

CONTRA COSTA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

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November 9, 2011

Meeting Date
11/26/13
Agenda Item
#3

The Board of Retirement met in regular session at 9:00 a.m. on Wednesday, November 9, 2011 in the Conference Room of the Contra Costa County Employees' Retirement Association, 1355 Willow Way, Suite 221, Concord, CA.

Present: Debora Allen, Terry Buck, Richard Cabral, John Gioia, Brian Hast, Jerry Holcombe, Sharon Naramore, Jerry Telles, Maria Theresa Viramontes and Russell Watts

Staff: Marilyn Leedom, Retirement Chief Executive Officer; Karen Levy, General Counsel; Debbie Carmel, Retirement Benefits Manager; and Vickie Kaplan, Retirement Accounting Manager

Outside Professional Support: Harvey Leiderman
Representing: Reed Smith LLP

Other Attendees:

Luz Casas	Contra Costa County Employees' Retirement Association (CCCERA) Staff
Christina Dunn	CCCERA Staff
Tracy Kroll	CCCERA Staff
Joelle Luhn	CCCERA Staff
Justine Oyler	CCCERA Staff

1. Pledge of Allegiance

Viramontes led all in the *Pledge of Allegiance*.

2. Public Comment

No members of the public offered comment.

3. Approval of Minutes

It was **M/S/C** to approve the minutes of the October 20, 2011 Board meeting. (Yes: Buck, Cabral, Gioia, Hast, Holcombe, Telles, Viramontes and Watts)

It was **M/S/C** to approve the minutes of the October 26, 2011 Board meeting. (Yes: Buck, Cabral, Gioia, Hast, Holcombe, Telles, Viramontes and Watts)

4. Routine Items

It was **M/S/C** to approve the routine items of the November 9, 2011 meeting. (Yes: Buck, Cabral, Gioia, Hast, Holcombe, Telles, Viramontes and Watts)

Allen was present for subsequent discussion and voting.

It was the consensus of the Board to move to item 7.

7. Recommendation from the ad-hoc audit committee for an outside independent auditing firm for the three year period beginning January 2012

This item was tabled for a future meeting.

8. 2012 Administrative Budget

Leedom reviewed the accomplishments of CCCERA's divisions. The major changes in the Information Technology Division were related to the replacement of servers and backups due to increased data needs.

The Investment Division completed five new contracts with investment managers. Asset Allocation rebalancing was completed on schedule. Approximately 14 on-site visits were performed. The on-site visits for the Securities Litigation monitoring services were also completed.

The Accounting Division received the GFOA Certificate of Achievement for Excellence in Financial Reporting for the tenth consecutive year.

Leedom reviewed staffing requirements and the organizational chart noting the Deputy CEO position is still vacant. Depooling has caused a dramatic increase in data manipulation. The prospect of additional new tier variations and subvention levels within the County's benefit structure significantly increased the staff's workload. She requested two additional staff positions for this budget, a Retirement Senior Member Services Data Specialist and a Member Services Technician. These classifications are existing positions, so task descriptions, salary steps, and other recruitment materials are currently available.

The workload in the Legal Division continues to increase, with pending legislative changes, policy drafting, public records requests, and compliance requirements at the forefront. She requested authorization to use other outside legal services on an ad-hoc basis, for specialized needs as they occur, in an amount not to exceed \$25,000 annually.

It was **M/S/C** to approve up to \$25,000 with an annual status report provided to the Board. (Yes: Allen, Buck, Gioia, Hast, Holcombe, Telles, Viramontes and Watts. Abs.: Cabral)

Leedom noted that existing carpet in the office is over 10 years old and worn due to wear and tear. An allowance for tenant improvements through our new lease will cover construction and materials costs.

The 2012 Budget was reviewed noting the actual administrative budget is \$7.62 million. The law provides that the entire expense of the administration can be up to 21 basis points of CCCERA's total Accrued Actuarial Liability, which is approximately \$13.9 million. The recommended budget of \$7.62 million does not include the IT, Investments, and Legal Budget that are not subject to the administrative budget cap. Leedom also reviewed the Disaster Recovery budget noting a draft MOU with San Diego County Employees' Retirement Association is in the discussion stage and is very near completion.

It was **M/S/C** to adopt the 2012 Administrative Budget as presented. (Yes: Allen, Buck, Cabral, Gioia, Hast, Holcombe, Telles, Viramontes and Watts)

CLOSED SESSION

The Board moved into Closed Session pursuant to Govt. Code Section 54957 and Govt. Code Section 54956.9(c).

The Board moved into open session.

5. Disability Retirements

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

- (a) John Sambrailo - Service Connected (Yes: Allen, Buck, Cabral, Gioia, Hast, Holcombe, Telles, Viramontes and Watts)
- (b) Gloria Salazer - Non-Service Connected (Yes: Allen, Buck, Cabral, Gioia, Hast, Holcombe, Telles, Viramontes and Watts)
- (c) Robert Duncan - Service Connected (Yes: Allen, Buck, Cabral, Gioia, Hast, Holcombe, Telles, Viramontes and Watts)

Gioia recused himself from item 6 and was not present for subsequent discussion and voting.

6. There was no reportable action related to Govt. Code Section 54956.9(c).

Gioia was present for future discussion and voting.

9. Meeting Calendar for 2012

It was **M/S/C** to approve the meeting calendar for 2012 as amended, after moving the September 5th Quarterly Meeting to August 29th. (Yes: Allen, Buck, Cabral, Gioia, Hast, Holcombe, Telles, Viramontes and Watts)

10. Miscellaneous

(a) Staff Report -

Leedom reported that Grubb & Ellis, the Willows property manager, will pursue the appeal for the reduction of the appraised value for the Willows.

(b) Outside Professionals' Report -

None

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(c) Trustees' Comments -

Buck reported he attended the IFEBP in New Orleans, noting two specific presentations from economists that state the economy is fine.

Cabral discussed the Fair Political Practices Commission (FPPC) fines for CalPERS employees and officials failing to properly report gifts as required in the annual Form 700 Statement of Economic Interest filings and requested additional information about the FPPC charges in this matter.

Telles reported he attended an on-site visit with Hally and Leedom at Robbins, Geller, Rudman, and Dowd LLP. He was impressed with the firm.

Viramontes thanked the ad-hoc audit committee for their work.

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

Maria Theresa Viramontes, Chairman

John Phillips, Secretary



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RETIREMENT BOARD MEETING MINUTES

SPECIAL BOARD MEETING
9:00 a.m.

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

October 17, 2013

Present: Scott Gordon, Brian Hast, Jerry Holcombe, Louie Kroll, Karen Mitchoff, John Phillips, Gabe Rodrigues, Jerry Telles and Rusty Watts

Absent: Debora Allen and Richard Cabral

Staff: Marilyn Leedom, Retirement Chief Executive Officer; Timothy Price, Retirement Chief Investment Officer; and Christina Dunn, Retirement Administration Manager

Outside Professional Support:	Representing:
Bob Helliesen	Milliman
Marty Dirks	Milliman
Dorian Young	Milliman

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. Discussion with consultant and staff regarding managers scheduled to present

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

Helliesen introduced Dorian Young of Milliman who will be working on CCCERA's account with Marty Dirks. He also gave a brief overview of the managers presenting.

4. Manager presentations:

Alternatives

Adams Street – Gary Fencik

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

Fencik gave a brief update on the firm and the investment team noting there have been no changes in the investment team but that there have been a few retirements in other areas of the firm. He

reviewed the performance of the primary and secondary investments as compared to the global industry benchmark data as of March 31, 2013.

He reviewed CCCERA's total portfolio performance from inception through March 31, 2013. He also reviewed the diversification of investment commitments as of March 31, 2013.

Energy Investors Funds – John Buehler, Christina Anzel and Jose Torres

Buehler gave an overview of the firm and the investment team, noting they are exclusively in the United States. He reported they are one of the first private equity fund managers to focus on the independent power industry.

Anzel gave an overview of CCCERA's investments in USPF I, USPF II, USPF III and USPF IV. She reported CCCERA's total commitment in the four funds is \$195 million.

Torres gave an overview of three of the investments in the portfolio: Calypso Energy Holdings, EIF Renewable Energy Holdings, and the Newark Energy Center.

DBL Investors – Nancy Pfund, Cynthia Ringo, Mark Perutz

Pfund gave an overview of the firm and reviewed the returns of Fund I.

Ringo gave an overview of the team commenting on their venture capital investing experience.

Perutz reviewed the performance to date of Fund I and the Fund projections.

Ringo reviewed Fund II investments and the performance to date noting the fund is still in its early stages.

Fixed Income

AFL-CIO - Emily Johnstone, Chang Suh

Johnstone gave an overview of the firm and their investments noting they are a \$4.6 billion fixed-income fund that invests primarily in multi-family mortgage securities across the country that are all built using union labor.

Suh reviewed their investment strategy and their portfolio characteristics. He also gave an update on their performance. He reviewed how risk characteristics are measured, monitored and managed relative to the Barclays Aggregate benchmark.

Torchlight Investors – Robert Kopchains, Daniel Heflin

Kopchains gave an overview of the firm and reviewed a representative client list. He gave an overview of the investment committee and operating committee noting all of the committee members are owners of the firm and contribute to the firm. He reviewed the firm's philosophy and strategy development. He also reviewed their opportunistic and value-added fund strategies.

Heflin reviewed the market conditions and commercial real estate opportunities. He reviewed Fund I, the portfolio holdings of Fund II, and he gave a summary of Fund III. He also reviewed Debt Opportunity Fund IV's investment activity to date.

5. **Miscellaneous**

(a) Staff Report –

Leedom reminded the Board the meeting on October 23rd will begin at 8:30. Transwestern will present information on the Willows Office Building and the Board will review finalists for the International Value Equity Manager mandate.

She reported she attended the on-site visits to Paulson and Lord Abbett noting her concerns with the changes at Lord Abbett.

Price also reported on the on-site visits at Paulson and Lord Abbett noting there were several changes at Lord Abbett. He felt the on-site visit with Paulson was successful.

He reported he toured a multi-family property held by Invesco in Minneapolis and was very impressed. The property is expected to be fully leased in the first part of 2014.

Price reported he attended the CII Forum and the Institutional Investors Forum and felt both were worthwhile.

He stated he will remind Paladin the Board is in a quiet period and there should be no contact.

(b) Outside Professionals' Report -

Helliesen distributed a Flash Report for the period ending September 30, 2013.

(c) Trustees' comments –

Gordon commented on his first on-site visit and felt it was valuable. He also felt it was appropriate to put Lord Abbett on the watch list.

Telles reported he attended the Institutional Investors Forum. He also reported he was contacted by Paladin.

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

Brian Hast, Chairman

Jerry Telles, Secretary



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RETIREMENT BOARD MEETING MINUTES

SECOND MONTHLY BOARD MEETING
8:30 a.m.

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

October 23, 2013

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

Absent: Richard Cabral

Staff: Marilyn Leedom, Retirement Chief Executive Officer; Timothy Price, Retirement Chief Executive Officer; Karen Levy, Retirement General Counsel; Vickie Kaplan; Retirement Accounting Manager; and Christina Dunn, Retirement Administration Manager

Outside Professional Support:	Representing:
Bob Helliesen	Milliman
Marty Dirks	Milliman
Dorian Young	Milliman
Rebecca Byrnes	County Counsel

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 September 4, 2013 meeting. (Yes: Gordon, Hast, Holcombe, Mitchoff, Phillips, Telles and Watts)

It was M/S/C to approve the minutes of the September 11, 2013 meeting. (Yes: Gordon, Hast, Holcombe, Mitchoff, Phillips, Telles and Watts)

Allen was present for subsequent discussion and voting.

4. **Update from investment consultant regarding the finalists for the International Value Equity Manager search.**

Dirks gave an overview of the managers scheduled to present, noting personnel changes within the firms.

Rodrigues was present for subsequent discussion and voting.

5. Manager Presentations:

MFS Investment Management – Camille Humphries Lee, Allan Duckett

Duckett gave an overview of the firm noting they have a very experienced team. He reviewed their distinguishing characteristics including an integrated global research platform, a disciplined consistent strategy, and a rigorous valuation discipline. He also reviewed their International Value Equity team.

Lee reviewed upcoming changes to the team. She gave an overview of their stock analysis and their investment approach. She also reviewed their sector, regional and country weights, their top 10 portfolio holdings, and characteristics.

Duckett reviewed their performance. He also reviewed their fee schedule. He noted MFS is a Delaware corporation with 78% of the stock owned by SunLife.

Schroders Investment Management – Jamie Macmillan, Justin Abercrombie, Stephen Kwa

Macmillan introduced the presenters. He gave an overview of the firm noting asset management is their sole business. He stated they have over 200 years of financial services experience.

Abercrombie gave an overview of the investment team noting they are based in London, Sydney and New York. He reviewed the firm's investment philosophy, investment process, stock weighting and stock selection. He also reviewed key portfolio characteristics and risk management.

Kwa reported they have achieved consistent performance on a rolling 3 year information ratio vs. peer group. He also reviewed fees noting they average 55 basis points.

Pyrford International Ltd. – Tony Cousins, Mark Osterkamp

Osterkamp gave an overview of the firm noting they focus on 4 strategies – global equity, international equity, global absolute return, and Asia Pacific strategies.

Cousins gave an overview of the firm noting they have very limited staff turnover. He reviewed the firm's investment philosophy and country analysis. He gave an overview of the responsibilities of the investment professionals, how they select stocks, portfolio construction and sell decisions. He reviewed their portfolio characteristics and percentage allocations.

Osterkamp reviewed their performance and services. He discussed fees noting they are negotiable.

6. Consider and take possible action on International Value Equity Manager

After a lengthy discussion on the manager presentations, it was M/S/C to hire Pyrford International Ltd. subject to due diligence, on-site visits, legal review and authorize the CEO to sign the necessary contracts. (Yes: Allen, Gordon, Hast, Mitchoff, Phillips, Rodrigues, Telles and Watts)

CLOSED SESSION

The Board moved into closed session pursuant to Govt. Code Section 54957.

The Board moved into open session.

Telles was no longer present for subsequent discussion and voting.

7. It was **M/S/C** to accept the Medical Advisor's recommendation and grant the following disability benefits:
 - a. Marie Espaniola – Non-service Connected (Yes: Allen, Gordon, Hast, Kroll, Mitchoff, Phillips, Rodrigues and Watts)
 - b. Lisa Beaty – Service Connected (Yes: Allen, Gordon, Hast, Kroll, Mitchoff, Phillips, Rodrigues and Watts)

Telles was present for subsequent discussion and voting.

8. It was **M/S/C** to accept the Medical Advisor's recommendation and deny the service connected disability retirement for Shirley Guyer. (Yes: Allen, Gordon, Hast, Mitchoff, Phillips, Rodrigues, Telles and Watts)
9. **Presentation by Transwestern on the Willows Office Building** – Matt Hurd, Meredith Murphy, David Wilkinson

Hurd gave an overview of the class A Concord market and the class B Concord market, which includes the Willows Office Park building. He reviewed the property highlights, noting the Willows is 93% leased. He also reviewed the vacancy rates in Concord and the Willows.

Murphy gave an overview of Transwestern, noting it is both the leasing and property management firm for the Willows.

Wilkinson reviewed proposed capital projects for 2014, including the building repair needed due to dry rot. He reviewed different scenarios with estimated costs, including removing all siding and trim pieces and replacing them with stucco and replacing all the windows with dual pane windows.

Murphy explained the amortization period, operating expenses and the benefits to tenants.

10. **Consider and take possible action regarding repairs and upgrades to the Willows Office Park Building as recommended by Transwestern**

It was **M/S/C** to proceed with the proposed work, and interview exterior envelope architects and engineers who do exterior water intrusion work and incorporate all the recommendations into one project with one construction manager managing the project. (Yes: Allen, Gordon, Hast, Mitchoff, Phillips, Rodrigues, Telles and Watts)

11. **Miscellaneous**

- (a) Staff Report –

Leedom reported the agenda includes a copy of the Public Pension Standards Award (PPCC), and thanked the accounting staff for their work towards receiving the award.

She reported the filing deadline for the vacant Safety seat is Friday and there is only one candidate to date.

She reported fiduciary insurance will be increasing due to pending lawsuits and the increase will be included in the 2014 budget.

Leedom reported we will begin the previously approved remodel of the front office and are working on a request for additional space.

(b) Outside Professionals' Report

None

(c) Trustees' comments –

Mitchoff recommended putting a place holder for the Safety seat on the Board of Supervisor's November 5, 2013.

Rodrigues asked if we are informing money managers presenting to the Board that the meetings are recorded. He feels certain strategies are being comprised. Staff was directed to include an item to reconsider recording Board meetings on an upcoming agenda.

Telles reported he attended the CRCEA Fall Conference noting the lobbyist at the legislative committee was very interesting.

Hast noted Southwest fares are cheaper than other airlines but they charge fees for early boarding that are not paid for by CCCERA. He directed staff to begin paying for early bird check in on Southwest.

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

Brian Hast, Chairman

Jerry Telles, Secretary