

CONTRA COSTA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

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May 17, 2006

The Board of Retirement met in regular session at 9:00 a.m. on Wednesday, May 17, 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, Louis Kroll, Sharon Naramore, William J. Pollacek, 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
Paul Angelo	Segal Company
Rebecca Byrnes	County Counsel

Other Attendees:	Contra Costa County Employees' Retirement Association (CCCERA) Staff
Tracy Kroll	CCCERA Staff
Joelle Luhn	CCCERA Staff
Luz Casas	CCCERA Staff
Phyllis Osenga	Employment and Human Services Department (EHSD)
Ed Irwin	Retiree Support Group (RSG)
Brenda Wood	AFSCME 512
Mary Lou Williams	Retirees' Association
Brian Morales	San Ramon Valley Fire, Local 3546
Jo Bates	AFSCME 2700
Steve Ojena	RSG
Michael Cline	San Ramon Valley Fire Protection District (SRVFPD)
Brent Shaffer	SRVFPD
Terry Bruce	Contra Costa County Fire Protection District (CCCFPD)
Bonnie Bartlett	Contra Costa Health Services Department (CCHSD)
Ron Walker	IAFF Local 1230
Craig Bowen	SRVFPD
Glenn Turman	SRVFPD
Joan Woods	SRVFPD
Melissa Theofauopoulos	SRVFPD
Christine Gentry	SRVFPD
Alan Guiardon	SRVFPD
Cyndee Kee	AFSCME 2700
Sue Mulligan	RSG
Debbie Ratcliff	Central Sanitary District
Craig Schmitt	SRVFPD
Pat Hathaway	CCCFPD
Jason Crapo	County Administrator's Office

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Herman Walden	Retiree
Mark E. Anderson	SRVPD

1. Public Comment

No members of the public offered comment at this time. Wedington reminded all trustees, before leaving, to pick up their quarterly packets for the May 24, 2006 Board Meeting.

Viramontes was present for subsequent discussion and voting.

2. Approval of Minutes

After amending Page 6, Item 9 (c), first sentence under Wedington's comments, adding "CALPERS/" before CALSTRS and adding "Pension" between "Public" and "Attorneys" on Item 2, first sentence, it was M/S/C to approve the minutes of the April 26, 2006 meeting as amended. (Yes: Cabral, Gaynor, Hast, Pollacek, Rey, Telles, Viramontes, Wedington)

3. Routine Items

After amending the May 17, 2006 Routine Items to correct those members who were listed twice, it was M/S/C to approve the routine items of the May 17, 2006 meeting as amended. (Yes: Cabral, Gaynor, Hast, Pollacek, Rey, Telles, Viramontes, Wedington)
Corrected May 17, 2006 Routine Items will be distributed to all Board Members.

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

Gioia 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) Randall Minvielle Service Connected (Yes: Cabral, Gaynor, Gioia, Hast, Pollacek, Rey, Telles, Viramontes, and Wedington)
- (b) Calvin Bedgood Service Connected (Yes: Cabral, Gaynor, Gioia, Hast, Pollacek, Rey, Telles, Viramontes, and Wedington)
- (c) Darline Sanders Service Connected (Yes: Cabral, Gaynor, Gioia, Hast, Pollacek, Rey, Telles, Viramontes, and Wedington)

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- (d) Carol Fishel Non-Service Connected (Yes: Cabral, Gaynor, Gioia, Hast, Pollacek, Rey, Telles, Viramontes, and Wedington)

5. Wunvilai Garwin

It was M/S/C to accept the Hearing Officer's recommendation to deny Wunvilai Garwin's application for service connected disability. (Yes: Cabral, Gaynor, Gioia, Hast, Pollacek, Rey, Telles, Viramontes, Wedington)

6. Potential Litigation

No reportable action taken.

7. Government Code Section 54956.9(b)

No reportable action taken.

Public Comment

Jo Bates, Business Agent for AFSCME, commented she was opposed to the Interest Crediting/ Excess Earnings draft that would impact current and future retirees. She requested keeping the current priority for distribution of excess earnings.

Brenda Wood, Business Agent for AFSCME Local 512, concurs with Bates. She supports the current priorities for distribution of excess earnings.

Ed Irwin, Retiree Support Group, distributed a copy of a letter sent to the Retirement Association on April 28. He has discussed the new Interest Crediting and Excess Earnings Policy with Leedom. He suggested that the issue be re-agendized to allow more retirees to be present. He noted he received comments from twenty-seven attorneys from their group regarding this issue and requested setting a date so all retirees from out of state can attend.

8. Interest Crediting and Excess Earnings Policy

Dunning reviewed the "Proposed Consolidated Policy on Interest Crediting and Excess Earnings" that the Board was considering. She noted that at the January 21, 2005 "Actuarial Workshop", Paul Angelo from the Segal Company suggested that the Board may wish to consider consolidating its interest crediting and excess earnings policies. Dunning noted CCCERA staff, counsel and the actuary were asked to propose amendments to the proposal and to present the proposal in the form of a single consolidated policy.

Dunning noted that the proposed consolidated Interest Crediting and Excess Earnings Policy provides a mechanism that would address some aspects of the underfunding of the retirement system, by limiting somewhat the circumstances under which CCCERA

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would either use "excess" earnings to provide ancillary benefits or transfer them to county advance reserves.

She then reviewed Government Code sections 31592 and 31592.2, which require certain earnings of the retirement fund to "remain in the fund as a reserve against deficiencies in interest earnings in other years, losses on investments and other contingencies." She discussed CCCERA's Contra Tracking Account, which tracks shortfalls in CCCERA's interest earnings in prior years, and noted that it would be consistent with applicable law to maintain CCCERA's earnings in a manner that reduces the balance in the CTA to zero before accumulating funds in CCCERA's Contingencies Reserves or using earnings for ancillary (non-vested) benefits. Specifically, she discussed the Board's duties under the California Constitution and County Employees' Retirement Law of 1937 (CERL) and the application of that law to the proposed consolidated Interest Crediting and Excess Earnings Policy.

There was discussion on the current and the proposed alternatives to the priority for distribution of excess earnings. Discussion followed on treating unrestricted earnings as valuation assets or non-valuation assets.

There was more debate on priorities for retiree healthcare, Dollar Power, the \$200 per month benefit and if the additional 1% contingency reserve would still be considered discretionary.

There was a **motion** to adopt Alternative One, and to remove "which is available to pay vested benefits and thus shall be treated as a valuation asset" at the end of Step 6.

There was discussion on adding a cost study before implementation of Dollar Power, sending the newly adopted policy to all retiree groups, and to provide more retiree education from the actuary.

It was M/S/C to amend the motion to add a new Step 5: "Restore the level of funding for \$200 per month for retirees that retired before January 1, 1983 as determined by the actuary", with the additional language: "Prior to implementing this option, the Board must obtain: (a) from CCCERA's actuary, an analysis of the impact on such actions on future annual costs, on contributions rates, on the Unfunded Actuarial Accrued Liability and on the Funding Ratios; and (b) the advice of legal counsel." (Yes: Cabral, Gaynor, Gioia, Hast, Pollacek, Rey, Telles, Viramontes, and Wedington)

After discussion, it was M/S to amend the original motion further; to change "may" to "shall" in the policy for the discretionary use of excess earnings. (Yes: Cabral; No: Gaynor, Gioia, Hast, Pollacek, Rey, Telles, Viramontes, and Wedington) **The motion failed.**

After amending the motion further to change the language on 5a under "General Principles and Objectives" to "a. Eliminate prior period shortfall by reducing the balance in the CTA until it reaches zero", on the **original motion**, it was **M/S/C** to adopt

Alternative One, with the two amendments as noted. (Yes: Cabral, Gaynor, Gioia, Hast, Pollacek, Rey, Viramontes, and Wedington; No: Telles.)

Telles noted he voted "no" because he wanted to wait until more retirees were present for this item.

Leedom noted this item would be on a future agenda with all changes for the Board's review.

Public Comment

Jason Crapo commented on Item #9. He reminded the Board of the County Administrator's letter and the administrative concerns with shortening the time for implementation of Contribution rates.

He noted the timing of the 18-month implementation works well for budget purposes; he receives rates about a month before budget development and shortening the time period would be difficult.

Pollacek commented, in a previous meeting, Bob Campbell from the Auditor's office noted the minimum time to implement changes in the payroll system is three whole payroll periods (three months).

9. Segal Analysis Regarding Contribution Rates

Dunning began by noting there is some ambiguity in the law on the 18-month delay between an actuarial valuation and the effective date of rate implementation. She does not believe that the statutes preclude the Board from allowing the 18 month delay and believes any of three alternatives from the actuary are acceptable.

It was noted according to Segal's Attachment A there is very little difference in rates between the three choices.

It was M/S/C to continue to implement the rates with the current procedure of an 18-month delay without a rate adjustment. (Yes: Gaynor, Gioia, Hast, Pollacek, Rey, Telles, Viramontes, and Wedington; Abs: Cabral)

10. Conference Seminar Attendance

- (a) It was M/S/C to authorize the attendance of Cabral at the Trustee and Administrators Institute, IFEBP, June 24-28, 2006, Chicago, IL. (Yes: Cabral, Gaynor, Gioia, Hast, Pollacek, Rey, Telles, Viramontes, and Wedington)
- (b) No one was able to attend the Certificate of Achievement in Public Plan Policy Parts 1 and 2, IFEBP, July 11-14, 2006, Chicago, IL.

11. Miscellaneous

- (a) Staff Report - Leedom reminded Trustees to pickup their quarterly packets as they leave. She noted the new sign posted on the Boardroom door requesting visitors to turn off cell phones before entering the Boardroom.
- (b) Outside Professionals' Report - no further comments.
- (c) Trustees' Comments - Rey expressed his congratulations to Wedington upon being elected to the office of Secretary for SACRS.

Pollacek commended Wedington for the SACRS program, noting he did a great job.

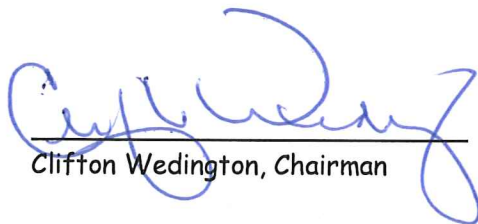
Naramore noted it was her intent to congratulate Wedington on the two previous items as well. She noted there were many new people in the audience at today's meeting and she suggested each participant be introduced.

Telles commented he was at an NCPERS Conference in Florida for one week. He noted the first two days of this conference would be good for new trustees. There were not only lectures, but the lessons were followed up with team exercises. They discussed asset allocation, worked in groups to use correlation and risk factors to see if the group could improve on a fund. SACRS may have the same people, from RH Kuhns, at a future conference. He noted it was excellent education.

Viramontes requested advice from CCCERA's counsel on laws regarding campaign contributions that are applicable to elected retirement board trustees. Leedom requested that Viramontes put the request in writing, and Leedom would then forward it to counsel.

Cabral would like to have all the "do's and don'ts" for Board members from the Ethics training at SACRS. Dunning will get a copy of what was discussed at SACRS for elaboration.

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


Clifton Wedington, Chairman


William J. Pollacek, Secretary