

**ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM  
BOARD OF RETIREMENT  
2223 E. WELLINGTON AVENUE, SUITE 100  
SANTA ANA, CALIFORNIA**

**INVESTMENT COMMITTEE MEETING  
March 29, 2018**

**MINUTES**

Attendance was as follows:

Present: Wayne Lindholm, Chair; Frank Eley; Vice Chair; Charles Packard; Eric Gilbert; Chris Prevatt; Shawn Dewane; Roger Hilton; David Ball; Russell Baldwin; and Shari Freidenrich

Also Present: Steve Delaney, Chief Executive Officer; Molly Murphy, CFA, Chief Investment Officer; Shanta Chary, Director of Investment Operations; David Beeson, Investment Officer; Tarek Turaigi, CFA, Investment Officer; Stina Walander-Sarkin, Investment Analyst; Gina Ratto, Chief Legal Officer; Anthony Beltran, Visual Technician; and Julius Cuaresma, Recording Secretary

Meketa Investment Group: Stephen McCourt, CFA; and Laura Wirick, CFA, CAIA

The Chair called the meeting to order at 9:02 a.m. Mr. Dewane led the Pledge of Allegiance.

**CONSENT AGENDA**

All matters on the Consent Agenda are to be approved by one action unless a Committee Member requests separate action on a specific item.

**Mr. Lindholm pulled item C-1.**

A **motion** was made by Mr. Dewane and **seconded** by Mr. Baldwin to approve the Consent Agenda. The **motion carried unanimously.**

**C-1 COMMITTEE MEETING:**

**Approval of Meeting and Minutes**

Investment Committee Meeting

February 20, 2018

**Recommendation:** Authorize meeting and approve minutes.

**ACTION ITEMS**

**NOTE:** Public comment on matters listed in this agenda will be taken at the time the item is addressed, prior to the Committee's discussion of the item. Persons wishing to address items on the agenda should provide written notice to the Secretary of the Committee prior to the Committee's discussion on the item by signing in on the Public Comment Sign-In Sheet located at the back of the room.

**A-1 INDIVIDUAL ACTION ON ANY ITEM TRAILED FROM THE CONSENT AGENDA**

Mr. Lindholm pulled item C-1 and briefly reviewed, with Mr. Prevatt, as the Regular Board Chair, the February 2018 Investment Committee minutes, particularly the investment manager surveillance and action procedure discussions as it relates to the Governance Committee.

Mr. Prevatt stated that certain language regarding the Governance Committee, in his purview as the Regular Board Chair, does not need to be added to the February 2018 Investment Committee minutes.

Mr. Baldwin also observed certain discrepancies within the voting procedures, and recommended that staff amend the minutes to properly reflect his attendance.

A **motion** was made by Mr. Dewane and **seconded** by Mr. Baldwin to approve the Consent Agenda. The **motion carried unanimously.**

**INFORMATION ITEMS**

**I-1 QUIET PERIOD - INVESTMENT RELATED SEARCHES**

*Written report only*

**I-2 INVESTMENT COMMITTEE COMMUNICATIONS**

*Written report only*

Mr. Baldwin urged trustees to particularly read the last page of Meketa's white paper "The Economic Impact of Climate Change" as he pointed out that there are both opportunities and risks associated with climate change.

**I-3 CIO COMMENTS**

*Presentation by Molly Murphy, CFA, CIO, OCERS*

Ms. Murphy provided introductory comments on the day's agenda. She stated the outcome of the March 28 Governance Committee meeting would come at the April 24 Investment Committee meeting. She also reported that OCERS is due for a Proxy Voting Service Provider RFI and discussed the transition of private markets coverage from Meketa to TorreyCove.

Ms. Murphy provided commentary on the markets, particularly as it relates to the recent spike in volatility. She discussed long-term economic dynamics, e.g., tax reform and synchronized global growth, which are being tested by short-term technical movements. In particular, she referenced the recent Treasury Bill auction and the LIBOR-OIS spread. She also provided commentary on the Technology industry, specifically as it relates to privacy concerns.

***Ms. Freidenrich arrived at 9:06 a.m.***

Mr. Dewane and Ms. Murphy continued to discuss LIBOR, including a discussion on the recent action and its potential impact on OCERS' direct lending portfolio.

Mr. Baldwin, Ms. Freidenrich, Mr. McCourt, and Ms. Murphy discussed stagflation and the sustainability of LIBOR's rapid jump.

Mr. McCourt observed that LIBOR's move may be indicative of a sea change in the markets to reflect that policy moves prospectively are likely more contractionary rather than expansionary.

**I-4 CHINA A-SHARES EDUCATION & UPDATE**

*Presentation by Jeremy Watt, Rui Zhao, PhD, CFA, Dan Blumhardt, CFA, & Timothy Murray, CFA, BlackRock*

Ms. Murphy provided introductory comments regarding the Chinese equity markets and the Chinese government's initiatives and efforts to open up their equity markets to the rest of the world. She introduced BlackRock's team who led the discussion on the Chinese equity markets, particularly the A-Shares market, and the pending inclusion of A-Shares in the MSCI Emerging Markets Index, and the associated opportunities and risk, from both an active and passive investment management standpoint.

***Ms. Freidenrich left at 10:04 a.m.***

***The Committee recessed at 10:42 a.m.***

***The Committee reconvened at 10:55 a.m.***

**I-5 PORTFOLIO ACTIVITY REPORT**

*Presentation by Molly Murphy, CFA, CIO & Shanta Chary, DIO, OCERS*

Ms. Chary presented the portfolio activity report, including the total fund overview, subscriptions and redemptions, as well as the asset allocation for February 2018.

Ms. Chary reported February's negative return, noting the negative return was the first negative return for OCERS' portfolio since October 2016.

Mr. Ball and Ms. Murphy discussed the cash overlay program in light of February's price action.

Ms. Murphy noted her intention to have a deeper dive on the cash overlay program at a future Investment Committee Meeting.

Mr. Ball, Mr. Eley, Ms. Chary, and Ms. Murphy discussed the cash overlay program's recent performance, as well as expected performance in different market environments.

**I-6 PRIVATE EQUITY REVIEW**

*Presentation by Stephen McCourt, CFA, Meketa*

Ms. Murphy provided background commentary regarding the transition period from Meketa's private equity coverage to TorreyCove, as well as the transition period from Meketa's real estate coverage to the Townsend Group.

Mr. McCourt provided a summary of OCERS' private equity program through the 3<sup>rd</sup> quarter of 2017, including a performance update. Mr. McCourt discussed OCERS's updated pacing plan due to staff's and Meketa's recent re-categorization of managers. He discussed changes in the portfolio on a quarter-over-quarter basis.

Mr. Hilton and Mr. McCourt discussed the impact of direct private equity investing upon OCERS' fund-of-fund pacing plan.

Mr. Lindholm, Ms. Murphy, and Mr. McCourt discussed OCERS' capital commitments.

Mr. Eley and Ms. Murphy discussed potential fee savings associated with direct private equity investing.

Mr. Lindholm and Mr. McCourt discussed the collaborative process that Meketa and TorreyCove will do in covering OCERS' private equity allocation.

**\* \* \* \* \*END OF INDIVIDUAL ITEMS AGENDA \* \* \* \* \***

**PUBLIC COMMENTS:** At this time members of the public may address the Committee of Retirement regarding any items within the subject matter jurisdiction of the Committee, provided that no action may be taken on non-agendized items unless authorized by law.

**COMMITTEE MEMBER/CEO/CIO/STAFF/CONSULTANT COMMENTS**

Mr. Delaney reported upon Ms. Catherine Fairley's retirement, and thanked her for 18 years of service to OCERS in the Member Services department.


Mr. McCourt continued the earlier discussion on LIBOR, including commentary on the Secured Overnight Financing Rate (SOFR) rate, or the rate that banks trade with each other. He also provided commentary on China and the China A-Shares market, noting this was a particularly good educational presentation, as it is a structural long-term policy topic worthy of discussion for the Committee.

**COUNSEL COMMENTS**

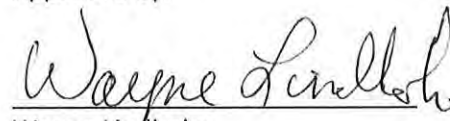
None

**ADJOURNMENT:** The Chair adjourned the meeting at 11:30 a.m.

Submitted by:

  
Steve Delaney  
Secretary to the Committee

Approved by:

  
Wayne Lindholm  
Chair