



COUNTY OF TULARE
BOARD OF RETIREMENT

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MINUTES OF THE BOARD OF RETIREMENT
REGULAR RETIREMENT BOARD MEETING
Wednesday, December 11, 2019 @ 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, Mauro, Ross, Reed, Young, Watson, Crawford, Vander Poel
Alternates Present: Taylor, Sampietro
Alternates Absent: Vasquez
Others Present: Leanne Malison, Retirement Administrator; Mary Warner, Assistant Administrator; Barbara Grunwald, Marit Erickson and Jennifer Shiffert, Deputy County Counsel; Rosalva Flores, Brown Armstrong Accountancy; Scott Whalen, Verus Investments; and Paul Guerrero, CAO-Administrative Analyst
Clerk: Rebecca Pendleton

Let the record show that Ms. Crawford arrived at 8:53 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

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. LEGAL REPORT

1. Accepted as filed: County Counsel Case Status Report.

VI. CONSENT CALENDAR

1. Approve Minutes of the following Meetings:
 - a. Retirement Board Minutes of November 20, 2019.
2. Approve payments to:
 - a. Brown Armstrong – invoice for work in progress on the audit of June 30, 2019, in the amount of \$10,157.91.

2. Update by Jim Young regarding the Investment Committee meeting of November 18, 2019. Discussion and possible action regarding the following items:
 - a. Asset Allocation Status

The Committee reviewed the Asset Allocation Status report.

- b. 2019/2020 Investment Committee Goals and Objectives Timeline and 2019/2020 Education Calendar

The Committee reviewed the timeline. It has been updated to include the first quarter of 2020, which will include the due diligence on site visits for the real estate debt allocation. A draft 2020 Education Calendar has also been included. The calendar will be finalized when decisions are made regarding the domestic equity active/passive allocation.

- c. Investment Manager Fee Report

This report is provided annually to give fee detail not available in the monthly financial reports. A new column has been added this year at the request of the Committee. Information regarding the fees as a percent of assets as of fiscal year end is provided. This calculation may not provide a completely accurate picture because it does not account for partial year activity nor does it account for cash flows occurring during the year. In spite of the shortcomings of the information, the Committee requested that the information remain on the report to provide a broad picture of TCERA's investment management fees.

- d. AB2833 Annual Report

This report is provided to meet the legal requirement under AB2833. The Committee reviewed the report and noted that fee information was already provided in the Investment Manager Fee Report discussed earlier.

- e. Active/Passive Equity Management Analysis – Domestic Equity Portfolio

Scott Whalen reviewed the Verus presentation materials regarding the analysis of TCERA's active and passive management allocation in its domestic equity portfolio. Mr. Whalen noted that active managers tend to have a better track record during downturns in the market, exhibiting more difficulty with outperformance during strong equity markets. He also noted that small and mid-cap equity portfolios may provide greater opportunities for active management than large cap portfolios. He then reviewed TCERA's managers in detail. At the conclusion of his review, Mr. Whalen recommended that the Board of Retirement consider transitioning to 100% passive management for its domestic large cap equity portfolio. He also recommended that TCERA retain active management in the small and mid-cap domestic equity portfolio, but consider conducting a search for a replacement for LMCG, TCERA's small cap value domestic equity manager, due to underperformance. Ms. Malison reminded the Board that the Investment Policy outlines a process for manager termination, including inviting managers to make a presentation to the Board of Retirement prior to a final decision. The policy provides for exceptions to that process and any action that represents a policy exception should be so noted. Discussion was held regarding an incremental change of individual managers.

MOTION to recommend TCERA transition the domestic large cap equity portfolio to 100% passive management, terminating QMA, Boston Partners, and Ivy, and initiate a small cap value domestic equity search to select a replacement for LMCG.

Young/ Failed due to lack of Second

MOTION to consider termination of QMA inviting them to make a presentation for the Board's discussion and possible action at a later date. Conduct an annual review of the active/passive mix in TCERA's portfolio for the Board's consideration.

Reed/Watson

Approved

Ayes:

Cook, Mauro, Ross, Reed, Young, Watson, Vander Poel

Noes:

Hill, Crawford

MOTION to consider termination of LMCG inviting them to make a presentation for the Board's discussion and possible action at a later date.

Young/Mauro Approved
Ayes: Cook, Mauro, Ross, Reed, Young, Watson, Vander Poel
Noes: Hill, Crawford

It was noted that LMCG was scheduled to make presentations to the Board on February 5, 2020. Staff was directed to move LMCG's presentation to Feb 26, 2020 and invite QMA to make a presentation on that day also. This will allow Mr. Whalen to participate in the discussion at that meeting.

- f. Investment Managers
 - 1) Verus Flash Report – All Managers

Mr. Reed asked that the Investment Committee monitor the performance of Franklin Templeton.

The Committee reviewed the report.

- 2) Managers of Interest
 - a) Boston Partners – Organizational Change Notification

The change will have a slightly positive impact, allowing more focus on portfolio management – no action required.

IX. INVESTMENTS

- 1. Presentation from Verus regarding TCERA's Third Quarter 2019 Investment Performance Report. Discussion and possible action.

The presentation was made by Scott Whalen on Verus Investment's behalf.

- 2. Discussion and possible action regarding TCERA's strategic investment allocation and investment managers, including performance, contracts, and fees.

No discussion was held.

X. EDUCATION ITEMS

- 1. Discussion and possible action regarding Summary Education Reports as filed: Leanne Malison, Roland Hill, Jim Young, Mike Watson, John Mauro, Barbara Grunwald, and Marit Erickson, SACRS Fall Conference, November 12-15, 2019, Monterey, CA.

MOTION to approve the Summary Education Reports as filed.

Vander Poel/Ross Approved Unanimously

- 2. Discussion and possible action regarding all listed educational events.

No action taken.

XI. UPCOMING MEETINGS

- 1. 12/18/2019 Investment Committee meeting @ 3:30 p.m.
- 2. 12/19/2019 Administrative Committee meeting @ 2:00 p.m.
- 3. 01/08/2020 Retirement Board meeting @ 8:30 a.m.

The December 18, 2019 Investment Committee meeting is cancelled.

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.

Ms. Crawford invited the Board to attend the December 19, 2019 Retiree Luncheon at noon.

Mr. Hill presented Ms. Crawford, Ms. Taylor and Mr. Mauro with plaques of appreciation for their service on the Board of Retirement.

Ms. Malison introduced Melody Manning as TCERA's newest staff member. She is the Administrative Service Officer.

Ms. Malison mentioned that Jim Young is available for the due diligence visits the week of January 13, 2020 if anyone else is available.

XIII. COMMUNICATIONS

1. For Your Information:
 - a. PowerPoint presentation by Barbara Grunwald dated October 25, 2019 regarding Splitting a Public Pension in a Divorce: Different Approaches by Different Plans.
 - b. Presentation by Barbara Grunwald dated October 25, 2019 regarding Splitting a Public Pension in a Divorce: Different Approaches by Different Plans.

XIV. ADJOURNED: 10:36 a.m.



Roland Hill, Chair