



COUNTY OF TULARE
BOARD OF RETIREMENT

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MINUTES OF THE BOARD OF RETIREMENT
INVESTMENT COMMITTEE MEETING
Monday, December 18, 2017 @ 1:30 p.m.
TCERA Executive 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

None

IV. AGENDA ITEMS

1. Discussion and possible action regarding the following items:

- a. Approve Investment Committee Minutes from September 18, 2017.

Motion to approve the minutes as presented.

Motion: Cook

Second: Ross

Motion carried unanimously

- b. Asset Allocation Status.

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. 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

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 d. The transition is expected to be completed in the next 12-24 months.

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

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. The 2018 Calendar of investment manager and other presentations will be provided at the January committee meeting.

d. Shenkman Investment Guidelines

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.

e. Boston Partners Investment Guidelines

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.

f. Aetos Fee Schedule Update

Changes in fees as presented in correspondence from Aetos will take 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. No action is required.

g. MVF Recovery

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

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

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.

i. 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.

j. Investment Managers

1) Verus Flash Report – All Managers

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
The committee reviewed the correspondence from Mackay Shields – No action is required.

V. UPCOMING MEETING

- 1. Tuesday, January 16, 2018 at 1:30 p.m. (subject to change pursuant to committee appointment in January)

VI. ADJOURN

The meeting was adjourned at 1:55 p.m.

Gary Reed, Chair