

MINUTES OF THE RETIREMENT BOARD
July 19, 2018

A regular meeting of the Retirement Board convened on Thursday, July 19, 2018 at 8:36 a.m. in the Large Training Resource Center (TRC) Room. The meeting was called to order by President Doug Higashi.

Roll Call – The following Retirement Board Members were present: Alex Coate, Doug Higashi, Tim McGowan, Frank Mellon, Marguerite Young, and Lisa Ricketts.

The following staff members were present: Laura Acosta, Damien Charléty, Elizabeth Grassetti, Robert Hannay, Lourdes Matthew, Sophia Skoda, and Lisa Sorani.

PUBLIC COMMENT

There was none.

CLOSED SESSION

1. Significant exposure to litigation pursuant to Government Code Section 54956.9(d)(2): one matter.

The Retirement Board provided instruction to staff on one matter.

REGULAR BUSINESS MEETING:

The Regular business meeting commenced at 9:40 a.m. All Retirement Board Members were present.

CONSENT CALENDAR

1-4. Consent Calendar – A motion to move the consent calendar was made by Frank Mellon and seconded by Marguerite Young. The motion carried (5-0) by the following voice vote: AYES (Coate, Higashi, McGowan, Mellon, Young), NOES (none), ABSTAIN (none), ABSENT (none).

ACTION

5. Declaring the Results of the Election of the Employee Member of the Retirement Board – Retirement Board Member Tim McGowan was re-elected for a two-year term beginning June 24, 2018. He received 570 votes. Alex Coate made a motion to ratify the election, and Frank Mellon seconded the motion. The motion carried (5-0) by the following voice vote: AYES (Coate, Higashi, McGowan, Mellon, Young), NOES (none), ABSTAIN (none), ABSENT (none).

6. Declaring the Interest Rate on Member Contributions for the Period ending June 30, 2018 – In accordance with Retirement Board Rule B-9, the Retirement Board approved the semi-annual interest rate to be credited to Member accounts. The interest rate is the lesser of the

assumed rate of return of 7.25%, or the five-year average rate of return, which was 11.1%. Therefore the pro-rated semi-annual rate is 3.625%. Marguerite Young moved the crediting of the interest rate, and Doug Higashi seconded the motion. The motion carried (5-0) by the following voice vote: AYES (Coate, Higashi, McGowan, Mellon, Young), NOES (none), ABSTAIN (none), ABSENT (none).

7. Renewal of SACRS Membership – Staff requested guidance regarding renewal of the SACRS Membership per the direction provided last year. Tim McGowan was the only board member to attend the classes that SACRS offers and said the classes provided were valuable. The Board decided not to renew unless there was a request by retirement board members or staff to attend a training offered by SACRS. Alex Coate made the motion and added that if Board and/or staff wish to attend a SACRS training in the future, membership renewal does not require Board approval. Tim McGowan seconded the motion and the motion carried (5-0) by the following voice vote: AYES (Coate, Higashi, McGowan, Mellon, Young), NOES (none), ABSTAIN (none), ABSENT (none).

INFORMATION

8. 2018 Asset Allocation Post-Trade Transition Review – Joe Martinez and Kathy Stevenson from Northern Trust Transition Management (NTTM) provided a review of the asset allocation transition of \$831 million of retirement system assets. The transition occurred between June 15, 2018 and June 20, 2018 with 47% of assets transferred in-kind which lowered the costs of the transition. The overall cost of the transition was 9 basis points, which was less than the pre-trade estimated cost. Staff is working to determine how to resolve an issue with approximately 0.01% of the portfolio which was not able to be traded because they are private placement securities.

9. Update on Selection of Bank Loans and High-Yield Fixed Income Managers – Eric White from PCA updated the Board on the Bank Loans and Short-Term High-Yield search. Staff has worked with PCA to screen the universe of managers and have narrowed the list to finalists that then were sent a request for information (RFI). RFI responses are due by July 27, 2018. Responses will be reviewed and the two best finalists for each investment will be interviewed by the retirement board at the September 20, 2018 meeting, with the board selecting one manager for each mandate.

10. Global Custody and Securities Lending Service Provider Search – PCA and staff are developing a request for proposal (RFP) for master custody and securities lending services. The last search for a provider for these services was 20 years ago. PCA and staff will review the responses and recommend the highest ranked provider to the Retirement Board for approval. The Retirement Board requested that ESG questions be incorporated in the RFP.

11. Low Income Adjustment For Retired Members and Surviving Spouses – Staff reviewed the Low Income Adjustment process. Staff mailed notices to 32 retirees and surviving spouses and received no responses regarding the benefit.

REPORTS FROM THE RETIREMENT BOARD

12. Brief report on any course, workshop, or conference attended since the last Retirement Board meeting – Doug Higashi attended the CALPRS Investment officers Round Table where they discussed block chain, crypto currencies and MLP's.

Tim McGowan attended the CALAPRS Trustees Round Table where the guest speaker was an attorney who has sued pension funds for not being fully funded. Tim also attended the SACRS training at UC Berkeley where they discussed asset allocation, efficient frontiers, and investment constraints. There was also a speaker who spoke about big data and how new technologies can disrupt finance sector by determining risks through behavior.

ITEMS TO BE CALENDERED / UPCOMING ITEMS

- Follow-up on proxy voting
- Illiquid asset options
- Proposal to revise the Investment Policy

ADJOURNMENT – Doug Higashi moved to adjourn the meeting at 11:10 a.m. and Marguerite Young seconded the motion; the motion carried (5-0) by the following voice vote: AYES (Coate, Higashi, Mellon Young, and McGowan), NOES (none), ABSTAIN (none), ABSENT (none).

President

ATTEST: _____
Secretary

9/20/2018