



MINUTES

RETIREMENT BOARD MEETING MINUTES

REGULAR MEETING
February 14, 2018
9:00 a.m.

Retirement Board Conference Room
The Willows Office Park
1355 Willow Way, Suite 221
Concord, California

Present: Candace Andersen, Jerry Holcombe, Louie Kroll, Jay Kwon, John Phillips, William Pigeon, Gabe Rodrigues, Todd Smithey, Jerry Telles and Russell Watts

Absent: Scott Gordon and David MacDonald

Staff: Gail Strohl, Chief Executive Officer; Christina Dunn, Deputy Chief Executive Officer; Timothy Price, Chief Investment Officer; Karen Levy, General Counsel; Wrally Dutkiewicz, Compliance Officer; Anne Sommers, Administrative/HR Manager; Henry Gudino, Accounting Manager; Tim Hoppe, Retirement Services Manager; and Colin Bishop, Member Services Manager

Outside Professional Support:
Susan Hastings
John Botsford

Representing:
Laughlin, Falbo, Levy & Moresi, LLP
Milliman

1. Pledge of Allegiance

The Board, staff and audience joined in the *Pledge of Allegiance*.

2. Accept comments from the public

No member of the public offered comment.

Andersen was present for subsequent discussion and voting.

3. Approval of Minutes

It was M/S/C to approve the minutes from the January 10, 2018 meeting. (Yes: Andersen, Holcombe, Kwon, Phillips, Rodrigues, Smithey, Telles and Watts)

4. Routine Items

It was M/S/C to approve the routine items of the February 14, 2018 meeting with a revised Item 4a, Certification of Memberships, which was distributed. (Yes: Andersen, Holcombe, Kwon, Phillips, Rodrigues, Smithey, Telles and Watts)

CLOSED SESSION

The Board moved into closed session pursuant to Govt. Code Section 54957.

The Board moved into open session.

5. It was M/S/C to deny the service-connected disability retirement application for Sandy Chavez as recommended by the Hearing Officer. (Yes: Andersen, Holcombe, Kwon, Phillips, Rodrigues, Smithey, Telles and Watts)
6. It was M/S/C to refer the disability application for Leslie Pounds back to the Hearing Officer for further proceedings with instructions. (Yes: Andersen, Holcombe, Kwon, Phillips, Rodrigues, Smithey, Telles and Watts)

Pigeon was present for subsequent discussion and voting.

7. **Presentation from Milliman on GASB 45 Actuarial Valuation of Post-Employment Benefits**

Dunn introduced John Botsford of Milliman.

Botsford presented the GASB 45 actuarial valuation report of other post-employment benefits (OPEB) as of January 1, 2017 for CCCERA's employees and retirees noting those employees that retired prior to 2015 were Contra Costa County employees and are not included in the report. He also noted that GASB 45 has been replaced with GASB 75.

He reviewed the Actuarial Accrued Liability which is \$7.568 million as of January 1, 2017, the Normal Costs which are \$409k as of January 1, 2017, and the Annual Required Contribution (ARC) which is \$858k as of January 1, 2017. He also reviewed the projected annual benefit payments for the next 30 years, the present value of benefits and actuarial accrued liability broken out between active employees and retirees, the Unfunded Actuarial Accrued Liability (UAAL), and the required financial statement disclosures which shows the calculation of the Annual Required Contribution and the Net OPEB Obligation. The actuarial accrued liability for benefits was \$7.6 million and the actuarial value of assets was \$0.0 million resulting in an unfunded actuarial accrued liability of \$7.6 million.

Botsford reviewed the discount rate assumption noting it is used to calculate the present value of expected future benefit payments and is the biggest driver of liabilities. He stated the higher the discount rate used, the lower the present value will be because a greater share of OPEB costs is expected to be funded by investment returns. He reviewed a comparison of valuation results based on a 7% discount rate. He reported CCCERA has set aside \$2.283 million to fund retiree healthcare benefits but the funds have not been placed in an irrevocable trust solely for purposes of paying retiree healthcare benefits.

8. **Consider and take possible action to adopt the Actuarial Valuation Report of Post-Employment Benefits**

It was M/S/C to adopt the Actuarial Valuation Report of Post-Employment Benefits as presented by Milliman. (Yes: Andersen, Holcombe, Kwon, Phillips, Pigeon, Rodrigues, Smithey, Telles and Watts)

9. **Consider and take possible action regarding the funding of CCCERA's OPEB liability**

Strohl reported CCCERA currently makes benefit payments on a pay as you go basis. The funds set aside for retiree healthcare benefit payments have not been placed in an irrevocable trust solely for purposes of paying retiree healthcare benefits. She recommended the prefunding option to the Board to fund retiree health benefits by placing the funds in an irrevocable trust. She also recommended issuing a RFP to review the potential costs and returns of a third party provider to determine whether or not a third party provider would be more beneficial than administering the trust assets internally. She stated the next steps would be to prepare a draft irrevocable trust agreement and a draft funding policy.

It was M/S/C to direct the CEO to draft an irrevocable trust agreement, funding policy and related mid-year budget adjustment and to issue an RFP to determine which option, internal or third party provider, would be more beneficial in administering the assets. (Yes: Andersen Holcombe, Kwon, Phillips, Pigeon, Rodrigues, Smithey, Telles and Watts)

10. Consider and take possible action to issue a Request for Proposal for Master Custodian

Strohl reported CCCERA has used State Street Bank and Trust for years and in an effort to assure that the services are most effective and cost efficient, she recommends the issuance of a RFP to see what is available in the marketplace.

It was M/S/C to issue a Request for Proposal for a Master Custodian bank. (Yes: Andersen, Holcombe, Kwon, Phillips, Pigeon, Rodrigues, Smithey, Telles and Watts)

11. Consider authorizing the attendance of Board:

- a. There was no action taken on this item. CII Spring 2018 Conference, Council of Institutional Investors, March 12-14, 2018, Washington, DC.
- b. It was M/S/C to authorize the attendance of 3 Board members at the Day of Education in Private Equity Conference, March 29, 2018, Los Angeles, CA. (Yes: Andersen, Holcombe, Kwon, Phillips, Pigeon, Rodrigues, Smithey, Telles and Watts)
- c. It was M/S/C to authorize the attendance of 3 Board members at the NCPERS Annual Conference & Exhibition, May 13-16, 2018, New York, NY. (Yes: Andersen, Holcombe, Kwon, Phillips, Pigeon, Rodrigues, Smithey, Telles and Watts)

12. Miscellaneous

(a) Staff Report –

Strohl reported there was a temporary power outage yesterday and the CALAPRS Trustee Roundtable was recently cancelled due to a lack of attendees.

Price provided the following manager updates noting that none directly impact CCCERA: at SIT, the head of the fixed income department is retiring at the end of the year; at LaSalle, one of our portfolio managers is retiring; and, at PIMCO, Stephanie King in client services, resigned.

(b) Outside Professionals' Report -

None

(c) Trustees' comments –

Telles congratulated Strohl on her appointment to the CALAPRS Board of Directors.

Rodrigues reported on the NCPERS 2018 Legislative Conference that he attended with MacDonald and Watts.

It was M/S/C to adjourn the meeting. (Yes: Andersen, Holcombe, Kwon, Phillips, Pigeon, Rodrigues, Smithey, Telles and Watts)



Todd Smithey, Chairman



David MacDonald, Secretary