



COUNTY OF TULARE  
**BOARD OF RETIREMENT**

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**MINUTES OF THE BOARD OF RETIREMENT**  
**INVESTMENT COMMITTEE MEETING**  
**Tuesday, March 20, 2018 @ 3:00 p.m.**  
TCERA Executive Room, 136 N. Akers Street, Visalia, CA 93291

**I. CALL TO ORDER**

The meeting was called to order at 3:00 p.m.

**II. ROLL CALL**

Present: Jim Young, Chair; Mike Watson, Cass Cook, Charlie Norman (voting for elected member vacancy)  
Paul Sampietro, non-voting alternate  
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 February 20, 2018.

Motion to approve minutes as presented

Motion: Cook

Second: Watson

Motion passed unanimously

- b. Asset Allocation Status

The asset allocation status report was reviewed by the Committee. The Committee was reminded that the strategic asset allocation review is scheduled with the Board for the meeting of March 28<sup>th</sup>. There will also be an item on the agenda for discussion regarding the upcoming Pension Obligation Bond (POB) issuance.

- c. 2018 Investment Committee Goals and Objectives Timeline and 2018 Education Calendar

The goals and objectives as well as the calendar were reviewed by the Committee. Ms. Malison noted that the due diligence visit to SGA originally scheduled for March 8<sup>th</sup> was canceled due to weather conditions on the east coast. Mr. Watson informed the Committee that the new travel dates for the visit are April 12<sup>th</sup>-13<sup>th</sup>. It is expected that the team will be able to report the results of the due diligence at the April 25<sup>th</sup> meeting of the Board of Retirement. Ms. Malison also informed the Committee that a tentative date for a joint meeting of the Board of Supervisors has been added to the calendar for May 23<sup>rd</sup>. Mr. Whalen indicated that in anticipation of the proceeds of the POB's, his firm may be conducting an asset/liability study to assist the trustees in determining the effect of the proceeds on projections for the portfolio. If so, a time for the presentation of that information will need to be added to the calendar.

d. TSSP Adjacent Opportunities Contingent Fund – Consideration of Investment

Mr. Whalen reviewed the investment opportunity available from TPG Sixth Street Partners (TSSP), the current investment manager for TCERA’s private credit allocation. Mr. Whalen is recommending this investment as an Opportunistic Investment as allowed under TCERA’s current investment policy. TCERA is already invested in the TSSP Adjacent Opportunities Fund (TAO) as part of its private credit mandate. The current opportunity is for an additional investment in the same fund, but on a contingent basis (TAO Contingent). The primary differences offered for this opportunistic investment in TAO are the optionality of the investment and the fee structure. The investment offers optionality in that a commitment would only be activated if the manager determines that the right combination of economic factors and investment opportunities exists in the market. Absent that determination, the investment would remain unfunded. Investment management fees will only be charged if the fund is “activated”, at which point the fee structure would be the same as TCERA pays under its current agreement with TSSP. Administrative expenses with no markup would be paid by investors on a pro rata basis prior to activation, but those are expected to be small (in the low thousands). In addition, the investment commitments would be activated in two equal tranches as opportunities present themselves to further mitigate the J-curve effect. The Committee also discussed the potential funding source for the investment. Because this is a credit investment, it would make sense to pull the money from the bond portfolio. That being said, if the fund was in a position to need rebalancing at the time, the capital calls might be funded from other sources as part of the rebalancing effort.

Motion to recommend approval of a \$50 million opportunistic investment in TAO.

Motion: Watson

Second: Cook

Motion passed unanimously

e. Investment Managers

1) Verus Flash Report – All Managers

Mr. Whalen reviewed the flash reporting noting the negative performance for the month. He also noted that some of the lost ground has been regained month to date in March, but the market remains volatile. Ms. Malison reminded the Committee that although the fiscal year to date return of 7.2% reflects strong performance, the excess returns from the first half of the year have already been transferred to the Market Stabilization Reserve as part of the December 31<sup>st</sup> interest posting/10-year smoothing process. Performance will need to be strong through June 30<sup>th</sup> to avoid losing ground for the second half of the year.

2) Managers of Interest – no discussion

## V. UPCOMING MEETING

1. Tuesday, April 17, 2018, 3:00 p.m.

## VI. ADJOURN

The meeting was adjourned at 3:43 p.m.

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Jim Young, Chair