



MINUTES

RETIREMENT BOARD MEETING MINUTES

SECOND MONTHLY MEETING
November 21, 2017
9:00 a.m.

Pleasant Hill Community Center
McHale Room
320 Civic Drive
Pleasant Hill, California

Present: Candace Andersen, Scott Gordon, Jerry Holcombe, Louie Kroll, Jay Kwon, David MacDonald, John Phillips, William Pigeon, Gabe Rodrigues, Todd Smithy, Jerry Telles and Russell Watts

Absent: None

Staff: Gail Strohl, Chief Executive Officer; Christina Dunn, Deputy Chief Executive Officer; Timothy Price, Chief Investment Officer; Karen Levy, General Counsel; Wrally Dutkiewicz, Compliance Officer; Anne Sommers, Administrative/HR Manager; Henry Gudino, Accounting Manager;; and Colin Bishop, Member Services Manager

Outside Professional Support:
Ed Hoffman
Joe Wiley

Representing:
Verus Investments
Wiley Price & Radulovich LLP

1. **Pledge of Allegiance**

MacDonald led all in the *Pledge of Allegiance*.

2. **Accept comments from the public**

No member of the public offered comment.

Pigeon and Smithy were present for subsequent discussion and voting.

CLOSED SESSION

The Board moved into closed session pursuant to Govt. Code Section 54957.6.

3. **CONFERENCE WITH LABOR NEGOTIATORS**

(Government Code Section 54957.6)

Agency designated representatives:

Gail Strohl, Chief Executive Officer
Christina Dunn, Deputy Chief Executive Officer
Joe Wiley, CCCERA's Chief Negotiator

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

The Board moved into open session.

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

4. Consider and take possible action to adopt Board of Retirement Resolution 2017-7 to continue to participate in Social Security coverage

Dunn reviewed the background on CCCERA's participation in the Social Security program noting that when CCCERA became independent, employees were no longer covered under the Contra Costa County's Section 218 agreement with the Social Security Administration. On November 16, 2017, eligible employees participated in a secret ballot referendum vote regarding the continued participation in Social Security. The majority of eligible CCCERA employees voted in favor of participating in Social Security coverage effective January 1, 2015.

It was M/S/C to adopt Board of Retirement Resolution 2017-7 to continue to participate in Social Security coverage. (Yes: Andersen, Gordon, Holcombe, MacDonald, Phillips, Pigeon, Smithey, Telles and Watts)

5. Consider and take possible action to adopt the CCCERA Strategic Plan for 2018-2020

Strohl reviewed the background of the 2018-2020 Strategic Plan noting this is CCCERA's first strategic plan. She also reviewed the proposed new Mission Statement and discussed the Core Values including Trust, Innovation, and Accountability.

Strohl reviewed the following Strategic Initiatives: 1) Improve communication within the organization and with external stakeholders; 2) Expand use of technology across the organization to achieve goals in the most efficient manner; 3) Implement measures to improve customer service to external and internal customers; 4) Data integrity and security are of paramount importance. New projects will be implemented to ensure data is accurate and secured appropriately; and 5) Institute effective training and recognition programs to foster continued employee development. A draft 2018 Annual Business Plan was distributed.

After a discussion on the core values and strategic initiatives, it was M/S/C to adopt the CCCERA Strategic Plan for 2018-2020. (Yes: Andersen, Gordon, Holcombe, MacDonald, Phillips, Pigeon, Smithey, Telles and Watts)

6. Consider and take possible action on renewal of contract with Segal Consulting for actuarial services

Strohl reported CCCERA's Procurement of Products and Services Policy requires CCCERA to conduct an RFP for core vendors. A one year extension of the Actuarial Services Agreement with Segal Consulting is being requested to allow sufficient time for the issuance of an RFP and related vendor analysis.

It was M/S/C to renew the Actuarial Services Agreement with Segal Consulting for one year. (Yes: Andersen, Gordon, Holcombe, MacDonald, Phillips, Pigeon, Smithey, Telles and Watts)

It was the consensus of the Board to move to Item 9.

9. **Review of total portfolio performance for period ending September 30, 2017**

Hoffman reviewed the third quarter summary highlighting the changes that have taken place since June 30, 2017. He also reviewed what drove the market in the third quarter.

He reviewed CCCERA's investment performance for the period ending September 30, 2017 noting the ending market value of the total fund portfolio is \$8,342,981,443. He reviewed the total fund asset allocation vs. the long term target policy. He reported the total fund gross of fees return was 3.3% compared to the policy index of 3.1% for the quarter and the total fund gross of fees return was 10.5% compared to the policy index of 10.2% year to date. He reviewed the total fund risk analysis for 5 years stating the annualized return was 9.45% with a standard deviation of 4.47%, which was favorable. He also reviewed the performance of individual funds as well as their fees.

It was the consensus of the Board to move to Item 10.

10. **Miscellaneous**

(a) Staff Report –

Strohl reported the 2018 Budget will be presented at the next Board meeting and there will be an Audit Committee meeting after the next Board meeting.

Levy gave an update on the SACRS Fall Conference including the Sexual Harassment Prevention training for Trustees and discussed the SACRS sponsored legislation regarding legal separations which would clarify conflicting case law. She stated there will be a legislative update at the next Board meeting.

(b) Outside Professionals' Report -

None

(c) Trustees' comments –

Phillips reported on his takeaways from the SACRS Fall Conference.

Rodrigues reported on the sessions he attended at the SACRS Fall Conference noting he went through the evaluations and the evaluations were all positive.

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

Telles was no longer present for subsequent discussion and voting.

7. **Presentation from staff on the investment measures of success**

Price reviewed the background on implementing the current investment plan and the current success under the plan noting we will be focusing on additional measures to ensure CCCERA is on track. He stated CCCERA needs growth exposure but also needs to be able to weather the expected volatility without threatening the ability of the plan to fulfill its core investment function of paying benefits.

There was a discussion on market corrections and how staff and the Board can respond and at what levels.

Price reviewed the measures of success for the liquidity, growth and diversifying sub-portfolios. He reviewed the objective, appropriate measures and appropriate measurement period for each sub-portfolio. He also reviewed the goals of each sub-portfolio.

He stated CCCERA's Total Fund is performing well when the underlying functions are achieving their unique objectives. If the liquidity, growth, and risk diversifying portfolios are achieving their objectives, CCCERA's Total Fund should exhibit a low volatility, moderate return profile over long time periods.

Price reviewed sample staff reports including the objectives, measurements, status and staff notes for each sub-portfolio. There was a discussion on including recommended actions and a Watch List to the report.

Andersen was no longer present for subsequent discussion and voting.

8. Education session from Verus on investment risk

Hoffman gave a brief overview of the types of risks that a pension plan faces noting the session will be focused on investment risk concepts, definitions, and metrics. He defined volatility and correlation and discussed how volatility is measured and how the results can vary by changing correlations and assumptions.

Watts was no longer present for subsequent discussion and voting.

He reviewed absolute risk, active risk, drawdown risk and tail-risk and how they are measured. He also reviewed the sections of CCCERA's Investment Policy Statement related to the Plan's investment policy, investment objectives, investment strategy, and risk philosophy.


Rodrigues was no longer present for subsequent discussion and voting.

Hoffman discussed the possible next steps for the Board to consider which includes discussions on improving the governance process and enhancing the current investment policy.

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



Todd Smithey, Chairman



David MacDonald, Secretary