

CONTRA COSTA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

Page 1

May 16, 2007

The Board of Retirement met in regular session at 9:00 a.m. on Wednesday, May 16, 2007 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, William J. Pollacek, Jim Remick, Bob Rey, Jerry Telles, Maria Theresa Viramontes and Clifton Wedington.

Staff: Marilyn Leedom, Retirement Chief Executive Officer; Cary Hally, Retirement Chief Investment Officer; Rick Koehler, Retirement Accounting Manager; Kathy Somsen, Retirement Benefits Manager; Toni Warren, Retirement Administration Manager.

Outside Professional Support:	Representing:
Ashley Dunning	Steefel, Levitt and Weiss
Rebecca Byrnes	County Counsel

Other Attendees:

Tracy Kroll	Contra Costa County Employees' Retirement Association (CCCERA) Staff
Margie Breen	CCCERA Staff
Karen Davis	CCCERA Staff
Richard Elder	Gregory Frates
Carla Zuloaga	Self
Gregory Frates	Self
Joanne Howard	Self
Marylou Williams	Retirees' Association
Christine Penkala	CCC Human Resources Dept
Robert Campbell	Auditor Controller
Bette Wilkinson	Auditor-Controller
Mike George	Contra Costa County Fire Protection District
James Lee	Patrick Hubert Partners

1. Public Comment

No members of the public offered comment.

2. Approval of Minutes

After amending Cabral's comments on the April 25, 2007 meeting on Page 4 to "Cabral commented he believed that CCCERA employees keep all rights and privileges of county employees" it was **M/S/C** to approve the minutes of the April 19 and April 25, 2007 meeting as amended. (Yes: Cabral, Gaynor, Hast, Katz, Pollacek, Rey, Telles, and Wedington)

Gioia was present for subsequent discussion and voting.

3. Routine Items

After noting a change in 3 (e) from 12/31/07 to 12/31/06, it was **M/S/C** to approve the routine items of the May 16, 2007 meeting. (Yes: Cabral, Gaynor, Gioia, Hast, Katz, Pollacek, Rey, Telles, and Wedington)

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

Viramontes was present for subsequent discussion and voting.

The Board moved into open session.

4. Disability Retirements

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

- | | |
|-------------------------|---|
| (a) Arnold Pehlke | Service Connected (Yes: Cabral, Gioia, Hast, Katz, Pollacek, Rey, Telles, Viramontes, Wedington) |
| (b) John Larsen | Service Connected (Yes: Cabral, Gioia, Hast, Katz, Pollacek, Remick, Telles, Viramontes, Wedington) |
| (c) Billy Bethea | Service Connected (Yes: Cabral, Gioia, Hast, Katz, Pollacek, Rey, Telles, Viramontes, Wedington) |
| (d) Jennifer Abrahamson | Service Connected (Yes: Cabral, Gioia, Hast, Katz, Pollacek, Rey, Telles, Viramontes, Wedington) |
| (e) Jessie Keyt | Service Connected (Yes: Cabral, Gioia, Hast, Katz, Pollacek, Rey, Telles, Viramontes, Wedington) |
| (f) Lucy Garcia | Service Connected (Yes: Cabral, Gioia, Hast, Katz, Pollacek, Rey, Telles, Viramontes, Wedington) |
| (g) Gregory Frates | Service Connected (Yes: Cabral, Gioia, Katz, Pollacek, Rey, Telles, Viramontes, Wedington; Abs: Hast) |

5. Carla Zuloaga

Leedom provided the background regarding Carla Zuloaga's appeal of staff's determination that she is not permitted by law to withdraw her accumulated contributions from CCCERA at this time.

There was discussion on Ms. Zuloaga's unfortunate situation, the 1937 Act, CCCERA Regulations and reciprocity. Dunning believes Ms. Zuloaga still has the right to claim reciprocity with San Joaquin; however, she cannot withdraw her funds from CCCERA because Government Code Section 31701 provides that a member may not withdraw his or her accumulated contributions if within 90 days after discontinuing service in CCCERA he or she becomes a member of a reciprocal retirement system.

When Dunning was asked if there was any way under the law the Board could grant Ms. Zuloaga's appeal to refund her contributions, Dunning responded, she does not believe the law permits the Board to grant Ms. Zuloaga's request while she remains a member of SJCERA.

The Board requested that members receive more information as they exit from our system to prevent this from happening in the future. Leedom noted more information will be added to the forms required for refund of contributions. It was noted if Ms.

CONTRA COSTA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

Page 3

May 16, 2007

Zuloaga terminates employment with San Joaquin County for a certain period of time her funds from Contra Costa can be distributed.

In public comment, Ms. Zuloaga noted every decision she made was based on information given to her by the Retirement Member Services Data Specialist. She was told after going from full time to temporary she would not be able to withdraw CCCERA contributions while still employed by Contra Costa County. She stated that she informed staff at that time she would be changing employment from Contra Costa to San Joaquin County. She informed staff she was going through a financial hardship and requested to have her contribution withdrawal expedited. The termination packet was mailed to her. She was led to believe the disbursement of her funds would be expedited and she would receive the disbursement as soon as possible. She commented that she was not given all information and felt she should not be penalized for someone else's mistake.

Counsel was asked if funds could be distributed because the member relied on verbal information given to her by staff to her detriment and if there could be a claim against the system. Dunning responded it was unfortunate that Ms. Zuloaga was not provided with complete information by staff, but that the Board did not appear to have the legal authority to permit her to withdraw her accumulated contributions because she is now a member of a reciprocal retirement system and that Section 31701 appears to prohibit a withdrawal now. Dunning also noted that this is different from a situation in which a member is irreparably harmed by staff's failure to provide complete information because Ms. Zuloaga can cure the problem and withdraw her contributions if she terminates her membership at SJCERA; Ms. Zuloaga's contributions are being credited with interest by CCCERA at its assumed rate of interest. In addition, if Ms. Zuloaga decides to take advantage of reciprocity as she now is entitled to do, she has the advantages of a lower age of entry for her retirement contribution calculation, additional service credit from CCCERA, among other potential advantages. Dunning noted that reciprocity laws appear to have been intended by the Legislature to afford these types of advantages to members who qualify for them.

After continued discussion on the amount of time she would need to leave the system in order to get a refund and her status as a deferred member, it was **M/S/C** to call for the question. (Yes: Gioia, Hast, Katz, Pollacek, Viramontes, and Wedington; No: Cabral, Rey, Telles)

It was **M/S/C** to accept staff's recommendation to deny Carla Zuloaga's appeal to withdraw her accumulated contributions from CCCERA at this time. (Yes: Gioia, Hast, Katz, Pollacek, Viramontes, Wedington; No: Cabral, Rey, Telles)

Wedington was not present for subsequent discussion and voting.

6. Normal Retirement Age

Leedom noted staff and general counsel has worked with outside tax counsel, Ice Miller, on two issues that need to be determined before the Pension Protection Act of 2006 (PPA) can be enacted. The two issues are:

1. Define Normal Retirement Age for CCCERA members for purposes of implementing portions of the PPA and complying with other applicable tax laws; and
2. Require that a "bona fide separation from service" occur before any retiring CCCERA member who is retiring for service (not disability) who is younger than the Normal Retirement Age, may be employed by their same CCCERA employer and continue receiving a retirement allowance from CCCERA.

Dunning noted for tax reasons, once CCCERA's Board defines "Normal Retirement Age" for its members, it becomes particularly important for the Board also to make it clear that members who retire for service before their Normal Retirement Age must have a "bona fide separation from service". She reiterated this is for service retirement only and cautioned against providing tax advice to CCCERA members.

It was noted that other '37 Act systems have already adopted Normal Retirement Age or will be proposing this to their boards. Staff is still working with tax counsel to determine how this affects elected officials. If approved, at retirement, members will be required to sign an agreement that they do not have a prearranged plan to return to work with their employer, and do not plan to come back within the 90 day period. If they do return, their retirement allowance will be discontinued.

Discussion followed on education of members and employers regarding this issue.

Christine Penkala from the County's Human Resources Department noted notification will be sent to all departments. A "flag" will be included in PeopleSoft that will not allow retirees to return to work if under the Normal Retirement Age.

After discussion, it was **M/S/C** to accept counsel's recommendation to amend the resolution on Normal Retirement Age by inserting a new sentence on page 2 of the resolution before "Bona Fide Separation from Service" and after "55 years of age" that states: "The Board may change or further refine its determination of Normal Retirement Age as described herein in order to comply with any rules or regulations of the Internal Revenue Service or other applicable law. (Yes: Cabral, Gaynor, Gioia, Hast, Katz, Pollacek, Rey, Telles, and Viramontes)

It was **M/S/C** to accept staff's recommendation, with concurrence of outside tax and general counsel, that the Board of Retirement adopt the Resolution of the Board of Retirement of Contra Costa County Employees' Retirement Association, pertaining to Normal Retirement Age and Post Retirement Employment, subject to approval by the

CONTRA COSTA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

Page 5

May 16, 2007

Board of Supervisors. (Yes: Cabral, Gaynor, Gioia, Hast, Katz, Pollacek, Rey, Telles, and Viramontes)

7. Tax Counsel

It was **M/S/C** to accept the recommendation of the ad hoc committee to hire Ice Miller as tax counsel for CCCERA, pending a successful on-site visit and contract negotiation. (Yes: Cabral, Gaynor, Gioia, Hast, Katz, Pollacek, Rey, Telles, and Viramontes)

8. Pension Administration Project Change Order

It was **M/S/C** to approve a change order, not to exceed \$90,000, as requested by staff to implement the safety officer \$3,000 deduction as outlined in the Pension Protection Act of 2006. (Yes: Cabral, Gaynor, Gioia, Hast, Katz, Pollacek, Rey, Telles, and Viramontes)

9. Retirement Benefits Program Coordinator Salary Review

It was **M/S/C** to accept the recommendation of the Chief Executive Officer to approve a 3% equity adjustment to make the salary scale competitive for the Retirement Benefits Program Coordinator Position, retroactive to January 1, 2007. (Yes: Gaynor, Gioia, Hast, Katz, Pollacek, Rey, Telles, and Viramontes; No: Cabral)

10. Chief Investment Officer (CIO) Salary Review

It was noted, for the record, that CCCERA's Chief Investment Officer position has the lowest salary of all six comparable Counties and with the recommended increases in salary will only move to number four of the Counties' surveyed. There was discussion on the amount of staff supervised by other systems and how involved each system might or might not be with investing of retirement funds. It was **M/S/C** to accept the Chief Executive Officer's recommendation to ratify a 24% equity adjustment, to be implemented at a rate of 8% per year over 3 years, beginning June 1, 2007, for the Chief Investment Officer position. (Yes: Gaynor, Gioia, Hast, Katz, Pollacek, Rey, Telles, and Viramontes; Abs: Cabral)

11. Retirement Investment Analyst Position

Hally reviewed staff's request for the addition of a Retirement Investment Analyst position, noting the potential duties of the position. The additional position would be filled by someone with investment knowledge and will allow increased due diligence, tracking and analysis. He noted currently staff participates in approximately 20 - 30 distributions a month involving a significant amount of capital and cash levels need to be monitored.

There was discussion on the growth in assets of the system over the last decade and the complexity of dealing with real estate and private equity managers. There was

concern the salary may be too low, with the request of a Certified Financial Analyst (CFA) or CFA candidate and the salary may have to be revisited if no qualified applications are received. There was discussion by some if CCCERA is ready for additional staff since there is already a CIO and Investment Consultant and if an additional position in accounting might be the best alternative. It was noted in a recent SACRS presentation that systems need to be proactive and be prepared for the magnitude of investments to be ahead of the curve.

After continued discussion, it was **M/S/C** to accept the recommendation of staff to approve the establishment of a new investment analyst position, with a maximum salary of \$96,000. (Yes: Gaynor, Gioia, Hast, Katz, Pollacek, Rey, and Telles; No: Viramontes; Abs: Cabral)

12. Conference Seminar Attendance

- (a) It was **M/S/C** to authorize the attendance of all interested trustees up to a maximum of four at the Trustees' Roundtable, CALAPRS, June 1, 2007, Ontario, CA. (Yes: Cabral, Gaynor, Gioia, Hast, Katz, Pollacek, Rey, Telles; and Viramontes)
- (b) It was **M/S/C** to authorize the attendance of Dunning at the Attorneys' Roundtable, CALAPRS, June 1, 2007, Ontario, CA. (Yes: Cabral, Gaynor, Gioia, Hast, Katz, Pollacek, Rey, Telles; and Viramontes)
- (c) No one was able to attend the Hedge Fund Symposium, Institutional Investor, June 26 - 27, 2007, New York, NY.
- (d) It was **M/S/C** to authorize the attendance of Telles, Gioia, Remick, and Hally (up to four including trustees and staff) at the Investment Trends Summit, Opal Financial Group, July 15 - 17, 2007, Girdwood, AK. (Yes: Cabral, Gaynor, Gioia, Hast, Katz, Pollacek, Rey, Telles; and Viramontes)
- (e) It was **M/S/C** to authorize the attendance of Remick, Rey, and one staff member at the 2007 Client Conference, BlackRock, July 23 - July 24, 2007, Aspen, CO. (Yes: Cabral, Gaynor, Gioia, Hast, Katz, Pollacek, Rey, Telles; and Viramontes)
Staff was directed to re-agendize the conference for the October conference.
- (f) It was **M/S/C** to authorize the attendance of Gaynor at the Certificate of Achievement in Public Plan Policy, International Foundation, June 21 - 22, 2007, Chicago, IL. (Yes: Cabral, Gaynor, Gioia, Hast, Katz, Pollacek, Rey, Telles; and Viramontes)
Staff was directed to re-agendize this for the November 3, 4, 2007 Certificate of Achievement in Public Plan Policy.

13. Miscellaneous

- (a) Staff Report - Leedom noted the Actuarial Termination Study for Moraga-Orinda Fire District has been sent to Moraga-Orinda Fire and their Board. The issue will be moving to their finance committee.

CONTRA COSTA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

Page 7

May 16, 2007

Hally received an email from PIMCO noting they've hired Alan Greenspan as a consultant. He also noted he received preliminary numbers and the total fund is up approximately 3% for the 1st quarter

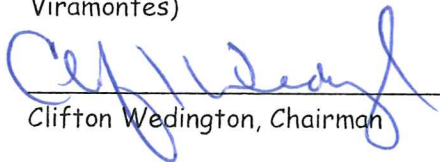
- (b) Outside Professionals' Report - Nothing further to report.
- (c) Trustees' Comments - Viramontes, noted she was approved for an Adams Street Conference in Chicago and must report at all public agencies any conference attendance. She has declined to go to this conference. Instead she will be attending a conference from May 30 - June 3, 2007 in New Orleans on behalf of the City of Richmond.

Rey requested education on the 130/30 product. He noted he was the last CCCERA trustee at the Spring SACRS Conference and Wedington is now Vice President of SACRS. The entire slate of officers was elected as proposed.

The presentation on the last day of SACRS was given by an economics professor from Sacramento State. The study was prepared from facts gathered from CALPRS and CALSTRS. The information was broken down county by county with the impact involved in changing from a Defined Benefit (DB) plan to a Defined Contribution (DC) plan. The group at SACRS was so impressed with this study they were hired to do the same study for SACRS. The information is valuable to determine the impact of DB versus DC plans.

Cabral noted he will be on vacation for the next meeting.

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


Clifton Wedington, Chairman


William J. Pollacek, Secretary