 31, 2014**

Kaplan reviewed the Market Stabilization Account reports as of June 30, 2014 and December 31, 2014. She reported for the period January 2014 through June 2014 there was an investment gain of \$97.6 million and a total deferred return of \$513 million. She reported for the period July 2014 through December 2014 there was an investment loss of \$115.6 million and a total deferred return of \$336 million. She noted we were still able to recognize a gain of \$61 million with smoothing.

Kaplan also reviewed the contra tracking account adjustments for the same periods.

**12. Legislative Update**

Levy gave an update on pending legislation. The Board requested that future updates include the bill number and the authors of the bills.

**13. Conference Seminar Attendance**

- a. It was M/S/C to authorize the attendance of 3 Board members at the Modern Investment Theory & Practice for Retirement Systems, SACRS, July 26-29, 2015, Berkeley, CA. (Yes: Allen, Andersen, Gordon, Hast, Phillips, Rodrigues, Smithey and Telles)
- b. It was M/S/C to authorize the attendance of 2 Board members at the Principles of Pension Management, CALAPRS, August 25-28, 2015, Malibu, CA. (Yes: Allen, Andersen, Gordon, Hast, Phillips, Rodrigues, Smithey and Telles)

**14. Miscellaneous**

(a) Staff Report –

Strohl reported CPAS is on site working with accounting; Verus will present the interview results at the next meeting; Segal will present the actuarial valuation in July; Member benefit statements were mailed out; we will be having our first staff development day next month; and the CCCERA picnic went well.

Dunn reported we are having excel training on site for staff.

Kaplan reported there was a GASB 67/68 meeting with plan sponsors; Brown Armstrong will present the audit at the next Board meeting; and, the CAFR will be presented at the next meeting.

Price reported investments have been working hard on upcoming projects; and, Angelo Gordon will be presenting at the next Board meeting.

(b) Outside Professionals' Report -

None

(c) Trustees' comments –

Phillips requested staff provide a presentation of a sample of the benefits statements at the next meeting.

Rodrigues reported he was really impressed with Verus. He stated any suggestions for the SACRS Conference can be emailed to him.

Telles attended the Adams Street Conference with Youngman and felt it was a good conference.

Holcombe reported he attended the CCCERA picnic.

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

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Brian Hast, Chairman

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Jerry Telles, Secretary



## MINUTES

### RETIREMENT BOARD MEETING MINUTES

SECOND MONTHLY MEETING

9:00 a.m.

July 23, 2015

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, Todd Smithey and Belinda Zhu

Absent: Gabe Rodrigues, Jerry Telles and Russell Watts

Staff: Gail Strohl, Retirement Chief Executive Officer, Kurt Schneider, Deputy Retirement Chief Executive Officer; Timothy Price, Retirement Chief Investment Officer; Karen Levy, Retirement General Counsel; Vickie Kaplan, Retirement Accounting Manager; Wrally Dutkiewicz, Retirement Compliance Officer; and Christina Dunn, Retirement Administration Manager

Outside Professional Support:

Edward Hoffman  
Scott Whalen  
Joe Wiley

Representing:

Verus Consulting Group  
Verus Consulting Group  
Wiley Price & Radulovich LLP

#### 1. Pledge of Allegiance

Phillips led all in the *Pledge of Allegiance*.

#### 2. Accept comments from the public

No members of the public offered comment.

Allen was 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.

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

4. Consider and take possible action to adopt the Memorandum of Understanding between Contra Costa County Employees' Retirement Association and United Clerical, Technical & specialized Employees (AFSCME) Local 2700 for the period of July 1, 2013 through December 31, 2016 and authorize the Retirement CEO to execute said MOU

Dunn briefly reviewed the contract noting the main changes are removing Contra Costa County as the employer and changing it to CCCERA.

It was **M/S/C** to adopt the Memorandum of Understanding (MOU) between Contra Costa County Employees' Retirement Association and United Clerical, Technical & Specialized Employees (AFSCME) Local 2700 for the period of July 1, 2013 and December 31, 2016 and authorize the Retirement CEO to execute said MOU (Yes: Allen, Andersen, Gordon, Hast, Kroll, Phillips, Smithey and Zhu)

**5. Presentation from staff and Commonfund regarding proposed Commonfund Natural Resources Fund Commitment** – Steve Lanzo, Tim Yates, Greg Jansen, Kent Scott

Price reviewed the background on the proposed Commonfund Natural Resources Fund noting it is consistent with the deployment strategy laid out in the private real asset commitment schedule presented to the Board in November 2014.

Chu reported staff is looking for a long-time partner, focusing on net of fees investment performance. He reviewed the major negotiation points and explained the fee structure. He also reviewed the backgrounds of Commonfund's key investment professionals who would be working with CCCERA.

Lanzo reviewed the backgrounds of the team and their roles in the Fund. He gave an overview of the firm noting they have \$26 billion in assets under management. He summarized their objectives in natural resources investing.

Jansen reviewed the global natural resources investment team noting it is governed by an investment committee. He reviewed oil prices and their volatility. He also reviewed their deal flow and investment process which they have used for 20 years.

Scott reviewed their natural resources performance relative to the benchmark.

Pigeon was present for subsequent discussion and voting.

Yates reviewed their partnership approach.

**6. Consider and take possible action to commit to Commonfund Natural Resources Fund**

After a brief discussion on the structure, it was **M/S/C** to commit \$100 million to Commonfund Natural Resources 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, Pigeon, Smithey and Zhu)

**7. Presentation from Verus on Current Assessment Review of CCCERA**

Hoffman reported the assessment review is the next step prior to the investment strategy workshop. He reviewed the investment policy statement, liabilities, asset allocation, risk exposures, and investment managers for CCCERA.

Zhu was no longer present for subsequent discussion and voting.

He reviewed potential improvements to the investment policy statement. Whalen noted the improvements would be reviewed and discussed at the investment strategy workshop.

Andersen was no longer present for subsequent discussion and voting.

**8. Consider and take possible action on revised Board meeting schedule for 2015**

A revised Board meeting schedule for 2015 was distributed to include September 23, 2015 as a meeting date.

Whalen noted the change being requested is due to workshop dates.

It was **M/S/C** to adopt the revised Board meeting schedule for 2015 as presented. (Yes: Allen, Gordon, Hast, Holcombe, Kroll, Phillips, Pigeon and Smithey).

Phillips noted the Board agreed to September 29 and 30, 2015 as workshop meeting dates.

**9. Presentation of revised annual member benefit statement**

Schneider reviewed the revised Annual CCCERA member benefit statement which is sent to active and deferred members. He noted a new form has been attached for the members to report corrections that need to be made.

Strohl thanked Schneider for all his work in revising the statement noting it is a very big improvement over the previous statement.

**10. 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 Alternative Investment Strategies, IFEBP, July 27-29, 2015, San Francisco, CA. (Yes: Allen, Gordon, Hast, Holcombe, Kroll, Phillips, Pigeon and Smithey).
- b. It was **M/S/C** to authorize the attendance of 3 Board members and 3 staff members at the Fiduciaries' Forum, Nossaman, September 24-25, 2015, San Francisco, CA. (Yes: Allen, Gordon, Hast, Holcombe, Kroll, Phillips, Pigeon and Smithey).
- c. It was **M/S/C** to authorize the attendance of 4 Board members at the 27<sup>th</sup> Annual Northern California Public Retirement Seminar, Public Retirement Journal, October 1, 2015, Sacramento, CA. (Yes: Allen, Gordon, Hast, Holcombe, Kroll, Phillips, Pigeon and Smithey).

**11. Miscellaneous**

- (a) Staff Report –

Strohl reported an RFP has been issued for a classification and total compensation study.

Dunn reported Casas is back and to contact her regarding travel. She thanked Rossini and Sommers for their work in her absence.

Price distributed a memo from staff regarding a First Eagle ownership change; CCCERA joined the International Limited Partners Association and he attended one of their educational sessions; onsite with Artisan it was good.

Schneider reported the website project is on schedule.

- (b) Outside Professionals' Report -

Hoffman distributed an agenda for the Verus Client Summit.

(c) Trustees' comments –

Gordon reported the CALAPRS Trustee Roundtable is in October and they are trying to get more Trustee's to attend.

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

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John Phillips, Chairman

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Scott Gordon, Secretary



## **Memorandum**

Date: September 16, 2015

To: CCCERA Board of Retirement

From: Tim Price, Chief Investment Officer  
Jeff Youngman, Investment Analyst

Subject: Private Real Asset Over-Commitment Pace

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### ***Overview***

CCCERA's real asset commitment schedule was presented to the Board last fall, in a memo dated November 17, 2014. In this memo, Staff recommended that the Board over-commit to all private real assets (both the direct funds and fund-of-funds) by 75% to account for the lag time between when dollars are committed and when dollars are invested. Staff now recommends a practice of 75% over-commitment to direct funds, and a 100% over-commitment to fund-of-funds.

### ***CCCERA Private Real Asset Over-Commitment Pace***

Staff recommends a change to this over-commitment pace based on the experience of CCCERA's real asset managers. Direct funds (such as the Waste Water Opportunity Fund and Ares EIF Fund V) are able to put capital to work quickly, but still have a lag between when dollars are investment after CCCERA makes a commitment. For direct funds, Staff recommends the Board maintain the practice of over-committing by 75%.

Fund-of-funds (which currently include Aether and Commonfund) experience a materially longer lag between capital commitment and investment. In this area of real assets, after a dollar is committed by CCCERA it can take up to six or seven years before the final dollar committed is actually invested. For example, if a commitment is made today to a real asset fund-of-funds with a three-year investment period, the manager will have three years to commit all of CCCERA's commitment to underlying partnerships. Once the manager has committed all of the portfolio capital, it can then take three years (the investment period for the underlying partnership) before all the capital is drawn for one specific investment.

Additionally, CCCERA's current fund-of-funds managers invest primarily in non-cash flowing assets (upstream commodities) which produce returns in the form of capital gains. CCCERA's practice of over-commitment is based on the characteristics of the partnerships. Generally speaking, investments with longer holding periods or a higher portion of return coming from capital gain require a larger over-commitment to compensate for the slower capital deployment and slower capital return pace. This is summarized by Table I on the following page:

Table I: Over-Commitment Level for Different Partnership Characteristics

		Holding Period	
		Longer	Shorter
Return Driver	Yield	Higher Over-Commitment	Lower Over-Commitment
	Capital Appreciation	Higher Over-Commitment	Lower Over-Commitment

As displayed in Table I, private partnerships with longer holding periods (such as fund-of-funds) should be over-committed more as capital takes longer to be deployed and returned; private assets that have higher portion of the return coming from capital gain should also be more over-committed to reflect the longer period to get the capital back (since less of the return is based on current income). CCCERA’s current private real asset allocations are mapped into Table I as shown below:

		Holding Period	
		Longer	Shorter
Return Driver	Yield		Ares EIF V Wastewater Opportunity Fund
	Capital Appreciation	Fund-of-Funds (Aether & Commonfund)	

Based on this, Staff recommends a practice of 100% over-commitment to real asset fund-of-funds, and recommends that the aggregate over-commitment to private real assets be based on the pro-rata real asset portfolio to account for the mix of direct and fund-of-funds investments.



MEMORANDUM

**Date:** September 16, 2015

**To:** CCCERA Board of Retirement

**From:** Tim Price, Chief Investment Officer  
Jeff Youngman, Investment Analyst

**Subject:** Commitment to Aether Real Assets IV

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**Recommendation**

We recommend the Board make a commitment of \$50 million to the Aether Real Assets IV strategy pending successful due diligence and legal review.

This fund is the follow-on fund to Aether Real Assets III, and will follow a similar strategy of investing in real asset funds. Aether was one of CCCERA's first private real assets managers alongside Commonfund when the program was funded in 2013. As CCCERA's assets have grown, and the managers are coming to market with new funds, staff feels it is prudent to review the managers and recommend an allocation to maintain vintage year and asset diversification if the merits of the fund warrant a renewed commitment from CCCERA.

Two implementation vehicles are offered for the Aether Real Assets IV strategy; the main fund and the surplus fund. This is similar to Aether Real Assets III, where CCCERA made commitments to both the main and surplus funds. Staff requests discretion over selection of the implementation vehicle for this mandate pending Aether's fundraising and capacity for CCCERA's allocation in the main and surplus funds.

This memo provides a review of CCCERA's current investments with Aether, an update on the amount of commitments available for CCCERA to private real asset investments, and the summary of terms for the new fund.

**CCCERA Aether Relationship**

CCCERA initiated its relationship with Aether with a \$75 million commitment to the Aether Real Asset III strategy in 2013. The investment was spread across two implementation vehicles: \$25mm to the Aether Real Assets III Fund and \$50mm to the Aether Real Assets III Surplus Fund. Details of the CCCERA's commitments to Aether Real Asset III strategies is shown below:

Aether Fund	Vintage Year	Commitment	Market Value	Capital Called	Capital Distributed	Remaining Commitment	TVPI
Aether Real Assets III	2013	\$ 25,000,000	\$ 5,082,000	\$ 5,032,000	\$ -	\$ 19,968,000	1.01
Aether Real Assets III Surplus	2013	\$ 50,000,000	\$ 15,560,000	\$ 15,332,000	\$ -	\$ 34,668,000	1.01
Total		\$ 75,000,000	\$ 20,642,000	\$ 20,364,000	\$ -	\$ 54,636,000	1.01

Aether and Commonfund were the first private real assets mandates for CCCERA. The role of these investments was to provide a diversified core on which the private real assets platform could be built out. Both Aether and Commonfund invest in underlying funds focused primarily on metals, minerals, oil, and natural gas, with smaller allocations to agriculture, timber, and other sectors which has allowed for a fast ramp-up of CCCERA's private real asset program. Both Aether and Commonfund focus on natural resources, though Commonfund will include fund investments with sizable allocations to secondaries and co-investments, and Aether will focus primarily on fund investments.

Since CCCERA's first investments in the core of private real assets, the program has been enhanced with commitments to the Waste Water Opportunity Fund, and ARES Fund V, which will narrowly focus on renewable power and natural gas, respectively. Additionally, CCCERA committed \$100mm to a separate account which will follow Commonfund's natural resource strategies to maintain the diversified core. With Aether coming back to market, we are recommending the commitment to Aether Real Assets IV to maintain the diversified core.

### **Aether Real Assets IV Investment Strategy**

Aether builds diversified real asset fund-of-funds portfolios with the belief that being closer to the end commodity is ideal to capture the upstream economics as this is the purest expression of the commodity exposure, and that private ownership of commodities offers benefits that publicly traded commodities do not have.

Aether believes that inefficiencies exist in the real asset space because of the privately negotiated nature of transactions, and the specialized technical expertise required to properly value assets in real assets sectors. Publicly traded commodities offer a similar inflation hedge to privately owned commodities, but are very entry and exit timing dependent to realize value. Private ownership of assets affords the opportunity to make operational improvements to assets over the holding period of an investment. Aether focuses on managers with industry, operational and technical experience in specific real assets sectors that they feel are best positioned to produce outsized returns.

Aether Real Assets IV is expected to focus on three primary sectors: Oil and Natural Gas, Metals and Minerals and Agriculture and Timber. Additionally, sectors that may be opportunistically considered for investment include traditional and alternative energy assets, infrastructure and capital assets and water. Aether does not like strategies that depend upon high leverage or technological innovation to achieve targeted returns, and will not invest in real estate. This is the same sector focus from Aether Real Assets III. A brief overview of Aether's approach to their core sectors is provided below:

#### Oil & Natural Gas

Aether will focus predominantly on funds acquiring working interests in oil and natural gas reserves, as which they believe provide a direct hedge against inflation and offer attractive absolute and relative return potential.

#### Metals & Minerals

Investments will focus on funds that invest in post-discovery stage mining projects. Such investments may include prefeasibility and feasibility stage mining projects in addition to producing mines. Aether will avoid strategies focused predominantly on discovery of metals and minerals.

#### Agriculture & Timber

Within the agriculture sector, Aether will primarily consider investment opportunities in row crops (e.g., corn and wheat), permanent crops (e.g., apple orchards and orange groves) and timber. As with oil and

natural gas and metals and minerals, the Fund will emphasize opportunities in the upstream segment of the agriculture sector, including agricultural land and timberland.

Within this segment, the ARA IV will focus primarily on strategies targeting the direct acquisition and management of agricultural land and/or timberland. Emphasis will be placed on funds managed by teams possessing farm or forestry management experience or general operating experience within the agribusiness or forest products industries.

Aether has witnessed an increase in secondary transactions of real asset funds in recent years, and believe this trend will continue as the asset class is more broadly adopted within institutional investors' portfolios. ARA IV will consider secondary investments, emphasizing investments in funds managed by managers with which Aether has invested historically. ARA IV will consider secondary investments in the same sectors as primary fund investments.

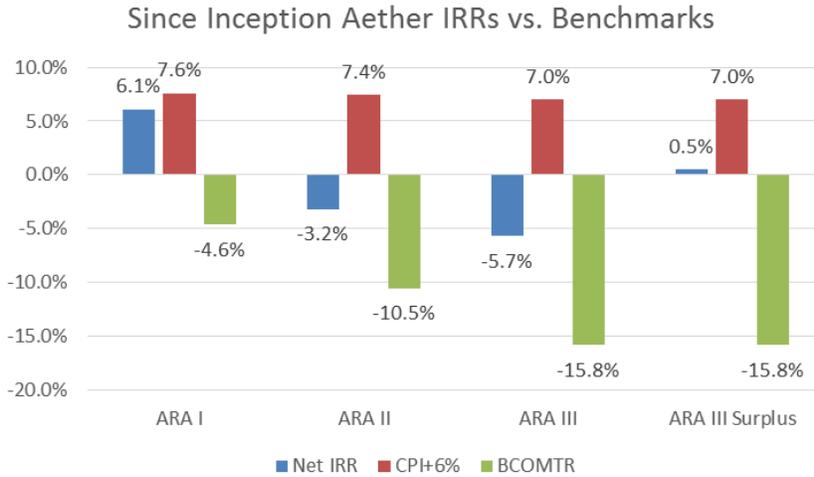
### **Aether Overview**

Aether is a fund of funds manager with general preferences for smaller, earlier funds, and funds that focus on upstream, close to asset economics. Aether has raised three previous funds, plus one surplus fund since their inception in 2009. A summary of their funds as of March 31, 2015 is shown in the table below:

<b>Fund</b>	<b>Fund Size</b>	<b>Vintage Year</b>	<b>% Called</b>	<b>% Committed to Underlying Funds</b>	<b>TVPI</b>	<b>DPI</b>
ARA I	\$127mm	2009	95.8%	100.0%	1.15	0.42
ARA II	\$303mm	2012	54.4%	100.0%	0.95	0.05
ARA III	\$303mm	2013	14.9%	61.3%	0.96	0.00
ARA III Surplus	\$169mm	2013	23.8%	87.0%	1.00	0.00

As a fund of funds manager, there is an additional lag time for capital to be deployed for investors as Aether first has to identify attractive general partners, and then those general partners have to identify attractive investments. This dual layer of timing explains some of the lower TVPI and DPI ratios in Aether Real Asset Funds II-III (please also note that ARA III Surplus follows the same strategy, and allocates to the same funds as ARA III, except in those cases where a fund is oversubscribed and Aether cannot get an allocation large enough to make pro-rata allocations to ARA III and the surplus fund).

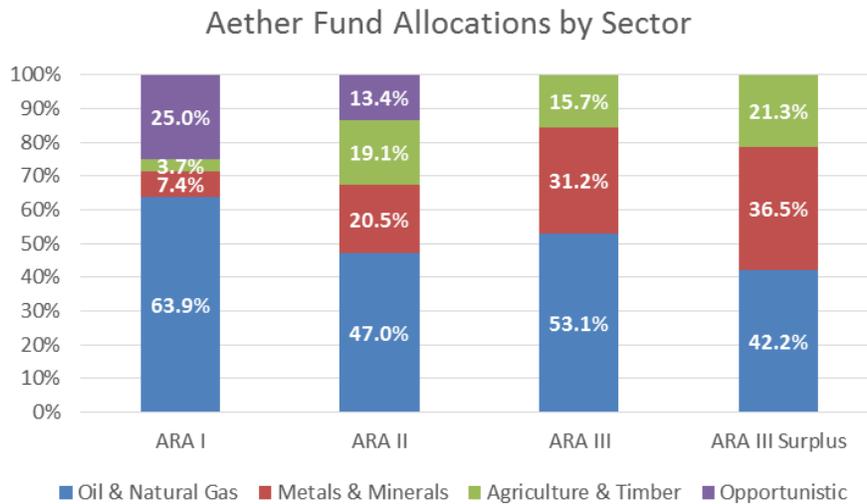
Aether is still a relatively young firm with young funds, so absolute performance relative to benchmarks is not necessarily the clearest indication of manager skill. However, we have included since inception performance for all of Aether’s funds in the chart below relative to CCCERA’s private real asset benchmark of CPI+6% and the Bloomberg Commodity Total Return Index (“BCOMTR”) as an example of an investable benchmark. Please note that Aether fund performance is net of Aether’s and underlying manager fees and carry, and is shown as of March 31, 2015:



Notes: Since inception for ARA I is 10/7/2009, is 12/31/2011 for ARA II, and is 11/27/2013 for both ARA III and ARA III Surplus.

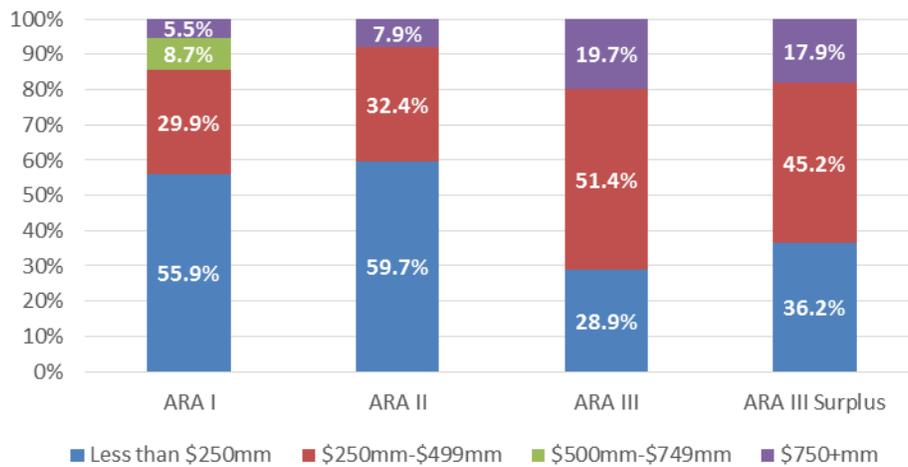
Aether’s recent investments have been hurt by the fall in the commodity prices, however these funds are still far from having their capital fully deployed into the market. Aether’s first fund has shown performance materially above the broad commodities market, yet lower than the CPI+6% benchmark since inception on a net basis.

The following charts show the historical fund size, fund number, and broad sector allocations of the four Aether funds as of March 31, 2015:



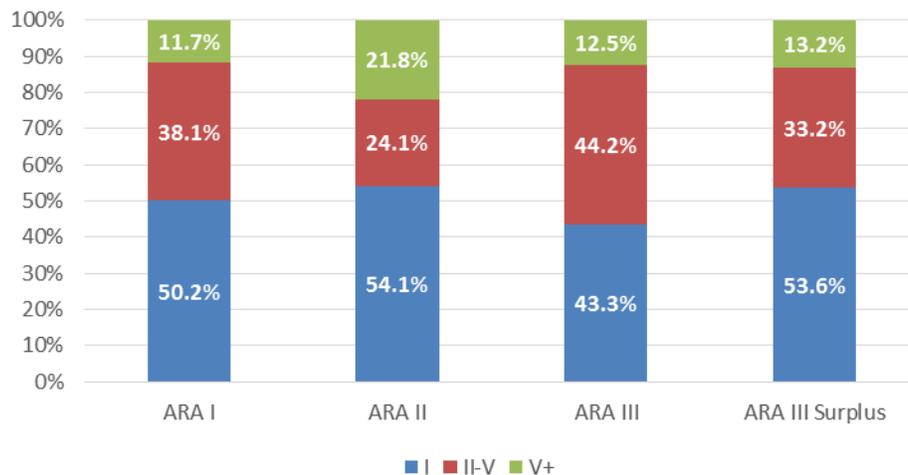
Aether has been invested heavily in oil & natural gas and metals and minerals throughout their funds. In the most recent funds, metals and minerals have been receiving a larger allocation due to a greater buying opportunity as commodity prices in this sector are 88% lower than their 2010 peaks. It is expected that Aether IV will have a similar profile to ARA III, as oil & gas asset prices are coming under pressure, and as agriculture prices appear to be declining from multi-year highs.

### Aether Fund Allocations by Underlying Fund Size



Aether prefers smaller funds for their portfolios, believing that there is a greater potential to exploit operational inefficiencies in previously ignored or mismanaged smaller assets, that smaller transactions tend to be less efficiently priced and exhibit lower valuation multiples, and that smaller funds tend to have better economic alignment between fund managers and their investors. Aether has generally stayed true to sticking with smaller funds across their portfolios, though in ARA III there has been large increases in funds in the \$250mm-\$499mm and \$750mm+ range, with a corresponding decrease to the smallest fund segment of those below \$250mm.

### Aether Fund Allocations by Underlying Fund Number



Aether prefers to invest in earlier funds of general partners, believing that this is where they are best able to influence portfolio decisions. Historical allocations for Aether’s previous funds show a majority allocation to general partners’ first funds, though the allocations to funds series two through five has increased recently (part of this is explained by Aether going into the second fund of a general partner where Aether was a first fund investor).

### Notes on Aether Organization

Aether is a small, relatively young, firm of eight employees, and the firm underwent an ownership transition in 2014. The details of the ownership transition were outlined in a memo to the Board dated August 6, 2014 from the CCCERA’s previous consultant, Milliman (see attached). Effectively, when CCCERA first hired Aether, the management company and the General Partner was 70% owned by the partners of Aether (Sean Goodrich and Troy Schell), and 30% by Northern Lights Capital Group. On August 5<sup>th</sup>, 2014, Troy and Sean sold their stake in the management company, making the management company 100% owned by Northern Lights Capital Group, and at the same time Aether received 100% ownership of the general partner. The Aether senior management team has long-term employment contracts for Aether Real Asset Funds IV-VII as a result of these transactions. Staff has met with both Northern Lights and Aether since the transaction, and feels that the sale of the management company to Northern Lights and whole ownership of the general partnership by Aether does not materially affect Aether’s ability to execute a real asset portfolio.

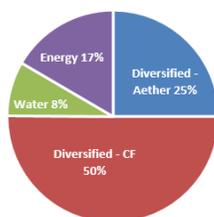
### CCCERA Available Commitments to Private Real Assets

As stated in the Private Real Asset Commitment Schedule memo presented to the board in November 2014, CCCERA will over-commit to direct private real assets by 75% in order to compensate the deployment pace of private real asset investments. It has been CCCERA’s experience with fund-of-funds in the private real asset space that the lag time for capital deployment is much longer, and Staff feels that a 100% over-commitment is appropriate for this portion of the mandate, which makes up roughly 80% of current private real assets. With this over-commitment and CCCERA’s total asset value as of July 31, 2015, the availability for CCCERA to commit to private real asset is approximately \$63 million, illustrated by the schedule below:

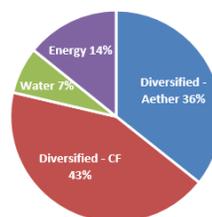
	<u>Value (Millions)</u>
<b>CCCERA Total Fund</b> <i>as of 7/31/2015</i>	<b>\$7,465</b>
Real Assets @ 5%	\$373
less Public Target @ 2.5%	\$187
<hr/>	
=Private Real Asset Target @ 2.5%	\$187
Plus 80% FoF Investments @ 100% Over Commitment	\$149
Plus 20% of Direct Funds @ 75% Over Commitment	\$28
= Total Over Commitment	\$177
<hr/>	
<b>Total Private Real Asset Budget</b>	<b>\$364</b>
less Closed End Investments	\$38
less Commitments	\$263
<hr/>	
<b>Estimated Available to Commit</b>	<b>\$63</b>

CCCERA’s current and proposed real asset exposures (post a \$50mm investment in Aether Real Assets IV) are shown below:

Current CCCERA Private Real Asset Allocation



Proposed Private Real Asset Allocation



The proposed allocation would bring the real assets program to 79% diversified strategies across Aether and Commonfund, up from 75% currently. Additionally, the allocations to water and energy would shrink by 1% and 3%, respectively.

**Risks**

Outlined below are several relevant risks to this investment. Please note that this is not an exhaustive list of all possible risks, but are identified as significant to this particular investment.

**Commodity Price Risk**

Aether's funds target areas of the market that are commodity price sensitive (metals and mining, energy, timber, agriculture, etc). The prices of these commodities will impact the value of the portfolio companies.

**Diversification**

While Aether has the ability to invest in a broad variety of real asset sectors, most of the investments have been made in metals & mining, and oil and natural gas. A lack of diversification can have a negative impact on the fund if these sectors underperform.

**Fund Size and Number**

Aether prefers to focus on small funds, and first time or near first time funds. These investments may carry additional risk as the fund managers may be newer to the space, and a smaller fund may be less diversified.

## Summary of Terms for Aether Real Assets IV, LP (Main Fund)

Fund Size:	\$300-350 million
Investment Approach:	Real asset fund of funds. The Fund's investment objective is to generate attractive absolute and relative returns and provide diversification relative to other asset classes, while also providing a hedge against inflation and a store of value in times of crisis
Investment Restrictions:	No more than 30% of the Fund Commitments will be committed to real asset sectors that are not Oil and Natural Gas, Metals and Minerals or Agriculture and Timber
Commitment Period:	3 years after the initial closing
Term:	12 years after the initial closing
Management Fee*:	85 basis points as a base fee during years 1-5, which is then scaled out over the remaining life of the fund. The estimated average fee over the fund life is 63 basis points
GP Commitment:	1% of commitments
Preferred Return:	7%
General Partner Carried Interest:	5% (reduced by 20% for first close investors, pro-rated if 1 <sup>st</sup> close exceeds \$175mm)

*\*Please see management fee description on the following page.*

### **Management Fee Description and Simplified Schedule of Cash Flows – Main Fund**

The management fee for Aether Real Assets IV is 85 basis points for years 1-5, and is then reduced by 15% per year through year 12. Fees for years 13-15 (should the fund need to extend this far to liquidate all investments and settle obligations) are capped at 10 basis points a year, and if the fund extends beyond 15 years, no management fee is charged for the incremental years.

Below are the applicable management fees (in basis points) for years 1-12, which is the expected life of the fund:

	<u>Years 1-5</u>	<u>Years 6</u>	<u>Year 7</u>	<u>Year 8</u>	<u>Year 9</u>	<u>Year 10</u>	<u>Year 11</u>	<u>Year 12</u>
Applicable Management Fee (bps)	85.0	72.3	61.4	52.2	44.4	37.7	32.1	27.2

Illustrated below is a simplified schedule of cash flows for the investment. This is intended to illustrate the cash flows CCCERA would experience based on the assumptions stated below. Please note that this is a very simplified schedule of cash flows for illustrative purposes only and may not reflect the actual size and/or timing of capital deployment and fund distributions.

#### **Assumptions:**

- Fund invests 100% of committed capital over years 1-3, with all investments harvested in year twelve.
- The scenario of a 1.5x multiple is below the minimum threshold for the General Partner to earn the stated 5% carried interest (with the illustrated cash flows, a 1.94x multiple would be manager hitting the 7% preferred return, and the 2.25x would be in the range for the GP to earn carry).
- CCCERA will pay a total of \$3.8mm in management fees, as part of committed capital over the 12 year life of the fund.

	<b>Implied Multiple</b>		
	<b>1.50</b>	<b>1.94</b>	<b>2.25</b>
<b>Years 1-3</b>			
Fund Invests 100% of Commitment	<b>(\$46.24)</b>	<b>(\$46.24)</b>	<b>(\$46.24)</b>
Annual Management Fees of 0.85% on Committed Capital	<b>(\$1.28)</b>	<b>(\$1.28)</b>	<b>(\$1.28)</b>
<b>Years 4-11</b>			
Annual Management Fees on Committed Capital	<b>(\$2.35)</b>	<b>(\$2.35)</b>	<b>(\$2.35)</b>
<b>Year 12</b>			
Management Fee	<b>(\$0.14)</b>	<b>(\$0.14)</b>	<b>(\$0.14)</b>
Return of Invested Capital and Management Fees	<b>\$50.00</b>	<b>\$50.00</b>	<b>\$50.00</b>
Return of Realized Profits	<b>\$25.00</b>	<b>\$47.00</b>	<b>\$61.73</b>
<i>(GP Keeps 5% for greater than 1.94X multiple)</i>			

## Summary of Terms for Aether Real Assets IV Surplus Fund

Investment Approach:	Same as Aether ARA IV Main Fund, but would not participate in capacity constrained funds
Investment Restrictions:	Same as Aether ARA IV Main Fund
Commitment Period:	3 years after the initial closing
Term:	12 years after the initial closing
Management Fee*:	60 basis points as a base fee during years 1-5, which is then scaled out over the remaining life of the fund. The estimated average fee over the fund life is 44 basis points
GP Commitment:	0.5% of commitments
Preferred Return:	7%
General Partner Carried Interest:	3.5%

*\*Please see management fee description on the following page.*

### **Management Fee Description and Simplified Schedule of Cash Flows – Surplus Fund**

The management fee for Aether Real Assets IV Surplus Fund is 60 basis points for years 1-5, and is then reduced by 15% per year through year 12. Fees for years 13-15 (should the fund need to extend this far to liquidate all investments and settle obligations) are capped at 10 basis points a year, and if the fund extends beyond 15 years, no management fee is charged for the incremental years.

Below are the applicable management fees (in basis points) for years 1-12, which is the expected life of the fund:

	<u>Years 1-5</u>	<u>Years 6</u>	<u>Year 7</u>	<u>Year 8</u>	<u>Year 9</u>	<u>Year 10</u>	<u>Year 11</u>	<u>Year 12</u>
Applicable Management Fee (bps)	60.0	51.0	43.4	36.8	31.3	26.6	22.6	19.2

Illustrated below is a simplified schedule of cash flows for the investment. This is intended to illustrate the cash flows CCCERA would experience based on the assumptions stated below. Please note that this is a very simplified schedule of cash flows for illustrative purposes only and may not reflect the actual size and/or timing of capital deployment and fund distributions.

#### **Assumptions:**

- Fund invests 100% of committed capital over years 1-3, with all investments harvested in year twelve.
- The scenario of a 1.5x multiple is below the minimum threshold for the General Partner to earn the stated 3.5% carried interest (with the illustrated cash flows, a 1.95x multiple would be manager hitting the 7% preferred return, and the 2.25x would be in the range for the GP to earn carry).
- CCCERA will pay a total of \$2.7mm in management fees, as part of committed capital over the 12 year life of the fund.

	<b>Implied Multiple</b>		
	<b>1.50</b>	<b>1.95</b>	<b>2.25</b>
<b>Years 1-3</b>			
Fund Invests 100% of Commitment	<b>(\$47.34)</b>	<b>(\$47.34)</b>	<b>(\$47.34)</b>
Annual Management Fees of 0.60% on Committed Capital	<b>(\$0.90)</b>	<b>(\$0.90)</b>	<b>(\$0.90)</b>
<b>Years 4-11</b>			
Annual Management Fees on Committed Capital	<b>(\$1.66)</b>	<b>(\$1.66)</b>	<b>(\$1.66)</b>
<b>Year 12</b>			
Management Fee	<b>(\$0.10)</b>	<b>(\$0.10)</b>	<b>(\$0.10)</b>
Return of Invested Capital and Management Fees	<b>\$50.00</b>	<b>\$50.00</b>	<b>\$50.00</b>
Return of Realized Profits	<b>\$25.00</b>	<b>\$47.50</b>	<b>\$61.97</b>
<i>(GP Keeps 3.5% for greater than 1.95X multiple)</i>			



**MEMORANDUM**

**Date:** September 16, 2015

**To:** CCCERA Board of Retirement

**From:** Timothy Price, Retirement CIO  
Jeff Youngman, Investment Analyst

**Subject:** Commitment to Siguler Guff DREOF II Co-Investment Fund

***Recommendation***

We recommend that CCCERA commit \$25mm to the Siguler Guff Distressed Real Estate Fund II Co-Investment Fund pending satisfactory due diligence and legal reviews.

This new fund is a co-investment fund, offered primarily to the investors in Siguler Guff Distressed Real Estate Fund II. The fund will seek to take advantage of direct investment opportunities that have come about as a result of manager relationships from Siguler Guff DREOF I & II.

This memo provides a review of CCCERA’s current investments with Siguler Guff, an update on the amount of commitments available for CCCERA to private real estate investments, and the summary of terms for the new fund.

***CCCERA – Siguler Guff Relationship Overview***

CCCERA initiated its relationship with Siguler Guff in 2011 with a \$75 million commitment to Siguler Guff Distressed Real Estate Fund I, and made a \$70 million commitment to the follow-on fund, Siguler Guff Distressed Real Estate Opportunities Fund II in 2013. These investments are part of CCCERA’s real estate allocation, and specifically sought to take advantage of distressed real estate assets following the financial crisis of 2008-2009. CCCERA also made a \$200 million commitment to a Siguler Guff separate account in 2014 that focuses on small buy out opportunities in the private equity space.

Fund	Commitment Date	Commitment Size
Siguler Guff DREOF I	December 2011	\$75 million
Siguler Guff DREOF II	August 2013	\$70 million
<i>Siguler Guff CCCERA Opportunities (not RE)</i>	<i>June 2014</i>	<i>\$200 million</i>

CCCERA uses three managers in the distressed real estate portion of its portfolio: Siguler Guff, Paulson (this manager was sourced through Siguler Guff) and Oaktree. Paulson focuses on a unique opportunity in “broken” master planned communities, and Oaktree’s area of expertise is in the financial instrument side of distressed real estate as the bulk of their portfolio is re-capitalizations and non-performing loan pools. Siguler Guff is complementary to these managers due to the diversification offered via real estate fund investing, as well as their direct commercial property ownership.

### ***Siguler Guff DREOF II Co-Investment Fund Overview***

Siguler Guff DREOF II invests both in funds of distressed real estate assets and direct distressed properties. The new co-investment fund will again focus on the distressed real estate market, but will invest exclusively in direct properties. The direct property investments will be alongside fund managers that Jim Corl (portfolio manager for Siguler Guff DREOF I & II) knows and has worked with in the previous funds. Mr. Corl's broader network of fund managers will also be a source of deal flow, but it is expected that 95% of the deals will be with managers already in DREOF I & II. This follows the strategy of DREOF I & II of partnering with local experts in target markets. The target properties may not be from the same funds of DREOF I & II, but they will be with the same managers. This abates some of the usual concerns surrounding co-investment concentration with the main fund portfolio.

Currently, DREOF II has a maximum allowance of 40% to co-investments, and the volume of attractive co-investment deals is beginning to push up against this limit. The co-investment vehicle will be a means to opportunistically capture the most attractive investments stemming from this deal flow. Relative to DREOF II, the co-investment fund will have relaxed geographic constraints, allowing for a greater allocation to Europe, where the opportunity set continues to evolve due to instability in the Euro-zone and the onset of ECB quantitative easing. Siguler Guff believes this will prolong the buying opportunity throughout Europe and the UK, with distressed debt continuing to represent a clear catalyst to the opportunity set.

The investment thesis for DREOF II is to take advantage of cyclical market conditions in both the United States and Europe (including the United Kingdom) that would allow the purchase of quality commercial real estate assets at attractive prices which fit Siguler Guff's value-oriented, cycle-aware investment philosophy. DREOF I & II's investment strategy is to commit capital to real estate in periods of distress, which is now largely played out. The DREOF II co-investment fund is effectively a "clean up" portfolio where Siguler Guff can continue to acquire what it deems are the best distressed assets still available as a result of the financial crisis.

Commercial real estate is no longer starved for capital as it was following the financial crisis, but Siguler Guff feels that inefficiencies remain in smaller deals that are still mispriced versus large ones, as well as a market preference for cash-flowing assets versus non-cash flowing assets. The opportunity in the non-cash flowing assets harkens back to the "operator cycle" that was noted in Staff's memo to the Board in September 2014, whereby managers must create value by manufacturing a stabilized, cash-flowing asset without the tailwind of a market rising from recessionary lows.

Staff feels that the distressed real estate opportunity is likely on its last legs, but that the opportunistic structure of this fund warrants an investment by CCCERA. At a target asset level of \$250mm, the fund is much smaller than its predecessors, and a size which Staff feels is right for the opportunity set. Additionally, management fees are charged on invested capital only, and the preferred return is 8%, which is the same as DREOF I & II. This provides some assurance that capital will only be deployed if Siguler Guff is able to find opportunities as good as those in DREOF I & II.

### Performance Review of CCCERA's Real Estate Investments with Siguler Guff

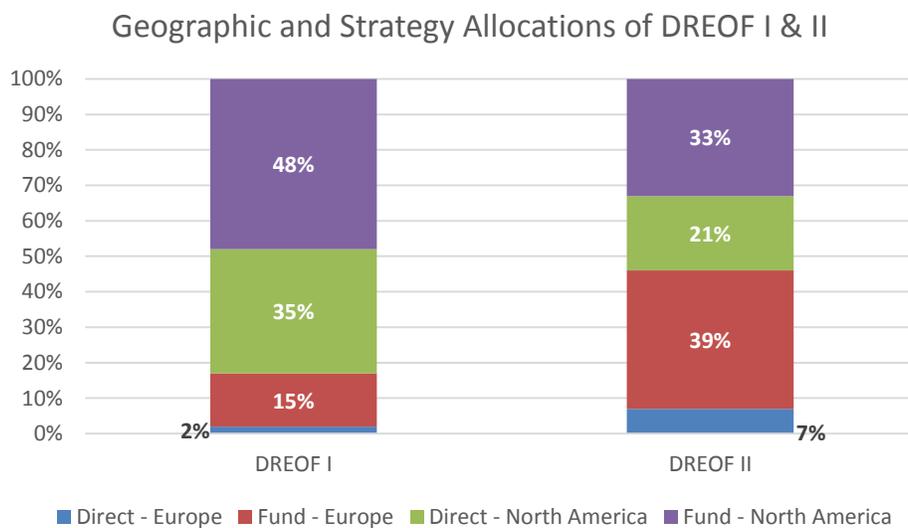
Siguler Guff Distressed Real Estate Funds I & II were formed following the financial crisis due to the robust opportunity to buy distressed assets both directly and through fund managers. A summary of the funds is shown below:

	Fund Size	Vintage Year	Fund Investments	Direct Investments
DREOF I	\$630.1mm	2010	14	23
DREOF II	\$877.4mm	2013	12	11

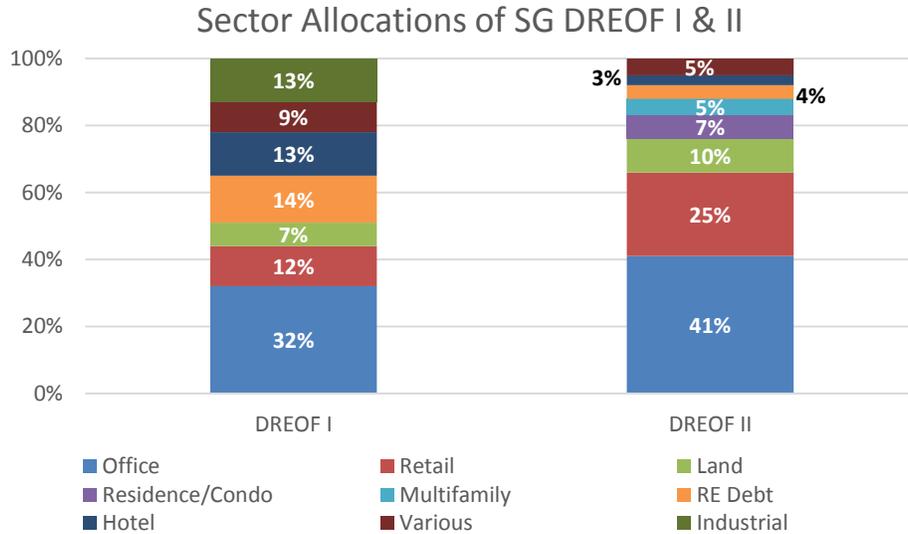
DREOF I & II were sized for the prevailing opportunity set in their respective vintage years. CCCERA committed \$75mm to DREOF I and \$70mm to DREOF II, which have been 81% and 43% called, respectively. Performance for these funds is strong given their relatively young age, with both funds having a total value to paid in capital ratio of 1.67. Distributions have been especially strong in DREOF II, where all of the \$15.9mm of distributions through July 31, 2015 have been added back to committed capital due to the distributions coming so early in the fund's life. The table below summarizes this data:

	CCCERA Commitment (\$mm)	Called Capital	Distributed Capital	Market Value	Remaining Commitment	TVPI	DPI
DREOF I	\$75	\$60.4	\$24.8	\$75.8	\$14.6	1.67	0.41
DREOF II	\$70	\$29.8	\$15.9	\$33.8	\$59.2	1.67	0.53

Siguler Guff has put capital to work quickly, and has been able to build diversified portfolios for both DREOF I & II across geography, property type, and implementation vehicle, as shown in the charts below (based on commitments, as of March 31, 2015):



The distress cycle in Europe has trailed the United States by several years. DREOF II has captured this opportunity with large increases to both European direct and fund investments in DREOF II relative to DREOF I.



The allocations of DREOF I are more established as the fund investment period ended in July of 2014, and the direct investment period will end in July of 2016. DREOF II has a longer runway to identify opportunities as the fund investment period ends in August of 2017, and the direct investment period ends in August of 2019.

#### ***CCCERA Ability to Commit to Private Real Estate Funds and Current Portfolio***

CCCERA has \$113mm available to commit to private real estate after consideration is given to unfunded capital commitments and CCCERA's policy of over committing to real estate to account for the lag time between when dollars are committed and when they are called. This is shown in the table below.

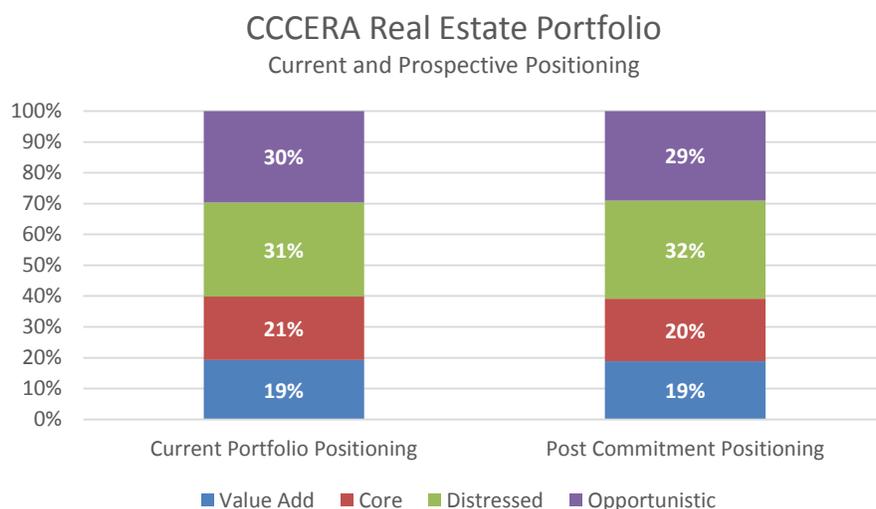
	<u>Value (Millions)</u>
<b>CCCERA Total Fund</b>	<b>\$7,465</b>
<i>as of 7/31/2015</i>	
Real Estate @ 12.5%	\$933
less REIT Target @ 3.5%	\$261
=Private R.E. Funds @ 9%	\$672
less Willows Property	\$10
<b>= Closed End Target</b>	<b>\$662</b>
plus 75% Over-Commitment	\$496
<b>Total Real Estate Budget</b>	<b>\$1,158</b>
less Closed End Investments	\$679
less Commitments	\$366
<b>Estimated Available to Commit</b>	<b>\$113</b>

CCCERA’s real estate allocations fall into the strategies outlined below:

Strategy	CCCERA Manager	Investment Theme Example	Operating Risk	Financial Leverage	Target Return
<i>Core</i>	None/REITs used as proxy	Office, Retail, Apartment with low vacancy in prime markets	Low	Low	Low
<i>Value-Added</i>	Invesco, Long Wharf, LaSalle	Tenant improvement	Medium	Medium	Medium
<i>Opportunistic</i>	DLJ, Angelo Gordon	Development project	High	High	High
<i>Distressed</i>	Oaktree, Siguler Guff, Paulson	Recapitalization	Medium-High	Low-High	High

As shown in the chart below, CCCERA’s private real estate is more heavily weighted towards the higher-risk, higher-return end of the spectrum. This is a result of the opportunity set that was present following the financial crisis, and Staff’s view of relative values among real estate strategies. Additionally, CCCERA’s real estate is used as more of a growth asset versus an income producing asset (as would be the case with core and core plus real estate).

A \$25mm allocation to Siguler Guff DREOF II Co-Investment Fund would have a very small effect on CCCERA’s overall real estate portfolio positioning, but would allow for a “clean up” of any remaining opportunities that still exist as a result of the financial crisis. The net effect on the portfolio would be a slight increase to distressed real estate, with small decreases in core (note that CCCERA does not use core as classically defined, but uses the Willows Office Property and REITs as a proxy for core) and opportunistic real estate.



## ***Risks***

Outlined below are several relevant risks to this investment. Please note that this is not an exhaustive list of all possible risks, but are identified as significant to this particular investment.

### Valuation

Real estate markets are currently experiencing a high point in valuations. Investing in an extended valuation environment can lead to poor returns due to a high valuation entry point if capital is not deployed prudently.

### Timing

Across CCCERA's two real estate commitments, Siguler Guff has the ability to continue making new investments through 2019. Given the current state of the real estate capital markets, investments made later in the current cycle will likely need a continuation of the favorable conditions to be exited profitably.

### Leverage

Real estate assets in the Siguler Guff DREOF II Co-Investment Fund can be leveraged up to a maximum of 70% of their cost. While leverage is a common feature in real estate, it can be as damaging to returns as it can be helpful should the market turn down after properties have been acquired.

### Core Buyer Exit

Siguler Guff's thesis of buying distressed assets and turning them into stabilized, cash flowing properties is profitable only if there is a buyer for the stabilized property. Over the past several years the core real estate market has been this buyer. If the core market softens, and the appetite for well positioned cash flowing properties declines, or the market prices down the value of stabilized cash flowing assets, Siguler Guff may not be able to sell the properties at their underwritten exit prices, lowering returns for fund investors.

### ***Summary of Key Terms of Siguler Guff DREOF II Co-Investment Fund, LP***

The Fund:	Siguler Guff Distressed Real Estate Opportunities Fund II Co-Investment Fund
Fund Size:	\$250mm
Investment Focus:	Direct distressed real estate investments that are sourced through relationships established via Siguler Guff Distressed Real Estate Funds I & II, primarily in North America and Europe.
Investment Restrictions:	No single Portfolio Investment will constitute more than 20% of the committed capital (unless a majority in interest of the limited partners of the Partnership approves), and unless the Advisory Board otherwise approves, the Partnership will limit its exposure outside of North America and Europe to 15% of committed capital.
Preferred Return:	8%, with a 100% catch-up
General Partner Commitment:	3% of aggregate capital commitments
Investment Period:	2 years from final close
Fund Term:	Ten years after the initial close, or after all investments have been realized with proceeds distributed and fund obligations settled, whichever happens later. Subject to two 1-year extensions with the consent of the Advisory Board
Fees:	1.0% per annum on invested capital
Carried Interest:	15%

### **Simplified Schedule of Cash Flows**

Illustrated below is a simplified schedule of cash flows for the investment. This is intended to illustrate the cash flows CCCERA would experience based on the assumptions stated below. Please note that this is a very simplified schedule of cash flows for illustrative purposes only and may not reflect the actual size and/or timing of capital deployment and fund distributions.

#### **Assumptions:**

- Fund invests equally over two-year investment period, with all investments harvested in year ten.
- Fund is 99% called, including management fees.
- The scenario of a 1.88x multiple is the minimum threshold for the General Partner to begin earning the stated 15% carried interest, (everything above a 1.88x multiple would be subject to the GP earning carried interest).
- CCCERA will pay a total of \$2.1mm in management fees, as part of called capital over 10 years.

	<b>Implied Multiple</b>		
	<b>1.50</b>	<b>1.88</b>	<b>2.00</b>
<b>Year 1</b>			
Fund invests portion of commitment	<b>(\$11.30)</b>	<b>(\$11.30)</b>	<b>(\$11.30)</b>
Management Fee of 1.0% of Invested Capital	<b>(\$0.11)</b>	<b>(\$0.11)</b>	<b>(\$0.11)</b>
<b>Year 2</b>			
Fund invests remaining portion of commitment	<b>(\$11.30)</b>	<b>(\$11.30)</b>	<b>(\$11.30)</b>
Management Fee of 1.0% of Invested Capital <i>(now 100% of commitment)</i>	<b>(\$0.23)</b>	<b>(\$0.23)</b>	<b>(\$0.23)</b>
<b>Years 3-9</b>			
Management Fees (\$230K per year, totaled for 7 years)	<b>(\$1.58)</b>	<b>(\$1.58)</b>	<b>(\$1.58)</b>
<b>Year 10</b>			
Management Fee	<b>(\$0.23)</b>	<b>(\$0.23)</b>	<b>(\$0.23)</b>
Return of Invested Capital and Management Fees	<b>\$24.75</b>	<b>\$24.75</b>	<b>\$24.75</b>
Return of Realized Profits <i>(GP Keeps 15% for above 1.88X multiple)</i>	<b>\$12.37</b>	<b>\$21.78</b>	<b>\$24.30</b>



## ***MEMORANDUM***

Date: September 23, 2015  
To: CCCERA Board of Retirement  
From: Gail Strohl, Retirement Chief Executive Officer  
Subject: Consider and take possible action to authorize the CEO to execute a contract with McLagan for an investment compensation study

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### *Background*

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. In reviewing possible vendors to conduct the study, it was discovered that McLagan had broad compensation knowledge of investment management organizations in the private sector. McLagan is a consulting firm that conducts compensation studies and has developed a proprietary database of private sector data. They have conducted similar studies for other peer organizations.

In order to provide a review of CCCERA investment employee compensation, it is requested to allow McLagan to conduct this study at a cost of \$15,000.

### *Recommendation*

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



## ***MEMORANDUM***

Date: September 23, 2015

To: CCCERA Board of Retirement

From: Christina Dunn, Retirement Admin/HR Manager

Subject: Actuarial valuation of future annual costs of proposed changes to Other Post Employment Benefits

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### ***Background***

Government Code Section 7507 requires that the future costs, as determined by the actuary, of changes in retirement benefits or other postemployment benefits for CCCERA employees, be made public at a public meeting at least two weeks prior to the adoption of any changes in public retirement plan benefits or other postemployment benefits. A tentative agreement has been reached between CCCERA and AFSCME Local 2700 United Clerical, Technical & Specialized Employees which will result in medical plan changes that are calculated in the September 2015 report from Milliman. If ratified by the union, we expect the changes to come before the Retirement Board for approval on October 7, 2015.

### ***Recommendation***

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 in its September 2015 report.

## PLEASE NOTE:

The September 2015  
Milliman Report will be  
placed in Dropbox before  
the Board Meeting and  
handed out in hard copy at  
the Meeting.

**CRCEA FALL 2015 CONFERENCE PROGRAM**  
**SAN JOAQUIN "WOW"**  
**October 19 – 21, 2015**

Meeting Date  
**09/23/15**  
Agenda Item  
**#12a.**

**SUNDAY, OCTOBER 18**

**Conference Registration; Main Lobby Downstairs**

**MONDAY OCTOBER 19**

- 9:00 am - 4:00 pm     **Registration:** Main Lobby
- 1:30 pm – 2:00 pm     **Presentation: Welcome to Stockton and San Joaquin County**  
Speaker: Douglass Wilhoit, CEO, Stockton Chamber of Commerce  
Introduction: Larry Mills, Retired Board member
- 2:00 pm – 3:00 pm     **Key Note Speaker: Kathy Miller**, San Joaquin County Supervisor  
Stockton's Bankruptcy and the long term effects on retirees and employee  
benefits.  
Introduction: Bob Palmer, RPESJC President
- 3:15 pm – 4:15 pm     **Presentation: Fireside Chat with Ray McCray** Trustee & Chair, Board  
of Retirement and **Annette St. Urbain, CEO, San Joaquin County**  
**Retirement System** The discussion will be directed to "The role of a  
Trustee in this day and age"  
Introduction: Bob Palmer, RPESJC President
- 4:15 pm - 4:45 pm     **Breakout sessions for Standing Committees**
- 5:30 pm - 7:00 pm     **Hospitality Reception (location to be announced)**  
**All Attendees and Affiliate Members are invited to attend**
- 7:00 pm                 **DINNER - On Your Own**

**TUESDAY, OCTOBER 20**

- 6:00 am – 8:30 am     **Complimentary Breakfast for Hotel Guests on Hotel Lower**  
**Floor – Lobby area**
- 8:45 am – 9:00 am     **The Weather Guy Video:** Fritz Coleman's presentation at Pasadena  
Conference on aging in 2014.  
Introduction: Linda Begley, Alternate Delegate, RPESJC Board Member

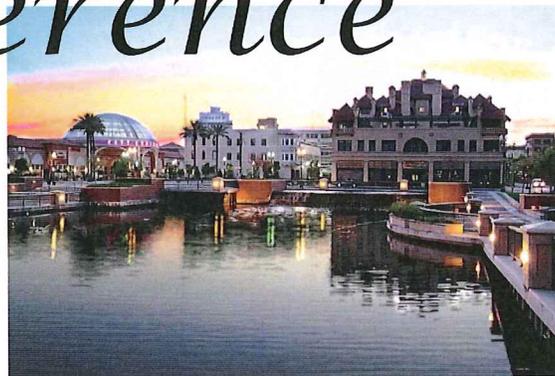
- 9:00 am – 9:45 am    **Presentation: Genealogy & Family History**  
 Speaker: Kathy Marshall, author and historian.  
 Introduction: Joe McKee, Vice President, RPESJC
- 9:45 am – 10:30 am    **Water Situation in California/ Proposed Tunnels**  
 Speaker: Ken Vogel – Former San Joaquin County supervisor  
 Introduction: Jerry Herrmann, RPESJC Board Member
- 11:00 am – 11:45 am    **Movie - “Front Line: “The Retirement Gamble: Will your IRA or 401K insure safe Retirement”.**  
 Introduction: Adrian Van Houton, Board of Retirement
- 1:30 pm – 2:45 pm    **Legislative – Art Goulet, chair, CRCEA Legislative Committee**  
 Discussion on The Voter Empowerment Act\* of 2016  
 Panel: Amy Brown, CRCEA Consultant  
 Karon Green, Assembly Chief Consultant  
 Pamela Schneider, Senate Chief Consultant  
 Facilitator: Art Goulet, President, REAVC
- 2:45 pm – 3:45 pm    **Wine Industry in the Valley**  
 Speaker: Cameron King, Executive Director of Lodi Wine Commission  
**Samples of local wines will be served**  
 Introduction: Jerry Herrmann, RPSJC Board Member
- 4:00 pm – 4:30 pm    **Round Table Session – E. F. (Skip) Murphy CRCEA President**  
 Speakers: Representatives from local Associations on current issues.
- 4:30 pm – 5:00 pm    **Breakout Sessions – Meeting of CRCEA standing Committees.** If you are not assigned to a committee, feel free to sit in on any committee of your choice. Locations will be announced.
- 5:30 pm – 7:00 pm    **Hospitality Reception (location to be announced)**  
**Conference Banquet – Delta Ballroom 2<sup>nd</sup> Floor**

**WEDNESDAY, OCTOBER 21**

- 6:00 am – 8:30 am    **Complimentary Breakfast for Hotel Guests on Hotel Lower Floor – Lobby area**
- 8:00 am – 11:00 am    **Business Session: Delta Room**

**Closing remarks: E.F. (Skip) Murphy, CRCEA President**

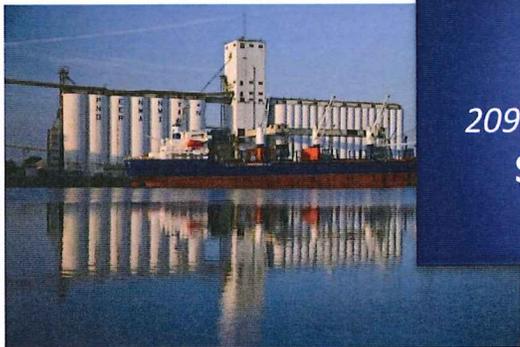
# 2015 CRCEA Fall Conference



# WOW\*

(\*Wine ~ Opportunity ~ Water)

## October 19 - 21, 2015



**Hilton Stockton**  
2323 Grand Canal Blvd  
Stockton, CA, 95207  
209-957-9090 Fax: 209-473-0739  
**\$119 per night (plus taxes)**  
Breakfast included



Hosted by

**Retired Public Employees of San Joaquin County**

**(RPESJC)**

**(209) 466-8556**

**[rpesjc@sbcglobal.net](mailto:rpesjc@sbcglobal.net)**



**[rpesjc.org](http://rpesjc.org)**

1. Oak Grove Regional Park  
4520 W Eight Mile Rd, Stockton
2. Micke Grove Park  
11793 N Micke Grove Rd, Lodi
3. Stockton Golf & Country Club  
3800 Country Club Blvd, Stockton
4. University of the Pacific  
3601 Pacific Ave, Stockton
5. Haggin Museum & Victory Park  
1201 N Pershing Ave, Stockton
6. Banner Island Ballpark & Arena  
404 W Fremont St, Stockton





Meeting Date  
**09/23/15**  
Agenda Item  
**#12b.**

## CalPERS Educational Forum

Exhibits

Forum Registration

Forum Schedule

Hotel Information

Keynote Presenter

Other Learning Opportunities

Session Schedule & Materials

Spotlight on Excellence Award

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## Why Attend?

This event is for you if you represent a city, county, school, special district, or the state. Highlights include new sessions and a power keynote speaker. As always, there will be exhibits, leadership training, networking opportunities, and more.

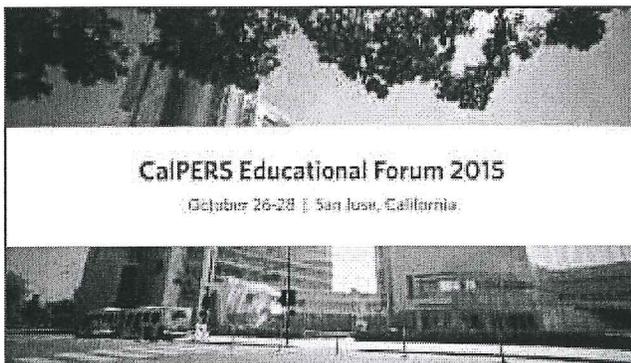
Earn Continuing Education Credit for attending sessions.

Learn more about special CalPERS services and programs.

Meet members of our Board of Administration.

Network with representatives from other agencies and schools.

If you have questions about the event or would like to be placed on our mailing list, call (916) 795-1264 or email us.



CalPERS Educational Forum 2015 [↗](#)

0:29

# When & Where

October 26-28, 2015

**San Jose Convention Center**  
150 West San Carlos Street  
San Jose, CA 95113

**San Jose Marriott**  
301 S. Market Street  
San Jose, CA 95113





# Session Schedule & Materials

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Refer to the table below for a complete list of days, times, and locations sessions will be held, as well as session descriptions.

Mon	Tue	Wed
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## 10:30 - 11:45 a.m.

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### Dialogue with the Chief Financial Officer

Location: CC 211

Join the CalPERS Chief Financial Officer for the latest news from the Financial Office on issues and activities relating to CalPERS finances.

---

### CalPERS 101

Location: CC 212

CalPERS 101 provides valuable information to help make you successful in conducting business with CalPERS. We'll provide you with an understanding of the history of CalPERS, CalPERS' Defined Benefit Retirement Plan, member benefits, and the contract amendment process.

Specific topics include:

- Contracts
  - Defined benefit plan and funding sources
  - Membership Enrollment & Payroll Reporting
- 

### Actuarial Basics - How to Read Your Report

Location: Marriott Salon III

Actuaries can appear to have a language all their own at times. During this session you'll learn valuable information about basic actuarial principles that will help in understanding actuarial reports and how actuarial results are determined. An emphasis will be placed on CalPERS specific actuarial methods and actuarial reports. Topics include:

- Contribution rates
- Funded status

- Recent trends
- Risk factors

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## Working After Retirement

Location: Marriott Salon IV

This session provides current information about CalPERS retirees interested in working after their service retirement. You'll learn the difference between a retired annuitant and an independent contractor.

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1:30 - 2:45 p.m.

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## Introduction to Retirement Planning

Location: CC 211

As an employer, did you know you're also a member? This session is your opportunity to learn about CalPERS member benefits. We know your employees often turn to you first for information about their retirement plan. Knowing how your retirement benefit is calculated, along with other things to consider when planning your retirement, will benefit you as a member and help you help your employees, too.

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## CalPERS 101

Location: CC 212

CalPERS 101 provides valuable information to help make you successful in conducting business with CalPERS. We'll provide you with an understanding of the history of CalPERS, CalPERS' Defined Benefit Retirement Plan, member benefits, and the contract amendment process.

Specific topics include:

- Contracts
- Defined benefit plan and funding sources
- Membership Enrollment & Payroll Reporting

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## Governmental Accounting Standards Board Statement No. 68

Location: Marriott Salon III

This session updates you on the Governmental Accounting Standards Board (GASB) 68 and its impact on your agency and your financial statements. Now that you have a GASB 68 Cost Measurement and Financial Reporting Statement, learn what your report contains.

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## Compensation & Payroll Reporting Basics for Public Agencies

Location: Marriott Salon IV

The Compensation and Contributions Service Section presents a thorough and informative session on how and what to report in regards to compensation. Get answers to your questions about payroll reporting, member and employer contributions, and compensation earnable. This session also focuses on what is considered special compensation, based on the requirements in the Public Employees Retirement Law.

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**3:15 - 4:30 p.m.**

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## Health Business Rules

Location: CC 211

Learn about health business rules to assist you in conducting CalPERS health benefits business and the responsibilities associated with being a Health Benefit Officer (HBO). This session will provide a basic understanding of the responsibilities associated with the Public Employee's Medical and Hospital Care Act (PEMHCA). Topics include:

- Eligibility and enrollment requirements
  - Health benefit officer responsibilities
  - Health benefits into retirement
  - Health plan options
  - Preferred communication
- 

## Conversation with CalPERS Health Care Leadership

Location: CC 212

Join an interactive conversation between employers and CalPERS Health Care leadership about important health care issues. Topics include:

- A look ahead at other upcoming health initiatives
  - Health care cost containment strategies, especially as we approach the Excise Tax on High Cost Employer-Sponsored Health Coverage (aka Cadillac Tax)
  - Making informed health care decisions using CalPERS | Compare and the Health Plan Chooser
- 

## Membership Eligibility

Location: Marriott Salon III

This session provides you with an overview of the following topics:

- Classic vs. PEPPRA employee determinations
- Eligibility requirements for various service credit types
- Exclusions from the retirement contract
- Independent contractor vs. employee
- Membership eligibility qualifications
- Membership for employees from temporary agencies
- Optional membership
- Understanding safety benefit formulas

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## Other Post Employment Benefits (OPEB), GASB 45 Changes, & the CERBT Year in Review

Location: Marriott Salon IV

During this session you'll learn about:

- California Employers' Retiree Benefit Trust (CERBT)
  - How changes to GASB OPEB accounting standards will affect OPEB financial reporting outcomes
  - How prefunding OPEB can impact an employer's financial reporting
  - The CERBT year in review
-



# Session Schedule & Materials

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Refer to the table below for a complete list of days, times, and locations sessions will be held, as well as session descriptions.

Mon

Tue

Wed

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## 8:45 - 10:00 a.m.

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### my|CalPERS: Technical Resources & Enhanced Functionality

Location: CC 211

Let our technical experts help you become a my|CalPERS power user. This session focuses on the nuts and bolts of doing business in my|CalPERS:

- Available Cognos reports and the technical requirements needed to generate them
  - Enhanced functionality designed to maximize your technical experience and ability to obtain information needed to conduct business with CalPERS
  - XML File formatting resources, requirements, and helpful tips for reporting payroll and enrollment transactions
- 

### How Pension Reform Impacts Business Rules

Location: CC 212

As a CalPERS employer, it's important for you to know how the Public Employees' Pension Reform Act (PEPRA) of 2013 and related Public Employees' Retirement Law (PERL) amendments in Assembly Bill 340 impact CalPERS retirement. You'll also learn what actions employers need to take to comply with the provisions that change how they do business with CalPERS.

Specific topics include:

- Employer and Membership Contributions
- Membership and Benefit Formulas
- Pension Changes
- Pensionable Compensation
- Working after Retirement

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## Strategies for Attracting & Retaining Employees

Location: Marriott Salon III

CalPERS believes a retirement system must meet the needs of members and employers to be successful. Our retirement and health benefits have helped California public agencies attract and retain talented and career-minded employees. While PEPRA reduced public agencies' financial risk, it also reduced pension benefits, which may hinder their ability to attract and retain quality talent. To remain competitive in the work place, public agencies may need to embrace new strategies. Join us for a panel discussion about strategies employers might consider to attract and retain a talented and motivated workforce.

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## Compensation & Payroll Reporting Basics for School Employers

Location: Marriott Salon IV

The Compensation and Contributions Service Section presents a thorough and informative session on how and what to report in regards to compensation. Get answers to your questions about payroll reporting, member and employer contributions, and compensation earnable. This session also focuses on what is considered special compensation based on the requirements in the Public Employees' Retirement Law.

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**10:30 - 11:45 a.m.**

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## my|CalPERS: Business Functionality & System Training

Location: CC 211

This session provides an overview on understanding my|CalPERS business functionality to efficiently navigate system transactions. You'll learn how to keep informed of my|CalPERS changes and maximize your experience. This session also showcases where to access employer education opportunities and newly developed resources designed to assist you within the new CalPERS website.

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## Disability Retirement

Location: CC 212

This session covers requirements and responsibilities of the employer and employee when it comes to disability retirement and reinstatement. Topics include:

- Administrative Procedures Act
- Appeal process
- Disability and Industrial disability retirement/disability application process/criteria to qualify/requirements and responsibilities
- Employer originated application

- Reinstatement/working after retirement

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## Employer Review Resolution

Location: Marriott Salon III

This session is designed to assist you with the resolution of Employer Review Findings and to provide them with the steps needed to resolve the identified findings in their review. Learn what is considered a Publicly Available Pay Schedule, the correct way of reporting special compensation, when you should bring an employee into membership, and how to correctly report pay rate and earnings.

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## Understanding Your PEMHCA Program

Location: Marriott Salon IV

This session is an opportunity to expand your awareness of the Public Employees' Medical & Hospital Care Act (PEMHCA), which governs CalPERS' Health Benefit Program. Learn about available PEMHCA contracting options, understanding your current contract, and beneficial changes that can be made to your current contract. Hear about how others in the program are using contract changes to reduce their overall expenses and minimize their employer contribution obligations.

You will learn the basics of PEMHCA billing using my|CalPERS, how to perform a query for the billing month, and how to sort your data with ease. We'll also discuss the importance of ensuring enrollment transactions are accurately reflected for active and retired employees and the application of money, aging, and interest penalties.

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**2:00 - 3:15 p.m.**

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## Asset Liability Management: Pension Risk Mitigation Strategies

Location: CC 211

This session introduces the framework of the Asset Liability Management (ALM) program. You'll learn how the ALM program is a collaborative effort designed to assist the CalPERS Board in understanding the funding risks of the system and making informed decisions about asset allocation and actuarial policies.

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## Pre-Retirement Death Benefits

Location: CC 212

Have you ever wondered what benefits are available if you or one of your employees died? Attend this session for important information about CalPERS pre-retirement death benefits, the enhanced death benefits you may be able to contract for, and information about emergency retirement counseling.

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## Federal & State Legislative Update

Location: Marriott Salon III

Join us for a review and a look ahead at federal and state legislation that has the potential for impacting CalPERS and our employers.

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## Social Security & Medicare Benefits

Location: Marriott Salon IV

Social Security is an essential part of financial security for most American families. Social Security benefits will help replace income when a worker retires, dies, or becomes disabled. This session provides an overview of the benefits, an explanation of the Windfall Elimination Provision (WEP) and the Government Pension Offset (GPO), and important information on Medicare eligibility, enrollment, and benefits.

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**3:45 - 5:00 p.m.**

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## Employer Account Reconciliations & Other Financial Reports

Location: CC 211

This session provides an overview of the financial tools available for accurate employer account management. Learn about the options for efficient payments, tools to avoid late payment penalties, and how to ensure accurate financial records by utilizing my|CalPERS financial reports to effectively reconcile employer accounts.

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## CalPERS Long-Term Care Program

Location: CC 212

This session will focus on educating employers on the Long-Term Care 4 (LTC4) open application, Long-Term Care (LTC) program eligibility, and LTC products' design and benefits features. You'll also learn about tools employers can use to communicate and distribute LTC information to their employees, including materials such as prewritten newsletter articles, employee emails, payroll warrant messages, postcards, and more.

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## Service Credit Purchase Options

Location: Marriott Salon III

A member's retirement allowance is based, in part, on the amount of service credit posted to their member account at the time of retirement. Therefore, it may be beneficial to buy service credit in order to increase their retirement benefit. In this session, you'll learn about:

- Different types of service credit that can be purchased
- Eligibility requirements for various service credit types
- How to use the online Service Credit Cost Estimator to determine the cost
- Other factors that should be considered when purchasing service credit
- Various payment options

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## Compensation, Payroll Reporting, & Membership Panel on Advanced Topics

**Location:** Marriott Salon IV

You'll learn the latest information regarding important issues that cross over the Compensation and Employer Review, Payroll Reporting, and Membership programs. This panel is designed to address and answer presubmitted questions that have been deposited in the question drop box at the Compensation and Employer Review, Payroll Reporting, and Membership booths.

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# Session Schedule & Materials

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Refer to the table below for a complete list of days, times, and locations sessions will be held, as well as session descriptions.

Mon

Tue

Wed

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## 8:30 - 9:45 a.m.

---

### Dialogue with the Chief Investment Officer

Location: CC 211

Join the CalPERS Chief Investment Officer for the latest news from the Investment Office on issues and activities relating to CalPERS investments.

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### Business Rules Compliance - Most Common Audit Findings

Location: CC 212

The key message of this session is don't be afraid of an audit, be prepared! You'll learn the most common audit findings and how to avoid them by following the business rules as stated in the California Public Employees' Retirement Law. This session provides you with an understanding of how to successfully conduct CalPERS business and will focus on compensation, payroll, membership, and retired annuitants.

Specific topics include:

- Membership enrollment
  - Pay rates
  - Payroll reporting errors
  - Temporary/part-time employees
  - Uniform allowance
  - Unlawful employment of retired annuitants
- 

## 10:00 - 11:15 a.m.

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## Dialogue with the Chief Actuary

Location: CC 211

Learn about key achievements from the past year and future plans impacting employers from CalPERS' Chief Actuary.

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## Pharmacy Benefit Management Strategies

Location: CC 212

Attendees will learn how pharmacy benefit management strategies ensure evidence-based and cost-effective drug use for CalPERS HMO pharmacy carve-out plans and CalPERS self-funded PPO plans in which the prescription drug benefit is administered by CVS/Caremark. These strategies include utilization management, networks, formularies, mail service, education of members and prescribers, information technology, and contracting.

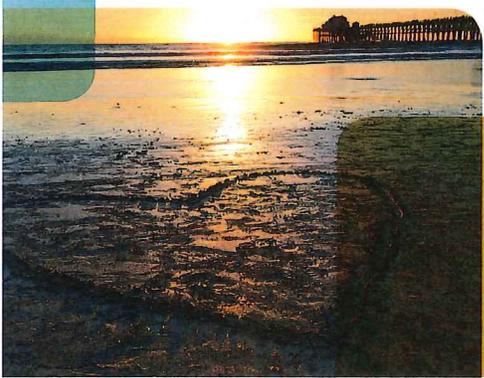
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Meeting Date  
**09/23/15**  
Agenda Item  
**#12c.**



**SACRS  
FALL  
CONFERENCE  
2015**

**November 17-20**  
San Diego Marriott Marquis & Marina



# PRELIMINARY AGENDA

## TUESDAY, NOVEMBER 17, 2015

### GOLF TOURNAMENT

#### Riverwalk Golf Club

1150 Fashion Valley Road  
San Diego, CA 92108

**Contact:** Crystal Stokey, Stepstone Group at [cstokey@stepstoneglobal.com](mailto:cstokey@stepstoneglobal.com) for more information on how to register or sponsor the event.

### 3:00 PM - 6:30 PM

#### REGISTRATION

### 3:00 PM - 5:00 PM

#### Advance Trustee Breakout

Shift Happens: How prepared is your system? In an interactive workshop, learn how other public retirement systems boards are addressing strategic challenges.

**Speaker:** Rick Funston, Funston Advisory Services LLC

### 3:00 PM - 5:00 PM

#### New Trustee Breakout

### 3:00 PM - 5:00 PM

#### Disability/Ops Breakout

Disability Retirement—Industry Best Practices and Value-Add Opportunities

**Speaker:** Joseph Schimizzi, Managed Medical Review Organization

### 5:30 PM - 6:30 PM

#### SACRS RECEPTION

## WEDNESDAY, NOVEMBER 18, 2015

### 6:45 AM - 7:45 AM

#### SACRS YOGA

Want to impress your benefits manager when you go back to the office? Participate in the SACRS Wellness Sessions! Yoga with SACRS is open to all levels, from beginner to expert. Although yoga poses are physical exercise, they have the added benefit of bringing great balance to the mind, body and spirit. A morning yoga session is a great way to energize before our busy conference day.

### 7:30 AM - 8:30 AM

#### BREAKFAST

### 7:30 AM - 6:00 PM

#### REGISTRATION

### 8:30 AM - 9:00 AM

#### GENERAL SESSION & AWARDS

#### Welcome & Awards

## WEDNESDAY, NOVEMBER 18, 2015 CONTINUED

### 9:00 AM - 10:00 AM

#### GENERAL SESSION

#### Investment

**Speaker:** John Bellows, Western Asset

### 10:00 AM - 10:30 AM

#### NETWORKING BREAK

### 10:30 AM - 11:30 AM

#### GENERAL SESSION

#### Behavioral Finance

**Speaker:** Professor Greg LaBlanc, UC Berkeley

### 11:35 AM - 12:35 PM

#### GENERAL SESSION

#### Investment

**Speaker:** Jeffrey Gundlach, Doubleline Capital

### 12:40 PM - 1:50 PM

#### LUNCH

### 2:00 PM - 3:00 PM

#### GENERAL SESSION

#### Maritime

Keeping your real assets allocation "afloat" with Maritime investing. Maritime investments offer attractive total return potential, the inflation protection of real assets, low correlation to financial and other real assets, and a premium yield.

#### Speakers:

Richard D'Abo, Yucaipa Co.  
Justin Yagerman, J.P. Morgan Asset Management

### 3:15 PM - 5:00 PM

#### BREAKOUT SESSIONS

#### Administrators Breakout

#### Accounting/Internal Auditors Breakout

#### Affiliate Breakout

#### Investment Breakout

#### Attorney Breakout

#### Ops/Benefit Breakout

#### Disability Breakout

#### Safety Breakout

**Trustee Breakout** 1st Hour Panel DB/DC  
2nd Hour Roundtable Panel TBD

### 4:30 PM - 5:30 PM

#### SACRS LEGISLATIVE COMMITTEE MEETING

**Speaker:** Richard Stensrud, Committee Chair

## WEDNESDAY, NOVEMBER 18, 2015 CONTINUED

**6:30 PM - 10:00 PM**  
SACRS WEDNESDAY EVENT

### USS Midway

Enjoy an evening with your fellow SACRS Conference Attendees aboard the USS Midway. Imagine experiencing life at sea aboard one of America's longest-serving aircraft carriers. Visitors to the USS Midway Museum enter a floating city at sea and walk in the footsteps of 225,000 Midway sailors who served our country and upheld the American ideals of strength, freedom and peace.

A hosted reception, dinner, museum access and lively entertainment is included for the evening. Transportation will be provided. Due to limited space, only registered SACRS conference attendees and registered guest may attend. A light jacket is recommended for the evening, this event is a business casual dress attire.

## THURSDAY, NOVEMBER 19, 2015

**6:15 AM - 7:15 AM**  
SACRS 5K FUN RUN/WALK

Don't miss SACRS 5K Fun Run/Walk! Enjoy the cool San Diego morning with an invigorating walk, jog or run with fellow SACRS conference attendees along an easy 5K (3.1 miles) course. The 5K Fun Run/Walk is a great way for SACRS conference attendees and guests to come together and get moving before the day's educational sessions. All participants receive a SACRS Fun Run/Walk T-Shirt, water and a snack at the end of the Run/Walk.

**7:30 AM - 8:30 AM**  
BREAKFAST

**7:30 AM - 6:00 PM**  
REGISTRATION

**8:00 AM - 9:00 AM**  
GENERAL SESSION

**Speaker:** General Petraeus

**9:10 AM - 10:10 AM**  
GENERAL SESSION

**Speaker:** Betty Yee, State Controller

**10:10 AM - 10:40 AM**  
NETWORKING BREAK

## THURSDAY, NOVEMBER 19, 2015 CONTINUED

**10:40 AM - 11:40 AM**  
GENERAL SESSION

### Vested Rights/Litigation/Ballot Measure

#### Speakers:

Carl DeMaio  
Amy Brown, DiMare, Brown, Hicks & Kessler, LLC  
Harvey Leiderman, Reed Smith

**11:40 AM - 12:00 PM**  
GENERAL SESSION

### Welcome/Veterans Day Honor

**Speaker:** Yves Chery, SACRS President

**12:00 PM - 1:15 PM**  
LUNCH

**1:20 PM - 2:00 PM**  
Annual System Comparison

**Speaker:** RVK

**2:15 PM - 3:15 PM**  
CONCURRENT SESSIONS

**A Private Credit**

**B What's so smart about Smart Beta?**

In traditional cap-weighted indices, investors put more dollars to work in stocks that have run up in price and less in those that have declined. In this session we will seek to define smart beta strategies and explain how they may enhance returns, mitigate risk and increase diversification.

#### Speakers:

Holly Framsted, CFA, BlackRock  
Abdur Nimeri, PhD, Northern Trust Asset Management

**C OPS & BENEFIT**

### Communications Innovations: Ideas, Insights & Improvements

In this short, one-hour session, you'll have the opportunity to learn valuable ideas, insights and innovations from experienced communications professionals and visionaries who have created and expanded communications concepts and ideas.

#### Panel:

Syd Fowler, Marin CERA  
Michael Tamony, San Bernardino CERA  
Adam Sands, San Bernardino CERA  
Jeannine Smart, Los Angeles CERA

THURSDAY, NOVEMBER 19, 2015 CONTINUED

**3:15 PM - 3:45 PM**  
Network Break

**3:45 PM - 5:00 PM**  
CONCURRENT SESSIONS

**A SACRS Legislative Update**

**Speakers:**

Richard Stensrud, Sacramento CERS  
Jim Lites, SACRS Consultant  
Trent Smith, SACRS Lobbyist  
Mike Robson, SACRS Lobbyist

**B SACRS Movie**  
Frontline

**4:30 PM - 5:30 PM**  
EDUCATION COMMITTEE MEETING  
**Speaker:** Christie Porter, SACRS Education Chair

**5:30 PM - 6:30 PM**  
SACRS RECEPTION

FRIDAY, NOVEMBER 20, 2015

**7:30 AM - 8:30 AM**  
BREAKFAST

**8:30 AM - 8:45 PM**  
WELCOME

**Speaker:** Yves Chery, SACRS President

**8:50 AM - 9:50 AM**  
GENERAL SESSION

**Speaker:** Anna Rappaport

**9:50 AM - 10:00 AM**  
BREAK

**10:00 AM - Upon Adjournment**  
SACRS BUSINESS MEETING

SACRS Board of Directors

**Upon Adjournment**  
SACRS BOD MEETING

SACRS Board of Directors



**John L. Bellows**

**Portfolio Manager/Research Analyst,  
Western Asset Management Company**

John L. Bellows, PhD, is a Portfolio Manager and Research Analyst with Western Asset. Prior to joining the Firm in 2012, Mr. Bellows served at the U.S. Department of the Treasury, most recently as the Acting Assistant Secretary for Economic Policy. At Western Asset, he is a member of the US Broad Strategy Committee and the Global Investment Strategy Committee.

Mr. Bellows holds a Bachelor of Arts degree in Economics from Dartmouth College, and a PhD in Economics from the University of California, Berkeley.



**Amy L. Brown**

**DiMare, Brown, Hicks & Kessler, LLC**

Amy represents the firm's clients before the California State Legislature, state and local regulatory agencies and provides consulting services to various local agencies. She is also the editor and publisher of the Public Retirement Journal and Public Agency Coalition Alert – two monthly publications that cover public pension and health care issues, local government employee relations, and industry expert interviews.

While working towards her Master's degree in Public Administration from Cal State Hayward, Amy served as a legislative aide to former Assembly Member Mike Sweeney. She has a Bachelor of Arts degree in politics from the University of California at Santa Cruz.



**Richard D'Abo**

**Yucaipa Companies LLC**

Mr. D'Abo was an early Transaction Partner of The Yucaipa Companies, from 1988-1994. During this time he was a key contributor to the acquisitions of Cala Foods, ABC Markets, Boys Markets, Almacs, Bell Markets, Alpha Beta and Food4Less. He served as a director of Food4Less Supermarkets from 1992-1994. From 1995-2003, Mr. D'Abo was involved in various activities in investment banking and private equity investing and co-founded and was a Director of Apogee Electronics, Inc.

From 1978-1987 Mr. D'Abo worked at Union Bank and was involved in financing multiple leveraged and management buyouts. He has been a primary contributor to Yucaipa's largest acquisitions, including TDS Automotive, AmeriCold Logistics, Versacold and Eimskip.



**Carl DeMaio**

**Reform California**

Carl DeMaio knows how to reform government - and he has built an entire business and a political career on speaking truth to power, holding government accountable, and offering creative solutions to public challenges. At the age of 23, Carl DeMaio started his first company — the Performance Institute — to provide training and consulting solutions to help financially-troubled government entities

cut costs while improving performance. DeMaio turned his business success into a life-long crusade to improve the performance, transparency, efficiency and accountability of government at all levels. DeMaio won a seat on the San Diego City

Council in 2008 — and helped turn that city around from the brink of bankruptcy through his Roadmap to Recovery reform agenda. DeMaio is now tackling state-wide fiscal reform policy in his new role as Chairman of Reform California while chairing the Transitions in Governance Project at the Performance Institute. DeMaio is also continuing to speak out on local issues, as co-host of his daily news and talk show in KOGO-AM 600.



**Holly Framsted, CFA**  
Vice President, BlackRock

Holly is a Strategist on the Equity Smart Beta team, a part of BlackRock's Retail & iShares Group. In this capacity, Ms. Framsted is responsible for providing subject matter expertise on Smart Beta and Factor investing to Institutional and Advisory clients. She also works with the team to manage the evaluation

of new Smart Beta product ideas through phases of research, including assessment of commercial and investment viability, regulatory and operational feasibility and driving promising ideas through phases of development, including product design.

Ms. Framsted earned a BA degree in psychology from the University of California, Los Angeles, and is a CFA Charterholder.



**Frederick (Rick) Funston**  
Managing Partner,  
Funston Advisory Services LLC

Rick is the Managing Partner of Funston Advisory Services LLC (FAS). Since 2010, Funston Advisory Services has performed numerous reviews of public retirement systems' governance, strategy, risk, operations,

compliance and control.

In 2001, he created the concept of risk intelligence and he is the principal author of "Surviving and Thriving in Uncertainty: Creating The Risk Intelligent Enterprise™" published by John Wiley & Sons in April, 2010.

Prior to forming FAS, he was the National Practice leader for Deloitte's Governance and Risk Oversight Services. Rick has over forty years experience in both not-for-profit and for-profit sectors. Rick is writing a new book "Shift Happens: How to Win at Business Model Warfare" for publication in 2015-16.



**Jeffrey Gundlach**  
DoubleLine

Mr. Gundlach is the Chief Executive Officer and Chief Investment Officer of DoubleLine. He is recognized as an expert<sup>1</sup> in bond and fixed income investments. His investment strategies have been featured in leading publications including The New York Times, The Financial Times, The Wall Street Journal, USA

Today, Barron's, Forbes, and Fortune. In 2010, Mr. Gundlach was named to the SmartMoney Power 30. In 2011, he was featured as "The King of Bonds" in Barron's, and named one of "5 Mutual Fund

All-Stars" by Fortune Magazine. In 2012, he was named one of the "50 Most Influential" by Bloomberg Markets magazine. In 2013, he was named "Money Manager of the Year" by Institutional Investor. He is a graduate of Dartmouth College summa cum laude holding a BA in Mathematics and Philosophy. He attended Yale University as a PhD candidate in Mathematics.



**Tim Hancock**

Alternate Safety Member  
Board of Retirement, County of San Diego

Tim Hancock is currently serving his second three-year term as the Alternate Safety Member on the Board of Retirement for the County of San Diego. Tim began his career with the Probation Department in 1996 and he is currently assigned as a Division Chief in

Juvenile Field Services. He has also served on the board of the San Diego County Probation Officers' Association, holding the positions of Director, Vice President, and President.



**Greg LaBlanc**

UC Berkeley Professor

Gregory LaBlanc has been a lecturer at UC Berkeley since 2004, teaching courses in Finance, Accounting, Law, and Strategy in the Haas School, the Law School (Boalt Hall) and the department of Economics. Prior to joining the Berkeley faculty, he studied Economics, Business, and Law at the Wharton School

of the University of Pennsylvania, George Mason University Law School, Duke Law School, and Berkeley Law (Boalt Hall). He has previously taught Finance, Management, Law and Economics at the Wharton School, Duke University and the University of Virginia and has been a consultant in the fields of IP litigation and competitive intelligence. His research focuses on the impact of tax policy on organizational design, capital formation, and innovation. He has received several teaching awards and has previously been involved in executive education programs at the Wharton School and Darden School.



**Abdur Nimeri, Ph.D.**

Senior Vice President,  
Senior Investment Strategist  
Northern Trust Asset Management

Abdur Nimeri is Senior Vice President and Senior Investment Strategist for FlexShares Exchange Traded Funds (ETFs), focusing on ETF strategy and product development. He

brings factor-based investing expertise to the team and has published in top academic journals.

Prior to joining Northern Trust, Abdur was the Riley Professor of Physics at Colorado College. Abdur earned a B.S. in Chemistry from Iowa State University, an M.S. in Financial Mathematics from the University of Chicago and a Ph.D. in Physical Chemistry from Ohio State University.



## Gen. David Petraeus

**United States Army, Retired**

General David Howell Petraeus is a retired American military officer and public official. He served as Director of the Central Intelligence Agency from September 6, 2011, until his resignation on November 9, 2012. Prior to his assuming the directorship of the CIA, Petraeus was a highly decorated four-star general, serving over 37 years in the United States Army. His last assignments in the Army were as commander of the International Security Assistance Force (ISAF) and Commander, U.S. Forces Afghanistan (USFOR-A) from July 4, 2010, to July 18, 2011. His other four-star assignments include serving as the 10th Commander, U.S. Central Command (USCENT-COM) from October 13, 2008, to June 30, 2010, and as Commanding General, Multi-National Force – Iraq (MNF-I) from February 10, 2007, to September 16, 2008. As commander of MNF-I, Petraeus oversaw all coalition forces in Iraq.



## Justin Yagerman

**JPMAM**

Justin brings over a decade of shipping sector experience to JPMAM and has spent his career in transportation related financial analysis, most recently as a sell-side equity research analyst with Deutsche Bank from 2009-2014. Justin was a Director and the Senior Transportation & Shipping Analyst covering airfreight, railroad, logistics, trucking, oil tanker, dry bulk and container companies. He was recognized for his work by Institutional Investor's "All-American Research Team" and the Financial Times|StarMine analyst awards. Justin held a similar role at Wells Fargo (formerly Wachovia) as a Director and Senior Transportation & Shipping Analyst from 2005-2009. Justin began his career at Bear Stearns in 2001 on the perennially top-ranked transportation equity research team prior to promotion to Vice President and Senior Ocean Shipping Analyst.



## Jeannine Smart

**Chief of Communications,  
Los Angeles County Employees Retirement  
Association (LACERA)**

Ms. Smart oversees the global direction and creation of member communications and LACERA branding. This includes an array of print pieces, from the annual report to brochures, and LACERA's websites: lacera.com, Board Resources (board members), HRPros (for L.A. County's human resource professionals), and the association's Intranet (for employees). Ms. Smart enjoys public speaking and is the Director of the bi-annual HR Conference, where she creates engaging presentations, interactive games, video content, and attention-getting PowerPoints. She brands the event and supports the presenters. She has served as a speaker for SACRS, P2F2 (pension financial group), CEM Benchmarking, Inc., and the California Association of Public Retirement Systems (CALAPRS) Communications Conference, which she has also chaired. Prior to joining LACERA in 2000, Ms. Smart spent many years in the private sector, with successful advertising and marketing agency experience. She is a Mad Man.



## Betty Yee

**California State Controller**

State Controller Betty T. Yee was elected in November 2014, following two terms of service on the Board of Equalization. As Controller, she continues to serve the Board as its fifth voting member.

Ms. Yee has over 30 years of experience in public service, specializing in state and local finance and tax policy. Ms. Yee previously served as Chief Deputy Director for Budget with the California Department of Finance where she led the development of the Governor's Budget, negotiations with the Legislature and key budget stakeholders, and fiscal analyses of legislation on behalf of the Administration. Prior to this, she served in senior staff positions for several fiscal and policy committees in both houses of the California State Legislature.

A native of San Francisco, Ms. Yee received her bachelor's degree in Sociology from the University of California, Berkeley, and her master's degree in Public Administration from Golden Gate University, San Francisco.

## JOIN SACRS WELLNESS SESSIONS

### SACRS Yoga

**Wednesday, November 18, 2015 | 6:45 AM - 7:45 AM**

Want to impress your benefits manager when you go back to the office? Participate in the SACRS Wellness Sessions! Yoga with SACRS is open to all levels, from beginner to expert. Although yoga poses are physical exercise, they have the added benefit of bringing great balance to the mind, body and spirit. A morning yoga session is a great way to energize before our busy conference day.

*\*Professional Yoga instructor will lead class, no fee to participate for conference attendees & guests, pre-registration required, towels and water will be available, and all participants must submit a waiver prior to class.*

### SACRS 5K Fun Run/Walk

**Thursday, November 19, 2015 | 6:15 AM - 7:15 AM**

Don't miss SACRS 5K Fun Run/Walk! Enjoy the cool San Diego morning with an invigorating walk, jog or run with fellow SACRS conference attendees along an easy 5K (3.1 miles) course. The 5K Fun Run/Walk is a great way for SACRS conference attendees and guests to come together and get moving before the day's educational sessions. All participants receive a SACRS Fun Run/Walk T-Shirt, water and a snack at the end of the Run/Walk.

*\*Registration is \$10 per person, the course is flat and paved, direction signs will be along course along with pocket maps, pre-registration required, and all participants must submit a waiver prior to Run/Walk.*

**November 17-20, 2015 | San Diego Marriott Marquis & Marina | San Diego, California**

**COMPLETE AND RETURN** the enclosed registration form and fee for each attendee. Payment must accompany registration forms. You may also **REGISTER ONLINE** at [SACRS.org](http://SACRS.org).

**Name** (Print exactly for name badge)

**Company/System**

**STATUS**  Board Member  Staff  Affiliate  Non-Profit  Non-Member  Speaker

**Address**

**City**

**State**

**Zip**

**Telephone**

**Fax**

**E-mail address**

**Web Address**

**Spouse** (Spouse or significant other only, not guest)

**CONFERENCE REGISTRATION FEE**

System (Trustees and Staff)	<b>\$120.00</b>
Non-Profit Systems and Associations	<b>\$120.00</b>
Affiliate Member	<b>\$1,020.00</b> (if received prior to October 1, 2015) <b>\$1,130.00</b> (if received after October 1, 2015)
Non-Member	<b>\$1,280.00</b> (if received after November 1, 2015) <b>\$2,670.00</b>

**MAKE CHECKS PAYABLE TO:  
SACRS**

**MAIL REGISTRATION & FEE TO:  
SACRS**

1415 L Street, Suite 1000  
Sacramento, CA 95814  
(916) 441-1850 phone  
(916) 441-6178 fax

- I would like to participate at the Yoga with SACRS session
- I would like to participate in the SACRS Fun Run/Walk (\$10.00 fee)  
*Attendees participating in the fun run receive an official T-Shirt –*

**S M L XL 2XL** (circle one) **Male Female**

- Guest would like to participate in the SACRS Fun Run/Walk (\$10.00 fee)  
*Attendees participating in the fun run receive an official T-Shirt –*

**S M L XL 2XL** (circle one) **Male Female**

**PLEASE NOTE:** Registration fees are per person. An Affiliate firm may register two (2) representatives, Non-Profit Systems may register ten (10), and Non-Profit Associations may register two (2) representatives to the Fall Conference. Registration fees cover the program, meals, beverage and official functions associated with the annual conference for each attendee.

**REFUND POLICY:** Cancellation requests must be made in writing to SACRS. Registration will be refunded in full (after the conference) if notice of cancellation is received before October 1, 2015. No refunds will be made for cancellations after October 1, 2015.



1415 L Street, Suite 1000  
Sacramento, CA 95814



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# SACRS FALL CONFERENCE 2015

## HOTEL INFORMATION

### San Diego Marriott Marquis & Marina

333 West Harbor Drive  
San Diego, CA 92101  
619-234-1500 Reservations  
877-622-3056 Toll Free  
[https://resweb.passkey.com/Resweb.do?mode=welcoming\\_ei\\_new&eventID=11695716](https://resweb.passkey.com/Resweb.do?mode=welcoming_ei_new&eventID=11695716)

## CONFERENCE ROOM RATE

**\$229** per night  
*(not including tax or service fees)*

## PARKING

**Self-Parking: \$18** per day  
**Valet Parking: \$40** per day

## CHECK-IN/CHECK-OUT

Guest accommodations are available at 4:00 pm on arrival and reserved until Noon on departure day. Attendees wishing special consideration for early arrival/late check-out should contact the hotel prior to arrival to avoid fees.

## CONFERENCE CANCELLATION POLICY

In order to receive a Conference Registration refund, you must cancel your registration by **October 1, 2015**. Please email cancellation to: [sacrs@sacrs.org](mailto:sacrs@sacrs.org).

## OFFICIAL CONFERENCE HOURS

Attendees may not host/attend any marketing or social function during periods when official SACRS functions are scheduled and/or during the SACRS official day.

## CONFERENCE ATTIRE

Business Casual dress is encouraged throughout the conference, with the following exceptions:

- Business attire, i.e. coats and ties for gentlemen and comparable dress for women, is requested for speakers, moderators, panelist and presenters during their portion of the program.
- Coats and ties for gentlemen and comparable dress for women are expected for the SACRS Receptions.



## CONFERENCE SCHEDULE

### SPRING 2016

May 10-13, 2016  
Westin South Coast Plaza  
Costa Mesa, CA

### FALL 2016

November 8-11, 2016  
Renaissance Esmeralda  
Resort & Spa  
Indian Wells, CA