

# **CONTRA COSTA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION**

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March 15, 2006

The Board of Retirement met in regular session at 9:00 a.m. on Wednesday, March 15, 2006, in the Conference Room of the Contra Costa County Employees' Retirement Association, 1355 Willow Way, Suite 221, Concord, CA.

Present: Richard Cabral, Dave Gaynor, John Gioia, Brian Hast, Paul Katz, Louis Kroll, Sharon Naramore, William J. Pollacek, Bob Rey, Jerry Telles, and Clifton Wedington.

Staff: Marilyn Leedom, Retirement Chief Executive 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
John Monroe	Segal
Bob Helliesen	Milliman USA
Rebecca Byrnes	County Counsel

Other Attendees:	
Joelle Luhn	Contra Costa County Employees' Retirement Association (CCCERA) Staff
Charice Hester	CCCERA Staff
Sandy Ramser	CCCERA Staff
Mary Lou Williams	Retirees' Association
Dante Siracusa	Contra Costa County Superior Courts
Melissa Theofanopoulos	San Ramon Valley Fire Protection District (SRVFPD)
Joan Woods	SRVFPD
Craig Bowen	SRVFPD
Jason Crapo	County Administrator's Office
Ed Irwin	Retiree Support Group
Terry Buck	Contra Costa County Fire

## **1. Sandy Ramser, Retirement**

Wedington thanked and congratulated Sandy Ramser on the occasion of her Retirement from CCCERA after 18 years.

## **2. Public Comment**

No members of the public offered comment.

## **3. Approval of Minutes**

After noting Telles and Kroll left before the Adelante Presentation, and changing the vote on item 6 and adjournment to remove Telles' name, it was M/S/C to approve the minutes of the February 22, 2006 meeting as amended. (Yes: Cabral, Gaynor, Gioia, Hast, Katz, Pollacek, Rey, Telles, Wedington)

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**4. Routine Items**

It was M/S/C to approve the routine items of the March 15, 2006 meeting. (Yes: Cabral, Gaynor, Gioia, Hast, Katz, Pollacek, Rey, Telles, Wedington)

The Board moved into closed session pursuant to Govt. Code Section 54957 and 54956.9 (c) to consider the Medical Advisor and or staff's recommendation regarding disability retirement applications and to consult with counsel regarding cases currently being litigated.

The Board moved into open session.

**5. Disability Retirements**

- (a) Paul Lozada Refer back to the applicant's doctor (Yes: Gaynor, Gioia, Hast, Pollacek, Wedington; No: Cabral, Katz, Kroll, Telles)

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

- (b) Arlene Prather Non-service Connected (Yes: Cabral, Gaynor, Gioia, Hast, Katz, Pollacek, Rey, Telles, Wedington)  
(c) Ronna Stice Non-service Connected (Yes: Cabral, Gaynor, Gioia, Hast, Katz, Pollacek, Rey, Telles, Wedington)

**6. Potential Litigation**

In Closed Session the Board ratified the settlement of a dispute between CCCERA and Trust Company of the West ("TCW") relating to a money management agreement. Without in any way acknowledging any liability and to avoid future protracted litigation, the agreement provides that TCW shall pay to CCCERA \$386,000 in settlement of disputed transaction fees and expenses and further that TCW shall forego and release any claim it has for management fees pursuant to the contract in dispute. Both TCW and CCCERA exchanged mutual releases.

**7. Review of Economic Actuarial Assumption for the December 31, 2005 Actuarial Valuation**

Angelo began by stating that CCCERA reviews Economic Actuarial Assumptions annually. He explained, clarified and answered questions on each assumption, and noted that the salary increase assumption has three components:

- Inflationary Salary increases,
- Real "across the board" salary increases, and
- Promotional and merit increases.

His recommendations for the economic actuarial assumptions for the December 31, 2005 Actuarial Valuation are as follows:

- **Investment Return** - Maintain the rate at 7.90% per annum.
- **Inflation** - Reduce the rate from 4.00% per annum to 3.75% per annum.
- **Individual Salary Increases** - Reduce the inflationary salary increase assumption from 4.00% to 3.75% and increase the real "across-the-board" salary increase assumption from 0.25% to 0.50%. The promotional and merit increases will be reviewed at the next actuarial experience study.
- **Terminal Pay** - Maintain the current assumptions. A more thorough review of this assumption will occur at the next triennial actuarial experience study.

Angelo reviewed each assumption in-depth, explaining the components that went into each assumption, and noting the overall net effect of the recommendations would result in no impact on employer and employee contribution rates. It was M/ to change the investment return assumption to 8%. There was no second. It was M/S to have a study on the implementation of these rates for July 1, 2006. **The motion was withdrawn.** It was M/S/C to adopt all of the actuary's recommendations. (Yes: Gaynor, Gioia, Hast, Katz, Pollacek, Rey, Telles, and Wedington; No: Cabral)

It was the consensus of the Board to agendaize for the first meeting in April, for discussion, a different implementation date for contribution rates. The Board would like to consider the scope, any alternatives, including building in loss or gains to the rate and to incorporate the Administrative practicalities of any changes.

#### **8. Excess Earning/Interest Crediting Policy**

Dunning reviewed her proposed consolidated policy on Interest Crediting and Excess Earnings. She noted Steefel, Segal and CCCERA had consulted to draft the combined Interest Crediting and Excess Earnings policy. Dunning discussed three key points of the policy as follows:

1. The policy will require the interest deficiencies from prior years be made up before using funds for ancillary benefits.
2. After the Contra Tracking Account is brought to zero, the system would maintain the contingency reserves of non-valuation assets including the 1% statutory and the 1% Board designation.
3. There are various ways the excess earnings can be handled as authorized by statute, but notes the law is constantly changing and feels it would be prudent to understand options, but not put in stone.

Discussion followed, noting that this policy, while including changes from previous policies, would strengthen the system as a whole by requiring previous deficits to be made up before authorizing use of excess earnings.

**Comments from the Public** - Ed Irwin, Retiree Support Group, requested that all retirees be allowed to attend a future meeting to discuss this policy.

Jason Crapo, County Administrator's Office, questioned the priority of the items in Step 4.

There was continued discussion regarding adding retiree Dollar Power as a specific line item to be completed before other discretionary uses of excess earnings.

It was the consensus of the Board that this matter be placed on the May Agenda, to include discussion of valuation and non-valuation reserves, with a letter to all interested parties requesting their input at the meeting. Gioia suggested that it might be useful to have a representative from each group address issues.

**9. Alternate Voting Proxy for SACRS Conference**

It was M/S/C to nominate Rey as alternate voting proxy for the Spring SACRS Conference. (Yes: Cabral, Gaynor, Gioia, Hast, Katz, Pollacek, Rey, Telles, and Wedington)

**10. SACRS Officer for 2004-2005**

It was M/S/C to support the nominations for the slate of SACRS officers for 2006 - 2007. (Yes: Cabral, Gaynor, Gioia, Hast, Katz, Pollacek, Rey, Telles, and Wedington)

**11. Conference Seminar Attendance**

- (a) It was M/S/C to authorize the attendance of all appropriate Board and staff at the Spring Conference, SACRS, May 9 - 12, 2006, Sacramento, CA. (Yes: Cabral, Gaynor, Gioia, Hast, Katz, Pollacek, Rey, Telles, and Wedington)
- (b) It was M/S/C to authorize the attendance of Hast for an additional night, April 6, 2006, and Wedington at the Public Funds Round Table, Hedge Funds Institutional Forum, April 6-7, 2006, Santa Barbara, CA. (Yes: Cabral, Gaynor, Gioia, Hast, Katz, Pollacek, Rey, Telles, and Wedington)

**12. Miscellaneous**

- (a) Staff Report - Leedom noted she will return to the Board in April with an update on the Benefits Software project. The previous project manager left CCCERA to accept another position. Because of the timing on the project she will recommend that LRWL, the consultant company, provide additional coverage for the project. In addition, updates need to be made to the imaging system and the network environment for optimal performance of the new system. Leedom noted she has hired a new Information Technology Coordinator, Son Lu, who will begin on March 20, 2006.

Leedom noted that Segal's three-year contract is up for renewal and will be on the April Agenda.

- (b) Outside Professionals' Report - no report.

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- (c) Trustees' Comments - Rey - commented on the NCPERS conference he recently attended. The topic was Other Post Employment Benefits (OPEB) and included a session on how to answer questions from the media. He felt the conference would be valuable for Leedom, Hally or other staff to gain tools to deal with these topics.

Cabral commented on NCPERS as well, noting that he would encourage others to attend this conference. He also commented on the Klausner Conference he attended with Hast. He noted it was a good conference with information on health care costs.

Gioia - noted OPEB is a big item and liability has to be disclosed by public agencies. Employers will need to put aside funds for this obligation, and he wonders what can be done to pre-fund this benefit. He reviewed the current practice of how retiree health care coverage is currently granted at the County. He feels employees who have a career with Contra Costa County should be rewarded with retiree health care.

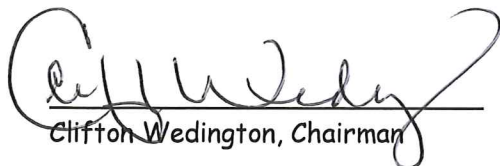
Naramore - noted the Disaster Recovery Plan session discussed at CALPERS. Leedom stated the AS400 currently used for retiree checks is older, but the County does have a system that could be used during a disaster.

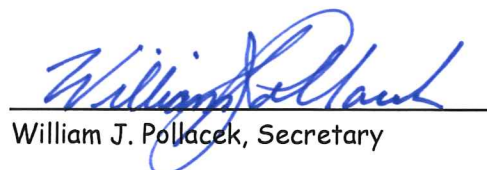
Telles - commented he understood from Steefel, Levitt and Weiss' Conference that the Board has the ability to discuss the Chief Executive Officer's salary in closed session, and he would like a determination from Leiderman.

Pollacek - commented on the conference put on by the SACRS Legislation Committee. The conference was from 8:00 a.m. until 5:30 p.m., with Ted Kennedy, Jr. as a guest speaker. The conference was well attended with a number of individuals from other counties.

Telles noted from discussions during CALAPRS, the issue of Defined Contribution versus Defined Benefits is not over.

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

  
Clifton Wedington, Chairman

  
William J. Pollacek, Secretary