



MINUTES

RETIREMENT BOARD MEETING MINUTES

SPECIAL BOARD MEETING
November 22, 2016
9:00 a.m.

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

Present: Candace Andersen, Scott Gordon, Jerry Holcombe, David MacDonald, John Phillips, Gabe Rodrigues, Todd Smithey, Jerry Telles and Belinda Zhu (Deputy Treasurer, present and voting in Russell Watts' absence)

Absent: Debora Allen, Louie Kroll, William Pigeon and Russell Watts

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

Outside Professional Support: Representing:
Ed Hoffman Verus Consulting
Harvey Leiderman Reed Smith LLP

1. Pledge of Allegiance

Rodrigues led all in the *Pledge of Allegiance*.

2. Accept comments from the public

No member of the public offered comment.

3. Review of total portfolio performance for period ending September 30, 2016

Hoffman reviewed the economic environment and what drove the market in the third quarter, noting we are seeing strong economic growth. He stated it is likely that we will see a rate hike based on the bond prices in the market.

He reported the CCCERA Total Fund returned 3.7% for the third quarter and 6.9% year to date which was slightly below the median public fund. The long term performance of the Total Fund is strong, with Total Fund performance ranking in the top decile over trailing three, five, and ten year periods.

4. Presentation on proposed structure of the CCCERA investment department

Price reviewed his memo regarding the proposed staffing structure change of the CCCERA investment department. He noted he would like to hire two Investment Officers in January 2017 and a third by the end of 2017 in order to effectively manage the new asset allocation. He is also proposing to change the tasks currently completed by the Investment Analyst classification to a role which is focused more on support including research, reconciliations and back office tasks.

There was discussion on tasks and expectations of the Investment Officer and the change in the total salary and benefits budget for the Investment department.

5. **Review of 2015 and 2016 CCCERA budget vs. actual expenditure reports**

Gudino reviewed the 2015 and 2016 actual versus budget for the administrative budget and the non-administrative budget noting that for 2016, the schedule reflects only the first six months. There was discussion on the variances between the budget and actual expenses on different items and the different options for budgeting.

6. **Rescind the policy regarding the Emerging Investment Manager, Economically Targeted Investments and Tobacco Divestment**

Strohl reported the Board previously adopted the Emerging Investment Manager policy, the Economically Targeted Investments Policy and the Tobacco Divestment Policy. In September 2016, the Board adopted the Investment Policy Statement with direction to staff to not include the three policies in the Investment Policy Statement. Formal action should now be taken to rescind the policies.

Price noted that these policies have been included in the investment manager contracts therefore if the policies are formally rescinded the Board would also need to provide direction to staff on how to handle the investment manager contracts that currently incorporate these policies.

It was **M/S/C** to rescind the Emerging Manager Policy. (Yes: Andersen, Gordon, Holcombe, MacDonald, Phillips, Rodrigues, Smithey, Telles and Zhu)

It was **M/S/C** to rescind the Economically Targeted Investments Policy. (Yes: Andersen, Gordon, Holcombe, MacDonald, Phillips, Rodrigues, Smithey, Telles and Zhu)

There was discussion on the possible investment returns and the compliance requirements of having the policy.

It was **M/S** to not rescind the Tobacco Divestment Policy.

There was discussion on the current investment returns and the political perception.

There was a **substitute motion** to rescind the Tobacco Divestment Policy.

After discussion on the motions the substitute motion was **M/S/C** to rescind the Tobacco Divestment Policy. (Yes: Andersen, Holcombe, Phillips, Rodrigues, Smithey and Zhu; No: Gordon, MacDonald and Telles)

Price recommended waiting a year before removing the Tobacco Divestment Policy from existing investment manager contracts. He explained that as the new asset allocation is implemented, many of the existing managers will be replaced and new contracts will not have this policy included. After discussion, the Board directed staff to review the tobacco restriction in the investment guidelines of the existing manager in one year.

7. **2017 Board meeting schedule**

It was **M/S/C** to adopt the meeting schedule for 2017. (Yes: Andersen, Gordon, Holcombe, MacDonald, Phillips, Rodrigues, Smithey, Telles and Zhu)

8. Miscellaneous

(a) Staff Report –

Strohl reported the 2017 budget will be presented at the next Board meeting; she participated on a SACRS panel regarding compliance.

Levy reported there will be a legislative update at the December meeting; one of the legislative changes for 2017 is the requirement for Board members to receive sexual harassment prevention training every two years and staff are working out the details of how to comply with this requirement. At SACRS she presented on CCCERA's PEPRA felony forfeitures process and litigation.

Dutkiewicz is working with the Chief Investment Officer on investment procedures.

(b) Outside Professional's Report –

None

(c) Trustees' Comments –

Holcombe attended the SACRS conference and felt it was very interesting with timely topics.

MacDonald attended the SACRS conference and the IFEBP CAPP program and felt it was very educational. He noted that it would be good if there was a way to provide a member portal so that members can review their retirement information online.

Gordon attended the Invesco Client Conference the outlook at the conference was continued optimism with no signs of recession.

It was M/S/C to adjourn the meeting. (Yes: Andersen, Gordon, Holcombe, MacDonald, Phillips, Rodrigues, Smithey, Telles and Zhu)



John Phillips, Chairman



Scott Gordon, Secretary