

CONTRA COSTA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

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February 9, 2011

The Board of Retirement met in regular session at 9:00 a.m. on Wednesday, February 9, 2011 in the Conference Room of the Contra Costa County Employees' Retirement Association, 1355 Willow Way, Suite 221, Concord, CA.

Present: Terry Buck, Richard Cabral, Dave Gaynor, Brian Hast, Jerry Holcombe, Sharon Naramore, Jerry Telles, Maria Theresa Viramontes and Russell Watts

Staff: Marilyn Leedom, Retirement Chief Executive Officer; Silvina Leroux, Retirement Deputy Chief Executive Officer; Cary Hally, Retirement Chief Investment Officer; Karen Levy, General Counsel; Kathy Somsen, Retirement Benefits Manager and Rick Koehler, Retirement Accounting Manager

Outside Professional Support:	Representing:
Harvey Leiderman	Reed Smith LLP
Paul Angelo	The Segal Company
John Monroe	The Segal Company

Other Attendees:

Luz Casas	Contra Costa County Employees' Retirement Association (CCCERA) Staff
Christina Dunn	CCCERA Staff
Tracy Kroll	CCCERA Staff
Joelle Luhn	CCCERA Staff
Justine Oyler	CCCERA Staff
William J. Pollacek	Retired Treasurer-Tax Collector
Lucy Fogarty	Contra Costa County Superior Court
John Keel	San Ramon Valley Fire District (SRVFD)
Randy Musgraves	Central Contra Costa Sanitary District (CCCSD)
Gloriann Sasser	CCCSD
Craig Downs	Contra Costa Mosquito & Vector Control District (CCMVCD)
Tina Kaufman	Auditor-Controller
Marie Rulloda	Auditor-Controller
Harjit Nahal	Auditor-Controller
Gene Dangel	Retiree
Debbie Ratcliff	CCCSD
Michelle Johnston	Auditor-Controller
Ray Waletzko	CCMVCD
Colette Curtis-Brown	CCCSD
Ted Cwiek	Contra Costa County Human Resources
Bill Cullen	Retiree
Donna Heymans	Rodeo-Hercules Fire Protection District
Satomi Cadena	Contra Costa County Retired Employees Association
Lisa Driscoll	County Administrator's Office
Kris Hunt	Contra Costa County Taxpayers Association
Lorna Thomson	Self
Sean Casey	First 5 of Contra Costa

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1. Pledge of Allegiance

Telles led all in the *Pledge of Allegiance*.

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 January 26, 2011 meeting with a change to Item 8.b. Outside Professionals' report on page 4 to read "Leiderman reported on the Orange County 3% at age 50 litigation. The Court of Appeals heard oral arguments last week. Orange County's main argument was that the retroactive portion of the enhanced formula was a debt that exceeded the county's revenue, and since it was not approved by the voters, it was unconstitutional. A decision is expected within 90 days". (Yes: Buck, Cabral, Gaynor, Hast, Holcombe, Telles, Viramontes, Watts)

4. Routine Items

It was **M/S/C** to approve the routine items of the February 9, 2011 meeting. (Yes: Buck, Cabral, Gaynor, Hast, Holcombe, Telles, Viramontes, Watts)

5. Segal Presentation on Five Year Projection of Employer Rate Projections - Paul Angelo and John Monroe

Angelo gave an overview of the five-year projection of estimated employer contribution rate changes noting that projections are estimates and not a guarantee of future results. Rate changes are assumed to be from asset gains and losses that are funded as a level percentage of the Association's total active payroll base. Angelo noted the projections are based on information as of 12/31/09 and actual returns for 2010 above the assumed interest rate will have positive changes on these figures.

Angelo defined each cost group's volatility index (VI) as the market value of assets divided by payroll. A higher VI results in less stable contribution rates, and can result from more generous benefits as compared to payroll, more retirees, an older workforce, shorter careers or the issuance of Pension Obligation Bonds.

He compared the VI for each cost group to the "relative VI". He defined "relative VI" as the specific cost group's VI divided by the average VI for the aggregate plan. The Segal Company estimated the rate change due to investment related net asset losses for each individual cost group by multiplying the rate changes for the aggregate plan by the relative volatility index for each cost group.

Angelo illustrated the effect of payroll changes on the VI. He stated as payroll decreases the VI increases due to the market value of assets remaining the same. Angelo noted the employer rate

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changes do not include subvention. The modeling projections are intended to serve as illustrations of future financial outcomes that are based on the information available at the time and actual experience may differ due to variables such as demographic experience, the economy, stock market performance and the regulatory environment.

In public comment, Randy Musgraves, Central Contra Costa Sanitary District, stated he is concerned with the discussion of moving employers between cost groups when they increase or decrease in staff size around the 50 member threshold. He mentioned the Board researched a rate stabilization fund for employers in the past and did not find it feasible. He encourages individual employers to create a rate stabilization fund on their own.

6. COLA Increase- Paul Angelo and John Monroe

Monroe reviewed the recommendation from The Segal Company regarding the recommended cost of living increase (COLA) for retirees. Rounded to the nearest .5%, the current recommendation is for a 1.5% increase effective April 1, 2011.

It was **M/S/C** to adopt the actuary's recommendation of a 1.5% COLA effective April 1, 2011. (Yes: Buck, Cabral, Gaynor, Hast, Holcombe, Telles, Viramontes, Watts)

7. Consider and take possible action on Accounting Technician Project/Temporary position

It was **M/S/C** to authorize staff to hire up to 2 Temporary Accounting staff for completion of outstanding CPAS (Pension Administration System) items. (Yes: Buck, Cabral, Gaynor, Hast, Holcombe, Telles, Viramontes, Watts)

8. Consider and take possible action on semi-annual rebalancing report from staff

Hally reported on the semi-annual rebalancing transactions based on 12/31/10 balances, including the funding of two new global equity portfolios managed by First Eagle and Tradewinds.

It was **M/S/C** to adopt staff's report on semi-annual rebalancing. (Yes: Buck, Cabral, Gaynor, Hast, Holcombe, Telles, Viramontes, Watts)

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

10. Conference Seminar Attendance

(a) It was **M/S/C** to authorize the attendance of four Board members and two staff members at the Annual Conference, Pension Bridge, April 12-14, 2011, San Francisco, CA. (Yes: Buck, Cabral, Gaynor, Hast, Holcombe, Telles, Viramontes, Watts)

(b) It was **M/S/C** to authorize the attendance of two Board members and one staff member at the Limited Partners Meeting, Credit Suisse, March 2, 2011, New York, NY. (Yes: Buck, Cabral, Gaynor, Hast, Holcombe, Telles, Viramontes, Watts)

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- (c) It was **M/S/C** to authorize the attendance of two Board members at the Portfolio Concepts and Management, Wharton, May 23-26, 2011, Philadelphia, PA. (Yes: Buck, Cabral, Gaynor, Hast, Holcombe, Telles, Viramontes, Watts)
- (d) No action was taken on the Certificate of Achievement in Public Plan Policy, International Foundation, March 5-6, 2011, San Antonio, TX.
- (e) It was **M/S/C** to authorize the attendance of four Board members at the Annual Conference, NCPERS, May 21-26, 2011, Miami, FL. (Yes: Buck, Cabral, Gaynor, Hast, Holcombe, Telles, Viramontes, Watts)

11. Miscellaneous

(a) Staff Report -

Leedom reported she has the draft CALAPRS General Assembly agenda for attending Board members.

The Los Angeles Trustees Roundtable Conference will be on the next meeting agenda.

CCCERA received the GFOA Award for "Outstanding Achievement in Popular Financial Reporting for CCCERA's first PAFR, issued for 2009.

The March 23, 2011 and May 25, 2011 meetings will be added to a future agenda for possible rescheduling due to conference conflicts.

Hally reported CCCERA received a distribution of Tesla stock from DBL Investors and sold it immediately for a profit.

Levy reported SB 27, introduced by State Senator Simitian, includes some provisions similar to last year's AB 1987, regarding inclusion in "compensation earnable" items such as cash conversions and final settlement pay, for those retiring after July 1, 2012. The bill also includes the requirement of an audit function under which the retirement board would have to determine whether compensation was paid for the principal purpose of enhancing a member's retirement benefits. For those retiring on or after January 1, 2013, there would be a mandatory period of separation of 180 days between retirement and re-hire.

Two appellate court opinions were recently issued. The first in the County of Orange v. Association of Orange County Deputy Sheriffs, et al. case. The appellate court rejected the County's argument that the retroactive portion of the pension enhancement from 2% at age 50 to 3% at age 50 was unconstitutional. The second case had to do with the retroactive application of pension enhancement to certain state employees, whereby their status would be reclassified from "miscellaneous" to "safety" members. The appellate court agreed with the California Department of Personnel Administration that the reclassification of past service was not included in the legislation approving the enhancement, and therefore the past service could not be subject to the enhancement.

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(b) Outside Professionals' Report -

Leiderman reported that on February 8, 2011, the Orange County Board of Supervisors decided to appeal the 3% at age 50 ruling issued by the appellate court. The California Supreme Court will determine whether to hear the case.

(c) Trustees' Comments -

Cabral asked if we have any ties to the firms in the hedge fund scandals regarding insider trading. Hally reported to his knowledge we have none.

Buck requested information on how the absence of terminal pay for new hires would affect employer contribution rates. Leedom reported the information should be provided to The Segal Company within the next 30 days.

Gaynor reported he attended the CALAPRS Trustee Roundtable which had a presentation on Securities Litigation monitoring services.

CLOSED SESSION

The Board moved into closed session pursuant to Govt. Code Section 54957 to consider the Medical Advisor and/or staff's recommendations regarding disability retirement applications.

The Board moved into open session.

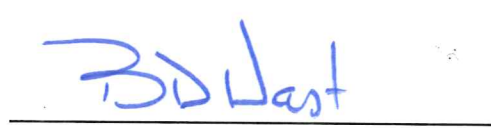
9. Disability Retirements

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

- (a) Timothy Hasey - Service Connected (Yes: Buck, Cabral, Gaynor, Hast, Holcombe, Telles, Viramontes, Watts)

It was M/S/C to adjourn the meeting in memory of Kathaleen Radke. (Yes: Buck, Cabral, Gaynor, Hast, Holcombe, Telles, Viramontes, Watts)


Jerry Telles, Chairman


Brian Hast, Secretary