



**Meeting Date**  
**10/23/13**  
**Agenda Item**  
**#3**

## **RETIREMENT BOARD MEETING MINUTES**

REGULAR BOARD MEETING  
9:00 a.m.

September 4, 2013

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

Present: Debora Allen, Richard Cabral, Scott Gordon, Brian Hast, Jerry Holcombe, Louie Kroll, Karen Mitchoff, John Phillips, Gabe Rodrigues, Jerry Telles, and Rusty Watts

Absent: None

Staff: Marilyn Leedom, Retirement Chief Executive Officer; Kurt Schneider, Retirement Deputy Chief Executive Officer; Timothy Price, Retirement Chief Investment Officer; Karen Levy, Retirement General Counsel; Vickie Kaplan, Retirement Accounting Manager; and Christina Dunn, Retirement Administration Manager

Outside Professional Support: Harvey Leiderman  
Representing: Reed Smith LLP

### **1. Pledge of Allegiance**

Hast led all in the *Pledge of Allegiance*.

### **2. Accept comments from the public**

No members of the public offered comment.

### **3. Approval of Minutes**

It was M/S/C to approve the minutes of the June 26, 2013 meeting. (Yes: Cabral, Hast, Holcombe Mitchoff, Phillips, Rodrigues, Telles and Watts. Abs.: Gordon)

Allen was present for subsequent discussion and voting.

It was M/S/C to approve the minutes of the July 10, 2013 meeting with an amendment to add Rebecca Byrnes, County Counsel, as an Outside Professional in attendance. (Yes: Allen, Cabral, Gordon, Hast, Mitchoff, Phillips, Rodrigues, Telles and Watts)

### **4. Routine Items**

It was M/S/C to approve the routine items of the September 4, 2013 Board meeting. (Yes: Allen, Cabral, Gordon, Hast, Mitchoff, Phillips, Rodrigues, Telles and Watts)

## **CLOSED SESSION**

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

The Board moved into open session.

5. It was **M/S/C** to accept the Medical Advisor's recommendation and grant the service connected disability retirement for Julie Raner. (Yes: Allen, Cabral, Gordon, Hast, Mitchoff, Phillips, Rodrigues, Telles and Watts)
6. There was no reportable action related to Govt. Code Section 54956.9(a).
7. There was no reportable action related to Govt. Code Section 54956.9(b).
8. **Consider and take possible action to direct staff regarding pay items beyond base pay for PEPRAs tiers**

Levy gave an update regarding possible legislation and CalPERS' current implementation of "pensionable compensation" under the Public Employees' Pension Reform Act of 2013 ("PEPRA") statute.

Levy reported that, as directed by the Board, CCCERA staff met with employers and interested parties to discuss specific pay items beyond base pay and is recommending some modifications to the preliminary analysis and pay item spreadsheets presented to the Board in April based on information obtained through this process.

After a lengthy discussion, it was **M/S** to exclude bilingual pay differential from pensionable compensation.

In public comment, Rollie Katz, Local 1, urged the Board to continue to include bilingual pay as pensionable compensation.

In public comment, Joe Young, member of the public, asked the Board to be conservative and include only base pay in pensionable compensation.

In public comment, Bill Cullen, retiree, stated that bilingual pay differential should be included in base pay. He also stated that everyone who is eligible to receive any differentials beyond base pay should have the differentials included in pensionable compensation and not be penalized.

After discussion, a substitute motion was **M/S** to use base pay only for pensionable compensation for PEPRA members and to exclude all other special pay items.

The original motion and second were withdrawn.

After a lengthy discussion, the question was called.

It was **M/S/C** to call for the question. (Yes: Allen, Gordon, Hast, Mitchoff, Phillips, Telles and Watts. No: Cabral and Rodrigues)

It was **M/S/C** to use base pay only for purposes of pensionable compensation for PEPRA members and to exclude all other special compensation. (Yes: Allen, Gordon, Mitchoff, Phillips and Watts. No: Cabral, Rodrigues and Telles. Abs.: Hast). Hast noted that his reason for abstaining is that he agrees with making it more simplistic for employers and employees, but he feels it provides a deterrent to employees and the services they provide and would hope in the future they would eliminate differentials and create different classifications which would include the differentials in the employee's base salaries.

Hast announced that the vote would be taken and recorded again after Public Comment.

In public comment, Vince Wells, President Local 1230, urged the Board to consider the reason why the differentials were put into place and wanted to remind the Board that differentials benefit the employer by saving the employer money.

In public comment, Joe Young, member of the public, expressed his desire for getting back to base pay only since that is what the public wants and what they voted for.

In public comment, Rollie Katz, Local 1, stated he doesn't remember the public voting on this matter. He doesn't feel employers are going to agree to pay all employees in a classification an extra 10% because some of the employees deserve it. He also stated he thinks it's a mistake to think that the base salary matter will be resolved in negotiations.

In public comment, Steve Anderson, board member of a special district in the County but speaking as a private citizen, stated that since we are talking about new employees he does not think there is anything being taken away. He stated that the survival of many special districts is predicated on what the Board decides since including additional pay items in pensionable compensation could make the difference between closing a fire station or not.

In public comment, Alex Aliferis, Contra Costa Taxpayers Association, urged the Board to continue with pension reform. He feels people are leaving California due to the high cost of living. Continued reform will help the state.

It was **M/S/C** to use base pay only for purposes of pensionable compensation for PEPRAs members and to exclude all other special compensation beyond base pay. (Yes: Allen, Gordon, Mitchoff, Phillips and Watts. No: Cabral, Rodrigues and Telles. Abs.: Hast).

Levy asked for clarification on two pay items for the Moraga-Orinda Fire District. The Board clarified that FLSA Pay and Fire Retirement Allotment would be excluded from pensionable compensation because they are beyond base pay and directed staff to notify the Moraga Orinda Fire District and all employers of the Board's determination.

**9. Consider and take possible action to direct staff regarding pay items used to enhance the final retirement benefit**

Schneider reported the Board had requested information regarding certain pay items which were the focus of recent media reports, including on-call pay reportedly paid to members who volunteered to work additional on-call hours during their final compensation period and additional on-call pay reportedly paid to physicians who did not provide on-call services for the time paid. He reviewed his memo on the compensation policy, pay items and compensation enhancements.

Schneider reviewed an example of a compensation enhancement using on-call pay. Leiderman stated it would not be known whether these types of enhancements to compensation can be revisited by the Board until we know the outcome of the AB 197 litigation.

Mitchoff was no longer present for subsequent discussion and voting.

There was a lengthy discussion on on-call pay, call-back pay and spiking.

It was **M/S/C** to direct staff to calculate this member's retirement benefit without on-call pay and send a letter to the member explaining that CCCERA is reviewing the on-call pay further. (Yes: Allen, Cabral, Gordon, Hast, Holcombe, Phillips, Telles and Watts. Abs.: Rodrigues)

In public comment, Rollie Katz, Local 1, stated that on-call pay has always been compensable and now it is an item of concern. He doesn't think the Board should deny the on-call pay as pensionable to the member used in the example.

There was further discussion regarding voluntary and mandatory on-call pay.

In public comment, Rollie Katz, Local 1, asked the Board to be careful comparing what they consider voluntary to what the employers and the unions consider as voluntary.

**10. Consider and take possible action to cause an election to be held to fill the vacancy in the seventh member seat**

Leedom reported the Board has the authority to call an election to fill the vacancy of the seventh (Safety) member seat. The nomination period would be from September 30 through October 25, 2013. The ballots will be mailed on December 23<sup>rd</sup> with an election on January 21, 2014.

It was M/S/C to hold an election at the earliest possible date in order to fill the vacancy in the seventh safety member seat. (Yes: Allen, Cabral, Gordon, Hast, Holcombe, Phillips, Rodrigues, Telles and Watts)

**11. Consider and take possible action regarding the investment consultant for CCCERA**

Price reported the Board Chair requested that staff prepare a memo with options for the Board to consider regarding how to respond to personnel changes recently announced by Milliman.

The Board discussed different options including implementing a policy to review investment consultants, the possibility of having a separate investment consultant and a separate real estate consultant, and the amount of time needed to issue an RFP.

The Board directed staff to conduct an on-site visit to the Milliman office.

**12. Presentation of Administrative expenses: Budget vs. Actual as of June 30, 2013**

Leedom distributed a detailed report of the budget, noting we are currently at 75% of budget. She will present the 2014 budget for approval at a meeting in November or December.

It was M/S/C to accept the Budget vs. Actual Report as of June 30, 2013. (Yes: Allen, Cabral, Gordon, Hast, Holcombe, Phillips, Rodrigues, Telles and Watts).

**13. SACRS Voting Proxy**

It was M/S/C to appoint Jerry Telles as CCCERA's Voting Delegate and Gabe Rodrigues as the Alternate Voting Delegate at the upcoming SACRS Conference. (Yes: Allen, Cabral, Gordon, Hast, Holcombe, Phillips, Rodrigues, Telles and Watts).

Telles was no longer present for subsequent discussion and voting.

**14. Consider and take possible action to reschedule the October 9, 2013 Board meeting**

It was M/S/C to reschedule the October 9, 2013 meeting to Wednesday, October 2, 2013. (Yes: Allen, Cabral, Gordon, Hast, Holcombe, Kroll, Phillips, Rodrigues, and Watts)

**15. Conference Seminar Attendance**

- a. It was M/S/C to authorize the attendance of 2 Board members at the Investment Fundamentals, PIMCO, September 19-20, 2013, Newport Beach, CA. (Yes: Allen, Cabral, Gordon, Hast, Holcombe, Kroll, Phillips, Rodrigues and Watts)

- b. It was **M/S/C** to authorize the attendance of 1 Board member at the Fall Conference, CRCEA, October 21-23, 2013, Fresno, CA. (Yes: Allen, Cabral, Gordon, Hast, Holcombe, Kroll, Phillips, Rodrigues and Watts)
- c. It was **M/S/C** to authorize the attendance of all Board members and all appropriate staff members at the Fall Conference, SACRS, November 12-15, 2013, Indian Wells, CA. (Yes: Allen, Cabral, Gordon, Hast, Holcombe, Kroll, Phillips, Rodrigues and Watts)

**16. Miscellaneous**

(a) Staff Report –

Leedom reported the agenda packets including the quarterly information for the September 11, 2013 meeting have been distributed to Board members.

She noted a dry rot problem with The Willows Office building. The property manager will present information to the Board at a future meeting.

Leedom reported Brown Armstrong will begin training the accounting staff on the new GASB reporting requirements.

Schneider reported progress has been made on the transition from the old retirement software system to the new retirement software system.

Price reported Long Wharf is selling a number of properties in Fund III so there will be some returns coming in soon.

He reported at the next meeting Paulson will be presenting on a possible real estate investment opportunity.

He reported he will be attending an on-site at Aether in Denver on October 28 and 29, 2013.

(b) Outside Professionals' Report -

None

(c) Trustees' comments –

Phillips reported he attended the Harvard course.

Cabral corrected a comment from the previous meeting noting Rebecca Byrnes has never been a County employee and does not collect a CCCERA pension.

Rodrigues reported some DSA members feel the Board is a pro-employer board and not supportive of employees. He questioned if there was a way to get information to members informing them why decisions are made by the Board.

It was **M/S/C** to adjourn the meeting. (Yes: Allen, Cabral, Gordon, Hast, Holcombe, Kroll, Phillips, Rodrigues, and Watts)



**Meeting Date**  
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## **RETIREMENT BOARD MEETING MINUTES**

SECOND MONTHLY BOARD MEETING  
9:00 a.m.

September 11, 2013

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

Present: Brice Bins, Scott Gordon, Brian Hast, Jerry Holcombe, Louie Kroll, Karen Mitchoff, John Phillips, Gabe Rodrigues and Jerry Telles

Absent: Debora Allen and Richard Cabral

Staff: Marilyn Leedom, Retirement Chief Executive Officer; Timothy Price, Retirement Chief Investment Officer; and Christina Dunn, Retirement Administration Manager

Outside Professional Support:	Representing:
Bob Helliesen	Milliman
Marty Dirks	Milliman

### **1. Pledge of Allegiance**

Hast led all in the *Pledge of Allegiance*.

### **2. Accept comments from the public**

No members of the public offered comment.

### **3. Review of total portfolio performance**

Dirks discussed the key points of the quarterly report noting the CCCERA Total Fund returned 0.3% for the second quarter. He stated the CCCERA Total Fund performance has been first quartile over the trailing one through ten year periods. He also reviewed the cumulative performance statistics for all funds.

It was M/S/C to accept the Quarterly Report presented by Milliman. (Yes: Bins, Gordon, Hast, Holcombe, Mitchoff, Phillips, Rodrigues and Telles)

#### **a. Consideration of any managers already under review or to be placed under review**

Dirks reported on the managers on the Watch List.

#### **b. Consideration of any changes in allocations to managers**

There were no changes in allocations to managers.

**4. Consider and take possible action on the International Value Equity Semi-Finalist Report**

Dirks gave an overview of the search process to replace GMO as the International Value Equity Manager. He reported six firms were selected as semi-finalist candidates.

The Board discussed the availability of video conferencing for the initial interview.

After a discussion on the pros and cons of each of the semi-finalist managers, it was **M/S/C** to interview MFS Investment Management, Pyrford International and Schroders Investment Management. (Yes: Bins, Gordon, Hast, Holcombe, Mitchoff, Phillips, Rodrigues and Telles)

The interviews will be held at the October 23, 2013 Board meeting. It was noted that the October 23, 2013 Board meeting will start at 8:30 am.

**5. Consider and take possible action on the Small to Mid-cap Private Equity Semi-Finalist Report**

Dirks gave an overview of the search process to increase the allocation to private equity investments. He reported seven firms were selected as semi-finalist candidates.

After a discussion on the pros and cons of each of the semi-finalist managers, it was **M/S/C** to interview Bay Hills, Horsley Bridge, Sigular Guff and J.P. Morgan. (Yes: Bins, Gordon, Hast, Holcombe, Mitchoff, Phillips, Rodrigues and Telles)

The interviews will be held at a special meeting on October 30, 2013.

**6. Presentation from Paulson & Co. Inc. Real Estate Fund II – Mike Barr, Stephanie Schulman**

Price gave an overview of the background of investing in additional distressed real estate funds noting there is a \$25 million allocation still available to be committed to this fund.

Barr gave an overview of the firm and a summary of the Real Estate Fund II noting that this fund is focused on residential land. He reviewed the terms for the Real Estate Fund II. The expected final close is the end of October to the beginning of November.

**7. Consider and take possible action on staff recommendation regarding Paulson & Co, Inc. Real Estate Fund II**

After a lengthy discussion, it was **M/S/C** to invest a target of \$25 million, but no less than \$20 million, to Paulson and Co, Inc. Real Estate Fund II subject to due diligence, on-site visits, legal review and authorize the CEO to sign the contracts. (Yes: Bins, Gordon, Hast, Holcombe, Mitchoff, Phillips, Rodrigues and Telles)

**8. Conference Seminar Attendance**

- a. It was **M/S/C** to authorize the attendance of 1 Board member at the Trustees' Roundtable, CALAPRS, September 13, 2013, San Jose, CA. (Yes: Bins, Gordon, Hast, Holcombe, Mitchoff, Phillips, Rodrigues and Telles)
- b. There was no action taken on the 23<sup>rd</sup> Annual Northern California Public Retirement Seminar, The Public Retirement Journal, September 26, 2013, Sacramento, CA.

**9. Miscellaneous**

(a) Staff Report –

Leedom reported she will bring investment guidelines back to be updated.

She is planning a fiduciary education presentation at the October 2, 2013 meeting.

She reported one of CCCERA's investments' is the Willows Office Park and on October 23<sup>rd</sup> both the leasing agent and the property manager will give updates on The Willows.

She and Schneider are meeting with the East County Fire finance committee and other employers regarding the drop in the assumed rate and the changes to the contribution rates.

Leedom informed the Board that if they have a new iPad or an existing iPad and want to work with IT on setting up dropbox to please let staff know.

Price noted that he will be scheduling a cash overlay educational presentation within the next three months.

Price reported Invesco came back on Fund III asking for a revision to the guidelines from a 25% cap to a 30% cap. He is going visit one of their construction projects to review and report back. He will also visit Artisan.

Price received a notice from Lord Abbett that their Chief Compliance Officer is retiring at the end of October.

(b) Outside Professionals' Report -

None

(c) Trustees' comments –

Rodrigues asked about reserves for building maintenance at the Willows Office Park.

Holcombe noted this is the 12<sup>th</sup> Anniversary of 9/11 and asked to adjourn the meeting in memory of those who lost their lives, most especially the first responders.

It was **M/S/C** to adjourn the meeting in memory of those who lost their lives, most especially the first responders, on this 12<sup>th</sup> Anniversary of 9/11. (Yes: Bins, Gordon, Hast, Holcombe, Mitchoff, Phillips, Rodrigues and Telles)

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Brian Hast, Chairman

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Jerry Telles, Secretary