



COUNTY OF TULARE
BOARD OF RETIREMENT

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MINUTES OF THE BOARD OF RETIREMENT
INVESTMENT COMMITTEE MEETING
Monday, September 18, 2017 @ 1:30 p.m.
TCERA Executive Room, 136 N. Akers Street, Visalia, CA 93291

I. CALL TO ORDER

II.

The meeting was called to order at 1:32 p.m.

III. ROLL CALL

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

IV. PUBLIC COMMENT

None

V. AGENDA ITEMS

1. Discussion and possible action regarding the following items:
 - a. Approve Investment Committee Minutes from August 21, 2017.
Motion to approve minutes as presented:
Motion: Ross
Second: Cook
Approved Unanimously
 - b. Asset Allocation Status.
Mr. Kehler stated that there were no significant changes in the report for this month but also stated that TCERA has received a capital call from TCERA's private credit manager, TPG. Mr. Whalen indicated that he has discussed with Shenkman Capital the TCERA Board's decision to gradually eliminate the allocation to high yield fixed income.
 - c. 2017 Investment Committee Goals and Objectives Timeline and 2017 Education Calendar
Mr. Kehler noted that the calendar now includes a Board meeting date for November 29th to allow for a presentation from Verus on TCERA's third quarter investment performance. Mr. Kehler also indicated that TCERA is working with the staff of the CAO's office to arrange for a joint meeting of the Boards of Supervisors and Retirement on November 8th to discuss the results of the actuarial valuation and Triennial Experience Study reports with Cheiron.
 - d. Investment Manager Fee Report
Mr. Kehler stated that the Retirement Board has directed staff to provide investment manager fee information to the Trustees on an annual basis. No actions were taken by the Committee.
 - e. BNY Mellon Compliance Monitoring Service – Two Year Review
Mr. Kehler gave a brief summary of the reasons for the compliance monitoring service provided to TCERA by BNY Mellon. He also indicated that compliance monitoring has resulted in a couple of instances of individual

manager non-compliance. These have led to corrective actions by the managers and/or requests to review the investment guidelines. Mr. Kehler noted that the service is of relatively low cost but applies to only eight of TCERA's thirty-four manager relationships. He suggested that TCERA continues with the service and Mr. Whalen concurred.

Motion to recommend continuation of compliance monitoring services provided by BNY Mellon:

Motion: Ross

Second: Cook

Approved Unanimously

- f. TCERA Portfolio Guidelines – Consider changes to Boston Partners Market Cap Limit
The Committee discussed the issue with Mr. Whalen and will recommend that the Boston Partners capitalization size guidelines be tied to the benchmark applicable to the manager. The Committee will also recommend that the guidelines allow for some flexibility within the benchmark range rather than have specific dollar limitations.

Motion to recommend requested changes to Boston Partner's investment guidelines:

Motion: Cook

Second: Crawford

Approved Unanimously

- g. TCERA Portfolio Guidelines – Consider changes to Shenkman restriction on non-dollar debt
Mr. Whalen stated that he does not support the request from Shenkman because: 1) TCERA's investment with the manager is winding down; 2) he is concerned that there would be reduced liquidity and increased risk with having non-dollar securities included in the Shenkman portfolio and; 3) Verus is not familiar with Shenkman's capabilities in the area of non-dollar security selection.

Motion to recommend denial of the request from Shenkman Capital:

Motion: Ross

Second: Cook

Approved Unanimously

- h. Active Manager Evaluation – Presentation from Verus
Mr. Whalen gave a brief presentation on the Active Manager Fee report completed by Verus. He noted that Waddell & Reed and Fidelity have been two of TCERA's managers that have under-performed. He also noted the inconsistent performance of KBI. He stated that his firm is of the opinion that active management may be poised to out-perform in the International Equity space and that Emerging Markets are also showing signs of providing superior returns.

Motion to recommend the following actions by the Board of Retirement:

1) To continue discussing the issue of the use of index funds within TCERA's investment portfolio;

2) To remove Fidelity and KBI as TCERA investment managers;

3) To remove Waddell & Reed as a "manager of interest".

Motion: Crawford

Second: Ross

Approved Unanimously

- i. Investment Managers
- 1) Verus Flash Report – All Managers
Mr. Whalen provided a brief summary of the performance results. No action was taken by the Committee.
 - 2) Managers of Interest
 - a) William Blair – Update from Verus – no action taken by the Committee. Staff directed to remove William Blair as a manager of interest.
 - b) KBI – Investor Notice – No action required – see Committee recommendation from agenda item "h".

VI. UPCOMING MEETING

1. Monday, October 16, 2017 at 1:30 p.m.

VII. ADJOURN

The meeting was adjourned at 2:12 p.m.

Gary Reed, Chair