

*CONTRA COSTA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION*

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October 10, 2012

The Board of Retirement met in regular session at 9:00 a.m. on Wednesday, October 10, 2012 in the Conference Room of the Contra Costa County Employees' Retirement Association, 1355 Willow Way, Suite 221, Concord, CA.

Present: Debora Allen, Brice Bins, Terry Buck, Richard Cabral, John Gioia, Brian Hast, Jerry Holcombe, Sharon Naramore, John Phillips, Gabe Rodrigues and Jerry Telles

Absent: Maria Theresa Viramontes and Russell Watts

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

Outside Professional Support:	Representing:
Harvey Leiderman	Reed Smith LLP
Bob Helliessen	Milliman
Jeffrey Youngman	Milliman
Marty Dirks	Milliman

Other Attendees:

Karen Davis	Contra Costa County Employees' Retirement Association (CCCERA) Staff
Christina Dunn	CCCERA Staff
Jessica Huffman	CCCERA Staff
Kelli Ingersoll	CCCERA Staff
Rhonda Jones	CCCERA Staff
Tracy Kroll	CCCERA Staff
Joelle Luhn	CCCERA Staff
Nannette Mendoza	CCCERA Staff
Justine Rossini	CCCERA Staff
Bill Cullen	Self
Gloriann Sasser	San Ramon Valley Fire District (SRVFD)
Jackie Lorrekovich	Contra Costa County Fire District
Rich Grace	Contra Costa County Fire District
Kelli Zenn	Contra Costa County Fire District
Brandy Sandborn	Superior Court
Carol Raymond	Health Services
Todd Smithey	Central Contra Costa Sanitary District (CCCSD)
Teji O'Malley	CCCSD
Jim Bickert	Deputy Sheriff's Association (DSA)
Ken Westermann	DSA
Lucy Fogarty	Superior Court
Michelle Johnston	Auditor-Controller
Kris Hunt	Contra Costa County Taxpayers Association
Shawn Garcia	First 5 Contra Costa County
Laura Strobel	County Administrator's Office (CAO)
Lisa Driscoll	CAO

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Laura Case	Office of Supervisor Mitchoff
Mary Jo Castruccio	Risk Management
Denise Rojas	Risk Management
Sue Casey	Moraga-Orinda Fire Department
Pat Patterson	RSG of Contra Costa County
Marnie Huddleston	First 5 of Contra Costa County
Frances Trant	Contra Costa Housing Authority
John Hunter	Contra Costa Housing Authority
Robert Leete	SRVFD
Rollie Katz	Local One
Mary Ann Mason	County Counsel
Steve Houghton	Superior Court

**1. Pledge of Allegiance**

Hast led all in the *Pledge of Allegiance*.

**2. Public Comment**

Kris Hunt, Contra Costa County Taxpayers Association, stated she read a letter at the last meeting that wasn't attached to the minutes so she brought copies to share. She also stated the minutes didn't include Gioia's request to have staff research the cost to record the meetings. She felt having the meetings televised would allow members access to the meetings.

Wendy Lacke, Contra Costa County Taxpayers Association, stated she felt having the closed session portion of the meeting in the middle of the agenda was an inconvenience.

Lisa Driscoll, County Administrator's Office, spoke against Item 12 stating the County does not have control over the increased costs that would affect the County's unfunded liability and felt the Court Commissioners' retirement incentive pay should not be included in their retirement calculation.

**3. Approval of Minutes**

It was **M/S/C** to approve the minutes of the August 29, 2012 meeting. (Yes: Allen, Bins, Buck, Cabral, Gioia, Hast, Holcombe, Phillips and Telles)

It was **M/S/C** to approve the minutes of the September 12, 2012 meeting with an amendment to Item 9 which should read "It was **M/S/C** to accept the Hearing Officer's recommendation and deny the service connected disability retirement for Cleo Patzer-Alvarado", and to Item 10 which should read "It was **M/S/C** to accept the Medical Officers/Staff recommendation and grant the service connected disability retirement for David Carpenter." (Yes: Allen, Bins, Buck, Cabral, Gioia, Hast, Holcombe, Phillips and Telles)

**4. Routine Items**

It was **M/S/C** to approve the routine items of the October 10, 2012 meeting. (Yes: Allen, Buck, Cabral, Gioia, Hast, Holcombe, Phillips and Telles. Abs: Bins)

**5. Educational presentation on pension reform legislation (AB 340 and AB 197)**

Leedom reported there may be topics discussed and questions asked during this presentation that will need to be answered at a future date. She stated she will be mailing a letter to all employers offering to provide meeting times to discuss changes as outlined in this presentation.

Levy reported The California Public Employees' Pension Reform Act of 2013 (PEPRA) was signed into law in September 2012. She reported PEPRA applies to state and local public retirement systems and to their participating employers, (except the University of California, charter cities and charter counties) and to all County Employees Retirement Law of 1937 (CERL or '37 Act) systems, including CCCERA, and their participating employers.

Levy explained that the purpose of this study session is to present and discuss the new legislation at a public meeting with the Board of Retirement. The information provided today may be updated as CCCERA continues to analyze the legislation. If there is any discrepancy between what is contained in this presentation and the law, the law will govern.

Levy reviewed the definition of "new members" who will be subject to the new PEPRA tiers, "legacy members" who will not be subject to the new PEPRA tiers, and reciprocity.

Leiderman commented that the legislation does not affect retirement benefits for current retirees.

Schneider reported PEPRA requires new retirement formulas for "new members", but allows the current plan to continue if it is less costly than the new PEPRA formulas. He also reported the new formula will mean new contribution rates for employers. The PEPRA formula for CCCERA general members will be 2% at age 62. The PEPRA formula for CCCERA safety members will be 2.7% at age 57.

Levy discussed the benefits for current safety members who retire with an industrial disability and noted that PEPRA uses the term "industrial disability" which is the CalPERS term for what the '37 Act refers to as a "service connected disability." The PEPRA legislation includes in new Section 7522.66(a)(1) a benefit of fifty percent of final compensation plus an annuity purchased with the member's "accumulated contributions, if any." It is unclear where the funding for the additional annuity would come from. Leiderman commented that the additional annuity would create a new unfunded liability and would increase the contribution rates for employers of safety members.

Levy reviewed the definition of "pensionable compensation" for new members in the PEPRA tiers. Leedom noted this is another item which will need review and further analysis. Levy reviewed the list of items of compensation excluded from "pensionable compensation" for the new PEPRA tiers.

Levy reviewed the Legislative changes to the CERL (AB 340 and AB 197). AB 340 addresses the following: 1) The Retirement Board's determination of whether the compensation paid by the member's employer was paid to enhance retirement; 2) CERL employer reporting of compensation to CCCERA; 3) The Retirement Board's audit of employers and examination of employer records; and 4) Cost sharing for

"legacy" employees (current employees). AB 197 amended the CERL definition of "compensation earnable" for all members.

She also reviewed section 31542, which was added to the Government Code. This provision mandates that the Board establish a procedure for assessing and determining whether an element of compensation was paid to enhance a member's retirement benefit.

Leedom gave an email address of [info@ret.cccounty.us](mailto:info@ret.cccounty.us) for members and employers to submit questions regarding implementation of the new legislation. The email address will only be available for 30 days.

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

Cabral was not present for subsequent discussion and voting.

#### **11. Semi-finalist report for Global Real Asset search**

Helliesen gave an overview of the manager search process noting they selected 6 firms as semi-finalist candidates. Alliance Bernstein, Goldman Sachs, two PIMCO strategies and two Wellington Management Company strategies. He stated the Board may want to hire two managers due to the amount of money being invested.

Helliesen reviewed the pros and cons for Alliance Bernstein, Goldman Sachs and both PIMCO products.

Youngman reviewed the pros and cons for both Wellington products.

Cabral was present for subsequent discussion and voting.

After Board discussion, it was **M/S/C** to interview Wellington Diversified Inflation Hedges, Wellington Real Total Return, PIMCO All Assets and Goldman Sachs at a Special Meeting on November 28, 2012. (Yes: Allen, Bins, Buck, Cabral, Gioia, Hast, Holcombe, Phillips and Telles)

#### **CLOSED SESSION**

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

The Board moved into open session

#### **6. Disability Retirements**

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

- a. Elena Wagnon - Non-Service Connected (Yes: Allen, Bins, Buck, Cabral, Gioia, Hast, Holcombe, Phillips and Telles)
- b. Marco Biagini - Service Connected - This item was continued to a future meeting.

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- c. Brenda Sutherland - Non-Service Connected (Yes: Allen, Buck, Cabral, Gioia, Hast, Holcombe, Phillips and Telles. Abs: Bins)
- d. Richard Haitt - Service Connected (Yes: Allen, Bins, Buck, Cabral, Gioia, Hast, Holcombe, Phillips and Telles)

7. It was **M/S/C** to accept the Medical Advisor's recommendation and approve the service connected disability retirement for Sheila Smith. (Yes: Allen, Bins, Buck, Cabral, Gioia, Hast, Holcombe, Phillips and Telles)

Telles recused himself from Item 8 and was not present for subsequent discussion and voting.

8. There was no reportable action related to Govt. Code Section 54956.9(a).

Telles was present for subsequent discussion and voting.

9. There was no reportable action related to Govt. Code Section 54956.9(b).

Allen and Cabral were no longer present for subsequent discussion and voting.

10. There was no reportable action related to Govt. Code Section 54956.9(a).

**12. Request from the Courts regarding new pay item**

Steve Houghton, Court Commissioner, addressed the Board. He stated that he also had been authorized by the three other affected court commissioners to speak on their behalf. He stated that he believed the issue of the payment being made to the four commissioners had no precedent, and asked that the Board agree that the amounts paid to the commissioners by the court (up to \$38,000 per commissioner) be treated as pensionable compensation. He stated that the Commissioners' jobs were being eliminated by statewide court cutbacks, so they were being forced into early retirement, not voluntarily retiring. Accordingly, he stated that the payment was not really an incentive to retire, but was in actuality a payment in exchange for agreeing not to sue for wrongful termination, violation of age discrimination laws, and other claims that would be released in exchange for the payment. When asked by the Board's Fiduciary Counsel what services had been rendered in exchange for the payment, Mr. Houghton stated it was more for future services they were not going to render. Counsel noted that the Board's published Policy for Determining Which Pay Items are "Compensation" for Retirement Purposes required the compensation to be "payments for services rendered".

The Board noted that if the incentive payment was included as compensation for retirement purposes it would increase the members' retirement allowance. The contributions that would be paid on the incentive payment would fund only a small fraction of the additional actuarial liability thus creating a substantial additional Unfunded Actuarial Accrued Liability (UAAL). Since the Superior Court is pooled together in a cost group with the County the additional UAAL would be allocated to all the employers in the cost group by payroll. As a result about 92% of the additional UAAL would be funded by the County. Board members encouraged the parties to develop a payment method that might qualify as a pensionable benefit but be paid for by the Superior Court, not the County.

Following Board discussion, it was **M/S/C** to deny inclusion of the payment proposed by the Contra Costa County Superior Courts to the commissioners as part of their "compensation earnable" for purposes of calculating their retirement allowances. (Yes: Bins, Buck, Gioia, Hast, Holcombe, Phillips and Telles).

Gioia was not present for subsequent discussion and voting.

**13. Cancel or reschedule the November 7, 2012 Board meeting**

It was **M/S/C** to reschedule the November 7, 2012 meeting to Tuesday, October 30, 2012 at 10:00 a.m. and cancel the November 7, 2012 meeting. (Yes: Bins, Buck, Hast, Holcombe, Phillips and Telles)

**14. SACRS Voting Proxy form**

It was **M/S/C** to appoint Maria Theresa Viramontes as CCCERA's Voting Delegate and Gabe Rodrigues as the Alternate Voting Delegate at the upcoming SACRS Conference. (Yes: Bins, Buck, Hast, Holcombe, Phillips and Telles)

**15. Conference Seminar Attendance**

- (a) It was **M/S/C** to authorize the attendance of all Board members and appropriate staff members at the Fall Conference, SACRS, November 13-16, 2012, Hollywood, CA. (Yes: Bins, Buck, Hast, Holcombe, Phillips and Telles)
- (b) It was **M/S/C** to authorize the attendance of 1 staff member at the 3<sup>rd</sup> Annual Global Real Assets Investment Forum, Institutional Investor, February 12-13, 2013, New York, NY. (Yes: Bins, Buck, Hast, Holcombe, Phillips and Telles)
- (c) It was **M/S/C** to authorize the attendance of 2 Board members at the CALAPRS Trustees Roundtable, October 19, 2012, Burbank, CA. (Yes: Bins, Buck, Hast, Holcombe, Phillips and Telles)

**16. Miscellaneous**

- (a) Staff Report -

Leedom reported the next Board meeting will be on Thursday, October 18, 2012.

Leedom and Price are planning on-site visits on Tuesday and Friday during SACRS. If any Board members are interested in attending, please let Marilyn or Tim know.

- (b) Outside Professionals' Report - None

- (c) Trustees' Comments -

Hast directed staff to update the website regarding implementation of the pension reform legislation and the upcoming Board meeting.

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Telles reported he just attended the CII Fall Conference and it had some interesting speakers. He was very interested in a presentation on cyberspace and the technology being used to protect websites and would like to have an educational item on cyberspace investments at a future meeting.

Phillips reported he and Allen met with WHV, noting CCCERA has invested with them for 21 years.

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

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Maria Theresa Viramontes, Chairman

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John Phillips, Secretary