

CONTRA COSTA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

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May 2, 2012

The Board of Retirement met in regular session at 9:00 a.m. on Wednesday, May 2, 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, Brian Hast, Jerry Holcombe, Sharon Naramore, Jerry Telles, Maria Theresa Viramontes and Russell Watts

Absent: John Gioia and John Phillips

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

Outside Professional Support: Harvey Leiderman
Representing: Reed Smith LLP

Other Attendees:

Luz Casas	Contra Costa County Employees' Retirement Association (CCCERA) Staff
Karen Davis	CCCERA Staff
Christina Dunn	CCCERA Staff
Jessica Huffman	CCCERA Staff
Joelle Luhn	CCCERA Staff
Justine Oyler	CCCERA Staff
Mike Sloan	CCCERA & RSG
James Lee	Self

1. Pledge of Allegiance

Buck led all in the *Pledge of Allegiance*.

2. Public Comment

Leedom congratulated Cabral for his more than 33 years of service to the Retirement Board.

Hast congratulated Marilyn Leedom for 10 years of service.

3. Approval of Minutes

It was **M/S/C** to approve the minutes of the April 11, 2012 Board meeting. (Yes: Allen, Buck, Cabral, Hast, Holcombe, Naramore and Watts)

Viramontes was present for subsequent discussion and voting.

4. Routine Items

It was **M/S/C** to approve the routine items of the May 2, 2012 meeting. (Yes: Allen, Buck, Cabral, Hast, Holcombe, Naramore, Viramontes and Watts)

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CLOSED SESSION

5. This item was removed from the agenda.

6. Board policy for Optional Settlement 4 (Govt. Code Section 31764).

Levy gave an overview of Optional Settlement 4 noting at the April 11, 2012 meeting the Board directed staff to return with a policy. Two alternative policies were presented, one that charges the cost of Segal's actuarial calculations services to the member and one that does not charge the member the additional cost.

Telles was present for subsequent discussion and voting.

After a discussion on whether or not the cost of Segal's calculations is "an additional burden" on the system, as defined in Govt. Code § 31764, it was **M/S** to adopt the Optional Settlement 4 Policy (Draft Policy 2) and to charge a fee for the initial calculation.

The Board discussed the option of adopting a policy to not allow multiple beneficiaries. Levy noted that CERL Section 31764 allows the designation of more than one person, so long as the designation does not, in the opinion of the board and the actuary, place any additional burden upon the retirement system.

After discussion of the original motion, the question was called.

A motion was made to call for the question. The motion died for a lack of a second.

A substitute motion was **M/S** to adopt Optional Settlement 4 Policy (Draft Policy 1) with no fee for the initial calculation but charging the members a fee for subsequent calculations.

The Board discussed different scenarios of when fees would need to be charged.

After discussion the question was called.

It was **M/S** to call for the question. **Motion failed.** (Yes: Allen, Holcombe, Telles, Viramontes and Watts. No: Buck, Cabral and Hast).

The Board further discussed whether to approve requests for Optional Settlement 4 on a case by case basis or as a routine item.

An amended motion was **M/S/C** to not charge members a fee for the one time final election calculation but to charge for any subsequent outside actuary calculations needed, unless the need for subsequent calculations were due to CCCERA's error or if there was a death of a proposed beneficiary before the final election period. It was noted that so long as Segal simply verifies the system's internal calculations, the cost of Segal's services for members' one time final options election would not place an additional burden upon the retirement system (Yes: Allen, Hast, Holcombe, Viramontes and Watts. No: Buck, Cabral and Telles).

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It was **M/S/C** to adopt the Optional Settlement 4 Policy (Draft Policy 1) with the amendments listed above and a review of the Optional Settlement 4 elections policy in 6 months. (Yes: Buck, Cabral, Hast, Holcombe, Telles, Viramontes and Watts. No: Allen).

Telles was not present for subsequent discussion and voting.

7. Request from Kimberly Colunga for an Optional Settlement 4

The Board questioned why Segal's determination of the actuarial equivalency of Optional Settlement 4 and the member's unmodified allowance assumes a 0% COLA.

The Board discussed having Segal attend the next meeting with a recommendation regarding the use of a COLA assumption greater than zero in the actuarial assumptions for optional settlements.

Discussion followed regarding the use of the 0% COLA in the calculation for all Optional Settlements under CERL. Staff noted that its discussion with Segal clarified that Segal inherited the practice of using a 0% COLA assumption for Optional Settlements when it became CCCERA's actuary and has not changed the practice. Segal also noted that using a COLA assumption would result in slightly lower benefit payment to the member and survivors. It was noted that at least one other 37 Act systems has incorporated a COLA assumption into this calculation

Fiduciary counsel suggested that CCCERA consider notifying members choosing optional settlements in the future that the Board might change the calculation of their benefits under Optional Settlement allowances before they retire.

Further Board discussion resulted in the request for both counsel and The Segal Co. to advise on the subject at an upcoming meeting in June.

It was **M/S** to grant the request of Optional Settlement 4 for Kimberly Colunga, based on the actuary's finding that it is actuarially equivalent to the member's unmodified allowance, and based on the board's finding that the designation does not place any additional burden on the retirement system.

The Board noted the member, Kimberly Colunga, should not have been listed or voted on as a routine item in Agenda Item 4, since the request had to be considered under Agenda Item 7.

It was **M/S/C** to reconsider Item 4. (Yes: Allen, Hast, Holcombe, Naramore, Viramontes and Watts. No: Cabral. Abs: Buck).

It was **M/S/C** to approve Item 4 with the exception of Kimberly Colunga. (Yes: Allen, Hast, Holcombe, Naramore, Viramontes and Watts. No: Cabral. Abs: Buck)

It was **M/S/C** to approve Item 7 as recommended by staff noting the election was made prior to this meeting and prior to the board's adoption of the Optional Settlement 4 Policy today. (Yes: Buck, Cabral, Hast, Holcombe, Naramore and Viramontes. No: Allen. Abs: Watts).

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The Board directed staff to schedule a special meeting on June 6, 2012, with a study session on the COLA assumption used for optional settlement calculations and the impact of changing the COLA assumption. The Board requested additional information regarding other '37 Act systems and the use of COLA in the calculation of optional settlements.

8. Conference Seminar Attendance

- (a) It was **M/S/C** to authorize the attendance of 1 staff member at the Investment Fundamentals, PIMCO, June 7 - 8, 2012, Newport Beach, CA. (Yes: Allen, Buck, Cabral, Hast, Holcombe, Naramore, Viramontes and Watts)
- (b) It was **M/S/C** to authorize the attendance of 1 staff member at the Investing for a New Era, PIMCO, June 11 - 15, 2012, Newport Beach, CA. (Yes: Allen, Buck, Cabral, Hast, Holcombe, Naramore, Viramontes and Watts)
- (c) It was **M/S/C** to authorize the attendance of 2 Board members at the Trustees' Roundtable, CALAPRS, June 8, 2012, San Jose, CA. (Yes: Allen, Buck, Cabral, Hast, Holcombe, Naramore, Viramontes and Watts)

9. Miscellaneous

- (a) Staff Report -

Leedom reported she received an amended termination agreement from the City of Pittsburg.

She reported there is a delay in signing the MOU with San Diego County for disaster recovery due to additional questions regarding HIPAA and potential CCCERA liability.

Leedom reported we will be converting from email software Groupwise to Microsoft Outlook at the end of the month.

CCCERA has received public records requests regarding Board and Staff travel, along with a request for investment information.

Leedom reported a draft policy on errors correction will be presented at a future meeting.

Price reported the Tradewinds liquidation is in process. He distributed an update on the High Conviction Global Equity Search for the replacement manager. The update contained a list of firms that received RFPs.

- (b) Outside Professionals' Report -

Leiderman gave an update on his testimony on pension reform in Chino, California for the joint committee on AB 340 noting the bill includes a section on the Board auditing the employers' pay practices.

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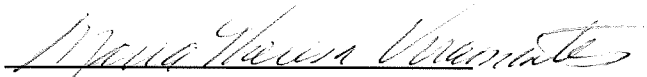
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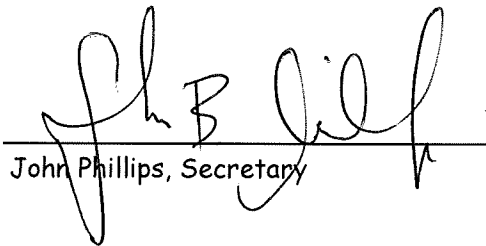
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(c) Trustees' Comments -

Cabral reported he is troubled by the disclaimer on the benefits statements that just came out. He feels we have an obligation to provide correct information to members.

It was **M/S/C** to adjourn the meeting. (Yes: Allen, Buck, Cabral, Hast, Holcombe, Naramore, Viramontes and Watts)


Maria Theresa Viramontes, Chairman


John Phillips, Secretary