

CONTRA COSTA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

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January 9, 2013

The Board of Retirement met in regular session at 9:00 a.m. on Wednesday, January 9, 2013 in the Conference Room of the Contra Costa County Employees' Retirement Association, 1355 Willow Way, Suite 221, Concord, CA.

Present: Debora Allen, Terry Buck, Richard Cabral, John Gioia, Brian Hast, Jerry Holcombe, Sharon Naramore, John Phillips, Gabe Rodrigues, Jerry Telles, Maria Theresa Viramontes and Russell Watts

Absent: None

Staff: Marilyn Leedom, Retirement Chief Executive Officer; Kurt Schneider, Retirement Deputy Chief Executive Officer; Karen Levy, General Counsel; and Vickie Kaplan, Retirement Accounting Manager

Outside Professional Support:	Representing:
Harvey Leiderman	Reed Smith LLC
Bob Helliesen	Milliman
Marty Dirks	Milliman
John Monroe	The Segal Company
Rebecca Byrnes	County Counsel

Other Attendees:

Luz Casas	Contra Costa County Employees' Retirement Association (CCCERA) Staff
Chih-Chi Chu	CCCERA Staff
Karen Davis	CCCERA Staff
Christina Dunn	CCCERA Staff
Tracy Kroll	CCCERA Staff
Joelle Luhn	CCCERA Staff
Justine Rossini	CCCERA Staff
Adrian Banner	INTECH
Christian McCormick	INTECH
Maria Catanese-Helberg	Contra Costa County Retired Employees Association (CCCREA)
Todd Word	San Ramon Valley Fire District Local 3546
Rollie Katz	Local One
Kris Hunt	Contra Costa County Taxpayers Association
Jackie Lorrekovich	Contra Costa Fire District
Bill Cullen	Retired
Gloriann Sasser	San Ramon Valley Fire District
Todd Smithey	Central Contra Costa Sanitary District
William Pigeon	Local 1230
Lisa Driscoll	County Administrators Office

1. Pledge of Allegiance

Gioia led all in the *Pledge of Allegiance*.

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2. Public Comment

No members of the public offered comment.

3. Approval of Minutes

It was **M/S/C** to approve the minutes of the October 30, 2012 Board meeting with a correction to the last page before the meeting was adjourned to add "There was no reportable action out of closed session," and to approve the minutes of the November 20, 2012 Board meeting as presented. (Yes: Allen, Buck, Cabral, Gioia, Hast, Phillips, Telles, Viramontes and Watts)

4. Routine Items

It was **M/S/C** to approve the routine items of the January 9, 2013 meeting. (Yes: Allen, Buck, Cabral, Gioia, Hast, Phillips, Telles, Viramontes and Watts)

It was the consensus of the Board to move to Item 10.

10. Presentation from INTECH regarding personnel changes - Adrian Banner, Christian McCormick

Banner waived the confidentiality disclaimer on the presentation materials, noting this is a public meeting and any information discussed will be available to the public.

McCormick reported on the departure of INTECH's CEO Jennifer Young, noting she stepped down in November and Adrian Banner now oversees the entire firm. He spends 75% of his time as the Chief Investment Officer and 25% of his time as the Chief Executive Officer. He reviewed the firm's updated organizational chart, noting Justin Wright was promoted to Chief Administrative Officer and is responsible for the day to day administration of the firm.

Banner reported all of the lead personnel are performing roles that are extensions of the duties they were previously performing. He reviewed the responsibilities of personnel over the last 10 years. He noted in the last 3 years they have required greater interaction in the structure as the firm has grown. Banner reported Young remains employed as a consultant to INTECH. He stated he feels having a single leader is better for the firm. He also reported there are no other departures from the firm and they have not lost any clients due to Young's departure.

A discussion followed after the presentation and the Board felt INTECH should remain on the watch list.

It was the consensus of the Board to move to Item 18b.

18. Miscellaneous

(b) Outside Professionals' Report -

Dirks gave an update on the Private Real Asset manager search noting they received 42 responses. Questionnaires were sent to thirteen managers that manage portfolios containing multiple real asset

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categories and to eight managers that manage single asset category strategies. He noted they would email a list of the firms receiving questionnaires to the Board that afternoon.

It was the consensus of the Board to move to Item 11.

11. Consider and take action on contribution rates as recommended by The Segal Co. for General and Safety PEPRA members. - John Monroe

Monroe gave an overview of the proposed benefit changes for new General and Safety Members noting that as required by PEPRA, this applies to new members with membership dates of January 1, 2013 or later, not current members.

He described the differences in the formulas for the new General and Safety PEPRA tiers noting they have made the assumption that pensionable compensation for new members would be identical to compensation earnable for current members, with the exception of terminal pay. He reported the new tiers have a 3-year final average salary period and the 30-year cessation on Safety member contributions no longer applies. He also stated that pensionable compensation is limited at \$113,700 for 2013 (the Social Security Taxable Wage Base) or \$136,440 (120% of the Social Security Taxable Wage Base) if not enrolled in Social Security. He noted this is also the maximum amount of compensation use to collect employer and member contributions.

He explained there are certain requirements that need to be met according to the PEPRA legislation. New members on or after January 1, 2013, would be required to contribute at least 50% of the Normal Cost rate, and the employee rates should be rounded to the nearest one quarter of one percent. He noted the employer would need to continue to contribute for new hires the same Unfunded Actuarial Accrued Liability (UAAL) rates for members that were determined in the December 31, 2011 valuation. He stated there would be a small actuarial loss due to slightly less UAAL contributions being collected during January 1, 2013 through June 30, 2014 since contributions will only be collected up to the pensionable compensation limit.

He noted the recommended normal cost contribution rates would apply for the period from January 1, 2013 through June 30, 2014 and the UAAL rates would apply until July 1, 2013.

It was **M/S/C** to adopt the contribution rates as recommended by The Segal Co. for General and Safety PEPRA members for the period of January 1, 2013 to June 30, 2014. (Yes: Allen, Buck, Cabral, Gioia, Hast, Phillips, Telles, Viramontes and Watts)

12. Consider and take possible action regarding implementation of pensionable compensation under PEPRA for new members on or after January 1, 2013.

Levy gave an update on the new information published by CalPERS regarding the definition of "Pensionable Compensation" under PEPRA (AB 340). PEPRA's definition of "pensionable compensation" adopts language from the CalPERS statute that appears to limit it to "monthly rate of pay or base pay." CalPERS has published its determination that certain "special compensation" items such as incentive pay, education pay, special assignment pay and holiday pay may qualify as "pensionable compensation".

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Levy reported CalPERS published a Circular Letter explaining that to qualify as "pensionable compensation" under PEPR (Govt. Code Section 7522.34), an item of compensation must meet the following four criteria: 1) Pay is part of the normal monthly rate of pay or base pay of the member; 2) Pay is paid in cash to similarly situated members in the same grade or class of employment; 3) Pay is for services rendered on a full-time basis during normal working hours; and 4) Pay is paid pursuant to publicly available pay schedules. The CalPERS Circular notifies CalPERS employers to report special compensation items above base pay as pensionable.

She noted staff has looked at pay items above base pay for CCCERA participating employers and some are not on pay schedules but are included in MOU's or other documents such as resolutions or individual employment contracts.

Bill Cullen, Retiree, stated AB 197 did not amend the definition of compensation but it amended terminal pay items. He feels CCCERA shouldn't use the CalPERS Circular because they could label pay items differently than CCCERA. He also doesn't feel a sense of urgency in adopting pay code items because he feels CCCERA has already dealt with spiking.

The Board discussed different options including how the decision should be made, who should be included in the decision, what information should be collected before making a decision and the deadline for making a decision.

Lisa Driscoll, County Administrators Office, stated the County will use what the CCCERA Board has adopted. She feels there is an urgency to make the decision since the County has hired employees who are PEPR members and accurate contributions need to be collected from these members.

Kris Hunt, Contra Costa County Taxpayers Association, feels taking the time to get it right makes sense.

Rollie Katz, Local One, asks that the decision include input from the labor unions.

It was **M/S** to direct staff to collect a list of the pay code items and meet with the employers and the labor unions to determine if the pay code items meet the four criteria.

A substitute motion was made to take the lists of pay code items and have staff apply the four requirements without employer involvement and bring the list to the Board for review. Motion withdrawn.

An amended motion was made to take the lists of publicly available pay code items and have staff apply the four requirements without employer involvement and bring the list to the Board for review. Motion withdrawn.

A substitute motion was made to meet with employers to get pay code items and have staff determine what is included as a pay code item and bring back to the Board at the February 27, 2013 meeting for a final decision. Motion withdrawn.

It was **M/S/C** to have staff gather the existing lists of pay code items from all CCCERA employers; analyze whether each of the four criteria provided in PEPR is met for each pay item, and present the

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pay items at a future Board meeting for Board approval. (Yes: Allen, Buck, Cabral, Gioia, Hast, Phillips, Telles, Viramontes and Watts)

13. Consider and take possible action on request from the Contra Costa Superior Court to determine whether anticipated furloughs are a reduction in compensation earnable.

Levy reported a request was received from the Contra Costa County Superior Court ("District") to determine whether anticipated furloughs for District employees will be considered a reduction in compensation for retirement purposes and contributions. She noted in the past the Retirement Board determined that a furlough which is temporary in nature is to be treated as an "absence" under Government Code Section 31461 and therefore the retirement computation is based on the compensation held by the member at the beginning of the absence. Based on this direction the District instituted furloughs in 2009. Recently the District informed CCCERA that additional furloughs are contemplated for its employees.

The Board discussed what constituted temporary in nature, which employee groups are included in the furlough and if there was a difference if the furloughs were instituted by the District or the State.

It was **M/S/C** to determine the additional furloughs to be a reduction in compensation for retirement purposes. (Yes: Allen, Cabral, Gioia, Hast, Phillips, Telles, Viramontes and Watts. No: Buck)

14. Consider and take possible action on staff recommendation for adoption of Policy Regarding Assessment and Determination of Compensation Enhancements.

Levy noted the Board began discussion at the December 12, 2012 Board meeting on the establishment of a procedure for assessing and determining whether an element of compensation was paid to enhance a member's retirement benefit. She stated the establishment of such a procedure is required by the pension reform legislation enacted in 2012 (Assembly Bill 340; new Govt. Code §31542). At the December 12, 2012 meeting staff presented the Board with a draft proposed procedure. After discussion, the Board directed staff to return with an additional option for an established procedure that does not require the referral of matters in dispute to an administrative law judge. Levy discussed the revised sections of the draft policy noting the 1937 Act already grants the Board the ability to refer matters to an administrative law judge.

The Board discussed operational considerations of administering the new policy and the length of time the Board has to make a determination on whether an element of compensation was paid to enhance a member's retirement benefit.

It was **M/S** to adopt the revised draft policy and direct staff to return with the operational guidelines for the policy at a future meeting for adoption.

An amended motion was **M/S/C** to adopt the policy presented, in order to meet statutory compliance, and direct staff to return with operational guidelines for implementing the policy. (Yes: Allen, Buck, Cabral, Gioia, Hast, Phillips, Telles, Viramontes and Watts).

15. Consider and take possible action regarding audio recording of meetings

Leedom reported this item was discussed and voted on at the April 21, 2010 meeting. Board members have requested this item to be included in the agenda for reconsideration. In order to bring the item back to the table for vote, she noted Roberts Rules of Order requires one of the Board members who previously voted on the prevailing side of the issue to make a motion for reconsideration of the issue.

It was **M/S/C** to reconsider and take possible action regarding audio recording of meetings. (Yes: Allen, Buck, Cabral, Gioia, Hast, Phillips, Telles, Viramontes and Watts).

Leedom presented three different options for compiling Board minutes; 1) Leave minutes procedure as it stands; 2) Audio record the minutes and retain the audio recordings indefinitely; or 3) Audio record the minutes, develop minutes in the current format and retain the recordings for a short period of time.

Discussion followed regarding transparency, concerns about the changes members of the public and Board members may make in discussing items when they know they are being recorded. Some felt the Board is already transparent and didn't need to record the meetings. They felt crosstalk would also be a problem. The Board also discussed the possibility of the minutes including a short discussion on items.

The Board discussed signage informing members of the public that they will be recorded if they choose to speak to the Board. They felt the microphones should be around the board table and the podium. It was noted members of the public wishing to speak will have to fill out a speaker card and speak from the podium.

It was **M/S/C** to implement Option 2) Audio record minutes and retain audio recordings indefinitely. Written meeting minutes will show only attendees, summaries of motions made and votes taken. (Yes: Allen, Buck, Cabral, Gioia, Hast, Phillips, Telles, Viramontes and Watts).

Watts was not present for subsequent discussion and voting.

16. Consider and take possible action regarding staff recommendation on amendment to Policy on Internal Revenue Code Section 415 Compliance.

It was **M/S/C** to adopt the amended policy on IRC Section 415 as presented. Yes: (Allen, Buck, Cabral, Gioia, Hast, Phillips, Telles and Viramontes)

17. Conference Seminar Attendance

- a. It was **M/S/C** to authorize the attendance of 4 Board members and 3 staff members at the Annual Conference, Pension Bridge, April 16-17, 2013, San Francisco, CA (Yes: Allen, Buck, Cabral, Gioia, Hast, Phillips, Telles and Viramontes)
- b. It was **M/S/C** to authorize the attendance of 1 Board member and 1 staff member at the Roundtable for Public and Taft-Hartley Plans, Institutional Investor, April 24-26, 2013, Beverly Hills, CA (Yes: Allen, Buck, Cabral, Gioia, Hast, Phillips, Telles and Viramontes)

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- c. It was **M/S/C** to authorize the attendance of 3 Board members at the Investment Forum, Emerald, February 7, 2013, Philadelphia, PA (Yes: Allen, Buck, Cabral, Gioia, Hast, Phillips, Telles and Viramontes)
- d. It was **M/S/C** to authorize the attendance of 1 Board member at the Portfolio Concepts and Management, Wharton, May 6-9, 2013, Philadelphia, PA (Yes: Allen, Buck, Cabral, Gioia, Hast, Phillips, Telles and Viramontes)
- e. It was **M/S/C** to authorize the attendance of 1 staff member at the Annual Policy Conference, NIRS, February 25-26, 2013, Washington, D.C. (Yes: Allen, Buck, Cabral, Gioia, Hast, Phillips, Telles and Viramontes)
- f. It was **M/S/C** to authorize the attendance of 4 Board members at the Trustees Roundtable, CALAPRS, February 8, 2013, San Jose, CA (Yes: Allen, Buck, Cabral, Gioia, Hast, Phillips, Telles and Viramontes)

Gioia and Naramore were no longer present for subsequent discussion and voting.

18. Miscellaneous

(a) Staff Report -

Leedom reported with the decreased staff in the IT division the iPad implementation has been delayed. She noted this could also affect the timing of the implementation for audio recording.

Leedom distributed the new Board Continuing Education Form which was developed to assist with complying with Government Code §31522.8 of the CERL which requires that all board members receive a minimum of 24 hours of board member education within the first 2 years of assuming office and for every subsequent 2-year period in which the person serves on the board.

(c) Trustees' Comments

Allen reported she attended the Wellington on-site visit which went very well. She also attended their weekly staff meeting.

Hast reported he also attended the Wellington on-site visit and an on-site visit to State Street. He discussed an issue State Street had in their London office which he was assured would not happen again. The issue did not affect our fund and with the new checks and balances State Street has implemented in its London office he feels confident the issue is not something we would experience.

Viramontes reported she attended the PIMCO on-site visit and felt it went well.

It was the consensus of the Board to move to Item 5.

CLOSED SESSION

The Board moved into closed session pursuant to Govt. Code Section 54957 and 54956.9(a).

The Board moved into open session.


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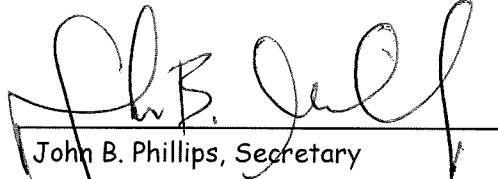
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5. It was **M/S/C** to accept the Medical Advisor's recommendation and deny the service-connected disability retirement for Marina Ramos. (Yes: Allen, Buck, Cabral, Hast, Holcombe, Phillips, Telles and Viramontes)
6. It was **M/S/C** to accept the Medical Advisor's recommendation and grant the non-service connected disability retirement for Ruby Green. (Yes: Allen, Buck, Cabral, Hast, Holcombe, Phillips, Telles and Viramontes)
7. It was **M/S/C** to accept the Medical Advisor's recommendation and deny the service-connected disability retirement for Brenda Moore. (Yes: Allen, Buck, Cabral, Hast, Holcombe, Phillips, Telles and Viramontes)
8. It was **M/S/C** to accept the Medical Advisor's recommendation and grant the non-service connected disability retirement for Janet Bruzdowski. (Yes: Allen, Buck, Cabral, Hast, Holcombe, Phillips, Telles and Viramontes)
- 9a. There was no reportable action related to Govt. Code Section 54956.9(a).
- 9b. There was no reportable action related to Govt. Code Section 54956.9(a).

It was **M/S/C** to adjourn the meeting. (Yes: Allen, Buck, Cabral, Hast, Holcombe, Phillips, Telles and Viramontes)


Maria Theresa Viramontes, Chairman


John B. Phillips, Secretary