

CONTRA COSTA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

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July 14, 2010

The Board of Retirement met in regular session at 9:00 a.m. on Wednesday, July 14, 2010 in the Conference Room of the Contra Costa County Employees' Retirement Association, 1355 Willow Way, Suite 221, Concord, CA.

Present: Terry Buck, Richard Cabral, Dave Gaynor, Brian Hast, Jerry Holcombe, Paul Katz, Sharon Naramore, William J. Pollacek, Jerry Telles, and Maria Theresa Viramontes.

Staff: Marilyn Leedom, Retirement Chief Executive Officer; Silvina Leroux, Retirement Deputy Chief Executive Officer; Cary Hally, Retirement Chief Investment Officer; Karen Levy, Counsel; Rick Koehler, Retirement Accounting Manager; Kathy Somsen, Retirement Benefits Manager.

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

Other Attendees:

Luz Casas	Contra Costa County Employees' Retirement Association (CCCERA) Staff
Chih-Chi Chu	CCCERA Staff
Tracy Kroll	CCCERA Staff
Joelle Luhn	CCCERA Staff
Justine Oyler	CCCERA Staff
Mary Lou Williams	Contra Costa County Retired Employees' Association (CCCREA)
Lisa Driscoll	County Administrators Office (CAO)
Laura Strobel	CAO
Cheryl Alexander	Delta Diablo Sanitary District (DDSD)
Russell Watts	Treasury Tax Collector
Scott Daly	Member
Robert Leete	San Ramon Valley Fire Protection District (SRVFPD)
Donna Irwin	Retiree Support Group (RSG)
Nodge Irwin	RSG
Bill Hamilton	RSG
Debbie Ratcliff	Contra Costa County Sanitary District (CCCSD)
Colette Curtis-Brown	CCCSD
Marie Rulloda	Auditor Controller
Tina Kaufmann	Auditor Controller
John Keel	SRVFPD
Marnie Huddleston	Contra Costa First 5
Jim Bickert	Deputy Sheriff's Association
Kris Hunt	Contra Costa County Taxpayers' Association

1. Pledge of Allegiance

Gaynor led all in the *Pledge of Allegiance*.

2. Public Comment

No members of the public offered comment.

3. Board Reorganization

Telles was nominated for Chair; it was **M/S/C** to close the nominations and cast a ballot for Telles as Chair. (Yes: Buck, Cabral, Hast, Holcombe, Telles, and Viramontes; No: Gaynor, Katz and Pollacek)

Telles thanked Pollacek for a great job as Board Chair during a difficult year. He commended him on chairing one of the largest meetings ever held by the Retirement Board.

Pollacek thanked the Board for a good year acknowledging what a tough year it was and continues to be.

Gaynor was nominated for Vice Chair; it was **M/S/C** to close the nominations and cast a ballot for Gaynor as Vice Chair. (Yes: Buck, Gaynor, Hast, Holcombe, Katz, Pollacek, Telles, and Viramontes; Abs: Cabral)

Hast was nominated for Secretary; it was **M/S/C** to close the nominations and cast a ballot for Hast as Secretary. (Yes: Buck, Cabral, Gaynor, Hast, Holcombe, Katz, Pollacek, Telles, and Viramontes)

Viramontes not present for subsequent discussion and voting.

4. Actuarial Experience Study for period January 1, 2007 to December 31, 2009

Paul Angelo and John Monroe of the Segal Company presented the results of the January 1, 2007 to December 31, 2009 Actuarial Experience Study.

Angelo noted that the study was undertaken in order to review the demographic actuarial assumptions and to compare the actual experience with that expected under the current assumptions, during the three year experience period from January 1, 2007 through December 31, 2009. Based on the study's results and expected near-term experience, Segal's recommendations for the actuarial assumption categories are as follows:

Retirement Rates -Adjust the current retirement rates to those developed in Section III (B) of the Actuarial Experience Study. Enhanced members are assumed to retire at slightly later ages overall. For Non-enhanced members the current rates were left unchanged.

Mortality Rates -The pre and post-retirement mortality rates for non-disabled females were left unchanged. All other pre and post-retirement mortality rates for General and Safety members have been decreased as developed in Sections III(C) and III (D) of the Actuarial Experience Study.

Termination Rates - Change the termination rates for both General and Safety members to those developed in Section III (E) of the Actuarial Experience Study. Overall, the termination rates have been increased.

Disability Incidence Rates - Decrease the current disability rates for General Tier 1 and Tier 3 members and increase the current disability rates for Safety members to those developed in Section III (F) of the Actuarial Experience Study.

Individual Salary Increases - Change the promotional and merit increases to those developed in Section III (G) of the Actuarial Experience Study. Overall, future salary increases are lower under the new assumptions for General members and generally unchanged for Safety members.

Terminal Pay - Increase the current terminal pay assumptions for General members to those developed in Section III (H) of the Actuarial Experience Study. Maintain the current terminal pay assumptions for Safety members.

Actuarial Cost Method - Continue to use the Entry Age Normal Actuarial Cost Method, but consider calculating the annual Normal Cost on an individual basis instead of on an aggregated basis as described in Section III (J) of the Actuarial Experience Study.

It was **M/S/C** to accept the Experience Analysis Report and adopt all of Segal's recommendations. (Yes: Buck, Cabral, Gaynor, Hast, Holcombe, Pollacek, and Telles; Abs: Katz)

It was **M/S/C** to Adopt the Cost Impact of Assumption and Method Changes presented by Segal. (Yes: Buck, Cabral, Gaynor, Hast, Holcombe, Pollacek, and Telles; Abs: Katz)

5. Approval of Minutes

After amending page 3, line 1 from "\$875 million invested" to "\$270.6 million invested", it was **M/S/C** to approve the minutes of the June 23, 2010 Board meeting. (Yes: Buck, Cabral, Gaynor, Hast, Holcombe, Katz, Pollacek, and Telles)

6. Routine Items

It was **M/S/C** to approve the routine items of the July 14, 2010 meeting. (Yes: Buck, Cabral, Gaynor, Hast, Holcombe, Katz, Pollacek, and Telles)

7. CCCERA's Travel Policy and Fiduciary Education Policy

Leedom reported on the survey results on travel policies from other agencies. It was the consensus of the Board that the current CCCERA Travel Policy is good, has been in effect for a long time and is in line with other Retirement Boards' travel policies. It was noted that Board Trustees have a responsibility to exercise reasonable judgment when attending conferences. It was also noted that some Board members may not see the value of attending certain conferences but others may find them beneficial.

Board discussion followed regarding a limit on the number of conferences Board members would be allowed to attend per year, enforcing the requirement of a written report after each conference and putting a dollar limit on meals per day. It was **M/S** to limit the number of conferences to three per year with the exceptions of educational classes, Client Conferences, On-Site Visits, and Conferences sponsored by organizations in which CCCERA retains membership and implementing a dollar limit for meals of \$75 per day.

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Discussion followed regarding a limit on the dollar amount for meals per day .There was an amendment to the motion to split it into two separate motions. It was **M/S** to limit the number of conferences a Trustee can attend to three (3) per year with the exceptions of educational classes, Client Conferences, On-Site Visits and Conferences sponsored by organizations in which CCCERA retains membership. **Motion Failed** (Yes: Gaynor, Holcombe, Katz, and Pollacek; No: Buck, Cabral, and Telles; Abs: Hast)

It was **M/S/C** to limit the amount of reimbursement for meals to a maximum of up to \$75.00 per day with receipts. (Yes: Buck, Gaynor, Hast, Holcombe, and Pollacek; No: Cabral and Telles; Abs: Katz)

Public Comment- Kris Hunt, Contra Costa County Taxpayers Association
Hunt stated her support for limits to help eliminate conflict, and reminded the Board of their fiduciary responsibility.

8. Request from the Retiree Support Group for mailing to retirees

Bill Hamilton, Chairman of the Retiree Support Group stated the flyer is accurate but he has received opposition to the supplemental flyer from the County Finance Director. Hamilton requested that the Board table this item until September so that RSG representatives can meet with the County Finance Director to discuss issues first.

It was **M/S/C** to table this item until the September 1, 2010 meeting. (Yes: Buck, Cabral, Gaynor, Hast, Holcombe, Katz, Pollacek, and Telles)

Leiderman was asked for written information on the Board's role on retiree mailings.

9. Recruitment for two key manager positions

Leedom reported two key managers are considering retiring in 2011, and noted that both positions are currently single class positions. To accomplish a smooth, efficient transition for both these positions, Leedom notes she would like to begin recruitment in advance of each manager's departure, so that in-depth training can be provided for the new managers. This requires temporary "suspension" of the HR single class designation for these two positions. For both positions, Leedom requests a training period for a new employee of at least 3 months.

It was **M/S/C** to approve staff's request to temporarily create a second position in each category for transition, recruitment, hire and concurrent training of a new Benefits Manager and a new Accounting Manager, prior to the retirement of the incumbents. (Yes: Buck, Cabral, Gaynor, Hast, Holcombe, Katz, and Telles; Abs: Pollacek)

10. Auditing firm for 2010 and issuance of RFP for Auditing Services for 2011

Leedom requested a one year extension to the current Brown Armstrong Accounting Corporation contract due to pending staff changes in 2011.

It was **M/S/C** to approve staff's recommendation to extend Brown Armstrong's current contract for the 2010 calendar year, at a cost not to exceed \$50,000.00. In addition, requested Board direction to issue

an RFP for auditing services for a three year period beginning 2011. (Yes: Buck, Cabral, Gaynor, Hast, Holcombe, Katz, Pollacek, and Telles)

11. Amendment to INVESCO Real Estate Fund II Investment Agreement

Hally provided an overview report from INVESCO noting he agrees with INVESCO's request to extend the investment period. Hally noted INVESCO provided CCCERA with the required Placement Agent Disclosure.

It was *M/S/C* to accept staff's recommendation to approve the request from INVESCO to extend the investment period for INVESCO Real Estate Fund II (IREF II) by one year, from June 30, 2011 to June 30, 2012. (Yes: Buck, Cabral, Gaynor, Hast, Holcombe, Katz, Pollacek, and Telles)

12. Amendment to Bay Area Equity Fund II

Hally reviewed the three proposed amendments to the Bay Area Equity Fund II Agreement. Hally noted that Bay Area Equity provided CCCERA with the required Placement Agent Disclosure.

It was *M/S/C* to accept staff's recommendation to approve the requested changes to the Limited Partners Agreement for Bay Area Equity Fund II managed by DBL Investors. (Yes: Buck, Gaynor, Hast, Holcombe, Katz, Pollacek, and Telles; No: Cabral)

13. Tax Counsel's recommendation regarding service purchase installment contracts on a pre-tax basis

It was *M/S/C* to table this item to a future meeting. (Yes: Buck, Cabral, Gaynor, Hast, Holcombe, Katz, Pollacek, and Telles)

It was the consensus of the Board to move to item 18 and 19.

18. Conference Seminar Attendance

- (a) It was *M/S/C* to authorize the attendance of Leedom at the Administrator's Institute, CALAPRS, September 22-24, 2010, San Diego, CA. (Yes: Buck, Cabral, Gaynor, Hast, Holcombe, Katz, Pollacek, and Telles)
- (b) It was *M/S/C* to authorize the attendance of Cabral, Hast, Pollacek, and Hally at the Consultants/Institutional Investors Roundtable, Institutional Investors, October 6-8, 2010, Chicago, IL. (Yes: Buck, Cabral, Gaynor, Hast, Holcombe, Katz, Pollacek, and Telles)

19. Miscellaneous

- (a) Staff Report - Leedom reported receiving calls regarding AB 1987 from both employers and members questioning the effect of this legislation on CCCERA. Leedom noted to interested parties that CCCERA has not yet requested analysis from counsel and will probably not do so until the legislation is finalized. The first Popular Annual Financial Report (PAFR) by Joelle Luhn and Rick Koehler was placed in everyone's mailbox. A copy of CCCERA's response to the grand jury report will be sent out with Fridays Board mail.

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(b) Outside Professionals' Report - Nothing further to report.

(c) Trustees' Comments -

Cabral noted he will not be at the July 28, 2010 meeting. The Board meeting conflicts with a work meeting.

Telles also reported he will not be at the July 28, 2010 meeting.

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 and Gov. Code Section 54956.9(b) and (c) to consult with counsel on litigation.

The Board moved into open session.

14. Disability Retirements

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

- | | | |
|---------------------|-----------------------|---|
| (a) Kevin Molander | Non-Service Connected | (Yes: Buck, Cabral, Gaynor, Hast, Holcombe, Katz, Pollacek, and Telles) |
| (b) Ryan Hamre | Service Connected | (Yes: Buck, Cabral, Gaynor, Hast, Holcombe, Katz, Pollacek, and Telles) |
| (c) Angela Washmera | Non-Service Connected | (Yes: Buck, Cabral, Gaynor, Hast, Holcombe, Katz, Pollacek, and Telles) |
| (d) Colleen Gomez | Service Connected | (Yes: Buck, Cabral, Gaynor, Hast, Holcombe, Katz, Pollacek, and Telles) |

15. Kevin Patterson, Disability Applicant

It was **M/S/C** to accept the Hearing Officer's recommendation to deny a non-service connected disability retirement to Kevin Patterson. (Yes: Buck, Cabral, Gaynor, Hast, Holcombe, Katz, Pollacek, and Telles)

16. Other Litigation

No reportable action taken.

17. Other Litigation

No reportable action taken.

It was **M/S/C** to adjourn the meeting. (Yes: Buck, Cabral, Gaynor, Hast, Holcombe, Katz, Pollacek, and Telles)



Jerry Telles, Chairman

FOR JERRY TELLES



Brian Hast, Secretary