



COUNTY OF TULARE  
**BOARD OF RETIREMENT**

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**MINUTES OF THE BOARD OF RETIREMENT**  
REGULAR RETIREMENT BOARD MEETING  
**Wednesday, January 10, 2018 @ 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: Cook, Hill, Embrey, Ross, Reed, Young, Watson, Crawford, Vander Poel  
Alternates Present: Taylor  
Alternates Absent: Norman, Wallis  
Others Present: David Kehler, Retirement Administrator; Leanne Malison, Assistant Administrator;  
Jeanette Burks, Retirement Specialist; Barbara Grunwald and Marit Erickson, Deputy  
County Counsel; Paul Guerrero, CAO-Administrative Analyst

Let the record show that Mr. Cook arrived at 8:34 a.m. Ms. Taylor arrived at 8:35 a.m. Mr. Ross departed at 9:30 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
3. Nominations and elections for the positions of Chair and Vice Chair of the Board of Retirement for the 2018 calendar year.

MOTION to nominate and elect Roland Hill as Chair and Gary Reed as Vice Chair of the Board of Retirement for the 2018 calendar year.

Young/Crawford Motion Withdrawn

MOTION to nominate and elect Roland Hill as Chair and Mike Watson as Vice Chair of the Board of Retirement for the 2018 calendar year.

Young/Ross Approved Unanimously

**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 8:40 a.m. to 8:56 a.m. regarding disability matters listed on the Agenda.
2. In the matter of the disability application of Matthew Hardy, consider and take action regarding the Hearing Officer's Proposed Decision.

Matthew Hardy briefly addressed the Board.

MOTION to refer this matter back to the Hearing Officer with instructions to address Mr. Hardy's objections and correct erroneous date in the report.

Ross/Vander Poel      Approved Unanimously

3. Accepted as filed: Disability Status Report Overview.

#### **VI. LEGAL REPORT**

1. Presentation regarding Disqualification from Quasi-Judicial Matter – When Should I Recuse Myself?

Barbara Grunwald, Deputy County Counsel, made the presentation. Ms. Grunwald will clarify that upon recusal, materials will continue to be sent to the Trustee. The Trustee will take the initiative to not read any related materials. It was suggested that the education materials be converted into a Board Policy. The Chair approved thirty minutes of continuing education for all Trustees and Staff present.

#### **VII. CONSENT CALENDAR**

1. Approve Minutes of the following Meetings:
  - a. Retirement Board Minutes of December 13, 2017.
2. Approve payments to:
  - a. SSGA – invoice for MSCI ACWI Fund investment management services for the quarter ended September, 2017, in the amount of \$15,692.80.
3. Approve reports:
  - a. Retirement applications and option selections: deceased pensioners, through December, 2017.

MOTION to approve the Consent Calendar.

Young/Embrey      Approved Unanimously  
Absent:              Ross

#### **VIII. COMMITTEE REPORTS**

1. Update by Mike Watson regarding the Administrative Committee meeting of December 18, 2017. Discussion and possible action regarding the following items:
  - a. Financial and budget reports for the periods ending October 31, 2017.

MOTION to approve the Financial and Budget reports for the periods ending October 31, 2017.

Watson/Embrey      Approved Unanimously  
Absent:              Ross

- b. Request from former TCERA member to redeposit withdrawn contributions and interest.

This item was pulled from the agenda. It will be addressed when the former member can be present.

- 2. Update by Gary Reed regarding the Investment Committee meeting of December 18, 2017. Discussion and possible action regarding the following items:
  - a. Asset Allocation Status.

Mr. Reed indicated that the Committee reviewed the Asset Allocation Status Report, noting the underweight in the Inflation Overlay category. Real Estate is underweight due to the increase in overall total assets with TA Realty in liquidation phase. Commodities continue to be underweight due to performance and the closing of the TIPS allocation is on hold due to the total underweight in the category. During the Committee meeting, Mr. Whalen reminded the Committee that the Board is scheduled for a strategic asset allocation review in March. Discussion at that time will include options for addressing the Inflation Overlay investments.

1) Shenkman Transition

During the Committee meeting, Mr. Whalen reported that he has been in conversation with Shenkman regarding the transition from the high yield investment to private credit. Shenkman has offered to adjust the investment approach to accommodate the transition. This has resulted in recommended changes to the guidelines which are addressed in item "c" below. The transition is expected to be completed in the next 12-24 months.

- b. 2017/18 Investment Committee Goals and Objectives Timeline and 2017/18 Education Calendar

Mr. Reed noted that the Committee reviewed the Goals and Objectives Timeline and Education Calendar. At this time, 2018 is slated for international equity manager presentations in January, private equity and commodities investments review in February, and the annual strategic asset allocation review in March. Mr. Reed indicated that the 2018 Calendar of investment manager and other presentations will be provided at the January committee meeting.

- c. Shenkman Investment Guidelines

During the Committee meeting, Mr. Whalen reviewed the recommended changes to the guidelines. These changes will reduce the number of issuers, decrease the yield to maturity, increase the average rating and shorten the duration. Adopting these changes will allow Shenkman to manage the portfolio effectively as the assets are drawn down. The committee recommends the adoption of the changes to the guidelines.

MOTION to adopt changes to Shenkman Investment Guidelines as presented.

Reed/Vander Poel      Approved Unanimously  
Absent:                  Ross

- d. Boston Partners Investment Guidelines

It was noted that the Board of Retirement authorized amendments to the Boston Partners investment guidelines related to market cap restrictions at its meeting of September 27, 2017. The changes presented for approval are the result of that action. The committee recommends adoption of the change to the guidelines.

MOTION to adopt the amended Boston Partners Investment Guidelines as presented.

Reed/Embrey            Approved Unanimously  
Absent:                  Ross

e. Aetos Fee Schedule Update

Mr. Reed reported that changes in fees as presented in correspondence from Aetos took effect January 1, 2018. The substantive change is a reduction in the Management Fee from .75% per annum to .70% per annum less the amount of the investment advisory fees payable to the manager.

f. MVF Recovery

During the Committee meeting, Staff reviewed the recovery prospects from the MVF, noting that TCERA expects to recover in excess of 25% of the original loss.

g. Unrelated Business Income Tax (UBIT) – Tax Reform Bill Implications

At the Committee meeting, TCERA Staff had expressed concerns regarding changes in the treatment of UBIT in some versions of the pending tax reform bill. As of the committee meeting date, it appeared that those changes would not be included in the final version. During today's Board meeting, it was confirmed that this was not in the final version of the bill.

h. AB2833 Annual Report

Ms. Malison reviewed the requirements of AB2833 and the resulting report provided to the committee. She also informed the committee that Staff would be working with the investment managers to adopt a single format for reporting in future years. These reports will be provided in conjunction with the annual fiscal year fee report for all managers currently provided to the committee on an annual basis.

i. Investment Managers

1) Verus Flash Report – All Managers

Mr. Reed mentioned that the October and November Flash Reports were reviewed by the committee. The Committee noted that if performance remains strong through December, the Plan will again exceed the investment rate assumption for the six month interest posting period ending December 31, 2017. This will continue to improve the market stabilization reserve associated with the 10-year smoothing process.

2) Managers of Interest

a) MacKay Shields – Changes to Global Fixed Income Team

Mr. Reed noted that the Committee reviewed the correspondence from MacKay Shields.

## **IX. OLD BUSINESS**

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

Mr. Kehler indicated that the Appellate Court decision regarding vested rights / challenge to PEPRAs will likely go to the California Supreme Court. He also noted that during the December 20, 2017 the County Strategic Finance Ad Hoc Committee will recommend issuance of Pension Obligation Bonds (POB). The Board of Supervisors will be considering up to \$250 million in POB's on a future agenda.

## **X. EDUCATION ITEMS**

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

No action taken.

## **XI. UPCOMING MEETINGS**

1. 01/16/2018 Investment Committee meeting @ 1:30 p.m. ( *Tentative - Tuesday*)
2. 01/22/2018 Administrative Committee meeting @ 3:00 p.m. ( *Tentative*)
3. 01/24/2018 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.

Mr. Reed requested Staff address landscaping at the front of TCERA Office building to improve the appearance.

Ms. Grunwald discussed current legal cases involving CalSTRS' collection of overpayments.

## **XIII. ADJOURNED: 10:00 a.m.**

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Roland Hill, Chair