

CONTRA COSTA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

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July 11, 2012

The Board of Retirement met in regular session at 9:00 a.m. on Wednesday, July 11, 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, Brian Hast, Jerry Holcombe, Sharon Naramore, John Phillips, Jerry Telles, Maria Theresa Viramontes and Russell Watts

Absent: None

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
Gayle Cruz	CCCERA Staff
Karen Davis	CCCERA Staff
Christina Dunn	CCCERA Staff
Jessica Huffman	CCCERA Staff
Tracy Kroll	CCCERA Staff
Joelle Luhn	CCCERA Staff
Justine Rossini	CCCERA Staff
Gabe Rodrigues	Sheriff's Office
Lucy Fogarty	Contra Costa County Superior Courts
Michelle Johnston	Contra Costa County Auditor-Controller's Office
Bill Pollacek	Retired Treasurer-Tax Collector
Brandy Sanborn	Contra Costa County Superior Courts
Jackie Lorrekovich	Contra Costa County Fire District
Todd Smithy	Central Contra Costa Sanitary District
Robert Leete	San Ramon Valley Fire District
Jim Bickert	Deputy Sheriff's Association
Lisa Driscoll	County Administrators Office
Laura Strobel	County Administrators Office
Marnie Huddleston	First 5 Contra Costa County
Kris Hunt	Contra Costa County Taxpayers Association
Sue Casey	Moraga Orinda Fire District
Bob Campbell	Contra Costa County Auditor-Controller's Office
Dan Borenstein	Contra Costa Times
Vincent Wells	Local 1230
Ken Westerman	Deputy Sheriff's Association

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Viramontes introduced and congratulated Gabe Rodrigues, Deputy Sheriff, who was recently elected to the Alternate Safety position. The Board of Supervisor's will certify the election at their July 24, 2012 meeting.

1. Pledge of Allegiance

Viramontes led all in the *Pledge of Allegiance*.

Watts was present for subsequent discussion and voting.

2. Public Comment

No members of the public offered comment.

3. Board Reorganization

It was **M/S/C** to have all incumbents remain in their current positions. (Yes: Buck, Cabral, Gioia, Hast, Phillips and Viramontes. No: Allen and Watts. Abs.: Telles)

4. Approval of the June 13, 2012 Minutes

Leedom reviewed corrections to the wording in the paragraphs after the vote on Item 5 of the June 13, 2012 minutes. Leedom also reviewed comments by Allen to be added to Item 3 and Item 4 of the June 13, 2012 minutes.

It was **M/S** to approve the minutes with the above amendments. The Board discussed if Allen's comments to Item 3 and Item 4 from the May 2, 2012 meeting minutes would be added to the minutes as an attachment. Leiderman recommended the comments be included in the June 13, 2012 meeting minutes and adding a note to the May 2, 2012 minutes to refer to the June 13, 2012 minutes for the comments.

An amended motion was **M/S/C** to bring back the minutes of the June 13, 2012 Board meeting with the amendments for approval at the next meeting. (Yes: Allen, Buck, Gioia, Hast, Phillips, Telles, Viramontes and Watts. Abs: Cabral)

5. Presentation from Segal - December 31, 2011 Valuation Report - Paul Angelo, John Monroe

Angelo presented the December 31, 2011 valuation report noting the recommended contribution rates do not go into effect until July 1, 2013. The contribution rate requirements in the report are based on the benefit provisions of the Retirement Association as administered by the Board, the characteristics of covered active members, terminated members, and retired members and beneficiaries as of December 31, 2011. The report is also based on the assets of the Plan as of December 31, 2011, economic assumptions regarding future salary increases and investment earnings, and other actuarial assumptions regarding employee terminations, retirement, death, etc.

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He reported next year's report will no longer show the 50% subvention as it is no longer the norm. It was also noted that next year's report will include a chart of the average employer contribution rate broken down by employer and exhibit I, pg. 73 will be broken down by employer.

Angelo reviewed the following key findings of the actuarial valuation: The ratio of the valuation value of assets to actuarial accrued liabilities decreased from 80.3% to 78.5%. The unfunded actuarial accrued liability (UAAL) has increased from \$1.312 billion to \$1.489 billion. This increase is primarily due to an investment return on actuarial value (after smoothing) that fell short of the 7.75% assumed rate. He noted we are still phasing in the loss from 2008 which resulted in a \$265 million investment loss this year. He also noted salary increases and COLA increases were less than expected.

The aggregate employer rate calculated in this valuation (before considering any employer subvention of member rates or member subvention of employer rates) has increased from 34.49% of payroll to 37.87% of payroll.

The aggregate member rate calculated in this valuation (before considering any employer subvention of these rates or member subvention of employer rates) has decreased from 11.00% of payroll to 10.98% of payroll.

Angelo reported the total unrecognized investment loss as of December 31, 2011 is about \$389 million as compared to \$329 million in the previous valuation. This investment loss will be recognized in the determination of the actuarial value of assets for funding purposes in the next few years, and will offset any investment gains that may occur after December 31, 2011.

Angelo reviewed the number and demographics of covered members, including active members, vested terminated members, retired members and beneficiaries noting the total number of active members vs. the total number of retirees have increased significantly since the previous valuation.

In public comment, Bob Campbell, Contra Costa County Auditor-Controller's Office, questioned if it was possible to change the assumption for salary increases to reflect an assumption for salary decreases, and asked if this would be reflected in both the employee and employer rates. Angelo confirmed that such a change would be reflected in both employer and employee rates and would not be actuarially advisable.

In public comment, Dan Borenstein, Contra Costa Times, questioned if, due to the layoffs at East Contra Costa County Fire District, there would be an effect on rates for the fire districts in the same cost group. He also asked if Segal discloses which investment consultants are used when determining the expected investment return. Angelo stated they do not disclose this information or the methodology. He also noted the effect of the layoffs in East Contra Costa County Fire District would be reflected in the next valuation.

In public comment, Sue Casey, Moraga-Orinda Fire District, questioned when the letter to employers regarding the 5-year projection will be mailed. She also asked if the valuation is going to change based on the recent GASB changes. Angelo stated the GASB changes have no effect on contributions and are accounting changes only. Leedom noted employers will be invited to an educational presentation regarding the recent GASB changes at an upcoming meeting. She also noted the letters regarding the 5 year projections will be mailed to employers around the end of July.

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In public comment, Vincent Wells, Local 1230, questioned how the short term impact vs. the long term impact of the significant reduction in staff will affect their rates. Angelo reported they have not looked at the effect of the reduction in staff and will not know how it affects their rates until the next valuation.

In public comment, Ken Westerman, Deputy Sheriff's Association, questioned why we use 5 year smoothing as opposed to 15 years like CalPERS. Angelo stated the CCCERA board has adopted a 5 year smoothing period with a layered amortization over 18 years, which is the industry standard. He noted CalPERS has an unusually lengthy smoothing period.

Viramontes noted the approval of contribution rates will be at the first meeting in August.

CLOSED SESSION

The Board moved into closed session pursuant to Govt. Code Section 54957, Govt. Code Section 54956.9(b) and Govt. Code Section 54956.9(a).

The Board moved into open session

6. Disability Retirements

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

- a. Dianne Gonzaga - Non-Service Connected (Yes: Allen, Buck, Cabral, Gioia, Hast, Phillips, Telles, Viramontes and Watts)
 - b. Tomas Silva - Service Connected (Yes: Allen, Buck, Cabral, Gioia, Hast, Phillips, Telles, Viramontes and Watts)
 - c. Martin Dunlap - Service Connected (Yes: Allen, Buck, Cabral, Gioia, Hast, Phillips, Telles, Viramontes and Watts)
 - d. Kathleen Parker - Service Connected (Yes: Allen, Buck, Cabral, Gioia, Hast, Phillips, Telles, Viramontes and Watts)
7. It was **M/S/C** to accept the Medical Advisor's recommendation and deny the service connected disability retirement for Dina Herrera. (Yes: Allen, Buck, Cabral, Gioia, Hast, Phillips, Telles, Viramontes and Watts)
8. There was no reportable action related to Govt. Code Section 54956.9(b).

It was the consensus of the Board to move to Item 10.

10. Actuarial assumptions used in the calculations of the Optional Settlements at retirement

It was **M/S/C** to include the Cost-of-Living Adjustment (COLA) assumptions based on the advice of the actuary that using the COLA assumption results in better actuarial equivalence in determining the

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benefits for Optional Settlement forms of payment at retirement, for all members retiring on or after July 16, 2012. (Yes: Allen, Buck, Cabral, Gioia, Hast, Phillips, Telles, Viramontes and Watts).

11. Routine Items

It was **M/S/C** to approve the routine items of the July 11, 2012 meeting. (Yes: Buck, Cabral, Gioia, Hast, Phillips, Telles and Viramontes. No: Allen and Watts)

12. Miscellaneous

(a) Staff Report -

Leedom reported existing money managers will be presenting at the July 25, 2012 meeting and the Global Equity High Conviction manager finalists will be presenting at the July 26, 2012 meeting.

(b) Outside Professionals' Report - None

(c) Trustees' Comments - None

Gioia was not present for subsequent discussion and voting.

CLOSED SESSION

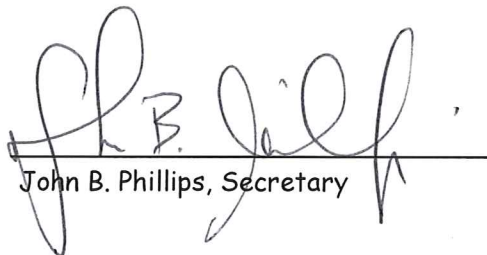
The Board moved into closed session pursuant to Govt. Code Section 54956.9(a).

The Board moved into open session

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

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


Maria Theresa Viramontes, Chairman


John B. Phillips, Secretary