



COUNTY OF TULARE
BOARD OF RETIREMENT

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MINUTES OF THE BOARD OF RETIREMENT
REGULAR RETIREMENT BOARD MEETING
Wednesday, June 28, 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, Embrey, Ross, Reed, Young, Watson, Crawford, Vander Poel
Members Absent: Woodard
Alternates Present: Taylor, Cook
Alternates Absent: Norman
Others Present: David Kehler, Retirement Administrator; Leanne Malison, Assistant Administrator; Mary Warner; Administrative Services Officer; Barbara Grunwald, Deputy County Counsel; Paul Guerrero, CAO-Administrative Analyst; Scott Whalen, Verus Investments; David Holland, Cheiron; and Judy Cornett, disability applicant.
Clerk: Rebecca Pendleton

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 8:58 a.m. regarding disability matters listed on the Agenda.
2. Request from disability applicant Jefferson Davis to end the Disability Hearing process and receive a refund of his TCERA account balance.

MOTION to approve the request from disability applicant Jefferson Davis to end the Disability Hearing process and receive a refund of his TCERA account balance.

Vander Poel/Watson Approved Unanimously
Absent: Woodard

3. Request from disability applicant Judy Cornett for extension to file for Disability Hearing.

Judy Cornett was present and answered questions from Trustees.

MOTION to deny the request from disability applicant Judy Cornett for extension to file for Disability Hearing.

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

4. CONFERENCE WITH LEGAL COUNSEL – SIGNIFICANT EXPOSURE TO LITIGATION (Gov. Code Section 54956.9(d)(2)), Number of potential cases: 1.

No Board actions to report.

5. Accepted as filed: Disability Status Report Overview.

VI. CONSENT CALENDAR

1. Approve Minutes of the following Meetings:
 - a. Retirement Board Minutes of June 14, 2017.
2. Approve payments to:
 - a. BNY Mellon – invoice for master trust custodial services for the quarter ended September, 2016, in the amount of \$75,985.12.
3. Approve reports:
 - a. Retirement applications and option selections: deceased pensioners, through May, 2017.

MOTION to approve the Consent Calendar with the June 14, 2017 Minutes to include Hiley Wallis as receiving a Plaque of Appreciation for her service as an Alternate Trustee on the Board of Retirement.

Young/Vander Poel Approved Unanimously
Absent: Woodard

VII. COMMITTEE REPORTS

1. Update by Gary Reed regarding the Investment Committee meeting of June 19, 2017. Discussion and possible action regarding the following items:
 - a. Asset Allocation Status

Mr. Reed reported that the Committee reviewed the information provided, and Mr. Kehler noted that TCERA funded another \$20 million capital call to RREEF after the report was prepared.

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

Mr. Reed stated the Committee reviewed the timeline and calendar and Ms. Malison noted the following new items added to the timeline:

1. Strategic use of Currencies – to be discussed in item d.
2. Conference Calls with Commodities Managers – The Committee discussed the best way to approach this topic with the managers to ensure that the Board’s specific concerns are addressed. Mr. Whalen suggested that it might be helpful to invite an investment professional who is not in favor of including commodities in an institutional portfolio to make a presentation on the topic. The Commodities Managers, Gresham and Wellington, would be invited to make presentations at the same meeting. This would allow the Board to hear both the pros and the cons of the investment strategy. The Committee directed Staff and the Consultant to schedule the presentations for the Board meeting of September 27th. During this Board meeting it was noted that only Wellington will be invited to make a presentation to the full Board on September 27, 2017

3. Active vs. Passive Investment Management Analysis –The Board previously referred this analysis to the Investment Committee. Staff requested direction regarding the specific information the Committee would like to have available for discussion on this topic. The Committee directed Staff and the Consultant to contact each of TCERA’s separate account managers regarding the possibility of fee reductions. The Committee also requested an analysis of the over or under performance of TCERA’s active managers. The information is to be provided at the September 18th Investment Committee meeting.

During the Committee meeting, Mr. Kehler requested that another item be added to the timeline. He has been informed that a new regulation (MiFID II) is set to take effect in 2018 that may affect TCERA’s managers with offices in Europe. Investment Managers subject to MiFID II will be required to “unbundle” execution fees and research fees. In addition, the investment firm must have an agreement with its clients in its investment management agreement or terms of business regarding the research charges as budgeted by the firm. Zeno Consulting has requested an opportunity to make a presentation regarding the EU directive. Staff was directed to invite Zeno to make a presentation to the Committee at the July 17th meeting. Staff was also directed to contact its investment managers and request information regarding whether the firm is a MiFID investment firm and, if so, what steps are being taken to meet the requirements.

c. Strategic Use of Currencies – Follow Up to Board Education of October 28, 2016

Mr. Reed reported that this agenda item is a follow up to the education provided by Verus on October 28, 2016. During the Committee meeting, Mr. Kehler noted that SSGA has offered to make a presentation regarding this topic. The Committee directed Staff to invite SSGA to make a presentation at the August 23rd Board meeting. This will give the Board the opportunity to make a decision regarding its interest in including the strategic use of currencies in TCERA’s investment portfolio. The Committee requested that the Investment Consultant provide educational literature (white paper) to the trustees in preparation for the presentation.

d. Investment Managers

- 1) Verus Flash Report – All Managers
- 2) Managers of Interest
 - a) RREEF/Deutsche Bank – Update from Verus – no additional information was provided
 - b) DoubleLine Capital – Appointment of Successor Trustee – no action was required
 - c) Pantheon – Term of Partnership – One Year Extension – no action was required
 - d) Boston Partners – Notification of Personnel Changes – no action was required
 - e) William Blair – Notification of Personnel Changes – This change affects the portfolio management team of TCERA’s investment. During the Committee meeting, Verus suggested keeping this manager on the last of Managers of Interest to provide the opportunity for regular discussion regarding the effects of this change.
 - f) Wellington – Notification of SEC Investigation – no action was required
 - g) Convergenx (Securities Lending) – Notification of Acquisition by Cowen – During the Committee meeting it was noted that on the agenda this firm was incorrectly identified as securities lending. Convergenx is one of TCERA’s commission recapture agencies. – no action was required
 - h) Franklin Templeton – Review of Benchmark – During the Committee meeting Mr. Whalen indicated that after review of the benchmark, Verus would concur that the unhedged index is appropriate for this allocation. The Committee agreed to forward this to the Board of Retirement with a recommendation to change the benchmark. During this Board meeting Mr. Whalen reviewed the reasons to update Franklin Templeton’s benchmark.

MOTION to change Franklin Templeton’s benchmark to the unhedged index.

Reed/Ross Approved Unanimously
Absent: Woodard

VIII. INVESTMENTS

1. Discussion of possible action regarding voting of proxy for the RREEF America REIT II Annual Stockholders Meeting (July 20, 2017).

MOTION to authorize Staff to vote proxy in favor of the slate presented.

Young/Embrey Approved Unanimously
Absent: Woodard

IX. NEW BUSINESS

1. Presentation from Cheiron regarding TCERA's Economic Actuarial Assumptions.
 - a. Discussion and possible action.

Mr. David Holland made the presentation on behalf of Cheiron. Cheiron is to make another presentation regarding demographic information to the Board at its September 27, 2017 meeting. This matter will be on Board agendas for education and discussion between now and the September meeting. The Trustees also indicated that they would like the Pension Ad Hoc Committee to meet and discuss this. Mr. Kehler will confirm a date. The Chair authorized one hour and thirty minutes of continuing education hours for Trustees and Staff present.

X. OLD BUSINESS

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

Nothing to report at this time.

XI. EDUCATION ITEMS

1. Accept Summary Education Report as filed: Marit Erickson, SACRS Spring Conference, May 16-19, 2017.

MOTION to approve the Summary Education Report as filed.

Vander Poel/Ross Approved Unanimously
Absent: Woodard

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

None.

XII. UPCOMING MEETINGS

1. 07/12/2017 Retirement Board meeting @ 8:30 a.m.
2. 07/17/2017 Investment Committee meeting @ 1:30 p.m.
3. 07/24/2017 Administrative Committee meeting @ 3:00 p.m.
4. 07/26/2017 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.

None.

XIV. ADJOURNED: 11:01 a.m.

Roland Hill, Chair