



COUNTY OF TULARE
BOARD OF RETIREMENT

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MINUTES OF THE BOARD OF RETIREMENT
REGULAR RETIREMENT BOARD MEETING
Wednesday, April 26, 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, Chair.

II. ROLL CALL

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

Let the record show Mr. Ross arrived at 8:32 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 held from 8:34 to 8:36 a.m. regarding disability matters listed on the Agenda.
2. In the matter of the disability application of Leonard Bass, consider and take action regarding the application for a service connected disability retirement under Government Code Section 31720.5.

Mr. Bass briefly addressed the Board.

MOTION to approve Leonard Bass a service connected disability retirement under Government Code Section 31270.5.

Wallis/Young Approved Unanimously
Absent: Woodard, Embrey, Crawford, Norman

3. Accepted as filed: Disability Status Report Overview.

VI. CONSENT CALENDAR

1. Approve Minutes of the following Meetings:
 - a. Retirement Board Minutes of April 12, 2017.
2. Approve payments to:
 - a. Verus – invoice for investment consulting services for the quarter ended March, 2017, in the amount of \$53,320.74.
3. Approve reports:
 - a. Retirement applications and option selections: deceased pensioners, through March, 2017.

MOTION to approve the Consent Calendar.

Young/Watson Approved Unanimously
Absent: Woodard, Embrey, Crawford, Norman

VII. COMMITTEE REPORTS

1. Update by Gary Reed regarding the Investment Committee meeting of April 17, 2017. Discussion and possible action regarding the following items:
 - a. Asset Allocation Status

Mr. Reed reported that TCERA staff has completed the rebalance of the investment portfolio bringing the plan's investment in Domestic and International equities close to target allocations. He also noted that the Core Plus Fixed Income managers BlackRock, MacKay Shields and DoubleLine were the primary recipients of the additional funds, bringing those managers closer to their target allocations.

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

Mr. Reed mentioned that no additional items have been added to the goals and objectives for the Committee since the last meeting.

- c. Private Equity Investment Fee Analysis – Updated information from BlackRock

Mr. Reed indicated that the Committee reviewed additional information provided regarding the capital call contributions made directly to the manager by TCERA as well as funds taken from distributions made by the fund to help meet the capital call commitments. During the Committee meeting, Mr. Whalen stated that the terms of the agreement between TCERA and BlackRock/Quellos allow for the use of distributions to meet TCERA's investment obligations.

- d. Setter Capital – offer to purchase TA Realty investment

Mr. Reed reported that discussion was held at the Committee meeting regarding the possibility of selling the TA Realty investment on the secondaries market. The Committee directed TCERA staff to contact TA Realty staff for information related to the manager's opinion of the current value of the fund. Additional information is also to be obtained from Setter Capital related to the assets they may be specifically interested in purchasing and a more complete pricing offer for what they would be willing to pay. Mr. Kehler indicated to the Board that Setter Capital

is looking at the fund as a whole and will sell off any remaining assets. Mr. Whalen mentioned that Setter Capital is looking for distressed seller and does not think it would be a good move for TCERA as there are only 18 months left in the expected life-cycle of the fund. The Board directed Mr. Kehler to notify Setter Capital that TCERA is not interested in selling.

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

Mr. Reed indicated that the Committee noted that the preliminary numbers on the Flash Report show that TCERA is exceeding its investment rate assumption for the fiscal year through the end of March. There are three more reporting months remaining that will affect the final numbers for June 30, 2017.

- 2) Managers of Interest
 - a) RREEF/Deutsche Bank – Update from Verus

Mr. Reed noted that no action was taken.

- b) Gresham – Notification of resignation of Jonathan Berland – change in primary contact

Mr. Reed mentioned that during the Committee meeting, Mr. Whalen stated that Mr. Berlund was not involved in the investment decision making process at Gresham. The Investment Consultant does not view the change as having a significant impact on the relationship between TCERA and the investment firm.

- c) Hedge Fund Managers – Aetos and Titan – Performance Review

Mr. Reed noted that during the Committee meeting he shared his concerns over the performance of TCERA's hedge fund managers, noting that actual performance has not met the level originally promised by either manager. Mr. Whalen stated that hedge funds have struggled since the Global Financial Crisis. He indicated that Verus believes hedge funds continue to play a useful role within the investment portfolios as a diversifier. He stated that the TCERA Trustees may wish to consider moving towards direct investments into hedge funds using a firm such as Verus to administer the relationship on TCERA's behalf. The Committee recommends to the Board that both Aetos and Titan make presentations to the full Board again within a 12-month period.

Mr. Whalen advised the Board that Verus Investments recommends the following three options: 1) Do away with Hedge Funds; 2) Stay in the Fund of Fund structure; or 3) Go with direct approach.

MOTION to bring both Aetos and Titan back to make presentations to the full Board again within a 12-month period.

Reed/Watson Approved Unanimously
Absent: Woodard, Embrey, Crawford, Norman

VIII. INVESTMENTS

- 1. Discussion and possible action regarding request for fee increase from Verus Investments.

Mr. Whalen discussed the request for a fee increase from Verus Investments.

MOTION to approve Verus Investments fee increase request, which will include a twelve month review of the consultant by the Chair, Vice Chair, and appropriate TCERA staff.

Reed/Watson Approved Unanimously
Absent: Woodard, Embrey, Crawford, Norman

IX. OLD BUSINESS

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

Mr. Kehler reviewed the March 27, 2017 Administrative Committee Minutes for this item and stated that the Committee recommends the Board denies this request.

MOTION to deny the request for a Second Alternate for the Treasurer on the Board of Retirement.

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

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

Ms. Erickson mentioned that Ms. Grunwald was going to discuss a Government Code Section regarding a new sexual harassment policy, but in her absence today, Ms. Erickson indicated that it does not apply to this Board.

Mr. Vander Poel noted that proposed legislation to limit Cost-Of-Living Adjustment (COLA) for CalPERS retirees was defeated.

Mr. Reed distributed an article titled "Pension Plan Compensation Limits Updated" that projects increases in employer contribution rates for CalSTRS plan sponsors over the next several years.

X. EDUCATION ITEMS

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

No action taken.

XI. UPCOMING MEETINGS

1. 05/10/2017 Retirement Board meeting @ 8:30 a.m.
2. 05/16-19/2017 SACRS Spring Conference, Napa, CA.
3. 05/22/2017 Administrative Committee meeting @ 3:00 p.m.
4. 05/23/2017 Investment Committee meeting @ 1:30 p.m. (*Tuesday*)
5. 05/24/2017 Retirement Board meeting @ 8:30 a.m.

XII. TRUSTEE / STAFF COMMENTS

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

None.

XIII. ADJOURNED: 9:18 a.m.

Roland Hill, Chair