



COUNTY OF TULARE
BOARD OF RETIREMENT

David J. Kehler
Retirement Administrator

136 N. AKERS STREET
VISALIA, CA 93291

TELEPHONE (559) 713-2900
FAX (559) 730-2631
WEBSITE: www.tcera.org

MINUTES OF THE BOARD OF RETIREMENT
INVESTMENT COMMITTEE MEETING
Monday, June 19, 2017 @ 1:30 p.m.
TCERA Board Room, 136 N. Akers Street, Visalia, CA 93291

I. CALL TO ORDER

The meeting was called to order at 1:30 p.m.

II. ROLL CALL

Present: Gary Reed, Chair; Cass Cook, Wayne Ross, Patte Crawford
Jan Taylor (Alternate)
Dave Kehler, Leanne Malison, Scott Whalen (via conference call)

III. PUBLIC COMMENT

Ms. Crawford informed the Committee that Shirley VanWormer, TCERA's prior retiree alternate trustee, is recovering from a recent heart attack. She also invited the Committee to a Hospice open house on June 22nd.

IV. AGENDA ITEMS

1. Discussion and possible action regarding the following items:
 - a. Approve Investment Committee Minutes from April 17, 2017.
Motion to approve minutes as presented.
Motion – Ross
Second – Crawford
Motion carried unanimously
 - b. Asset Allocation Status.
In addition to reviewing the information provided, Mr. Kehler noted that TCERA funded another \$20 million capital call to RREEF after the report was prepared.
 - c. 2017 Investment Committee Goals and Objectives Timeline and 2017 Education Calendar
The Committee reviewed the timeline and calendar. 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.

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.

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.

- d. Strategic Use of Currencies – Follow Up to Board Education of October 28, 2016
This agenda item is a follow up to the education provided by Verus on October 28, 2016. 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.
- e. Investment Managers
 - 1) Verus Flash Report – All Managers
 - 2) Managers of Interest
 - a) RREEF/Deutsche Bank – Update from Verus – no additional information provided
 - b) DoubleLine Capital – Appointment of Successor Trustee – no action required
 - c) Pantheon – Term of Partnership – One Year Extension – no action required
 - d) Boston Partners – Notification of Personnel Changes – no action required
 - e) William Blair – Notification of Personnel Changes – This change affects the portfolio management team of TCERA’s investment. Verus suggests keeping this manager on the list 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 required
 - g) Convergenx (commission recapture) – Notification of Acquisition by Cowen – 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 required
 - h) Franklin Templeton – Review of Benchmark – 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.

V. UPCOMING MEETING

1. Monday, July 17, 2017 at 1:30 p.m.

VI. ADJOURN

The meeting was adjourned at 2:24 p.m.

Gary Reed, Chair