



COUNTY OF TULARE BOARD OF RETIREMENT

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MINUTES OF THE BOARD OF RETIREMENT REGULAR RETIREMENT BOARD MEETING Wednesday, July 22, 2020 at 8:30 a.m. TCERA Board Room, 136 N. Akers Street, Visalia, CA 93291

I. CALL TO ORDER

The meeting was called to order at 8:30 a.m. by Roland Hill, Chair.

II. ROLL CALL

Voting Trustees Present: Cass Cook, Roland Hill, Wayne Ross, Gary Reed, Jim Young, Nathan Polk, Dave Kehler, Pete Vander Poel (departed 9:54 a.m.)

Voting Trustees Participating Remotely: Laura Hernandez (exited remote session 9:40 a.m.)

Alternate Trustees Present: David Vasquez (voting after 9:40 a.m.), George Finney, Paul Sampietro

Staff Members Present: Leanne Malison, Retirement Administrator

Staff Members Participating Remotely: Mary Warner, Assistant Retirement Administrator

County Counsel Participating Remotely: Marit Erickson

Investment Consultant Present: Scott Whalen, Verus

Investment Consultant Participating Remotely: Michael Kamell, Verus

Others Present: Paul Guerrero, Principal Administrative Analyst (CAO)

1. 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. DISABILITIES – Time Certain: 8:30 a.m.

1. Closed session to be held regarding disability matters listed on this agenda.
Closed session was held from 8:32 a.m. to 8:36 a.m. to discuss the listed disability matter.
2. In the matter of the disability application of Mara Iftmie, consider and take action regarding the Hearing Officer's Proposed Decision.

Motion to accept and adopt the hearing officer's recommendation to deny the service connected disability application of Mara Iftmie.

Motion: Young
Second: Vander Poel
Motion passed unanimously.

3. Accept as filed: Disability Status Report Overview.

VI. CONSENT CALENDAR

1. Approve Minutes of the following Meetings:
 - a. Retirement Board Minutes of July 8, 2020.
2. Approve payments to:
 - a. Verus – invoice for investment consulting services for the month ended June 30, 2020, in the amount of \$21,070.49.
 - b. Brown Armstrong – invoice for work in progress on the audit, in the amount of \$6,514.10.
3. Approve reports:
 - a. Retirement applications, option selections and deceased pensioners for the month of November, 2019.
 - b. Retirement applications, option selections and deceased pensioners for the month of June, 2020.

Mr. Kehler requested information regarding the reason the November retirement applications, option selections and deceased pensioner report is on this agenda. Ms. Malison informed the Board that it was discovered that this report was not presented to the Board in December. The report has been placed on this agenda to ensure that the requirement is met for the Board to approve these transactions.

Motion to approve the Consent Calendar as presented:

Motion: Vander Poel
Second: Kehler
Motion approved unanimously.

VII. COMMITTEE REPORTS

1. Update by Dave Kehler regarding the Investment Committee meeting of July 8, 2020. Discussion and possible action regarding the following items:
 - a. Introduction of Michael Kamell, Senior Consultant, Verus Investments.
Mr. Kehler noted that Michael Kamell was introduced to the Committee by Mr. Whalen. Mr. Kamell will be assisting Mr. Whalen with advising TCERA and will attend meetings as necessary.
 - b. Asset Allocation Status.
Mr. Kehler noted that there were no significant changes to the report and no re-balancing activity for the month of June.

- c. 2020 Investment Committee Goals and Objectives Timeline and 2020 Education Calendar.
Mr. Kehler reported that the Committee expressed concern regarding the inability to have in-person presentations from TCERA's managers due to travel restrictions. The Committee recommended that the TCERA request written reports in lieu of the presentations.

Motion to direct Staff to request written presentation materials from the managers on the 2020 schedule that have not been able to and/or will not likely be able to make in-person presentations this calendar year. The materials are to be placed on future agendas for the Board of Retirement's review and discussion.

Motion: Kehler
Second: Ross
Motion passed unanimously.

- d. Abel/Noser

Ms. Malison reviewed the contracted services for trade analytics with the vendor, reminding the Board that the contract automatically lapsed on April 1, 2020. She reported that reports have not been timely, customer service has been disappointing, and final reports for the contract period ended March 31, 2020 are still pending. Ms. Malison recommended allowing the contract to lapse without renewal.

Motion to allow the trade analytics contract with Abel/Noser to lapse without renewal.

Motion: Kehler
Second: Ross
Motion passed unanimously.

- e. Strategic Asset Allocation Review

Mr. Kehler reviewed the new options provided in the Verus presentation materials. He indicated the Committee did not reach consensus on a recommendation. Mr. Kehler asked Mr. Ross to provide details of his recommendation to adopt "Mix 2" as shown in the materials as TCERA's strategic asset allocation. This mix would reduce the international allocation and increase the domestic equity allocation, addressing concerns the Board has expressed regarding the disappointing performance of international equity investments. Mr. Whalen provided additional details regarding the options.

Mr. Kehler also informed the Board that the Committee asked Mr. Whalen about opportunistic investment opportunities that might arise due to current market conditions that might be included in the TCERA's portfolio. Mr. Whalen indicated that Verus is analyzing areas where market dislocation might be offering attractive return potential. This led to discussion regarding the possibility of including short-term tactical adjustments to TCERA's portfolio to respond quickly to changing market conditions. TCERA's current governance structure does not allow this type of adjustment to the established strategic targets. Some systems authorize an investment consultant to make tactical decisions on a limited portion of the investment portfolio. The Committee requested that Mr. Whalen provide education regarding this topic. Mr. Kehler asked the trustees if they preferred the education be presented to the Investment Committee or the full Board. The trustees indicated that the education should be presented at a regular Board meeting. Staff will work with the Chairman and Mr. Whalen to identify a future Board meeting for the presentation.

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

Mr. Kehler briefly reviewed the performance to date. Mr. Whalen indicated that the fixed income portfolio, while recovering, continues to be the major detractor to performance.

2) Managers of Interest

a) Franklin Templeton

Mr. Whalen reported on his conversation with the manager. The manager's de-risking of the portfolio has resulted in the underperformance. He reminded the trustees that Franklin Templeton has high tracking error to the benchmark and, therefore, increased volatility is expected. He indicated that TCERA should continue to monitor performance.

b) KBI

The Committee also discussed TCERA's investment with KBI and the inability to have an in-person meeting with the manager. Mr. Kehler reminded the Committee that the Board of Retirement had directed Staff to arrange for a call with the Retirement Administrator and the Chair of the Investment Committee, to include the investment consultant if possible. Mr. Whalen indicated that he could participate and Staff was directed to make the arrangements. Mr. Kehler informed the trustees that the call has been set for August 10, 2020.

VIII. INVESTMENTS

1. Discussion and possible action regarding TCERA's Strategic Asset Allocation.

Motion to adopt "Mix 2" on page 14 of the Verus presentation materials (reducing international equity investments to 15% and increasing domestic equity investments to 25% of the total portfolio; all other targets remain unchanged.).

Motion: Ross

Second: Reed

Ayes: Cook, Hill, Hernandez Ross, Reed, Polk, Kehler, Vander Poel

Noes: Young

Motion passed.

The trustees also discussed the projected expected return for the adopted allocation. Several trustees expressed concern regarding the gap between the expected return and TCERA's investment return assumption. Ms. Malison reminded the Board that this will be a topic for discussion at the joint meeting with the Board of Supervisors on September 23, 2020.

The Chair authorized 30 minutes of continuing education for this presentation.

2. Presentation from Verus regarding a Review of TCERA's Private Markets portfolio. Discussion and possible action.

Mr. Whalen reviewed the presentation materials regarding TCERA's Private Markets Portfolio. Given the current status of the investments and forecasted capital call pace, no immediate action is required. Mr. Whalen provided some options for additional private equity investments if the Board is inclined to provide some additional assurance of maintaining the targets.

Motion to authorize an additional \$6 million commitment to Ocean Avenue Fund IV.

Motion: Reed
Second: Young
Ayes: Cook, Hill, Ross, Reed, Young, Polk, Vasquez
Noes: Kehler
Absent: Hernandez, Vander Poel
Motion passed.

Mr. Whalen introduced an agriculture fund offered by Sixth Street Partners that might be of interest to TCERA. The fund closes in December. The trustees expressed some interest, but not at this time. The Board asked Mr. Whalen to bring the matter back to the Board the next time a similar fund is available.

The Chair authorized 30 minutes of continuing education for this presentation.

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

Mr. Hill noted that Fresno County Employees Retirement Association has established a small investment allocation that is comprised of asset-backed securities pools for local properties. He also asked for information regarding the mid-stream energy investment that is included in the Kern County Employees Retirement Association portfolio. Mr. Whalen indicated that it is a Master Limited Partnership (MLP) that invests in the infrastructure for delivering energy based products.

IX. NEW BUSINESS

1. Discussion and possible action regarding Trustee/Staff Education Hours Report - January 1, 2020 through June 30, 2020.

Motion to approve the report as presented.

Motion: Ross
Second: Cook
Ayes: Cook, Hill, Ross, Reed, Young, Polk, Vasquez, Kehler
Absent: Hernandez, Vander Poel
Motion passed.

X. EDUCATION ITEMS

1. Discussion and possible action regarding Summary Education Reports as filed:
 - a. Mary Warner – SACRS: Global Market Recovery in the Face of a Global Pandemic – 1.5 hours.

Motion to approve the Summary Education Report as presented.

Motion: Young
Second: Kehler
Ayes: Cook, Hill, Ross, Reed, Young, Polk, Vasquez, Kehler
Absent: Hernandez, Vander Poel

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

No Action.

XI. UPCOMING MEETINGS

1. July 23, 2020 Administrative Committee meeting at 3:00 p.m.
2. August 12, 2020 Retirement Board meeting at 8:30 a.m.
3. August 12, 2020 Investment Committee meeting at 10:30 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 asked that the re-activation of the ad hoc Committee for the review of the investment return assumption be considered. The Committee could meet with the corresponding ad hoc Committee established by the Board of Supervisors to discuss relevant issues prior to the joint Board meeting in September. Mr. Hill indicated that the ad hoc Committee composition needs to be updated based on the change in trustees since the last time the Committee was convened. The ad hoc Committee will include trustees Gary Reed, Dave Kehler, Nathan Polk, and Cass Cook. Ms. Malison will participate as the Staff representative. This matter will be placed on the next Board agenda for further discussion and direction regarding the goals for the Committee.

Mr. Ross asked if there are plans for an agenda item to consider a Request for Proposal or Request for Information related to TCERA's investment consultant. It has been a number of years since the Board has conducted a review. Ms. Malison indicated that this has already been discussed with the Investment Committee Chair and will be addressed by the Committee at an upcoming meeting.

Mr. Reed asked if consideration could be given to a temporary exception to TCERA's Education Policy as it relates to required hours of education. Access to Education is limited due to the COVID emergency. Staff was directed to put this on the next Board agenda.

XIII. COMMUNICATIONS

1. For Your Information:
 - a. County Counsel Memorandum – Litigation Update
 - b. QMA Fee Analysis

XIV. ADJOURN

The meeting was adjourned at 10:43 a.m.



Roland Hill, Chair