

# CONTRA COSTA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

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February 14, 2007

The Board of Retirement met in regular session at 9:00 a.m. on Wednesday, February 14, 2007, in the Conference Room of the Contra Costa County Employees' Retirement Association, 1355 Willow Way, Suite 221, Concord, CA.

**Present:** Richard Cabral, Dave Gaynor, Brian Hast, Paul Katz, Sharon Naramore, William J. Pollacek, Jim Remick, Bob Rey, Jerry Telles, Maria Theresa Viramontes and Clifton Wedington.

**Staff:** Marilyn Leedom, Retirement Chief Executive Officer; Cary Hally, Retirement Chief Investment Officer; Rick Koehler, Retirement Accounting Manager; Kathy Somsen, Retirement Benefits Manager; Toni Warren, Retirement Administration Manager.

**Outside Professional Support:**

**Representing:**

Ashley Dunning	Steeffel, Levitt and Weiss
Paul Angelo	Segal Company
John Monroe	Segal Company
Bob Helliesen	Milliman USA
Rebecca Byrnes	County Counsel

**Other Attendees:**

Tracy Kroll	Contra Costa County Employees' Retirement Association (CCCERA) Staff
Joelle Luhn	CCCERA Staff
Luz Casas	CCCERA Staff
Margie Breen	CCCERA Staff
Sheila Wendler	CCCERA Staff
Linda Aichinger	Self
Fred Aichinger	Self
Ed Irwin	Retiree Support Group
Lloyd Sawchuk	Contra Costa County Grand Jury (CCCGJ)
Ron Schmidt	CCCGJ
John Keel	San Ramon Fire Fighters Association
Pat Soler	Moraga Orinda Fire Department
Tina Kaufmann	Contra Costa County Auditor Controller's Office
Christine Penkala	Contra Costa County Human Resources
Satomi Cadena	Local #1, Retirees' Association
Lisa Driscoll	County Administrator's Office
Tilak Dhir	CCCGJ
Jeff Rhoton	CCCGJ
Terry Buck	Contra Costa County Fire Protection Department (CCCFPD)
Joan Woods	San Ramon Valley Fire Protection Department (SRVFPD)
Robert Leete	SRVFPD
David O'Brien	CCCFPD
Debbie Ratcliff	Contra Costa County Sanitary District
James Lee	Patrick Hubert Partners
Kris Hunt	Contra Costa County Taxpayer's Association

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Melvin E. Chappel CCGJ  
Louie Kroll Self

**1. Sheila Wendler, 10 Year Service Award**

Wedington congratulated CCCERA employee Sheila Wendler on the occasion of her 10th Anniversary and thanked her for her years of dedicated service to the Retirement Association.

**2. Public Comment**

No members of the public offered comment.

**3. Approval of Minutes**

After amending page 4, Item #3, b. adding "thorough" after "providing" in the last sentence, on page 4, Item #4 at the beginning of the paragraph adding: "There was discussion that Fund I was securitized and sold. All capital to the fund has been returned except for approximately \$1 million", on page 4, item 9 a, third paragraph, adding "tax" before counsel, page 5, last paragraph, changing the end of the last sentence to: "in the State Court of Appeals in March with a decision in March or April on certain conflict of interest claims"; it was **M/S/C** to approve the minutes of the January 24, 2007 meeting as amended. (Yes: Cabral, Gaynor, Katz, Hast, Pollacek, Rey, Telles, Viramontes, Wedington)

**4. Routine Items**

It was **M/S/C** to approve the routine items of the February 14, 2007 meeting. (Yes: Cabral, Gaynor, Katz, Hast, Pollacek, Rey, Telles, Viramontes, Wedington)

The Board moved into closed session pursuant to Govt. Code Section 54957 to consider the Medical Advisor, Hearing Officer and or staff's recommendation regarding disability retirement applications and Gov. Code Section 54956.9(c) to consult with counsel to decide whether to initiate litigation.

The Board moved into open session.

**5. Disability Retirements**

It was **M/S/C** to accept the Medical Advisor's recommendation and grant the following disability benefits:

- (a) Timothy Christoff Service Connected (Yes: Cabral, Gaynor, Hast, Katz, Pollacek, Remick, Telles, Viramontes and Wedington)

6. Linda Aichinger

It was *M/S/C* to accept the recommendation of the Hearing Officer to grant a nonservice-connected disability retirement for Linda Aichinger. (Yes: Cabral, Gaynor, Hast, Katz, Pollacek, Rey, Telles, Viramontes and Wedington)

7. Potential Litigation

During closed session, the Board voted 8-1 to authorize counsel for CCCERA to file an *amicus curiae* brief in support of the Orange County Employees Retirement System in the case of *Toby L. Block v. Orange County Employees Retirement System*. OCERS' position in the case is that California Government Code section 31838.5 prevents retired members from receiving disability and service retirement allowances from reciprocal retirement systems in an amount that exceeds the amount they would have received had their service been with only one system. (Yes: Gaynor, Hast, Katz, Pollacek, Rey, Telles, Viramontes and Wedington) (No: Cabral)

8. Valuation, December 31, 2006

Angelo reviewed the Economic Actuarial Assumptions for December 31, 2006. He explained, clarified and answered questions on each assumption, and noted that they are recommending a change in the investment return assumption only.

His recommendations for the economic actuarial assumptions for the December 31, 2006 Actuarial Valuation are as follows:

- Investment Return - Reduce the rate from 7.90% per annum to 7.80% per annum.
- Inflation - Maintain the rate at 3.75% per annum.
- Individual Salary Increases - Maintain the inflationary salary increase assumption at 3.75% and maintain the real "across-the-board" salary increase assumption at 0.50%. (He noted the promotional and merit increase assumption ranges from 0% to 11.80% for General and 0% to 9.20% for Safety.) The promotional and merit increases will be reviewed as part of the non-economic (demographic) assumptions report, which will be presented after completion of the triennial experience study.
- Terminal Pay - the recommendation will be included in the non-economic assumptions report.
- Frequency of Review of Economic Actuarial Assumptions - he recommended review of the actuarial economic assumptions every three years in conjunction with the triennial experience study of non-economic assumptions.

Angelo reviewed each assumption in-depth, explaining the components that went into each assumption, and noting the overall net effect of the recommendations including the recommended change and what impact it would have on the employer and employee.

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Angelo gave a brief review of the Triennial Experience study process.

It was **M/S** to keep the Investment Return rate at 7.90% for the next 3 years. After discussion the motion was withdrawn.

There was a **motion** to accept the actuary's recommendation to reduce the Investment Return rate from 7.90% per annum to 7.80% per annum for three years.

After discussion on the investment consultants surveyed, Angelo noted the consultants surveyed work for '37 Act Counties and have provided their best estimates on future returns. He noted their opinions are not based on historical performance. It was **M/S** to call for the question. (Yes: Gaynor, Katz, Pollacek and Wedington) (No: Cabral, Hast, Rey and Telles) **The motion to call the question failed.**

There was continued discussion on reviewing the Investment Return assumption on a yearly or triennial basis, and the 5 year smoothing method. Counsel reminded Board Members of their fiduciary duty to administer the retirement fund for the benefit of all CCCERA members and beneficiaries rather than for the benefit only of the employee/employer groups that elected or appointed them to the Board.

A substitute motion was offered. It was **M/S** to leave the Investment Return Assumption at 7.9% and revisit after one year. (Yes: Hast, Rey and Telles) (No: Cabral, Gaynor, Katz, Pollacek, Viramontes and Wedington) **The motion failed.**

On the original motion, it was **M/S/C** to accept the recommendation of the actuary to reduce the Investment Return rate to 7.80% and to review the Investment Return rate every 3 years. (Yes: Gaynor, Katz, Pollacek, Viramontes and Wedington) (No: Cabral, Hast, Rey and Telles)

It was **M/S/C** to accept the Actuary's recommendation to maintain the Inflation rate at 3.75%, maintain the inflationary salary increase assumption at 3.75% and maintain the real "across-the-board" salary increase assumption at 0.50% and to review every 3 years. (Yes: Gaynor, Katz, Pollacek, Viramontes and Wedington) (No: Cabral, Hast, Rey and Telles)

**9. Automatic Cost of Living for Retirees**

It was **M/S/C** to adopt the automatic cost-of-living increase for retirees, effective April 1, 2007, as recommended by the actuary. (Yes: Cabral, Gaynor, Hast, Katz, Pollacek, Rey, Telles, Viramontes and Wedington)

**11. Semi-Annual Rebalancing**

Cabral was not present for subsequent discussion and voting.

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Hally reviewed his report regarding the semi-annual rebalancing of the portfolio. It was **M/S/C** to accept the Semi-Annual Rebalancing as presented by the Chief Investment Officer. (Yes: Gaynor, Hast, Katz, Pollacek, Remick, Rey, Telles, Viramontes and Wedington)

### **12. Budget versus Actual Expenditures for 2006**

Cabral was present for subsequent discussion and voting.

Leedom reviewed Budget vs. Actual expenditures for 2006. It was **M/S/C** to accept the Budget vs. Actual Expenditures, January through December 2006. (Yes: Cabral, Gaynor, Hast, Katz, Pollacek, Rey, Telles, Viramontes and Wedington)

### **13. March 14, 2007 Board Meeting**

After discussion, it was **M/S/C** to change the March 14 Board Meeting to March 7, 2007. (Yes: Cabral, Gaynor, Hast, Katz, Pollacek, Rey, Telles, Viramontes and Wedington)

### **10. Market Stabilization Account**

Koehler and Hally reviewed their reports. After discussion on the "Contra Tracking Account" and when the account might return to zero, Koehler was asked to provide a detailed list of the expenses that were used in the equation. It was **M/S/C** to accept the Market Stabilization Account as of June 30, 2006. (Yes: Cabral, Gaynor, Hast, Katz, Pollacek, Rey, Telles, Viramontes and Wedington)

### **14. Conference Seminar Attendance**

- (a) It was **M/S/C** to authorize the attendance of all appropriate board and staff at the Annual Conference and Exhibition, NCPERS, May 18 - 24, 2007, Honolulu, HI. (Yes: Cabral, Gaynor, Hast, Katz, Pollacek, Rey, Telles, Viramontes and Wedington)
- (b) It was **M/S/C** to authorize the attendance of Telles and Wedington at the Public Funds Roundtable, Institutional Investor Institute, April 24 - 27, 2007, San Diego, CA (Yes: Cabral, Gaynor, Hast, Katz, Pollacek, Rey, Telles, Viramontes and Wedington)
- (c) No one was able to attend the Portfolio Concepts and Management, Wharton, May 21 -24, 2007, Philadelphia, PA.
- (d) It was **M/S/C** to authorize the attendance of Gaynor and Viramontes at the Hedge Funds, Real Estate and Other Alternative Investments, Wharton, July 9 - 10, 2007, San Francisco, CA. (Yes: Cabral, Gaynor, Hast, Katz, Pollacek, Rey, Telles, Viramontes and Wedington)
- (e) It was **M/S/C** to authorize the attendance of Remick at the Certificate of Achievement in Public Plan Policy (CAPP), International Foundation, March 3 -4, 2007, San Diego, CA. (Yes: Cabral, Gaynor, Hast, Katz, Pollacek, Rey, Telles, Viramontes and Wedington)

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- (f) It was **M/S/C** to authorize the attendance of Remick at the Principles of Pension Management for Trustees, CALAPRS, March 27 - 30, 2007, Palo Alto, CA. (Yes: Cabral, Gaynor, Hast, Katz, Pollacek, Rey, Telles, Viramontes and Wedington)

**15. Miscellaneous**

- (a) Staff Report - Leedom noted Colliers will be the new property management company for the Willows Office Building.

She commented if a new small district is interested in joining CCCERA, no actuarial study will need to be performed if all retirement service is prospective. However, the new district would have different rates because they will not have any unfunded liability upon entrance into the system.

Hally noted that he will be conducting several on-site visits in the next few weeks. He also commented that the Wentworth on-site visit went well but informed the board that George Springman had surgery two days after the on-site visit, is home recovering and will soon be working from his home office.

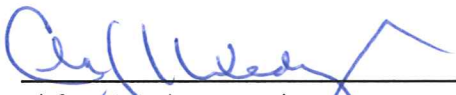
- (b) Outside Professionals' Report - Nothing new to report.

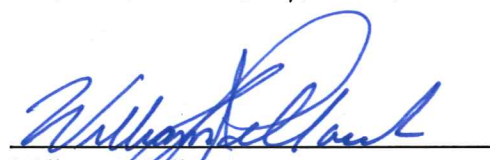
- (c) Trustees' Comments - Cabral commented that at the AFSCME Conference he spoke with a New York City trustee and was informed that they have their money managers sign an anti-embarrassment clause that they will not do anything that causes boards to be embarrassed by the manager's actions. Dunning noted she has tried to negotiate something similar to this with some private equity managers and managers didn't accept this clause. She noted transparency by managers has become a big issue with discussion in D.C. regarding this topic.

Viramontes noted that Bay Area Real Estate will be presenting at the March 7th meeting, to insure the Funds entry deadline is not missed. Hally has not been able to complete the preliminary due diligence on Bay Area Real Estate and hopes to finish within the next few weeks.

Telles informed the board that his December Public Pension Funds conference report will be in a future agenda packet.

It was **M/S/C** to adjourn. (Yes: Cabral, Gaynor, Hast, Katz, Pollacek, Rey, Telles, Viramontes and Wedington)

  
Clifton Wedington, Chairman

  
William J. Pollacek, Secretary