



COUNTY OF TULARE
BOARD OF RETIREMENT

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MINUTES OF THE BOARD OF RETIREMENT
REGULAR RETIREMENT BOARD MEETING
Wednesday, March 22, 2017 @ 8:30 a.m.
TCERA Board Room, 136 N. Akers Street, Visalia, CA 93291

I. CALL TO ORDER

Called to Order by Roland Hill, Chairman.

II. ROLL CALL

Members Present: Woodard, Hill, Embrey, Ross, Reed, Young, Watson, Crawford, Vander Poel
Alternates Present: Norman, Taylor
Alternates Absent: Wallis
Others Present: David Kehler, Retirement Administrator; Leanne Malison, Assistant Administrator; Renee Smale, Retirement Specialist; Barbara Grunwald and Marit Erickson, Deputy County Counsel; Scott Whalen, Verus Investments; and Paul Guerrero, CAO-Administrative Analyst
Clerk: Rebecca Pendleton

Let the record show that Mr. Vander Poel arrived at 8:33 a.m. Ms. Grunwald arrived at 8:52 a.m.

1. As a courtesy to those in attendance, all individuals are requested to place cell phones and other electronic devices in the non-audible alert mode.
2. Pledge of Allegiance and Moment of Silence

III. PUBLIC COMMENT

1. At this time, members of the public may comment on any item not appearing on the agenda. Under state law, matters presented under this item cannot be discussed or acted upon by the Board at this time. For items appearing on the agenda, the public is invited to make comments at the time the item comes up for Board consideration. Any person addressing the Board will be limited to a maximum of five (5) minutes so that all interested parties have an opportunity to speak. Please state your name for the record.

None.

IV. X-AGENDA ITEMS

None.

V. DISABILITIES – Time Certain: 8:30 a.m.

1. Closed session was not held regarding disability matters listed on the agenda.
2. In the matter of the disability application of Kevin Marks, consider and take action regarding the application for a disability retirement.

Mr. Kehler explained that TCERA has received the additional medical records, but has not received a complete report from the Independent Medical Examiner regarding the claim of permanent disability.

MOTION to table Kevin Marks disability application to the April 12, 2017 Retirement Board meeting. This will allow TCERA to receive the Independent Medical Examiner's report.

Young/Woodard Approved
Ayes: Woodard, Hill, Embrey, Ross, Reed, Young, Watson, Vander Poel
Noes: Crawford

3. Accepted as filed: Disability Status Report Overview.

VI. CONSENT CALENDAR

1. Approve Minutes of the following Meetings:
 - a. Retirement Board Minutes of March 8, 2017.
2. Approve reports:
 - a. Retirement applications and option selections: deceased pensioners through February, 2017.

MOTION to approve the Consent Calendar.

Watson/Ross Approved Unanimously

VII. COMMITTEE REPORTS

1. Update by Gary Reed regarding the Investment Committee meeting of February 21, 2017. Discussion and possible action regarding the following items:
 - a. Asset Allocation Status

Mr. Reed reported that the Committee reviewed the report, noting the current overweight to equities in the portfolio. During the Committee meeting Mr. Whalen requested that the Board consider moving the amounts above target in the SSGA S&P 500 Index Fund and the SSGA ACWI Index Fund into the BlackRock Fixed Income account. This would reduce equity risk in the portfolio and allow funds to be drawn from the Shenkman investment for future TPG capital calls without bringing fixed income below the target policy band. The Committee requested that Mr. Whalen discuss this further with the Board at its retreat on February 22nd.

- b. 2017 Investment Committee Goals and Objectives Timeline and 2017 Education Calendar

Mr. Reed mentioned that the calendar had been updated to include the quarterly performance reports and educational sessions as recommended at the previous Committee meeting. Additions to the Goals and Objectives as well as the calendar were expected after the February 22nd Board retreat.

- c. Investment Managers
 - 1) Verus Flash Report – All Managers

Mr. Reed noted that the Committee reviewed that Flash Report.

- 2) Managers of Interest
 - a) Gresham – Notification of personnel changes

Mr. Reed indicated that Ms. Malison distributed a memo from Verus regarding the personnel changes. No action is necessary or recommended at this time.

2. Update by Roland Hill regarding the Investment Committee meeting of March 20, 2017. Discussion and possible action regarding the following items:

a. Asset Allocation Status

Mr. Hill noted that TCERA received a capital call notice from RREEF in the amount of \$17.5 million due on April 3rd. \$9 million will be withdrawn from the SSGA ACWI index fund and \$10 million will be withdrawn from the SSGA S&P Flagship Index Fund to cover the call, with \$1.5 million to be retained for operating cash. This also partially accomplishes the recommended reduction in equity investments as discussed with Verus. The issue of any further rebalancing is to be discussed with Scott Whalen today's Retirement Board meeting.

Mr. Whalen reviewed the rebalancing issues with the Board. He noted that Equity Risk is overweight by 4.3%, Fixed Income is underweight by 1.4%, and that TIPS Exposure is underweight by 2.5%. Verus recommends that TCERA move Public Equity overweight in to Fixed Income underweight. The total to be moved would be approximately \$50 Million.

MOTION to approve the rebalancing as recommended by Verus Investments.

Watson/Ross Approved Unanimously

b. 2017 Investment Committee Goals and Objectives Timeline and 2017 Education Calendar

Mr. Hill mentioned that no additional items have been added to the goals and objectives for the Committee. One item has been added to the 2017 Education Calendar. Cheiron is scheduled to discuss TCERA's economic assumptions on June 28th in preparation for the actuary's upcoming three year experience study for TCERA.

c. Private Equity Investment Fee Analysis – BlackRock

Mr. Hill reported that the Committee reviewed the information provided at the request of the Board of Retirement regarding fees paid on the remaining uncalled capital for the private equity investment with BlackRock.

The Board discussed the structure and returns of \$2.3 million in uncalled committed capital related to the Private Equity investment with BlackRock and the topic of private equity manager fee structures in general. Mr. Reed requested an Executive Summary memorandum from Verus regarding "points of interest" prior to a manager making its biennial presentation before the Board. Mr. Whalen will research this request and report back to the Investment Committee.

d. Investment Managers

1) Verus Flash Report – All Managers

Mr. Hill mentioned that the Committee noted that the preliminary numbers on the Flash Report indicated that TCERA is currently exceeding its investment rate assumption for the fiscal year. There are four more reporting months remaining that will affect the final numbers for June 30, 2017.

2) Managers of Interest

a) RREEF/Deutsche Bank – Initial Public Offering (IPO)

Mr. Hill noted that Verus recommends that RREEF remain as a Manager of Interest during the IPO transition. Staff will keep RREEF on the Investment Committee agenda until directed otherwise.

b) Pantheon – Death of Julian Holdsworth, Global Head of Operations

Mr. Hill indicated that the Committee was provided with the information and no action was required. During today's Retirement Board meeting, Mr. Whalen suggested Pantheon be removed from the watch list.

VIII. INVESTMENTS

1. Presentation from Verus regarding TCERA's Commodities Allocation. Discussion and possible action.

Mr. Whalen made TCERA's Commodities Allocation presentation on behalf of Verus Investments.

2. Presentation from Verus regarding Strategic Asset Allocation and Capital Markets Assumptions. Discussion and possible action.

The Strategic Asset Allocation and Capital Markets Assumptions was presented by Mr. Whalen.

3. Presentation from Verus regarding TCERA's Investment Manager Structure. Discussion and possible action.

On behalf of Verus, Mr. Whalen presented TCERA's Investment Manager Structure. Staff was directed to refer this matter to the Investment Committee for an analysis of passive and active management.

4. Presentation from Verus regarding TCERA's Fourth Quarter 2016 Investment Performance Report. Discussion and possible action.

Mr. Whalen presented TCERA's Fourth Quarter 2016 Investment Performance Report.

The Chair authorized one hour and fifteen minutes of continuing education hours for Trustees and Staff present during the investment presentations.

IX. NEW BUSINESS

1. Discussion and possible action regarding Second Alternate for Treasurer on the Board of Retirement.

Ms. Grunwald summarized her opinion on this matter indicating that it is a Board policy decision. Mr. Kehler noted that the Treasurer's Office indicated that it would cover the cost of educating a second alternate. Mrs. Woodard reviewed her reasons for the request. This matter was referred to the Administrative Committee for further review and a recommendation to the Board.

X. OLD BUSINESS

1. Discussion regarding new laws, proposed legislation, and topics of interest impacting public pension plans.

No update was reported at this time.

XI. EDUCATION ITEMS

1. Accept Summary Education Reports as filed: Roland Hill, Hiley Wallis, Patricia Crawford, Rita Woodard, David Kehler; and Leanne Malison, CALAPRS General Assembly, March 5-7, 2017. Hiley Wallis, California Association of County Treasurers and Tax Collectors (CATTC), March 8, 2017. Hiley Wallis, Sequoia Valley Economic Summit, March 10, 2017.

MOTION to approve the Summary Education Reports.

Ross/Embrey Approved Unanimously

2. Discussion and possible action regarding all education items listed in Trustee binders.

MOTION to approve expenses for Ms. Crawford to attend the PIMCO, Client Education Seminar, June 13-15, 2017 in Newport Beach, CA. and the Verus, 2017 Client Summit, August 28-31, 2017, in San Francisco, CA.

Reed/Watson Approved Unanimously

MOTION to approve expenses for Ms. Woodard, Mr. Watson and Mr. Young to attend the Verus, 2017 Client Summit, August 28-31, 2017, in San Francisco, CA.

Young/Embrey Approved Unanimously

XII. UPCOMING MEETINGS

1. 03/27/2017 Administrative Committee meeting @ 3:00 p.m.
2. 04/12/2017 Retirement Board meeting @ 8:30 a.m.
3. 04/17/2017 Investment Committee meeting @ 1:30 p.m.
4. 04/24/2017 Administrative Committee meeting @ 3:00 p.m. (*Time to be determined.*)
5. 04/26/2017 Retirement Board meeting @ 8:30 a.m.

XIII. TRUSTEE / STAFF COMMENTS

1. Under state law, matters presented under this item cannot be discussed or acted upon by the Board at this time.

Mr. Kehler mentioned a Board of Supervisors agenda item regarding changes to employer and employee contribution rates for FY 2017-18 as a result of the June 30, 2016 Actuarial Valuation.

Ms. Woodard made comments regarding conferences where sales pitches are prevalent.

XIV. COMMUNICATIONS

1. For Your Information:
 - a. February 2017 Institutional Investor article by Meredith Jones titled "The Broadside".

XV. ADJOURNED: 10:50 a.m.

Roland Hill, Chair