

CONTRA COSTA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

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June 13, 2012

The Board of Retirement met in regular session at 9:00 a.m. on Wednesday, June 13, 2012 in the Conference Room of the Contra Costa County Employees' Retirement Association, 1355 Willow Way, Suite 221, Concord, CA.

Present: Debora Allen, Terry Buck, Richard Cabral, John Gioia, Jerry Holcombe, Sharon Naramore, John Phillips, Jerry Telles, Maria Theresa Viramontes and Belinda Zhu

Absent: Brian Hast

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

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

Other Attendees:	
Luz Casas	Contra Costa County Employees' Retirement Association (CCCERA) Staff
Christina Dunn	CCCERA Staff
Karen Davis	CCCERA Staff
Jessica Huffman	CCCERA Staff
Tracy Kroll	CCCERA Staff
Joelle Luhn	CCCERA Staff
Mary Lou Williams	Contra Costa County Retirees' Association
William J. Pollacek	Retired Treasurer-Tax Collector
Todd Smithy	Central Contra Costa Sanitary District
Brandy Sanborn	Contra Costa County Superior Courts
Maria Catanese	Retiree
Wendy Lacke	Contra Costa Taxpayer's Association
Dan Borenstein	Contra Costa Times
Bob Campbell	Contra Costa County Auditor-Controller's Office

1. Pledge of Allegiance

Viramontes 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 May 2, 2012 Board meeting. (Yes: Buck, Cabral, Phillips, Telles and Viramontes. No: Allen and Zhu. Abs: Gioia)

It was **M/S/C** to approve the minutes of the May 23, 2012 Board meeting. (Yes: Allen, Buck, Cabral, Gioia, Phillips, Telles, Viramontes and Zhu)

It was the consensus of the Board to move to item 5.

5. Presentation from The Segal Company and Reed Smith, LLP regarding the actuarial assumptions used in the calculations of the Optional Settlements at retirement. - Paul Angelo, John Monroe and Harvey Leiderman

It was **M/S/C** to release to the public the confidential memo from Harvey Leiderman of Reed Smith LLP, regarding Optional Settlement Allowances. (Yes: Allen, Buck, Gioia, Phillips, Telles, Viramontes and Zhu. Abs: Cabral)

Angelo discussed the CERL statutes which allow Optional Settlement allowances for retiring members. He explained the calculation to determine the actuarial equivalence of Optional Settlement allowances contains three factors: the mortality assumption, the interest assumption and the Cost-of-Living Adjustment (COLA) assumption. Angelo noted the amount of an Optional Settlement allowance must be lower than the retiree's lifetime allowance, since there is a chance some payments will be made after the retiree's death. He also noted the amount of reduction is determined so that the present value of the reduced Optional Settlement allowance is the same as the present value of the unmodified lifetime allowance.

Angelo reviewed examples of Optional Settlement allowances with a 0% COLA compared to a 3% COLA. He stated the current practice of using a 0% COLA assumption in the calculation of benefit amounts under optional forms of payment results in higher benefit amounts payable under Optional Settlements 2 through 4 as compared to the benefit amount that would result if the COLA assumption was higher than 0%. He noted two other CERL systems have COLA assumptions calculated in their Optional Settlement allowances, San Diego County Employee's Retirement Association and San Joaquin County Employee's Retirement Association.

Angelo explained that by not reflecting COLAs in the calculation of these optional settlement payments and since the assumed future COLAs are reflected in the annual actuarial valuation, there is an actuarial loss that is recognized in the first valuation after the electing member's date of retirement.

In public comment, Wendy Lacke, Contra Costa County Taxpayer's Association, questioned if the loss the system has incurred due to not including the COLA in Optional Settlement allowance calculations has been determined. Angelo confirmed this amount has not been determined.

In public comment, Dan Borenstein, Contra Costa Times, questioned whether a retiree could designate a beneficiary of any age and who may not be a blood relation. Angelo explained the

beneficiary should have an "insurable interest" in the life of the retiree. He also stated the larger the age difference between the beneficiary and the retiree the larger the decrease in the retirement allowance.

In public comment, Bob Campbell, Contra Costa County Auditor-Controller's Office, questioned if by including a COLA in the calculation if it would then be guaranteed to the retiree on an annual basis. Angelo reported the COLA would be an assumption and would not be guaranteed.

Leiderman discussed his legal interpretation of the CERL regarding calculating Optional Settlements confirming that the word "benefit" in Section 31756 of the CERL refers to the retirement formula and the COLA. He noted the Board should review how COLAs are applied to all calculations including service purchases, alternative death benefits and other options available to the member.

After discussion, the Board directed staff to return with information on the implementation of a COLA assumption in the calculation of Optional Settlements, any notification requirements, examples for each retirement tier and, if available, the steps the two CERL systems took to implement a COLA assumption greater than zero in the optional settlement calculations. Staff confirmed this information would be provided at the July 11, 2012 meeting with the actuarial valuation report.

6. Consider and take possible action on Market Stabilization Account.

Kaplan reviewed the Market Stabilization Account's deferred return as of December 31, 2011.

After questions from the Board it was **M/S/C** to accept the Market Stabilization Account report. (Yes: Allen, Buck, Cabral, Gioia, Phillips, Telles, Viramontes and Zhu)

Gioia was not present for subsequent discussion and voting.

7. Staff update on pending legislation pertaining to the County Employees Retirement Law of 1937.

Levy gave an update on legislation relating to the County Employees Retirement Law of 1937 (CERL). She noted AB 340 is currently under the review of the Joint Legislative Conference Committee. She reviewed the details of SB 1494 which authorizes the Contra Costa County Board of Supervisors and the governing boards of districts within the county to negotiate with employee organizations to subject new general members to a "Tier Four" retirement formula and new safety members to a "Tier D" retirement formula. The Tier Four formula will be 2% at age 60, using a three year final compensation period. The Safety Tier D formula will be 3% at age 55, using a three year final compensation period. Both Tiers would have a maximum COLA of 2%.

It was the consensus of the Board to move to item 4.

4. Routine Items

It was **M/S** to approve the routine items of the June 13, 2012 meeting.

After discussion on the approval process for providing payments to retirees, the question was called.

It was **M/S/C** to call for the question. (Yes: Allen, Buck, Cabral, Holcombe, Phillips, Telles, Viramontes and Zhu)

It was **M/S/C** to approve the routine items of the June 13, 2012 meeting. (Yes: Buck, Cabral, Holcombe, Phillips, Telles and Viramontes. No: Allen and Zhu)

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

11. Conference Seminar Attendance

- (a) It was **M/S/C** to authorize the attendance of 2 Board members and 2 staff members at the Fall Meeting, Council of Institutional Investors, October 3 - 5, 2012, Seattle, WA. (Yes: Allen, Buck, Cabral, Holcombe, Phillips, Telles, Viramontes and Zhu)

An amended motion was **M/S/C** to authorize the attendance of 2 Board members and 3 staff members at the Fall Meeting, Council of Institutional Investors, October 3 - 5, 2012, Seattle, WA. (Yes: Allen, Buck, Cabral, Holcombe, Phillips, Telles, Viramontes and Zhu)

- (b) It was **M/S/C** to authorize the attendance of 1 Board member at the Public Pension Investment Management Program, SACRS, July 16 - 18, 2012, Berkeley, CA. (Yes: Allen, Buck, Cabral, Holcombe, Phillips, Telles, Viramontes and Zhu)

CLOSED SESSION

The Board moved into Closed Session pursuant to Govt. Code Sections 54957 and 54956.9(a).

The Board moved into open session.

8. It was **M/S/C** to accept the Medical Advisor's recommendation and grant the following disability benefits:
- a. Derek Henry - Service Connected (Yes: Allen, Buck, Cabral, Holcombe, Phillips, Telles, Viramontes and Zhu)
 - b. David Quintero - Non-service Connected (Yes: Allen, Buck, Cabral, Holcombe, Phillips, Telles, Viramontes and Zhu)
9. It was **M/S/C** to accept the Medical Advisor's recommendation and deny the service connected disability retirement for Shirley Michael. (Yes: Allen, Buck, Cabral, Holcombe, Phillips, Telles, Viramontes and Zhu)

10. Board of Retirement vs. County of Contra Costa, et al

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

12. Miscellaneous

(a) Staff Report

Leedom reported the auditors from Brown Armstrong will present the audit report at the June 27th meeting.

Ballots for the Safety Alternate seat election have been mailed to eligible members and will be tallied on June 27th.

Leedom reported attendance with Price at the Adams Street Conference and the Bay Area Equity Fund Conference.

Leedom also reported Price visited William Blair.

Levy reported she distributed two memos to Board members one regarding changes to FPPC Gift Reporting Rules and one outlining the changes to the 2012 edition of the County Employees Retirement Law of 1937 and the 2012 CCCERA Lawbook.

(b) Outside Professionals' Report - None

(c) Trustees' Comments

Cabral inquired about Board members teleconferencing into meetings.

After discussion, the Board Chair directed staff to return with further information regarding teleconferencing at a future meeting.

Telles distributed sample sheets for tracking gifts received from money managers.

Buck and Cabral requested members be notified if we make a change to the COLA assumption for the calculation of Optional Settlement allowances.

It was **M/S/C** to adjourn the meeting in memory of Gayle Uilkema, County Supervisor and Edward Fleming, former CCCERA Board Member. (Yes: Allen, Buck, Cabral, Holcombe, Phillips, Telles, Viramontes and Zhu)