

MINUTES OF THE RETIREMENT BOARD
March 17, 2016

A regular meeting of the Retirement Board convened on Thursday, March 17, 2016 at 8:33 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: Elizabeth Grassetti, Lourdes Matthew, Sophia Skoda, and Lisa Sorani.

PUBLIC COMMENT

A Member (who didn't introduce himself) spoke regarding receiving his annual retirement contribution statement and wishing that he could invest his personal and Deferred Compensation savings into the system investments because he'd like to receive the strong returns that the system's investments has earned. Board Members agreed that they too wished they could participate, but that's not possible under current regulations.

CLOSED SESSION

1. Personnel Matters pursuant to Government Code Section 54957:
 - a. A. Application for Disability Retirement of Taneka Mack - Approved
 - b. Application for Disability Retirement of Maureen West - Approved

CONSENT CALENDAR

2 - 5. **Consent Calendar** – A motion was made by Frank Mellon and seconded by Tim McGowan to approve the Consent Calendar. The motion carried (5-0) by the following voice vote: AYES (Coate, Higashi, McGowan, Mellon, Young), NOES (none), ABSTAIN (none), ABSENT (none).

ACTION

6. **Determine the Annual Retiree Cost of Living Adjustment (COLA) to be effective July 1, 2016** – Staff recommended the approval of the Retiree COLA of 3% with a 0.2% COLA Bank based on the CPI-U All Urban for the San Francisco Bay Area for December over December of 3.2%. COLA be adopted. Doug Higashi seconded the motion. The motion carried (5-0-0) by the following voice vote: AYES (Coate, Higashi, McGowan, Mellon, Young), NOES (None), ABSTAIN (none), ABSENT (none).

7. **Review and Determine WAMCO Watch Status** – Eric White from PCA reviewed WAMCO's performance for both it's Bank Loans portfolio and its Short-Term high yield portfolio. Both funds have underperformed their benchmarks and performed in the bottom quartile of their peer groups. The Board requested that a WAMCO Representative speak at a future meeting. Alex Coate moved the recommendation and it was seconded by Tim McGowan.

The motion carried (5-0-0) by the following voice vote: AYES (Coate, Higashi, McGowan, Mellon, Young), NOES (None), ABSTAIN (none), ABSENT (none).

INFORMATION

8. **4th Quarter Performance Review as of December 31, 2015** – Eric White from PCA reviewed the report. The fund was at \$1.4 Billion at quarter end, growing by \$53 Million for the quarter, and \$16.5 for the year. It has outperformed for all time periods. The standout was international equity which returned 4.1% for the quarter. Covered calls had done as expected and benefited the portfolio by returning 5.3% for the quarter. Fixed income is inline with the benchmarks.

9. **Roadmap to ESG Implementation** – Staff presented a schedule for taking steps over the next year toward sustainable investing. The process would occur at the regular meetings and start with developing a mission statement at the next couple of meetings. The process would be supported by Sarah Bernstein, PCA's expertise in sustainable investing, and include presentations to that will help inform the Board on its decisions.

10. **Training Module – UC's Experience with ESG Investing: Prof. Amy Jaffe, Senior Advisor, Energy and Sustainability, Office of the Chief Investment Officer of the Regents** - Prof. Jaffe was joined by Ophir Brook. (Former Intern, in UC's investment office). Prof. Jaffe gave an over-view of University of California's implementation of ESG, and the thinking that informed their decisions. UC made sure all stakeholders were included – students, staff and faculty, and looked at the moral, ethical, and financial fiduciary considerations. She discussed how the process was as important as the policy. They took a broad approach and developed a framework document and procedures. As a large fund, they have dedicated staff who screen investments and look at salient financial risks to portfolio. Smaller organizations can use metrics services rather than their own staff to screen investments. Prof. Jaffe suggested that the Board could create a document that aligns with values and that there is no “cookie-cutter” approach to ESG.

11. **Annual Report on Retiree COLA and HIB** - Staff presented the annual recap of the Retiree COLA, and HIB benefits, as well as the average pension benefit. Lisa Ricketts-Mann, the retiree representative on the Retirement Board, stated that retirees have no vote and or voice on the Retirement Board, and that the Board apparently has no plans to address the HIB which has been frozen since 2004. Lisa suggested that the retirees would accept having a COLA on the HIB like on their pension benefit. She asked that the Board make a decision regarding permanently freezing the HIB and distribute it in writing to all retirees. The question came up if the HIB was subject to PEPRRA. Lourdes Matthew said it was an open question. Alex Coate suggested that the Segal report on increasing the HIB be resurrected. It was pointed out that the Board of Directors would have to make any decision regarding an increase in benefits and that the retirement board can only recommend an action. There was discussion regarding keeping costs down for retiree medical through other approaches. The Board asked for more information at the May19, 2016 meeting.

12. **Election for Expired Term of Employee member of Retirement Board Seat**– Staff presented the schedule for the election to fill the seat currently held by Tim McGowan. There

was an error on the calendar which was pointed out and was corrected.

REPORTS FROM THE RETIREMENT BOARD:

13. Brief report on any course, workshop, or conference attended since the last Retirement Board meeting.

Tim McGowan attended Advanced Principles for Trustees Training sponsored by CALAPRS. He outlined the following take-away's:

- A discussion on risk as a means of investing
- The State of the Economy – slow recovery, not a big boom as in the past
- How to pick a Management Team for Retirement System – Trustee’s should take a more active role in selecting staff. Need a day to day management team selected by the Board.

ITEMS TO BE CALENDERED / UPCOMING ITEMS

- Invite WAMCO Representative to discuss performance.
- Ask WAMCO about ESG considerations
- Active vs. Passive Investment discussion
- Compare retroactively returns from active and passive investments Address Lisa Ricketts- Mann’s concerns regarding HIB

ADJOURNMENT – Marguerite Young moved to adjourn the meeting at 12:32 p.m. 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).

ATTEST: _____
Secretary

President

05/19/2016