



AGENDA

RETIREMENT BOARD MEETING

REGULAR MEETING
March 14, 2018
9:00 a.m.

Retirement Board Conference Room
The Willows Office Park
1355 Willow Way, Suite 221
Concord, California

THE RETIREMENT BOARD MAY DISCUSS AND TAKE ACTION ON THE FOLLOWING:

1. Pledge of Allegiance.
2. Recognition of Leticia Martin for 10 years of service and Mario Martinez for 15 years of service.
3. Accept comments from the public.
4. Approve minutes from the January 24 and February 14, 2018 meetings.
5. Routine items for March 14, 2018.
 - a. Approve certifications of membership.
 - b. Approve service and disability allowances.
 - c. Accept disability applications and authorize subpoenas as required.
 - d. Approve death benefits.
 - e. Accept Asset Allocation Report.
 - f. Accept Liquidity Report.

CLOSED SESSION

6. CONFERENCE WITH LABOR NEGOTIATORS
(Government Code Section 54957.6)

Agency designated representatives:
Gail Strohl, Chief Executive Officer
Anne Sommers, Admin/HR Manager
Joe Wiley/Ian Fellerman, CCCERA's Chief Negotiator

Employee Organization: AFSCME, Local 2700

The Retirement Board will provide reasonable accommodations for persons with disabilities planning to attend Board meetings who contact the Retirement Office at least 24 hours before a meeting.

7. The Board will go into closed session pursuant to Govt. Code Section 54957 to consider recommendations from the Medical Advisor and/or staff regarding the following disability retirement applications:

<u>Member</u>	<u>Type Sought</u>	<u>Recommendation</u>
a. Robert Scott Fulwood	Service Connected	Service Connected
b. John Zamora	Service Connected	Service Connected

8. The Board will continue in closed session to consider the Hearing Officer's recommendation regarding the disability application for Marco Biagini.

9. The Board will continue in closed session pursuant to Govt. Code Section 54956.9(d)(1) to confer with legal counsel regarding pending litigation:

- a. *Nidia Santos v. CCCERA, et al.*, Contra Costa County Superior Court, Case No. CIVMSN16-2334
- b. *Debra Fernandez v. CCCERA, et al.*, Contra Costa County Superior Court, Case No. CIVMSN17-0366

OPEN SESSION

- 10. Presentation from ICON Integration & Design, Inc. on data quality review of pension administration system.
- 11. Presentation of semi-annual disability retirement report.
- 12. Presentation of the Superior Court of California – Contra Costa County Final Audit Report.
- 13. Report from Audit Committee Chair on February 28, 2018 Audit Committee meeting.
- 14. Consider and Take Possible Action to issue a Request for Proposal for Tax Counsel Services.
- 15. Consider authorizing the attendance of Board:
 - a. 2018 Invesco Real Estate Global Client Conference, Invesco, November 6-8, 2018, La Jolla, CA. (Note: Conflict with meeting.)
- 16. Miscellaneous
 - a. Staff Report
 - b. Outside Professionals' Report
 - c. Trustees' comments

The Retirement Board will provide reasonable accommodations for persons with disabilities planning to attend Board meetings who contact the Retirement Office at least 24 hours before a meeting.



Meeting Date
3/14/18
Agenda Item
#4

MINUTES

RETIREMENT BOARD MEETING MINUTES

REGULAR MEETING
January 24, 2018
9:00 a.m.

Retirement Board Conference Room
The Willows Office Park
1355 Willow Way, Suite 221
Concord, California

Present: Candace Andersen, Scott Gordon, Jerry Holcombe, Louie Kroll, Jay Kwon, David MacDonald, John Phillips, William Pigeon, Gabe Rodrigues, Todd Smithey, Jerry Telles and Belinda Zhu (Deputy Treasurer, present and voting in Treasurer Russell Watts' absence)

Absent: None

Staff: Gail Strohl, Chief Executive Officer; Christina Dunn, Deputy Chief Executive Officer; Timothy Price, Chief Investment Officer; Karen Levy, General Counsel; Wrally Dutkiewicz, Compliance Officer; Anne Sommers, Administrative/HR Manager; and Henry Gudino, Accounting Manager

Outside Professional Support:
Ed Hoffman

Representing:
Verus Investments

1. Pledge of Allegiance

The Board, staff and audience joined in the *Pledge of Allegiance*.

2. Accept comments from the public

No member of the public offered comment.

3. Approval of Minutes

It was M/S/C to approve the minutes from the December 13, 2017 meeting with a correction to Item 7, deleting the word "matter" and replacing it with "disability application for Rebecca Halvorson." (Yes: Andersen, Holcombe, Kwon, MacDonald, Phillips, Rodrigues, Smithey, Telles and Zhu)

Gordon and Pigeon were present for subsequent discussion and voting.

CLOSED SESSION

The Board moved into closed session pursuant to Govt. Code Section 54956.9(d)(1).

The Board moved into open session.

4. There was no reportable action related to Govt. Code Section 54956.9(d)(1).

5. Consider and take possible action to adopt a cost-of-living increase for retirees as of April 1, 2018

Dunn reviewed how the cost-of-living (COLA) increase is determined noting the actual amount is dependent on the tier of the retiree.

It was **M/S/C** to adopt a cost-of-living increase for retirees as of April 1, 2018. (Yes: Andersen, Gordon, Holcombe, MacDonald, Phillips, Pigeon, Smithey, Telles and Zhu)

6. Educational presentation on Asset Allocation

Price reviewed the Functionally Focused Portfolio (FFP) structure noting it is a dedicated liquidity program which is tailored to allow CCCERA to meet future benefit needs with a high certainty while still providing long term growth. He stated this tailored approach allows CCCERA to take risks which should result in a smoother return pattern than the traditional 60/40 asset allocation.

He reviewed performance expectations and capital allocations noting the private equity & credit allocation of 28% is large relative to where we were and compared to our peers.

Rodriguez was no longer present for subsequent discussion and voting.

Price distributed and reviewed an FFP Quick Reference Guide which includes the current allocation, function, performance impact, and capital activity of each sub-portfolio.

He reviewed the expectations for 2018 which include additional commitments to private equity, private credit, and private real estate; the completion of the risk diversifying allocation; and ongoing reductions in domestic equity managers.

7. Report from Audit Committee Chair on December 13, 2017 Audit Committee meeting

Phillips reported on the December 13, 2017 Audit Committee meeting including a recommendation to the Board to amend the Audit Committee Charter to include the language that “At the second regular meeting in July, as the second order of business, or as required to fill vacancies, the Board Chairperson will appoint members of the Audit Committee as provided in the CCCERA Regulations.” The Committee also approved a recommendation to the Board to retain the Brown Armstrong Accountancy Corporation as CCCERA’s external auditor for the next three (3) years with an option to renew for another three (3) years.

He gave an update on the retiree information verification process noting we have received responses from approximately 80% of the 524 participants that were contacted. Strohl noted the process will be reevaluated for next year as it will be an annual process.

He also gave updates on the employer payroll and contribution monitoring process, the Preliminary Audit Reports for the East Contra Costa County Fire Protection District and the Contra Costa County Health Services Department, the 2018 Compliance Activity Plan, the ICON audit of the data stored in Subledger and CPAS, and the Disaster Recovery site in Roseville. Strohl noted we are revising our Disaster Recovery Plan and will have an annual test of the plan going forward.

8. Consider authorizing the attendance of Board:

- a. It was **M/S/C** to authorize the attendance of 1 Board member at the CALAPRS Trustees’ Roundtable, February 2, 2018, Glendale, CA. (Yes: Andersen, Gordon, Holcombe, MacDonald, Phillips, Pigeon, Smithey, Telles and Zhu)

9. Miscellaneous

(a) Staff Report –

Strohl reported the retiree 1099's are being printed today and will be mailed out shortly; she signed a renewal with Jacobi Strategies for investment related tools in the amount of \$25,000; and in February there will be a half-day manager session to discuss the progress of our annual business plan.

(b) Outside Professionals' Report -

None

(c) Trustees' comments –

Pigeon asked if there has been any discussions with the property owner regarding any possible changes due to the recent development in the area. Strohl noted the property manager is planning to renovate the exterior of the building and the lobby.

It was **M/S/C** to adjourn the meeting. (Yes: Andersen, Gordon, Holcombe, MacDonald, Phillips, Pigeon, Smithey, Telles and Zhu)

Todd Smithey, Chairman

David MacDonald, Secretary



Meeting Date
3/14/18
Agenda Item
#4

MINUTES

RETIREMENT BOARD MEETING MINUTES

REGULAR MEETING
February 14, 2018
9:00 a.m.

Retirement Board Conference Room
The Willows Office Park
1355 Willow Way, Suite 221
Concord, California

Present: Candace Andersen, Jerry Holcombe, Louie Kroll, Jay Kwon, John Phillips, William Pigeon, Gabe Rodrigues, Todd Smithey, Jerry Telles and Russell Watts

Absent: Scott Gordon and David MacDonald

Staff: Gail Strohl, Chief Executive Officer; Christina Dunn, Deputy Chief Executive Officer; Timothy Price, Chief Investment Officer; Karen Levy, General Counsel; Wally Dutkiewicz, Compliance Officer; Anne Sommers, Administrative/HR Manager; Henry Gudino, Accounting Manager; Tim Hoppe, Retirement Services Manager; and Colin Bishop, Member Services Manager

Outside Professional Support:
Susan Hastings
John Botsford

Representing:
Laughlin, Falbo, Levy & Moresi, LLP
Milliman

1. Pledge of Allegiance

The Board, staff and audience joined in the *Pledge of Allegiance*.

2. Accept comments from the public

No member of the public offered comment.

Andersen was present for subsequent discussion and voting.

3. Approval of Minutes

It was M/S/C to approve the minutes from the January 10, 2018 meeting. (Yes: Andersen, Holcombe, Kwon, Phillips, Rodrigues, Smithey, Telles and Watts)

4. Routine Items

It was M/S/C to approve the routine items of the February 14, 2018 meeting with a revised Item 4a, Certification of Memberships, which was distributed. (Yes: Andersen, Holcombe, Kwon, Phillips, Rodrigues, Smithey, Telles and Watts)

CLOSED SESSION

The Board moved into closed session pursuant to Govt. Code Section 54957.

The Board moved into open session.

5. It was **M/S/C** to deny the service-connected disability retirement application for Sandy Chavez as recommended by the Hearing Officer. (Yes: Andersen, Holcombe, Kwon, Phillips, Rodrigues, Smithey, Telles and Watts)
6. It was **M/S/C** to refer the disability application for Leslie Pounds back to the Hearing Officer for further proceedings with instructions. (Yes: Andersen, Holcombe, Kwon, Phillips, Rodrigues, Smithey, Telles and Watts)

Pigeon was present for subsequent discussion and voting.

7. **Presentation from Milliman on GASB 45 Actuarial Valuation of Post-Employment Benefits**

Dunn introduced John Botsford of Milliman.

Botsford presented the GASB 45 actuarial valuation report of other post-employment benefits (OPEB) as of January 1, 2017 for CCCERA's employees and retirees noting those employees that retired prior to 2015 were Contra Costa County employees and are not included in the report. He also noted that GASB 45 has been replaced with GASB 75.

He reviewed the Actuarial Accrued Liability which is \$7.568 million as of January 1, 2017, the Normal Costs which are \$409k as of January 1, 2017, and the Annual Required Contribution (ARC) which is \$858k as of January 1, 2017. He also reviewed the projected annual benefit payments for the next 30 years, the present value of benefits and actuarial accrued liability broken out between active employees and retirees, the Unfunded Actuarial Accrued Liability (UAAL), and the required financial statement disclosures which shows the calculation of the Annual Required Contribution and the Net OPEB Obligation. The actuarial accrued liability for benefits was \$7.6 million and the actuarial value of assets was \$0.0 million resulting in an unfunded actuarial accrued liability of \$7.6 million.

Botsford reviewed the discount rate assumption noting it is used to calculate the present value of expected future benefit payments and is the biggest driver of liabilities. He stated the higher the discount rate used, the lower the present value will be because a greater share of OPEB costs is expected to be funded by investment returns. He reviewed a comparison of valuation results based on a 7% discount rate. He reported CCCERA has set aside \$2.283 million to fund retiree healthcare benefits but the funds have not been placed in an irrevocable trust solely for purposes of paying retiree healthcare benefits.

8. **Consider and take possible action to adopt the Actuarial Valuation Report of Post-Employment Benefits**

It was **M/S/C** to adopt the Actuarial Valuation Report of Post-Employment Benefits as presented by Milliman. (Yes: Andersen, Holcombe, Kwon, Phillips, Pigeon, Rodrigues, Smithey, Telles and Watts)

9. **Consider and take possible action regarding the funding of CCCERA's OPEB liability**

Strohl reported CCCERA currently makes benefit payments on a pay as you go basis. The funds set aside for retiree healthcare benefit payments have not been placed in an irrevocable trust solely for purposes of paying retiree healthcare benefits. She recommended the prefunding option to the Board to fund retiree health benefits by placing the funds in an irrevocable trust. She also recommended issuing a RFP to review the potential costs and returns of a third party provider to determine whether or not a third party provider would be more beneficial than administering the trust assets internally. She stated the next steps would be to prepare a draft irrevocable trust agreement and a draft funding policy.

It was **M/S/C** to direct the CEO to draft an irrevocable trust agreement, funding policy and related mid-year budget adjustment and to issue an RFP to determine which option, internal or third party provider, would be more beneficial in administering the assets. (Yes: Andersen Holcombe, Kwon, Phillips, Pigeon, Rodrigues, Smithey, Telles and Watts)

10. Consider and take possible action to issue a Request for Proposal for Master Custodian

Strohl reported CCCERA has used State Street Bank and Trust for years and in an effort to assure that the services are most effective and cost efficient, she recommends the issuance of a RFP to see what is available in the marketplace.

It was **M/S/C** to issue a Request for Proposal for a Master Custodian bank. (Yes: Andersen, Holcombe, Kwon, Phillips, Pigeon, Rodrigues, Smithey, Telles and Watts)

11. Consider authorizing the attendance of Board:

- a. There was no action taken on this item. CII Spring 2018 Conference, Council of Institutional Investors, March 12-14, 2018, Washington, DC.
- b. It was **M/S/C** to authorize the attendance of 3 Board members at the Day of Education in Private Equity Conference, March 29, 2018, Los Angeles, CA. (Yes: Andersen, Holcombe, Kwon, Phillips, Pigeon, Rodrigues, Smithey, Telles and Watts)
- c. It was **M/S/C** to authorize the attendance of 3 Board members at the NCPERS Annual Conference & Exhibition, May 13-16, 2018, New York, NY. (Yes: Andersen, Holcombe, Kwon, Phillips, Pigeon, Rodrigues, Smithey, Telles and Watts)

12. Miscellaneous

- (a) Staff Report –

Strohl reported there was a temporary power outage yesterday and the CALAPRS Trustee Roundtable was recently cancelled due to a lack of attendees.

Price provided the following manager updates noting that none directly impact CCCERA: at SIT, the head of the fixed income department is retiring at the end of the year; at LaSalle, one of our portfolio managers is retiring; and, at PIMCO, Stephanie King in client services, resigned.

- (b) Outside Professionals' Report -

None

- (c) Trustees' comments –

Telles congratulated Strohl on her appointment to the CALAPRS Board of Directors.

Rodrigues reported on the NCPERS 2018 Legislative Conference that he attended with MacDonald and Watts.

It was **M/S/C** to adjourn the meeting. (Yes: Andersen, Holcombe, Kwon, Phillips, Pigeon, Rodrigues, Smithey, Telles and Watts)

CONTRA COSTA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

Meeting Date
3/14/18
Agenda Item
#5

BOARD OF RETIREMENT

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March 14, 2018

Items requiring Board Action

A. Certifications of Membership – see list and classification forms.

B. Service and Disability Retirement Allowances:

<u>Name</u>	<u>Number</u>	<u>Effective Date</u>	<u>Option Type</u>	<u>Group</u>	<u>Selected</u>
Benschop, Ortus	72801	12/11/17	SR	Tier III	Unmod
Bradley, Candace	D3406	12/16/17	SR	Tier I	Unmod
Bradley, Glen	D3406	12/16/17	SR	Tier I	Unmod
Case, Karen	83084	12/16/17	SR	PEPRA 5.2	Unmod
Cook-Yoell, Cynthia	44027	12/01/17	SR	Tier II and III	Unmod
Day-Silva, Lisa	65009	12/01/17	SR	Tier II and III	Unmod
Ellis, Sarah	D7830	10/20/17	SR	Safety A	Unmod
Forman, Michael	45724	12/01/17	SR	Tier II and III	Unmod
Howell, Maurice	55189	03/14/17	SCD	Safety A	Unmod
Howie, Verona	57171	10/27/17	SR	Tier II and III	Unmod
Peterson, Penelope	40773AP	09/06/17	SR	Tier II and III	Unmod
Vargas, Jaqueline	51992	11/08/17	SR	Tier II and III	Unmod

C. Disability Retirement Applications: The Board's Hearing Officer is hereby authorized to issue subpoenas in the following cases involving disability applications:

<u>Name</u>	<u>Number</u>	<u>Filed</u>	<u>Type</u>
Grundler, Leslie	60909	02/02/18	SCD
Jannisse, Paul	D7830	02/13/18	SCD
Matulich, Vincent	D7274	02/27/18	SCD
Rezwani, Shahla	44708	02/08/18	SCD

D. Deaths:

<u>Name</u>	<u>Date of Death</u>	<u>Employer as of Date of Death</u>
Bautista, Rodolfo	01/25/18	Contra Costa County
Beasley, Jackie	01/17/18	Beneficiary

KEY:

<u>Group</u>	<u>Option</u>	<u>Type</u>
I = Tier I	* = County Advance	NSP = Non-Specified
II = Tier II	Selected w/option	SCD = Service Connected Disability
III = Tier III		SR = Service Retirement
S/A = Safety Tier A		NSCD = Non-Service Connected Disability
S/C = Safety Tier C		

CONTRA COSTA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

BOARD OF RETIREMENT

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March 14, 2018

Bruno, Joseph	02/09/18	Beneficiary
Eisenberg, Bonnie	02/25/18	Contra Costa County
Gregorich, Joseph	02/19/18	City of Pittsburg
Knox, Bertha	01/24/18	Contra Costa County
Mesmick, Samuel	02/05/18	Contra Costa County
Parmley, Sara	02/04/18	Beneficiary
Pettit, Orville	02/02/18	Contra Costa County
Robinson, Gladys	02/22/18	Contra Costa County
Rodgers, Theresa	02/24/18	Contra Costa County
Scott, Beatrice	02/24/18	Contra Costa County
Shank, Lillian	02/09/18	Contra Costa County
Wirth, Frederick	02/14/18	Beneficiary
Young, David	02/23/18	Contra Costa County

KEY:

Group
I = Tier I
II = Tier II
III = Tier III
S/A = Safety Tier A
S/C = Safety Tier C

Option
* = County Advance
Selected w/option

Type
NSP = Non-Specified
SCD = Service Connected Disability
SR = Service Retirement
NSCD = Non-Service Connected Disability

CERTIFICATION OF MEMBERSHIPS

Name	Employee Number	Tier	Membership Date	Employer
Adhinom, Paulos	84445	P5.2	01/01/18	Contra Costa County
Aguilera-Camacho, Michael	84631	P5.2	01/01/18	Contra Costa County
Al Janabi, Hawraa	83564	P5.2	01/01/18	Contra Costa County
Arvizu, Jose	86455	P5.2	01/01/18	Contra Costa County
Balbas, Brandon	83966	P5.2	01/01/18	Contra Costa County
Beck, Angela	83067	P5.2	01/01/18	Contra Costa County
Bejines Bravo, Omar	86457	P5.2	01/01/18	Contra Costa County
Brown, Jaaziel	D4980	P4.3	01/01/18	CCCERA
Buzzard, Stefani	84565	P5.2	01/01/18	Contra Costa County
Calloway, Vernon	86402	P5.2	01/01/18	Contra Costa County
Castanha, John	D7830	P4.3	01/01/18	San Ramon Valley Fire Protection District
Castro, Salvadora	76850	P5.2	01/01/18	Contra Costa County
Choi, Sun	84258	P5.2	01/01/18	Contra Costa County
Clement, April	86388	P5.2	01/01/18	Contra Costa County
Commins, Renee	86479	P5.2	01/01/18	Contra Costa County
Contreras, Angela	75793	P5.2	01/01/18	Contra Costa County
Davenport, Jonta	86372	P5.2	01/01/18	Contra Costa County
Delossantos, Miriam	85153	P5.2	01/01/18	Contra Costa County
Espinoza, Michael	86373	P5.2	01/01/18	Contra Costa County
Fortune, Golnaz	84401	P5.2	01/01/18	Contra Costa County
Goins, Whitnee	82102	P5.2	01/01/18	Contra Costa County
Haire, Joshua	86408	P5.2	01/01/18	Contra Costa County
Harris, Janice	86460	P5.2	01/01/18	Contra Costa County
Haverty, Denise	86404	P5.2	01/01/18	Contra Costa County
Heyer, Bruce	84803	P5.2	01/01/18	Contra Costa County
Holloway, Marcus	86499	PE	01/01/18	Contra Costa County
Hom, Randall	86391	P5.2	01/01/18	Contra Costa County
Jacko, Leola	86473	P5.2	01/01/18	Contra Costa County
Kanan, Nisme	86406	P5.2	01/01/18	Contra Costa County
Katz, Celia	86284	P5.2	01/01/18	Contra Costa County
Keeffe, Anna	86433	P5.2	01/01/18	Contra Costa County
Larios, Yolanda	86374	P5.2	01/01/18	Contra Costa County
Lewis, Zachary	86376	P5.2	01/01/18	Contra Costa County
Lopez, Stephanie	D7830	P4.3	01/01/18	San Ramon Valley Fire Protection District
McNutt, Stephen	86401	P5.2	01/01/18	Contra Costa County
Merjavy, Stephen	77468	III	01/01/18	Contra Costa County
Milano, Gina	82464	P5.2	01/01/18	Contra Costa County
Mitchell, Darien	86461	P5.2	01/01/18	Contra Costa County
Morris, Ryan	83526	P5.2	01/01/18	Contra Costa County
Nguyen, Vickie	84086	P5.2	01/01/18	Contra Costa County

Key:

I = Tier I	P4.2 = PEPR Tier 4 (2% COLA)	S/A = Safety Tier A
II = Tier II	P4.3 = PEPR Tier 4 (3% COLA)	S/C = Safety Tier C
III = Tier III	P5.2 = PEPR Tier 5 (2% COLA)	S/D = Safety Tier D
	P5.3 = PEPR Tier 5 (3% COLA)	S/E = Safety Tier E

CERTIFICATION OF MEMBERSHIPS

<i>Name</i>	<i>Employee Number</i>	<i>Tier</i>	<i>Membership Date</i>	<i>Employer</i>
Odonkor, Evelyn	85230	P5.2	01/01/18	Contra Costa County
Pandurangi, Maya	86403	P5.2	01/01/18	Contra Costa County
Parker, Keith	86448	P5.2	01/01/18	Contra Costa County
Perata, Elyse	86446	P5.2	01/01/18	Contra Costa County
Perry, Raenita	86392	P5.2	01/01/18	Contra Costa County
Pinto, Natasha	55280	III	01/01/18	Contra Costa County
Pritchett, Jennifer	86389	P5.2	01/01/18	Contra Costa County
Quinones, Lillian	86475	P5.2	01/01/18	Contra Costa County
Ramboyoung, Melanie	84402	P5.2	01/01/18	Contra Costa County
Ramirez, Christine	85233	P5.2	01/01/18	Contra Costa County
Reif, Nathan	86484	P5.2	01/01/18	Contra Costa County
Reyes, Hector	77409	P5.2	01/01/18	Contra Costa County
Rocco, Timothy	86450	P5.2	01/01/18	Contra Costa County
Rodas Landeo, Monica	81314	P5.2	01/01/18	Contra Costa County
Ruiz, Mark	86483	P5.2	01/01/18	Contra Costa County
Saelaw, Kelly	86424	P5.2	01/01/18	Contra Costa County
Santos, Francisco	D9500	P5.3	01/01/18	Superior Court of Contra Costa County
Savage, Matthew	83467	P5.2	01/01/18	Contra Costa County
Shah, Yusuf	82055	P5.2	01/01/18	Contra Costa County
Simmons, Gillian	83400	P5.2	01/01/18	Contra Costa County
Singh, Arshpal	83472	P5.2	01/01/18	Contra Costa County
Tom, Akiah	77712	P5.2	01/01/18	Contra Costa County
Tovar, Cinda	86399	P5.2	01/01/18	Contra Costa County
Truong, Chau Linda	84257	P5.2	01/01/18	Contra Costa County
Wagner, Arly	84231	PE	01/01/18	Contra Costa County
Wang, Amanda	84211	P5.2	01/01/18	Contra Costa County
Wanganga, Joseph	86375	P5.2	01/01/18	Contra Costa County
Webster, Matthew	86456	P5.2	01/01/18	Contra Costa County
Williams, Divina	86449	P5.2	01/01/18	Contra Costa County
Winnacher, David	D7274	PDF.3	01/01/18	Moraga-Orinda Fire District
Wong, Meilin	84348	P5.2	01/01/18	Contra Costa County
Yune, Mira	86405	P5.2	01/01/18	Contra Costa County

Key:

I = Tier I	P4.2 = PEPPRA Tier 4 (2% COLA)	S/A = Safety Tier A
II = Tier II	P4.3 = PEPPRA Tier 4 (3% COLA)	S/C = Safety Tier C
III = Tier III	P5.2 = PEPPRA Tier 5 (2% COLA)	S/D = Safety Tier D
	P5.3 = PEPPRA Tier 5 (3% COLA)	S/E = Safety Tier E

TIER CHANGES

<i>Name</i>	<i>Employee Number</i>	<i>Old Tier</i>	<i>New Tier</i>	<i>Effective Date</i>	<i>Employer</i>	<i>Reason for Change</i>
Co, Anthony P.Y.	75087	P5.2	III	06/01/17	Contra Costa County	Tier Correction
Loucas, Makita	85344	P4.2	A	10/01/17	Contra Costa Fire Protection District	Reciprocity In: Age & Tier Change
Macedo, Paula	D3301	P5.2	III	09/01/17	Mosquito & Vector Control District	Reciprocity In: Age & Tier Change

Key:

I = Tier I	P4.2 = PEPR A Tier 4 (2% COLA)	S/A = Safety Tier A
II = Tier II	P4.3 = PEPR A Tier 4 (3% COLA)	S/C = Safety Tier C
III = Tier III	P5.2 = PEPR A Tier 5 (2% COLA)	S/D = Safety Tier D
	P5.3 = PEPR A Tier 5 (3% COLA)	S/E = Safety Tier E

Contra Costa County Employees' Retirement Association
Asset Allocation as of January 31, 2018

Meeting Date
3/14/18
Agenda Item
#5e.

Liquidity	Market Value	Percentage of Total Fund	Phase 2b Target Percentage	Phase 2b Over/(Under)	Long Term Target	Long Term Over/(Under)
Insight	813,131,021	9.4%	12.6%	-3.2%		
Sit	485,009,895	5.6%	6.2%	-0.6%		
Dimensional Fund Advisors	393,251,042	4.5%	6.2%	-1.7%		
Total Liquidity	1,691,391,958	19.5%	25.0%	-5.5%	27.0%	-7.5%
Range						
16% - 28%						

Growth

Domestic Equity

Boston Partners	426,591,400	4.9%	4.5%	0.4%		
Jackson Square	432,818,181	5.0%	4.5%	0.5%		
BlackRock Index Fund	126,577,880	1.5%	1.3%	0.2%		
Emerald Advisors	295,033,523	3.4%	3.0%	0.4%		
Ceredex	267,314,848	3.1%	3.0%	0.1%		
Total Domestic Equity	1,548,335,832	17.9%	16.3%	1.6%	6.0%	11.9%

Global & International Equity

Pyrford (BMO)	481,361,859	5.6%	5.2%	0.4%	6.0%	-0.4%
William Blair	524,522,005	6.0%	5.2%	0.8%	6.0%	0.0%
First Eagle	380,029,743	4.4%	4.3%	0.1%		
Artisan Global Opportunities	409,709,625	4.7%	4.3%	0.4%		
PIMCO/RAE Emerging Markets	407,853,774	4.7%	4.2%	0.5%	5.0%	-0.3%
TT Emerging Markets	384,425,558	4.4%	4.2%	0.2%	5.0%	-0.6%
Total Global & International Equity	2,587,902,564	29.8%	27.4%	2.4%	22.0%	7.8%

Private Equity

Private Credit	850,321,000	9.8%	9.6%	0.2%	12.0%	-2.2%
Real Estate - Value Add	145,026,000	1.7%	2.4%	-0.7%	12.0%	-10.3%
Real Estate - Opportunistic & Distressed	153,472,000	1.8%	4.0%	-2.2%	4.0%	-2.2%
Real Estate - REIT (Adelante)	447,720,000	5.2%	4.0%	1.2%	4.0%	1.2%
High Yield (Allianz)	65,681,931	0.8%	1.0%	-0.2%	1.0%	-0.2%
Total Other Growth Assets	358,363,036	4.1%	4.3%	-0.2%		
Total Growth Assets	2,020,583,966	23.3%	25.3%	-2.0%	33.0%	-9.7%

Total Growth Assets	6,156,822,363	71.0%	69.0%	2.0%	61.0%	10.0%
Range						
60% - 80%						

Risk Diversifying

AFL-CIO	322,611,736	3.7%	3.5%	0.2%	3.0%	0.7%
Diversifying Strategies (Wellington)	189,834,561	2.2%	2.5%	-0.3%	9.0%	-6.8%
Total Risk Diversifying	512,446,297	5.9%	6.0%	-0.1%	12.0%	-6.1%
Range						
0% - 10%						

Cash and Overlay

Overlay (Parametric)	53,534,669	0.6%	0.0%	0.6%		
Cash	257,404,477	3.0%	0.0%	3.0%	0.0%	3.0%
Total Cash and Overlay	310,939,146	3.6%	0.0%	3.6%	0.0%	3.6%

Total Fund	8,671,599,764	100%	100%	0%	100%	0%
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*Phase 2b targets and ranges reflect Phase 2b asset allocation targets accepted by the Board on July 12, 2017 (BOR Resolution 2017-6)

Private Market Investments
As of January 31, 2018

REAL ESTATE - Value Add	Inception Date	Target Termination	# of Extension in full liq.	Discretion by GP/LP	New Target Termination	Funding Commitment	Market Value	% of Total Asset	Outstanding Commitment
Invesco IREF II	05/30/07	12/31/15				85,000,000	444,000	0.01%	
Invesco IREF III	08/01/13	08/01/20				35,000,000	13,282,000	0.15%	
Invesco IREF IV	12/01/14	12/01/21				35,000,000	19,294,000	0.22%	3,190,000
Long Wharf FREG IV	08/14/13	09/30/21				25,000,000	17,187,000	0.20%	
Long Wharf FREG V	10/31/16	09/30/24				50,000,000	24,602,000	0.28%	23,987,000
LaSalle Income & Growth Fund VI	01/31/12	01/31/19				75,000,000	31,047,000	0.36%	3,946,000
LaSalle Income & Growth Fund VII	10/31/16	09/30/24				75,000,000	47,616,000	0.55%	27,449,000
Outstanding Commitments						505,000,000	153,472,000	1.77%	58,572,000
Total							58,572,000		212,044,000

REAL ESTATE - Opportunistic & Distressed	Inception Date	Target Termination	# of Extension in full liq.	Discretion by GP/LP	New Target Termination	Funding Commitment	Market Value	% of Total Asset	Outstanding Commitment
DJ Real Estate Capital Partners, L.P. III	06/30/05	06/30/14				75,000,000	28,167,000	0.32%	
DJ Real Estate Capital Partners, L.P. IV	12/31/07	09/30/18				100,000,000	86,709,000	1.00%	
DJ Real Estate Capital Partners, L.P. V	07/31/13	12/31/22				75,000,000	31,734,000	0.37%	36,086,000
Oaktree Real Estate Opportunities Fund V	02/01/11	02/01/21				50,000,000	9,347,000	0.11%	
Oaktree Real Estate Opportunities Fund VI	09/30/13	09/30/20				80,000,000	61,351,000	0.71%	5,682,000
Oaktree Real Estate Opportunities Fund VII	02/28/15	02/28/23				65,000,000	5,865,000	0.07%	55,250,000
Siguler Guff Distressed Real Estate Opp. Fund	07/30/11	07/30/22				75,000,000	48,910,000	0.56%	11,993,000
Siguler Guff Distressed Real Estate Opp. Fund II	08/31/13	08/31/25				70,000,000	54,160,000	0.62%	21,752,000
Siguler Guff Distressed Real Estate Opp. II Co-inv	01/31/16	10/31/25				25,000,000	17,746,000	0.20%	
Paulson Real Estate Fund II	11/10/13	11/10/20				20,000,000	22,424,000	0.26%	7,967,000
Angelo Gordon Realty Fund VIII	12/31/11	12/31/18				80,000,000	41,217,000	0.48%	18,145,000
Angelo Gordon Realty Fund IX	10/10/14	10/10/22				65,000,000	40,090,000	0.46%	27,516,000
Outstanding Commitments						780,000,000	447,720,000	5.16%	184,391,000
Total							184,391,000		632,111,000

PRIVATE CREDIT	Inception Date	Target Termination	# of Extension in full liq.	Discretion by GP/LP	New Target Termination	Funding Commitment	Market Value	% of Total Asset	Outstanding Commitment
Torchlight Debt Opportunity Fund II	09/28/06	09/30/16				128,000,000	40,375,000	0.47%	
Torchlight Debt Opportunity Fund III	09/30/08	06/30/16	2nd 1 YR	LP	06/30/18	75,000,000	4,803,000	0.06%	
Torchlight Debt Opportunity Fund IV	08/01/12	08/30/20				60,000,000	41,778,000	0.48%	37,500,000
Torchlight Debt Opportunity Fund V	12/31/14	09/17/22				75,000,000	46,855,000	0.54%	40,000,000
Torchlight Debt Opportunity Fund VI	12/31/17	09/17/24				40,000,000	0	0.00%	
Angelo Gordon Energy Credit Opportunities	09/10/15	09/10/20				16,500,000	11,215,000	0.13%	
Outstanding Commitments						394,500,000	145,026,000	1.67%	77,500,000
Total							77,500,000		222,526,000

**Private Market Investments
As of January 31, 2018**

PRIVATE EQUITY	Inception Date	Target Termination	# of Extension	Discretion by GP/LP	New Target Termination	Funding Commitment	Market Value	% of Total Asset	Outstanding Commitment
Adams Street Partners	12/22/95	INDEFINITE				180,000,000	129,663,000	1.50%	72,930,000
Adams Street Secondary II	12/31/08	12/31/20				30,000,000	10,211,000	0.12%	12,637,000
Adams Street Secondary V	10/31/12	10/31/22				40,000,000	23,087,000	0.27%	15,740,000
Adams Street Venture Innovation Fund	03/09/16	03/09/28				75,000,000	3,413,000	0.04%	71,587,000
Bay Area Equity Fund	06/14/04	12/31/14	2nd 2 YR	LP	12/31/2017	10,000,000	2,965,000	0.03%	
Bay Area Equity Fund II	2/29/09	12/31/19				10,000,000	8,615,000	0.10%	
Carpenter Community BancFund	10/31/09	10/31/19				30,000,000	4,399,000	0.05%	
EIF USPF I	11/08/02	11/08/15	in full liq.	LP	11/08/15	30,000,000	755,000	0.01%	
EIF USPF II	06/15/05	06/15/15	3rd 1 YR	LP	06/15/18	50,000,000	35,104,000	0.40%	
EIF USPF III	02/28/07	02/28/17	1st 1 YR	LP	02/28/18	65,000,000	42,674,000	0.49%	
EIF USPF IV	06/28/10	06/28/20				50,000,000	51,759,000	0.60%	
Oaktree Private Investment Fund 2009	02/28/10	12/15/19				40,000,000	12,370,000	0.24%	
Ocean Avenue Fund II	05/07/14	05/07/24				30,000,000	22,157,000	0.26%	6,384,000
Ocean Avenue Fund III	12/09/15	12/09/25				50,000,000	9,579,000	0.07%	40,000,000
Paladin III	08/15/08	08/15/18				25,000,000	26,064,000	0.30%	
Pathway	11/09/98	05/31/21				125,000,000	24,010,000	0.28%	14,246,000
Pathway 2008	12/26/08	12/26/23				40,000,000	20,425,000	0.24%	5,710,000
Pathway 6	05/24/11	05/24/26				30,000,000	32,372,000	0.37%	10,674,000
Pathway 7	02/07/13	02/07/23				70,000,000	50,663,000	0.58%	18,977,000
Pathway 8	11/23/15	11/23/25				50,000,000	21,185,000	0.24%	32,842,000
Siguler Guff CCCERA Opportunities	06/03/14	05/31/25				200,000,000	139,999,000	1.61%	87,098,000
Siguler Guff Secondary Opportunities	12/31/16	12/31/26				50,000,000	19,416,000	0.22%	34,297,000
Real Assets									
Aether III & III Surplus	11/30/13	11/30/20				75,000,000	81,393,000	0.94%	12,378,000
Aether IV	01/01/16	01/01/28				50,000,000	18,158,000	0.21%	30,656,000
ARES EIF V	09/09/15	11/19/25				50,000,000	13,872,000	0.16%	38,561,000
Commonfund Capital Natural Resources IX	06/30/13	06/30/20				50,000,000	40,270,000	0.46%	12,875,000
Wastewater Opportunity Fund	12/31/15	11/30/22				25,000,000	5,743,000	0.07%	18,288,000
Outstanding Commitments						1,545,000,000	850,321,000	9.86%	535,880,000
Total							535,880,000		1,386,201,000

Market value column is the latest ending quarter plus any additional capital calls after the ending quarter.
The Target Termination column is the beginning of liquidation of the fund, however, some funds may be extended for an additional two or three years.



Meeting Date
3/14/18
Agenda Item
#5f.

**Contra Costa County Employees' Retirement Association
Liquidity Report – January 2018**

January 2018 Performance

	Cash Flow	Coverage Ratio
Benefit Cash Flow Projected by Model	\$37,250,000	
Liquidity Sub-Portfolio Cash Flow	\$37,250,000	100%
Actual Benefits Paid	\$36,522,729	102%
<i>Next Month's Projected Benefit Payment</i>	<i>\$37,250,000</i>	

Monthly Manager Positioning – January 2018

	Beginning Market Value	Liquidity Program Cash Flow	Market Value Change/Other Activity	Ending Market Value
Sit	\$489,041,194	(\$1,000,000)	(\$3,031,299)	\$485,009,895
DFA	\$408,202,187	(\$12,750,000)	(\$2,201,145)	\$393,251,042
Insight	\$837,519,570	(\$23,500,000)	(\$888,549)	\$813,131,021
Liquidity	\$1,734,762,951	(\$37,250,000)	(\$6,120,993)	\$1,691,391,958
Cash	\$228,772,333	\$727,271	\$27,531,218	\$257,030,822
Liquidity + Cash	\$1,963,535,284	(\$36,522,729)	\$21,410,224	\$1,948,422,780

Functional Roles

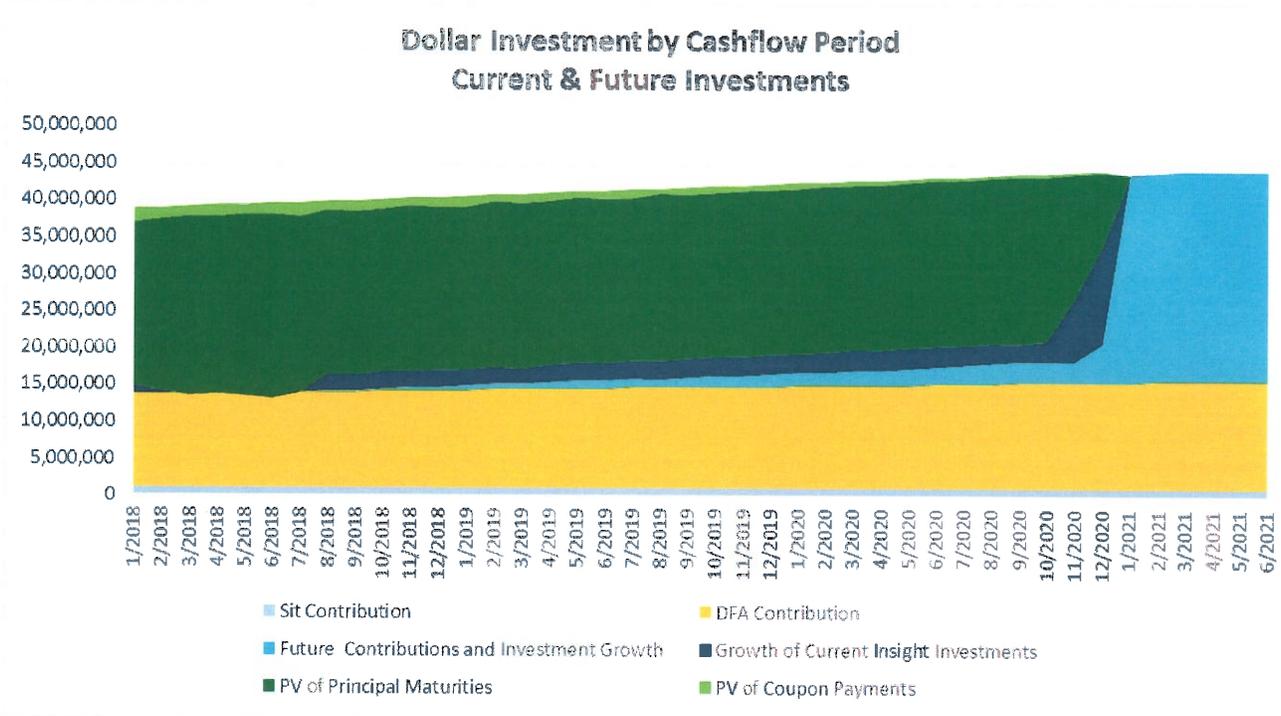
Manager	Portfolio Characteristics	Liquidity Contribution
Sit	High quality portfolio of small balance, government guaranteed mortgages with higher yields.	Pays out net income on monthly basis. We expect this income to rise somewhat in the upcoming year.
DFA	High quality, short duration portfolio of liquid, low volatility characteristics.	Pays out a pre-determined monthly amount. DFA sources liquidity from across their portfolio.
Insight	Buy and maintain (limited trading) portfolio of high quality, short duration, primarily corporates.	Completion portfolio makes a payment through net income and bond maturities that bridges the gap between other managers and projected payment.
Cash	STIF account at custodial bank.	Buffer in the event of any Liquidity shortfall/excess.

Notes

The first cash flow from the liquidity program for 2018 was completed on January 23, 2018 and produced an excess cash flow of approximately \$727 thousand, which represents a tighter match between the cash flow produced by the liquidity program and the actual benefits paid compared with the previous year. With a year of cash flow experience, we have now begun to adjust down the model cash flows. The monthly cash flows have been reduced by \$1-1.5 mm monthly through the first half of the year relative to our original projections. We plan to review the projections again in May.

Cash Flow Structure

The chart below shows the sources of cash flow for the next several years of CCCERA's projected benefit payments. This table will change slightly as the model is tweaked and as the portfolios receive new rounds of funding each July as part of the Annual Funding Plan.



MEMORANDUM

Date: March 14, 2018

To: Board of Retirement

From: Son Lu, Information Technology Manager
Colin Bishop, Member Services Manager

Subject: Presentation from ICON Integration & Design, Inc. on data quality review of pension administration system

Overview

In early 2017, CCCERA issued a Request for Proposal (“RFP”) for an audit of its pension administration systems. In August 2017, CCCERA entered into a contract with ICON Integration and Design, Inc. (“ICON”), for consultation services, including an audit of CCCERA’s pension administration systems and a high-level assessment report. The purpose of the audit was to look at key data points, and to provide the basis for CCCERA’s Subledger Decommissioning Plan, which will outline a general strategy to retire Subledger and operate CPAS as a single authoritative data source.

Through early 2018, ICON staff partnered with CCCERA to analyze a series of key data points in CPAS and Subledger. With ICON’s initial data audit complete, CCCERA staff has outlined some next steps in the decommissioning process.

Summary and Findings

ICON has recommended several initial steps for CCCERA to follow in order to begin fully integrating its pension data into a single source of records within CPAS. The first steps will be to analyze the data reports provided in the audit, and complete a series of data conditioning tasks identified by ICON. While these tasks are being addressed, CCCERA can also refine its snapshot of key data points, which will involve querying the most current records available in both CPAS and Subledger. Those data points include the following seven categories included in ICON’s audit: date of birth, retirement tier, date of entry, age of entry, total service credit, member contributions, and employee pensionable compensation.

Once these initial steps are taken, CCCERA staff anticipates a data migration project which will be an iterative process involving collaboration between staff from various departments within CCCERA, including personnel from Member Services, Information Technology, Retirement Services, and Accounting. Additionally, CCCERA staff will consider additional staffing and consulting needs for the duration of the Subledger decommissioning. The ultimate goal of this

data migration project is to provide an assurance that the pension administration information and reporting capabilities in CPAS will operate as intended when Subledger becomes fully decommissioned.

Recommendation

This is informational only. No Board action is necessary at this time.

Contra Costa County Employees' Retirement Association

Meeting Date
3/14/18
Agenda Item
#11

Semi-Annual Disability Retirement Report

for the years ended 2013, 2014, 2015, 2016 and 2017

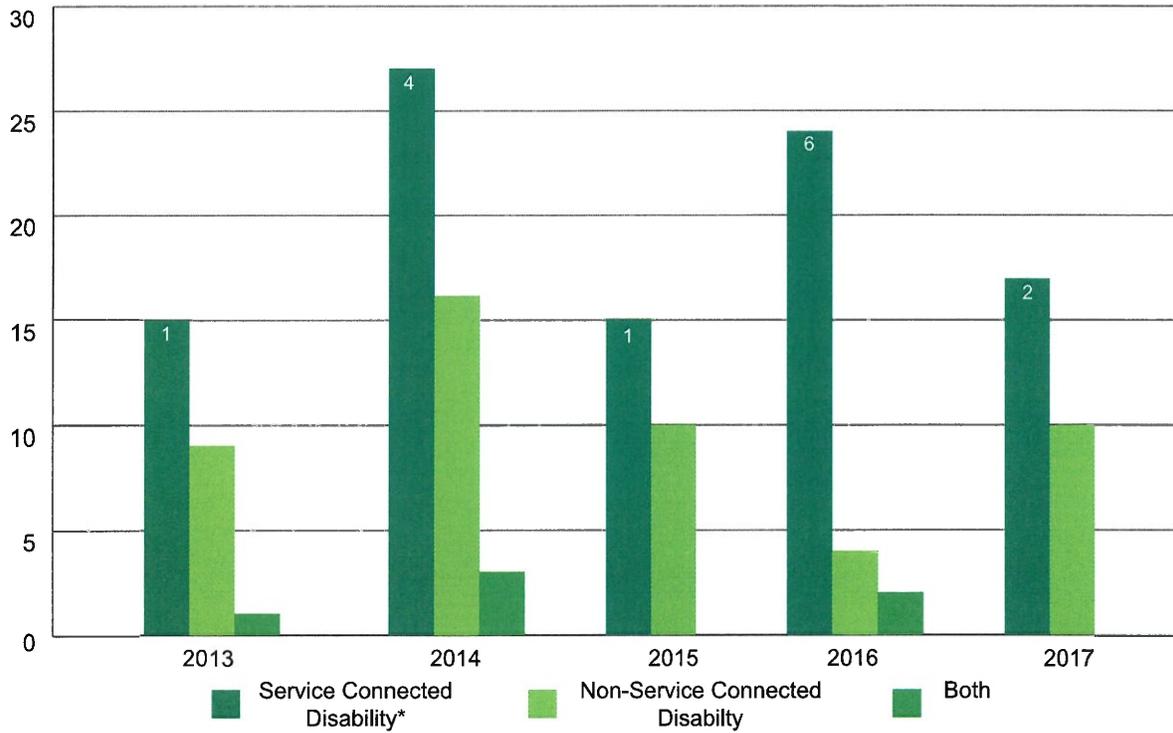


Contra Costa County Employees' Retirement Association
1355 Willow Way, Suite 221
Concord, California 94520-5728
cccera.org

Semi-Annual Disability Retirement Report

Exhibit 1: Disability Retirement Applications Received by Year

As of December 31, 2017



*Number of service connected disability applications accepted with less than 10 years of service are noted in white.

Contra Costa County Employees' Retirement Association
 Semi-Annual Disability Retirement Report (Continued)

Exhibit 2: Total Applications Filed with CCCERA (totals listed by employer)

As of December 31, 2017

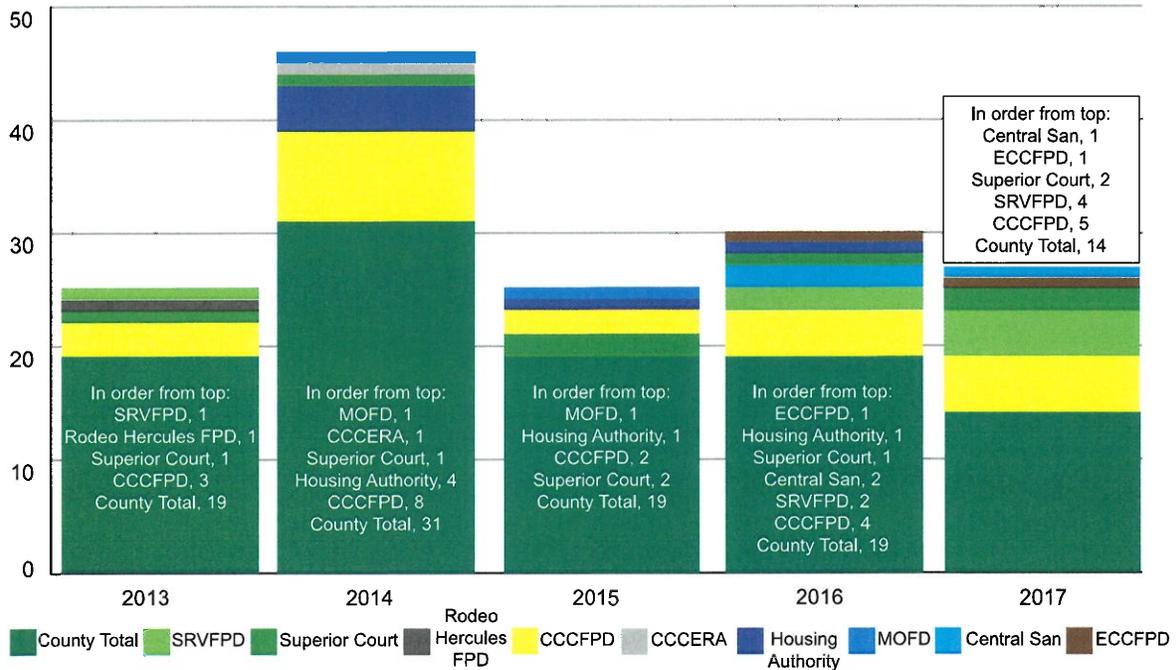
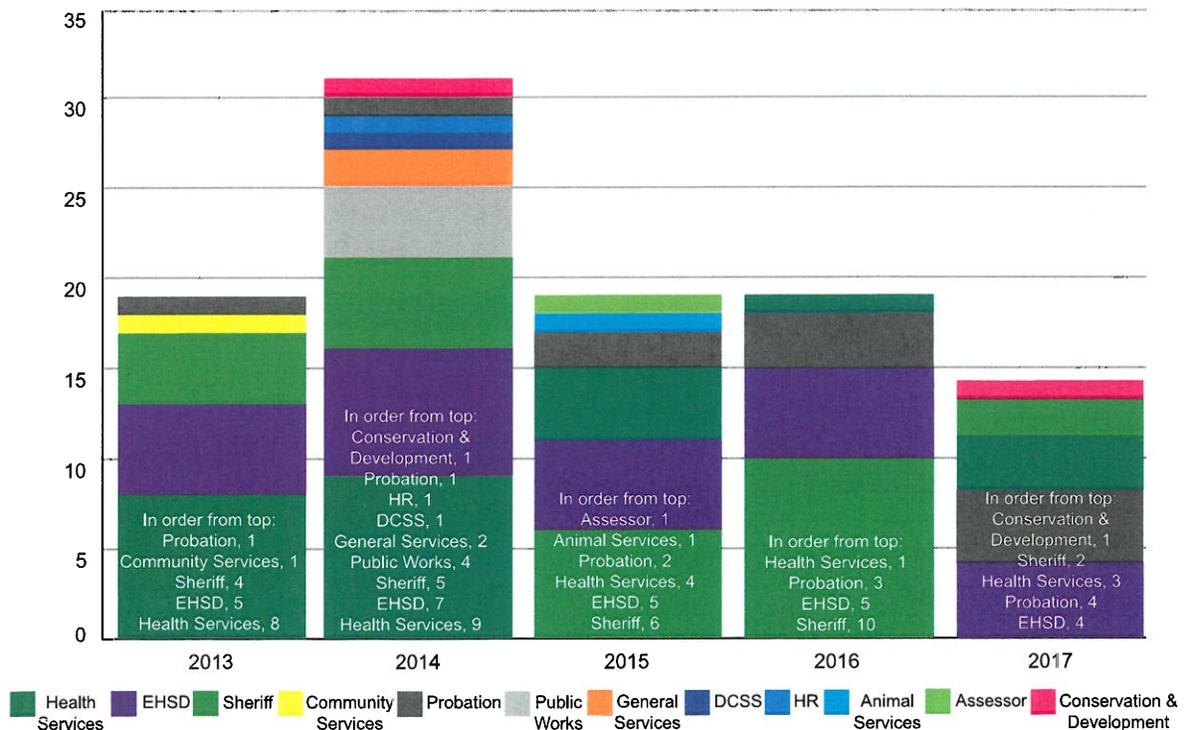


Exhibit 3: Total Applications Filed with CCCERA (by County Department)

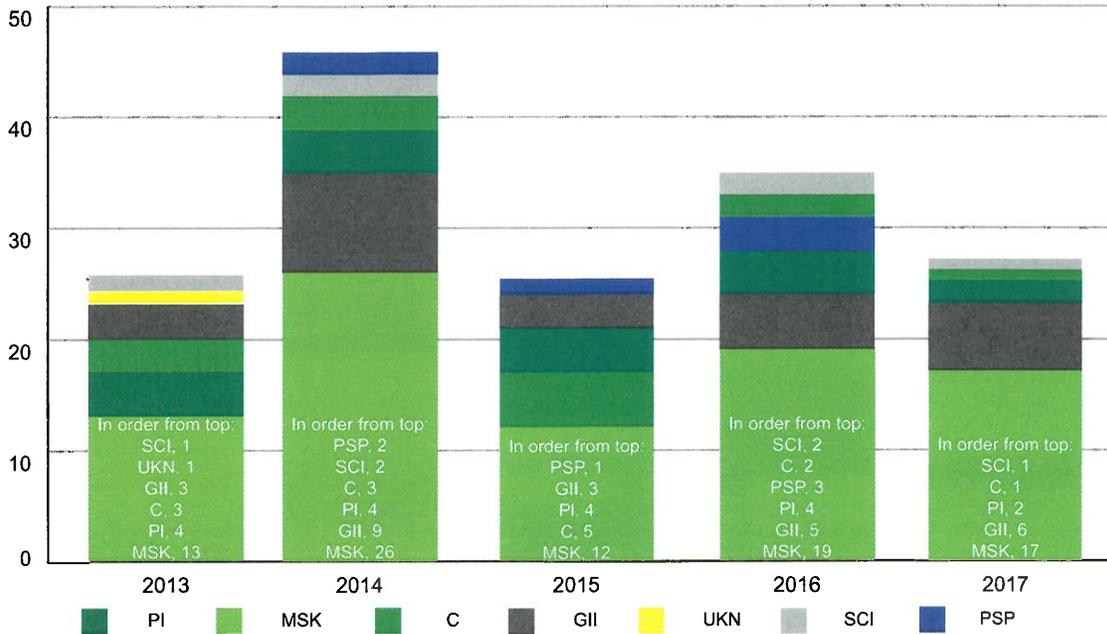
As of December 31, 2017



Contra Costa County Employees' Retirement Association
 Semi-Annual Disability Retirement Report (Continued)

Exhibit 4: Total Disability Filed by Type (Some applications filed with multiple disability types.)

As of December 31, 2017



The following acronyms group different illnesses together by type to show trends and are not limited to the examples below.

Psychiatric Incapacitation (PI)	Will include all psychiatric and mental health conditions and injuries. Examples would be PTSD, OCD, depression, schizophrenia, anxiety disorders, mood and emotional disorders.
Musculoskeletal (MSK)	Will include all orthopedic injuries and illness. Examples include carpal tunnel syndrome, amputation, avascular necrosis, back injury, degenerative disc disease, fibromyalgia, lumbar stenosis, neck injury, shoulder injury, and disc herniation.
Cancer (C)	Will include all permanent incapacitation that was the result of a form of cancer.
General Internal Incapacitation (GII)	Will include all injuries and illness that are general non-orthopedic issues, not covered by the noted above. Examples include diabetes, any disease or injury to an internal organ, rheumatology, pulmonary, gastrointestinal.
Unknown (UKN)	Disability application filed for unknown medical reasons. An example would be an employer that filed an application with limited medical records due to HIPAA.
Severe Cognitive Impairment (SCI)	Will include all illness' and injuries where the incapacitation has caused diminished cognitive function. Examples include traumatic brain injury, dementia, dyslexia, dyscalculia, memory impairments, diminished concentration and speech.
Public Safety Presumptions (PSP)	Will include all illness and injuries where the cause is governed under GC Sections 31720.5, 31720.6, 31720.7, or 31720.9. Presumptions will be listed twice; once under total presumption and once under type of disability.

Contra Costa County Employees' Retirement Association
 Semi-Annual Disability Retirement Report *(Continued)*

Exhibit 5: Type of Disability by Injury/Illness Group					
Employer	2013	2014	2015	2016	2017
Contra Costa County Fire Protection District (CCCFPD)					
PI	0	1	0	0	0
MSK	2	5	1	4	5
C	1	0	0	0	0
PSP	0	2	1	0	0
Contra Costa County Employees' Retirement Association (CCCERA)					
GII	0	1	0	0	0
Central Sanitary District					
MSK	0	0	0	2	0
GII	0	0	0	0	1
SCI	0	0	0	1	0
East County Fire					
PI	0	0	0	1	0
MSK	0	0	0	0	1
Housing Authority of Contra Costa County					
MSK	0	3	0	1	0
C	0	0	1	0	0
GII	0	1	0	0	0
Moraga/Orinda Fire Protection District					
MSK	0	1	1	0	0
Rodeo/Hercules Fire Protection District					
MSK	1	0	0	0	0
San Ramon Valley Fire Protection District					
PI	0	0	0	2	0
MSK	1	0	0	1	4
Contra Costa County Superior Court					
MSK	0	1	1	1	0
C	0	0	1	0	0
GII	1	0	0	0	1
SCI	0	0	0	0	1
Contra Costa County*					
PI	4	3	4	1	2
MSK	9	16	9	10	7
C	2	3	3	2	1
PSP	0	0	0	3	0
GII	2	7	3	5	4
UNK	1	0	0	0	0
SCI	1	2	0	1	0

*Detail by Contra Costa County departments on following page.

Contra Costa County Employees' Retirement Association
 Semi-Annual Disability Retirement Report (Concluded)

Exhibit 5: Type of Disability by Injury/Illness Group					
Department	2013	2014	2015	2016	2017
Contra Costa County					
Animal Services					
GII	0	0	1	0	0
Assessor					
GII	0	0	1	0	0
Community Services					
PI	1	0	0	0	0
Conservation and Development					
MSK	0	1	0	0	0
C	0	0	0	0	1
Department of Child Support Services (DCSS)					
C	0	1	0	0	0
Employment & Human Services Department (EHSD)					
PI	0	1	2	0	0
MSK	4	2	2	1	1
C	0	1	1	1	0
GII	1	1	0	3	3
SCI	0	2	0	0	0
General Services Department					
MSK	0	1	0	0	0
C	0	1	0	0	0
Health Services Department					
PI	2	1	1	0	1
MSK	3	4	1	1	1
C	0	0	1	0	0
GII	1	4	1	1	1
UNK	1	0	0	0	0
SCI	1	0	0	0	0
Human Resources Department					
GII	0	1	0	0	0
Public Works Department					
MSK	0	3	0	0	0
GII	0	1	0	0	0
Probation Department					
PI	0	1	1	1	1
MSK	0	0	1	1	3
C	1	0	0	0	0
PSP	0	0	0	1	0
GII	0	0	0	1	0
Sheriff's Office					
PI	1	0	0	0	0
MSK	2	5	5	7	2
C	1	0	1	1	0
PSP	0	0	0	2	0
SCI	0	0	0	1	0

Employer Audit:
Superior Court of
California –
Contra Costa County

EAU2017 - 103

Meeting Date
3/14/18
Agenda Item
#12

*Final Audit Report
dated 3/5/2018
prepared by:*



Superior Court of California – Contra Costa County

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March 5, 2018

Stephen Nash
Courts Executive Officer
Superior Court of California,
Contra Costa County
P.O. Box 431
Martinez, CA 94533

Re: Final Report – Superior Court of California, Contra Costa County (SCC-CCC) Pensionable Compensation, Contribution and Reporting Audit

Dear Mr. Nash,

Enclosed you will find our final employer audit report for the Superior Court of California, Contra Costa County. The Court's written response dated February 23, 2018, included in the addendum to the report, indicates agreement with the follow up items #1, and #2, and we concur that follow up item #3 was addressed at the preliminary audit report phase and was satisfied as of February 16, 2018.

Each of the follow up items indicated in the final report have been referred to CCCERA's Member Services department to engage with the Court's staff to address and remedy as appropriate.



Superior Court of California – Contra Costa County

I want to thank you for the time and courtesy that you and your staff extended to CCCERA's compliance team in performing this audit.

Best regards,



Wrally Dutkiewicz
Compliance Officer

Cc: Shannon Stone, Courts Human Resources Director, Superior Court of California, Contra Costa County
Jasmine Lee, Financial Services Manager – Payroll, Superior Court of California, Contra Costa County

Superior Court of California – Contra Costa County



February 1, 2018

Stephen Nash
Courts Executive Officer
Superior Court of California,
Contra Costa County
P.O. Box 431
Martinez, CA 94533

Re: Preliminary Report – Superior Court of California, Contra Costa County (SCC-CCC)
Pensionable Compensation, Contribution and Reporting Audit

Dear Mr. Nash,

Enclosed is the preliminary audit report of the Superior Court of California, Contra Costa County (SCC-CCC) pensionable compensation, contribution and reporting audit, conducted pursuant to Government Code Section 31543. I want to thank you and all SCC-CCC staff for their assistance in gathering all the records and documents and making them readily available during this audit. This cooperation was greatly appreciated and allowed for the audit to be completed in an efficient manner.

The *Preliminary Audit Report* is enclosed for your review. I would direct your attention to the “*Observations*” and “*Follow-Up Items*” sections of the report. A written response from SCC-CCC pertaining to the “*Follow-Up Items*” indicated in the report should be sent to CCCERA within four weeks of the date noted on the report. This response will be included in the “*Final Report*” which will be submitted to CCCERA’s Board of Retirement.

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In addition, I would like to extend my gratitude to SCC-CCC's payroll and human resources staff and the courtesy that they extended to CCCERA compliance staff during the review. Should you wish to discuss or have any questions regarding the items reviewed and the observations contained within this report, please contact me at 925-521-3960.

Best regards,



Wrally Dutkiewicz
Compliance Officer

Cc: Shannon Stone, Courts Human Resources Director, Superior Court of California, Contra Costa County
Jasmine Lee, Financial Services Manager – Payroll, Superior Court of California, Contra Costa County

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Background

The Contra Costa County Employees' Retirement Association (CCCERA) is a public employee retirement system that was established by Contra Costa County on July 1, 1945, and is administered by the Board of Retirement (Board) to provide service retirement, disability, death, and survivor benefits for Contra Costa County (County) employees and 16 other participating agencies under the California State Government Code, Section 31450, et. seq. (County Employees Retirement Law of 1937 or CERL) and the California Public Employees' Pension Reform Act of 2013 (PEPRA).

CCCERA administers the retirement benefits for the employees of Contra Costa County and participating District employers. Participating employers within the CCCERA retirement system transmit payroll information and contributions to fund the benefits for their employees. CCCERA sets up retirees' accounts, processes applications, calculates retirement allowances, prepares monthly retirement benefit payment rolls, and makes adjustments to retirement benefits when needed.

Retirement allowances are computed in accordance with statute using three factors: years of service, age at retirement, and final compensation. For Legacy (pre-PEPRA) members, final compensation is defined as the highest average annual compensation earnable (as defined in G.C. Section 31461) by a member during the last one or three consecutive years of employment depending on the member's Tier, unless the member elects a different period with a higher average. For PEPRA members, final compensation is defined as the highest average annual pensionable compensation (as defined in G.C. Section 7522.34) earned by the member during a period of 36 consecutive months.

The employer's knowledge of the rules relating to membership and payroll reporting facilitates the employer in providing CCCERA with appropriate employee information. Correct enrollment of eligible employees and correct reporting of payroll information are necessary for the accurate computation of a member's retirement allowance.

SCC-CCC serves the residents of Contra Costa County out of four locations in Martinez, Walnut Creek, Richmond and Pittsburg. For fiscal year 2017-2018 SCC-CCC has budgeted personnel expenditures in the amount of \$42,350,000 with \$24,500,000 for permanent employee salaries and \$17,660,000 for staff benefits including pension contributions¹. Per CCCERA records, SCC-CCC had an average of 321 employees in fiscal year 2015-2016 with active memberships in CCCERA and submitted approximately \$3,550,000 in employee pension contributions and \$11,285,000 in employer pension contributions. As of December 31, 2017, CCCERA had 329 retirees and beneficiaries on record for SCC-CCC with a total of paid benefits of approximately \$11,161,000 in 2017.

¹ http://www.cc-courts.org/general/docs/Schedule_Program_Budget_FY_17-18.pdf

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Scope

The 2013 Pension Reform legislation granted CCCERA the authority under Government Code Section 31543 for CCCERA to conduct audits of employers to ensure that employee and payroll information used in the calculation of Retiree pension benefits is correct and verifiable. The scope of these on-site reviews include:

- Correctness of retirement benefits;
- Reportable compensation;
- Enrollment in, and reinstatement to the system (GC 31554);
- Pensionable compensation (GC 31461 and 7522.34);
- Determine if employees convicted of certain felonies have forfeited benefits earned or accrued from the commission of the felony (GC 7522.72(g) and GC 7522.74(g));
- Review MOUs with respect to compensation and salary regulations (i.e. Vacation Sales etc.);
- Determine if compensation is paid to enhance a member's retirement benefit (GC 31461(b)(1) and 7522.34(c)(1));
- Evaluate employer's compliance with restrictions on retirees returning to work (GC 7522.56, I.R.S. bona fide separation and normal retirement age rules).

The on-site review of the District was conducted on November 20, 2017. The review period encompassed active employee records for the years 2014 through 2016 and retired employees from 2014 through 2017.

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The following activities were performed:

- Reviewed the following documents:
 - SCC-CCC Personnel Plan as of May 31, 2016
 - Commissioner Compensation Plan – March 29, 2015
 - Memoranda of Understanding (MOU):
 1. MOU between SCC-CCC and the Services Employees International Union - Court Reporters Union (SEIU Local 1021) – 2007 – 2010
 2. MOU SCC-CCC and Superior Court Bargaining Unit (AFSCME Local 2700)
 3. MOU between SCC-CCC and California Federation of Interpreters (CFI), The Newspaper Guild – Communications Workers of America (Local 39521) – December 16, 2013 – September 30, 2016
 - Side Letters:
 1. Side Letter between SCC-CCC and the Professional Services Unit (AFSCME 512) – January 3, 2013 (extension of MOU until September 30, 2016)
 2. Side Letter between SCC-CCC and SEIU Local 1021 – November, 13, 2009 (extension of MOU until September 30, 2012)
 3. Side Letter between SCC-CCC and Unrepresented Managers – March 4, 2011 (court approval of managers’ benefit package)
 4. Side Letter between SCC-CCC and Unrepresented Professionals – March 4, 2011 (court approval of unrepresented professionals’ benefit package)
 5. Letter between SCC-CCC and All Unrepresented Employees – March 4, 2011 (court approval of unrepresented employees’ benefit package changes)
 6. Side Letter between SCC-CCC and Unrepresented Managers and Professional Employees – December 24, 2012 (court approval to implement provisions for unrepresented management and professional employees)
 7. Side Letter between SCC-CCC and Unrepresented Clerical and Unrepresented Information Technology Employees – December 24, 2012 (court approval to implement provisions for unrepresented clerical and unrepresented clerical and information technology employees)
 - Tentative Agreements (TA):
 1. TA between SCC-CCC and AFSCME 512 – June 29, 2015 (schedule for Court investigators)
 2. TA between SCC-CCC and AFSCME 512 – June 29, 2015 (furloughs for FY 2015-2016)
 3. TA between SCC-CCC and AFSCME 512 – January 15, 2014 (incorporating facilitators into MOU)
 4. TA between SCC-CCC and AFSCME 512 – August 19, 2014 (closing early before holidays)

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5. TA between SCC-CCC and AFSCME 512 – June 5, 2015 (lump sum payment)
 6. TA between SCC-CCC and AFSCME 512 – January 26, 2015 (retirement shift)
 7. TA between SCC-CCC and AFSCME 512 – December 10, 2015 (retirement shift & economic reopener)
 8. TA between SCC-CCC and AFSCME 512 – July 11, 2014 (furloughs for FY 2014-2015)
 9. TA between SCC-CCC and SEIU Local 1021– October 1, 2015 (furloughs and retirement swap)
 10. TA between SCC-CCC and SEIU Local 1021 – December 14, 2012 (extension of MOU until September 30, 2016)
 11. TA between SCC-CCC and AFSCME Local 2700 – August 19, 2014 (closing early before holidays)
 12. TA between SCC-CCC and AFSCME Local 2700 – June 8, 2015 (furlough smoothing)
 13. TA between SCC-CCC and AFSCME Local 2700 – June 8, 2015 (lump sum payment)
 14. TA between SCC-CCC and AFSCME Local 2700 – January 28, 2015 (retirement shift)
 15. TA between SCC-CCC and AFSCME Local 2700 – December 14, 2015 (retirement shift & economic reopener)
 16. TA between SCC-CCC and CFI – June 24, 2015 (retirement shift)
- Memoranda to Unrepresented Employees:
1. Memorandum to All SCC-CCC Managers and Unrepresented Professional, Clerical and Information Technology Employees – December 18, 2015 (adjustment to retirement, lump sum payment and leave benefits)
 2. Memorandum to All SCC-CCC Managers and Unrepresented Professional, Clerical and Information Technology Employees – March 19, 2015 (adjustment to retirement and leave benefits)
 3. Memorandum to All SCC-CCC Managers and Unrepresented Professional, Clerical and Information Technology Employees – March 28, 2017 (salary steps and benefits adjustments)
- Interviewed key SCC-CCC staff members to obtain an understanding of the District’s personnel and payroll procedures;
- Reviewed the payroll transactions and compared SCC-CCC’s payroll register with the data reported to CCCERA to determine whether the district correctly reported employees’ compensation;
- Reviewed the SCC-CCC’s payroll information reported to CCCERA for all employees to determine whether pay-rates were reported pursuant to public salary information;

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- Reviewed SCC-CCC's process for reporting payroll to CCCERA to determine whether the payroll reporting elements were reported correctly;
- Reviewed SCC-CCC's employer and employee retirement contribution calculations for accuracy;
- Reviewed SCC-CCC's employee enrollments to determine whether all enrollment packages were received timely by CCCERA and executed correctly;
- Reviewed receivables from SCC-CCC paid to CCCERA on a monthly basis for timeliness and accuracy;
- Reviewed whether all compensation elements that were reported to CCCERA by SCC-CCC are pensionable;
- Reviewed a sample of pension benefit calculations.

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Findings and Observations

Accuracy of Payroll Information provided to CCCERA

Accuracy of Payroll Information provided to CCCERA

The accuracy, timeliness and completeness of the pensionable payroll and employee and employer contributions reported to CCCERA SCC-CCC is to be tested to ensure that member benefits can be accurately calculated and that the retirement system is receiving accurate information to manage and report out from its pension administration system.

Test Standards

Pursuant to Board of Retirement Regulations Section IV: Employer pensionable payroll and corresponding pension contributions are to be reported to the retirement system timely and accurately. (*Contributions And Reporting, 2. Due Dates, 4. Employer Certification*).

Due Dates

Each employer shall report to the Association in a manner and frequency as determined by the Board sufficient for the Board to credit contributions and service to each member's record.

Unless otherwise specified, reports shall be due no later than the tenth of each month for the previous month's payroll and shall be accompanied by member and employer contributions. If the tenth of the month falls on a weekend or holiday, the due date shall be the last working day before the tenth. Reports, which are unreadable or incorrect, shall not be accepted and shall be returned to the employer. (Emphasis added.)

Reports and contributions received after the due date shall be considered late and subject to a late reporting penalty equal to: the prime rate in effect on the due date computed on a daily, non-compounding basis and applied to the contributions due.

Employer Certification

Each pensionable and payroll report shall include or be accompanied by a certification, under penalty of perjury, as to its accuracy. The certification shall be made by a duly authorized representative of the employer. (Board of Retirement Regulations *Section IV, 4. Employer Certification*.)

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Publicly Available Pay Schedule

Pursuant to CCCERA's Policy On Determining "Pensionable Compensation"² Under PEPR A For Purposes Of Calculating Retirement Benefits, a "publicly available pay schedule" must meet all of the following requirements:

1. *Has been duly approved and adopted by the employer's governing body in accordance with requirements of applicable public meetings laws;*
2. *Identifies the position title for every employee position;*
3. *Shows the pay rate for each identified position, which may be stated as a single amount or as multiple amounts within a range;*
4. *Indicates the time base, including, but not limited to, whether the time base is hourly daily, bi-weekly, monthly, bi-monthly, or annually;*
5. *Is posted at the office of the employer or immediately accessible and available for public review from the employer during normal business hours or posted on the employer's internet website;*
6. *Indicates an effective date and date of any revisions;*
7. *Is retained by the employer and available for public inspection for not less than five years; and*
8. *Does not reference another document in lieu of disclosing the pay rate.*

Tests Performed

In order to test the timeliness, reasonableness and accuracy of the pensionable compensation and contributions that have been reported to the retirement system, the test plan incorporated the following elements:

Accuracy of Payroll Information provided to CCCERA

- Calculated sample size of active SCC-CCC members during the test used for pensionable payroll and contribution audit testing. The sample included thirty-eight (38), of which thirty-three (33) employees were Legacy and five (5) employees were PEPR A with hire dates after January 1, 2013.
- Timeframe and scope selected for the audit: January 2014 through December 2016. Using the random sample of active members during the period, SCC-CCC payroll records and contributions (both

² <https://www.cccera.org/governance-and-policies>

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employee and employer paid) were tested in the audit using the following target payroll periods – November 2014, April 2015, November 2015, and April 2016.

- SCC-CCC’s payroll preparation and contribution calculation and submission workflow were reviewed. CCCERA staff interviewed SCC-CCC staff regarding their timekeeping practices, payroll preparation and contribution calculation and submission processes which were captured in a workflow document.
- Review of the input files for CCCERA’s pension administration system (CPAS) submitted by SCC-CCC for timeliness and accuracy.
- Review submitted contributions for pensionability.
- Recalculate contribution amounts based on reported salaries for employee sample and compare calculated contributions to received contributions.
- Compare and reconcile salary and contribution data submitted to CCCERA to payroll records and receivables as posted by CCCERA’s Accounting department.

Publicly Available Pay Schedule

- It was reviewed whether SCC-CCC could provide a publicly available pay schedule as defined per CCCERA’s Pensionable Compensation Policy.

Salaries in Accordance With Publicly Available Pay Schedules

- Salaries for SCC-CCC sample employees were reviewed against SCC-CCC’s Personnel Plan, applicable memoranda of understanding, side letters, tentative agreements, and other applicable salary and pay documentation.

Enrollment of All Eligible Employees

- New member enrollment was reviewed for 2016 and 2017.

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Pension Benefit Review

- The pension benefit calculations for the a sample of four (4) employees who retired from SCC-CCC were reviewed for compliance with all applicable laws, Board of Retirement regulations and CCCERA policies and practices. Two (2) benefit calculations were reviewed for calendar year 2016 and 2017 each.

Retiree Return to Work Monitoring

- SCC-CCC's retirees that returned to work for fiscal years 2014-2015 and 2015-2016 were reviewed for compliance with the 960 hour fiscal year limit.

Forfeiture of benefits earned or accrued from the commission of a felony

- It was reviewed whether CCCERA received a notification from SCC-CCC regarding a potential felony forfeiture and whether this notification was processed appropriately if applicable.

Observations

SCC-CCC Payroll And Reporting Process

- CCCERA staff interviewed SCC-CCC staff regarding their timekeeping practices, payroll preparation and contribution calculation and submission processes which were captured in a workflow document.
 - An important take-away from this interview is that SCC-CCC's payroll system generates several customized reports that were set up to SCC-CCC's specification when the system was implemented. These reports, while customized, are a standard monthly report based on a predetermined schedule, usually triggered when the data is imported into the payroll system. Once populated, the reports are available for download by staff. The payroll system employs a coding system that assigns even and odd weeks, each with their own series of pay codes. For the even week, the system uses the 200 series of pay codes and for the odd week the 500 series of pay codes. The series of pay codes are identical otherwise. When a pay period is shut down, only the most recent odd and even codes are captured. Often pay periods straddle months. The pay period that completes the month needs to be closed and processed before SCC-CCC is able to process

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retirement reporting files. This timing issue is the reason that SCC-CCC sends input files to CCCERA on a different schedule than other employers.

Input File Review

CCCERA receives four (4) types of input files from SCC-CCC:

- I29 files to report demographic changes including new hires, terminations, name changes, address changes, position changes, bargaining unit changes or leaves of absence.
- I30 files to report pensionable compensation, employee contributions, and employer contributions
- I30 adjustment files to report changes to previously reported include pensionable compensation, employee contributions, and employer contributions
- Deductions file: used to report deductions for health care, retiree support group fees or credit union deductions from individual retiree benefit payments to CCCERA. This file does not update CPAS and was therefore not included in the review.

A timeline was created for SCC-CCC's input files, including I29, I30 and adjustment files, which are used to update CPAS and reviewed for timeliness. In addition, a sample of I30 files and all I29 and adjustment files were reviewed for accuracy:

Table 1: Receipt dates of input files for January through April 2017

Superior Courts	2017	Jan	Feb	Mar	Apr
Due Date		2/24/2017	3/24/2017	4/21/2017	5/19/017
Demographic Change	I29	2/23/2017	3/24/2017	4/24/2017	5/15/2017
Standard file	I30	2/23/2017	3/24/2017	4/24/2017	5/15/2017
Adjustment File	I30	2/23/2017	3/24/2017	4/24/2017	

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Table 2: Receipt dates of input files for May through August 2017

Superior Courts	2017	May	Jun	Jul	Aug
Due Date		6/16/2017	7/14/2017	8/25/2017	9/22/2017
Demographic Change	I29	6/8/2017	7/10/2017	8/25/2017	9/27/2017
Standard file	I30	6/8/2017	7/10/2017	8/25/2017	09/27/2017
Adjustment File	I30				

Table 3: Receipt dates of input files for September through December 2017

Superior Courts	2017	Sep	Oct	Nov	Dec
Due Date		10/20/2017	11/17/2017	12/15/2017	N/A
Demographic Change	I29	10/23/2017	11/21/2017	12/18/2017	N/A
Standard file	I30	10/23/2017	11/21/2017	12/18/2017	N/A
Adjustment File	I30	11/21/2017	11/21/2017	12/18/2017	N/A

Timeliness of Input Files

- The tables above show that SCC-CCC did not meet the “tenth of each month for the previous month’s payroll” standard for input files in any given month. The same holds true for prior years.
- This is due to SCC-CCC’s payroll schedule which runs biweekly rather than monthly. This is different from all other employers participating in the pension system.
- CCCERA had an informal agreement with SCC-CCC regarding the due date of input files according to their biweekly schedule. However, as no discrete dates were agreed upon prior to 2017, timeliness could not be measured due to the lack of a baseline.
- For 2017, discrete receipt dates were agreed upon at the beginning of the calendar year. SCC-CCC payroll administration staff submitted a payroll preparation by date calendar to CCCERA’s accounting department for 2017. Therefore only 2017 I29, I30 and adjustment files were reviewed for timeliness.
- 2017 Review: The agreed upon due date was not met for 4 months: March, August, September, October, and November. For these 4 months, the submissions were received between 3 and 5 days after the due date.

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The agreed upon due date was based on the payroll close date list the employer provided to CCCERA’s accounting department.

Accuracy of Input Files

Background

- When pulling all active members from CPAS to create an audit sample, it was observed that 273 out of 341 members shown as active for SCC-CCC had blank job titles. 80 people had blank job codes and job titles.
- 179 out of the 341 members shown as active with job codes had no job titles and it appeared that multiple groups of employees were lumped together under the same “job code” (example” 124 people had job code 270).
- The number 270 is a bargaining unit rather than a job code however both fields, bargaining unit and job code, were reported as the same.
- Due to the incomplete I29 files, CCCERA staff needs to manually revise the files which is done as an accommodation to the employer. However it is the employer’s obligation to report its compensation and contributions in substance and form as required by CCCERA Board regulations and the employer guide.

General I29 Observations

To illustrate observations, excerpts from the September 2017 I29 file are shown below. Note that all sensitive information is omitted.

- The "Last Date of Pay" column (column A in picture below) was blank in the reviewed I29 sample files. In this field SCC-CCC should report the last day that the employee was on active payroll. This date is only needed if the employee was terminated. This field answers the question if we should have received contributions if the data is reported later.

Picture 1: Excerpt from the September 2017 I29 file

		A			B		C		D		E
Status Change Date	Status	Reason Code	Last Date of Pay	Hours Basis	Standard Hours	Bargaining Unit	Job Code	Job Title	Elected Official Indicator		
2017083000	TER	TRM		80	80	JDB	110001000000		N		
2017090500	TER	TRM		80	80	UEX	110001000000		N		

- The "Hours Basis" and "Standard Hours" columns (columns B and C) should be based on one work week. Currently it appears that the data reported is based on one pay period.
- The "Job Code" column (column D) should contain the job codes as a 4 digit field as shown in the salary schedule provided by SCC-CCC to

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CCCERA. The file shows a series of numbers however for the majority of active SCC-CCC members, CPAS shows the same data as the bargaining unit.

- The job titles as shown in the salary schedule should be reported under the column "Job Title" (column E).
- The "Department" and "Org" columns (columns F and G) need to be filled with a 4-digit string. SCC-CCC reports a 5 or 6-digit string in the "Department" column and leaves the "Org" column blank. This content results in the file not being able to update CPAS as the required format is not used.

Picture 2: Excerpt from the September 2017 I29 file

F	G
Department	Org
7-1010	
482304	
442126	
482304	
489609	

- CCCERA makes the following manual update: deletes the 5 or 6-digit string in the "Department" column and replaces it and the blank fields in the "Org" column with "*".

I30 and Adjustment Files

- There were no issues noted for the I30 files.
- Most of the adjustment files sent to CCCERA by SCC-CCC do not have the adjustment from and to date columns completed. These columns were mostly blank.

Payroll Reporting – Pensionable Compensation and Contribution Review

- SCC-CCC's payroll report contains 43 different pay codes; some codes are different for odd and even weeks while others are the same for both weeks.
- Pensionable compensation reported to CCCERA along with corresponding employer and employee contributions were reviewed for SCC-CCC sample members during the test target months.
- The reported pay codes were reviewed to determine if they constitute pensionable compensation and were therefore correctly reported to

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CCCERA. For this review distinctions were made between Legacy and PEPRA members.

- Thirty-two (32) of the forty-three (43) codes were confirmed as being reported as pensionable by SCC-CCC.
- Nine (9) of the forty-three (43) codes were confirmed as not in use by SCC-CCC.
- For two (2) of the forty-three (43) codes the employer could not whether they are still in use.
- A review of all in use pay codes reported to CCCERA as pensionable shows that no overtime, on-call, standby or similar compensation appears to be reported as pensionable.
- No red flags or items that may need further review were observed.

Contributions Review

- CCCERA staff recalculated the pension contributions remitted to CCCERA and compared the results to actual contribution data. The pensionable compensation components was identified along with the corresponding employer and employee contributions. This data was then reconciled to the pensionable compensation and contribution reports as uploaded into CPAS. Variances were identified between each source to system of record reconciliation.

Data categories reviewed are:

- Total Employee Contributions
- Basic Employee Contributions
- Subvention Factor of Employee Basic Contributions
- Basic Employee Contribution Rate
- Employee COLA
- Employee COLA Rate
- Total Employer Contributions
- Basic Employer Contributions
- Basic Employer Contribution Rate
- Employer COLA
- Employer COLA Rate
- Employer Subvention Amount

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Summary of Differences between Sources

Table 4: Summary of aggregated differences by sample month

Test Period	EE – Total Contributions	ER – Total Contributions
November 2014	-\$0.02	\$0.00
April 2015	-\$0.03	-\$0.01
November 2015	-\$0.03	-\$0.14
April 2016	-\$0.07	-\$0.13

- Comparison of SCC-CCC pension contribution calculations to CPAS contribution rates and member account postings:
 - Numerous instances of immaterial differences between +/- \$0.01 and +/- \$0.04 were observed for contributions of individuals in sample.
 - Aggregated these differences amount to between -\$0.14 and +\$0.03 per contribution category per sample month and between \$0.3 and -\$0.28 per contribution category for all sample months combined.
 - All observed variances can be attributed to rounding errors and are not material.
- Calculated contribution values were compared to contribution amounts in CPAS:
 - With the exception of one variance in November 2014, no variances between calculated contribution values and CPAS were observed.
 - November 2014 – Sample EE #6 – Member redeposited contributions in February 2015 which resulted in the previous Tier 3 and new age of 62 applying to contribution rates. The salary and contributions in CPAS for November 2014 for this member do not match the adjusted calculation that SCC-CCC submitted to CCCERA in a workbook. The workbook contains adjusted salary and contribution figures for September through November 2014 which match CCCERA calculations. Upon CCCERA’s review, it was discovered that the CPAS adjustment file was never received in CCCERA.

Receivables Review

The pension contribution monies submitted by the employer via electronic wire transfer and received by CCCERA were compared to the pension contribution amounts expected based on the reported pensionable salary.

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SCC-CCC changed payment methods from submitting a physical check to electronic wire transfer in October 2016.

Table 5: Timeliness and Accuracy Review January through April 2017

Superior Courts	Jan	Feb	Mar	Apr
Due Date	2/24/2017	3/24/2017	4/21/2017	5/19/2017
Date Paid	3/1/2017	4/5/2017	4/25/2017	5/26/2017
Payment Amount	\$803,355.70	\$825,308.25	\$844,974.46	\$740,320.13
Amount Expected	\$803,355.70	\$825,298.25	\$844,984.46	\$740,320.13
Variance in Days	-5	-12	-4	-7
Variance in \$	\$0.00	\$10.00	-\$10.00	\$0.00

Table 6: Timeliness and Accuracy Review May through August 2017

Superior Courts	May	Jun	Jul	Aug
Due Date	6/16/2017	7/14/2017	8/25/2017	9/22/2017
Date Paid	6/12/2017	7/12/2017	8/31/2017	10/2/2017
Payment Amount	\$837,259.16	\$951,711.58	\$772,489.91	\$846,494.32
Amount Expected	\$837,269.16	\$951,711.58	\$772,479.91	\$846,494.32
Variance in Days	4	2	-6	-10
Variance in \$	-\$10.00	\$0.00	\$10.00	\$0.00

Table 7: Timeliness and Accuracy Review September through December 2017

Superior Courts	Sep	Oct	Nov	Dec
Due Date	10/20/2017	11/17/2017	12/15/2017	N/A
Date Paid	11/1/2017	11/27/2017	12/28/2017	N/A
Payment Amount	\$773,202.01	\$808,778.27	\$802,719.24	N/A
Amount Expected	\$773,202.01	\$802,719.24	\$814,044.95	N/A
Variance in Days	-12	-10	-13	N/A
Variance in \$	\$0.00	\$0.00	\$0.00	

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Timelines of Employee and Employer Pension Contribution Payments

- Tables 5-7 above show that SCC-CCC did not meet the “*tenth of each month for the previous month’s payroll*” standard for most of 2017. This is due to the biweekly payroll schedule as explained in connection with receipt of input files.
- The tables above show that the payment receipt date when compared against SCC-CCC’s payroll preparation by date calendar met the dates indicated on the calendar only in May and June 2017.
- As no baseline was available prior to 2017, timeliness was not reviewed for prior years.

Table 8: Accuracy Review January through April 2016

Superior Courts	Jan	Feb	Mar	Apr
Date Paid	2/29/2016	4/7/2016	5/4/2016	6/10/2016
Payment Amount	\$808,345.8 8	\$804,508.6 5	\$896,445.2 3	\$812,947.9 3
Amount Expected	\$808,345.8 8	\$804,405.5 7	\$896,445.2 3	\$812,947.9 3
Variance in \$	\$0.00	\$103.08	\$0.00	\$0.00

Table 9: Accuracy Review May through August 2016

Superior Courts	May	Jun	Jul	Aug
Date Paid	6/23/2016	7/21/2016	9/22/2016	9/30/2016
Payment Amount	\$840,127.4 2	\$999,742.8 5	\$747,264.6 9	\$810,519.5 1
Amount Expected	\$840,127.4 2	\$999,742.8 5	\$747,264.7 0	\$810,519.5 1
Variance in \$	\$0.00	\$0.00	-\$0.01	\$0.00

Table 10: Accuracy Review September through December 2016

Superior Courts	Sep	Oct	Nov	Dec
Date Paid	10/20/2016	11/28/2016	12/16/2016	1/20/2017
Payment Amount	\$768,765.36	\$747,067.3 1	\$789,447.0 8	\$805,670.8 0
Amount Expected	\$768,765.36	\$747,067.3 1	\$789,447.0 8	\$805,670.8 0
Variance in \$	\$0.00	\$0.00	\$0.00	\$0.00

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Accuracy of Employee and Employer Pension Contribution Payments

Overall, SCC-CCC’s contribution payments show a high degree of accuracy. No unexplained variances were found in this review.

2017

- Tables 5-7 above show two instances of a \$10 overpayment with a corresponding \$10 underpayment. One instance was recorded in February and March 2017 and one instance was in May and July of 2017.

2016

- Table 8 shows one variance for February 2016 of \$103.08 which was attributed to one service purchase payment.

Publicly Available Pay Schedule Review

Publicly Available Pay Schedule Review

- A copy of the 2017 salary schedule effective September 25, 2017 was produced upon CCCERA request. This schedule contained annual, monthly, biweekly and hourly salary data by job title, job code and bargaining unit.
- It was unclear whether the produced copy “has been duly approved and adopted by the employer’s governing body in accordance with public meeting requirements” as per CCCERA’s Policy On Determining “Pensionable Compensation” section 1.
- The produced pay schedule indicated that it was created as of September 25, 2017. However, no effective dates or dates of revisions were shown and it is not clear whether this schedule can be produced for the last five years per CCCERA’s Policy On Determining “Pensionable Compensation” sections 6 and 7.

Salaries in Accordance With Publicly Available Pay Schedules

Salaries in Accordance With Publicly Available Pay Schedules

CCCERA staff compared compensation figures from the preselected sample months to the 2017 salary schedule that was provided by SCC-CCC. To obtain hourly wage figures, the reported monthly salary was divided by the number of hours in each month. The base salary and differentials were not differentiated for this step.

November 2014

- Observed that eight (8) employees' hourly salary was below the minimum hourly schedule wage and one (1) was over the maximum.
- Four (4) of these eight (8) employees were not fulltime employees and 4 had a salary of less than \$4 per hour below the schedule amount.

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April 2015

- Observed that seven (7) employees' hourly salary was below the minimum hourly schedule wage and one (1) was over the maximum.
- Four (4) of the seven (7) employees were not fulltime employees and 2 had a salary of less than \$5 below the schedule and one had a salary of \$5 below the schedule.

November 2015

- Observed that five (5) employees' hourly salary was below the minimum hourly schedule wage and one (1) was over the maximum.
- Three (3) of the five (5) employees were not fulltime employees and one (1) had a salary of about \$3.25 below the schedule.

April 2016

- Observed that four (4) employees' hourly salary was below the minimum hourly schedule wage and four (4) were over the maximum.
- Three (3) of the four (4) below minimum employees were not fulltime employees and one (1) had a salary of about \$7 below the schedule; likely not a full time employee but CCCERA had no confirmation.

Explanations

- It was assumed that those employees with less than \$5 below the schedule either did not work full time or that the schedule was slightly lower in 2014, 2015 and 2016 and was increased by 2017. In addition, SCC-CCC implemented furloughs during those years which could have impacted salaries.
- The employees whose salary exceeded the maximum of the range were all Clerk III and Clerk IV classifications. For these employees there is a side letter between AFSCME Local 2700 and Superior Court which refers to the 5% rule which increased Clerk III and Clerk IV pay for work in the courtroom. Side letter expired 9/30/2012 but mentions successor MOU.
- Assumption: Salary schedule is for base pay only.

Enrollment of All Eligible Employees

Enrollment of All Eligible Employees

Test Standard

County Employees Retirement Law of 1937 –Government Code 31552

Membership in the retirement system begins on the first day of the month following your employment in an eligible position. Retirement benefit contributions begin with the first paycheck after membership. All active, eligible employees contribute to the retirement system.

Membership is mandatory for most employees in permanent positions, working half-time or more; the exceptions are elected officials, who may

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choose membership by declaration, and employees who begin working after the age of 60 who may waive membership in the system.

Employer Certification

CCCERA Board Regulations III. Membership, 3. Certifications:

Every employee of the County or district within the county whose employees are members of the Association shall, upon entry into the Association, complete a sworn statement as provided for in Gov. Code Section 31526(b). A certified copy of the member's birth certificate or other evidence of birth may be required by the Board.

It shall be the employer's responsibility to assure compliance with this section. The Board shall assess the employer five hundred (\$500) dollars per employee for every month or fraction thereof that the required certification is not submitted. The Board shall notify the employer in writing of the imposition of assessment at least thirty days before the assessment.

Enrollments Observations

CCCERA staff compared I29 file information submitted to CCCERA by SCC-CCC and CCCERA's new membership enrollment log to SCC-CCC's active employee roster as of November 8, 2017:

Table 11: Enrollment Review Summary

	2016	2017
Total missing enrollment packets	1	2
Total incorrectly executed enrollment packets	4	1
Total new hires without appropriate entry on I29s	1	1

2016

- Of the forty-two (42) new members reported by SCC-CCC to CCCERA in 2016 via I29 file, CCCERA staff review did not show an enrollment packet for one (1) new member as of January 23, 2018.
- For one (1) member there was no corresponding entry on SCC-CCC's I29 file to show enrollment.
- Of the forty-two (42) new member enrollment packets, four (4) were not correctly executed :

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- Enrollment packets for three (3) employees were missing the spousal consent on CCCERA Form 303. Note that in 2017 this information has been incorporated into CCCERA Form 102.
- The enrollment packet for one (1) employee was missing the witness signature on Form 104.

2017

- SCC-CCC reported fourteen (14) new members via I29 file to CCCERA as of January 23, 2018. CCCERA staff review did not show an enrollment packet for one (1) new member.
- SCC-CCC's active employee roster showed sixteen (16) new hires for 2017. Of these sixteen (16), one (1) enrollment package was not received as of January 23, 2018. For the same member there was no corresponding entry on SCC-CCC's I29 file.
- Of the fourteen (14) new member enrollment packets, one (1) was not correctly executed:
 - The enrollment packet was missing the spousal consent on CCCERA Form 303.
- In cases where the I29 files are missing entries for new members the incomplete I29 files are revised manually by CCCERA staff which is done as an accommodation to the employer. However it is the employer's obligation to report its compensation and contributions in substance and form as required by CCCERA board regulations and the employer guide.

Pension Benefit Review

Pension Benefit Review

- a. Compensation Policies:
 - i. Policy On Determining “Compensation Earnable Under Assembly Bill 197 For Purposes Of Calculating Retirement Benefits For “Legacy” (Pre-PEPRA) Members – Adopted: 9/10/2014; GC 31461;
 - ii. Policy On Determining “Pensionable Compensation” Under PEPRA For Purposes Of Calculating Retirement Benefits - Adopted: 9/10/2014; GC 7522.34;
 - iii. Policy Regarding Assessment and Determination Of Compensation Enhancements – Adopted 11/1/2012, Amended: 3/8/2017; GC 31461(b)(1) and 7522.34(c)(1)
- b. Retiree Return to Work Monitoring:
 - i. GC 7522.56 Retired Persons; Service and Employment Restrictions

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Observations

Compliance staff reviewed four (4) randomly chosen pension calculation samples; two (2) each for 2016 and 2017. The review focused on the final average salary (FAS) period selected and compensation used in the calculation for sample members. The review agreed with the FAS chosen for all members and the compensation used in the calculations.

Retiree Return to Work Monitoring

Retiree Return to Work Monitoring

Test Standard

GC 7522.56, I.R.S. bona fide separation and normal retirement age rules

There are two ways retirees may return to work for a CCCERA participating employer: on an approved limited basis while receiving their pension, or by suspending their retirement to return to full time employment. The PEPRA 2013 “return to work” rules create a framework under which a retiree’s eligibility will be determined to be re-employed without having to be reinstated from retirement. The “return to work” rules affect new, deferred, and current employees.

The Board of Retirement Regulations Section VII Normal Retirement Age and Bone Fide Separations states the following:

Bona Fide Separation from Service

A) In order to comply with tax law restrictions on in-service distributions, a member who retires at an age younger than Normal Retirement Age, as defined herein, may not enter into an agreement, either oral or written, prior to the date the member's retirement commences, to be reemployed while retired by the same CCCERA employer, regardless of the length of the member's break in service after retirement. The member must acknowledge in writing to CCCERA at the time of retirement that the member has been informed of these requirements and limitations on post-retirement employment and that no prearrangement to be reemployed while retired exists.

B) A member who retires at an age younger than Normal Retirement Age, as defined herein, must have at least a continuous 90-day break in service from the date of the member's last day of employment prior to being reemployed while retired by the member's prior CCCERA employer.

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C) If a member is reemployed without compliance with subsections (A) and (B) above, the retired member's retirement benefits from CCCERA must cease as soon as practicable upon discovery by CCCERA and will not resume until the member has a bona fide separation from service or reaches Normal Retirement Age, whichever occurs first.

Employer Certification and Determination – Submission of CCCERA Form 213 Certification for Post-Retirement Employment.

- No pre-arrangement for post-retirement re-hire;
- Reinstatement from retirement requirement if rehired by an employer in the same public retirement system from which the retiree receives the benefit;
- Waiting period between retirement date and rehire of a retiree (with some exceptions for Safety Members and special circumstance General Members);
- Fiscal Year Limitations – 960 Hours;
- Limited duration of the return to work (7522.56(c).);
- Compensation Limits;
- Employer certification and approval by the Board of Supervisors (7522.56(f)(1).);
- Retiree certification of non-receipt of unemployment insurance compensation (7522. 56(e).).

Table 12: Retirees returned to work in fiscal year 2014-2015

Fiscal Year 2014-2015	
<i>Position</i>	<i>Hours Worked</i>
Temporary Court Manager B 1	153.00
Temporary Commissioner 2	82.42
Temporary Courtroom Clerk II 1	142.00
Temporary Commissioner 5	500.75
Temporary Clerk IV 1	871.00
Temporary Courtroom Clerk II 2	38.17

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Table 13: Retirees returned to work in fiscal year 2015-2016

Fiscal Year 2015-2016	
<i>Position</i>	<i>Hours Worked</i>
Temporary Courtroom Clerk II	69.17
Temporary Commissioner 8	175.08
Temporary Courtroom Clerk II 1	486.20
Temporary Commissioner 5	337.25
Temporary Clerk IV 1	533.50
Temporary Courtroom Clerk II 2	238.00

Observations

- Thirteen (13) retirees were retained in fiscal years 2014-2015 and 2015-2016 to return to work if needed. Of these thirteen (13) retirees, six (6) were called to perform work each fiscal year. Tables 12 and 13 above do not show those employees who did not work in the respective fiscal years.
- Ten (10) retirees were retained to work in both fiscal years 2014 – 2015 and 2015 – 2016. Six (6) of these ten (10) were temporary commissioners. Commissioners go through an extensive hiring and vetting process when newly hired. To have them available when needed, these employees are kept on the books.
- All retirees that returned to work for fiscal years 2014 – 2015 and 2015 – 2016 were under the 960 hour cap limit.

Forfeiture of Benefits Earned or Accrued from the Commission of a Felony

Forfeiture of Benefits Earned or Accrued from the Commission of a Felony

Test Standard

Reporting Requirements For Public Employers Under PEPRA require the public agency that employs or employed a public employee who was convicted of a job related felony must notify CCCERA of the conviction within 90 days of the conviction. (Govt. Code §§ 7522.72(f) and 7522.74(f).).

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Observations

The review indicated that CCCERA had not received any notice from the employer regarding any employee of SCC-CCC that would have been subject to the felony conviction and benefit forfeiture provisions under government statute. SCC-CCC confirmed that they knew of no such employee.

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Follow - Up Items

The following items were noted during the course of the review and require follow-up by the District and CCCERA:

- 1. Reporting Due Dates:** As SCC-CCC's biweekly payroll cycle is an operational variance when compared to other employers in the pension system, SCC-CCC may request an exception to the due dates stipulated in the Board of Retirement Regulations Section IV. CCCERA recommends setting up a written agreement between SCC-CCC and CCCERA to clarify when CCCERA will receive deliverables including compensation and contribution input files with corresponding payments. This agreement should include a schedule with discrete due dates to be provided by SCC-CCC to CCCERA on an annual basis in advance of the first report of the year. This suggestion would still be consistent with the timeliness standard and make tracking and measuring timeliness possible.

The current arrangement has the following risks:

1. Late employer reporting may result in service and pension contribution errors in the employee's record and potential delays in pension applications
 2. Incomplete or inaccurate pensionable compensation and employee and employer contributions may result in:
 - a. incorrect pension benefits for retirees
 - b. inaccurate actuarial valuation of CCCERA's plan assets and liabilities
 - c. inaccurate employee and employer contribution rates
- 2. Pensionable Compensation and Contribution Reporting:** CCCERA recommends setting up a formal training session led by CCCERA's Member Services Department for SCC-CCC's administrative staff to advise on what items need to be reported to CCCERA and in what format. This session should cover I29, I30 and adjustment file preparation, and the employer certification requirement per Board of Retirement Regulations *Section IV, 4. Employer Certification*. This information can also be found in CCCERA's Participating Employer Handbook which is available on CCCERA's website³.

The specific changes needed to make SCC-CCC's I29 input files conform to CCCERA's requirements are:

- Complete the "Last Date of Pay" field for terminated employees.
- The "Hours Basis" and "Standard Hours" columns should refer to one work week.

³ <https://www.cccera.org/employers>

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- Include correct and complete data in the “Job Code” and “Job Title” columns.
- Include a four-digit string or “*” if blank for the “Department” and “Org” columns.

In addition, CCCERA requests an I29 correction file to add current job codes and job titles for all active employees. This information is needed to allow CCCERA to maintain accurate and complete data for its members and to review if pay items are pensionable.

- 3. Salary and Contribution Adjustment:** CCCERA requests the CPAS adjustment file for Sample EE #6 that contains adjusted salary and contribution figures for September through November 2014.

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Addendum: Employer Audit Response Dated February 23, 2018

Superior Court of California
COUNTY OF CONTRA COSTA
725 COURT STREET
PO BOX 311
MARTINEZ, CA 94553-0311



February 23, 2018

Wally Dutkiewicz
Compliance Officer
Contra Costa County Employees' Retirement Association (CCCERA)
1355 Willow Way
Suite 221
Concord, CA 94520

Re: Response to Employer Audit Follow Up Items

Dear Mr. Dutkiewicz:

The Superior Court of California, Contra Costa County has reviewed the Preliminary Audit Report dated February 1, 2018. Based on our review of the report and our discussion with you and Compliance Analyst Kristina Dohrn, the Court provides the following responses to the follow up items:

1. **Reporting Due Dates:** As acknowledged in the report, the Court is unique in this county in that we are the only employer with bi-weekly payroll. The Court proposes reaching a formal agreement whereby the Court will provide to CCCERA by December 15th of each year proposed due dates for all monthly reports that are required to be submitted to CCCERA's Accounting and Member Services departments. The proposed dates will be based calculated after consideration of the following factors:
 - The processing date for the payroll that includes work days for the reporting month;
 - The date the associated customized retirement data report first becomes available from the Court's payroll processing vendor;
 - The time needed for Court staff to process the reports; and
 - Adjustments for holidays or other blackout days in between the payroll processing date and the due date that would affect our processing time.

Generally, we expect the proposed date will be one week after the pay date that includes the last work days for the reporting month being completed.

2. **Pensionable Compensation and Contribution Reporting:** The Court agrees that a formal training session led by CCCERA's Member Services Department would be valuable. Court Payroll staff will also work with our payroll processing

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vendor and CCCERA Member Services staff to update our customized payroll report used for our retirement reporting to make sure the report is populated with appropriate available data from our payroll system that meets the requirements for the I29 and I30 reports.

3. **Salary and Contribution Adjustment:** Court staff have located the missing CPAS adjustment file for Sample EE #6 and the report was provided to Member Services staff on February 16, 2018.

Thank you for your time and assistance during this employer review process.

Sincerely,

pp

Shannon Stone
Human Resources Director

cc: Stephen H. Nash, Court Executive Officer
Jasmine Lee, Financial Services Manager-Payroll



Meeting Date
3/14/18
Agenda Item
#14

MEMORANDUM

Date: March 14, 2018
To: CCCERA Board of Retirement
From: Christina Dunn, Deputy Chief Executive Officer
Subject: Consider and Take Possible Action to issue a Request for Proposal for Tax Counsel Services.

CCCERA currently contracts with Ice Miller, LLP, to provide tax counsel services. Recently, CCCERA received notification that the primary partner on our account with Ice Miller, LLP will be retiring at the end of April 2018.

We would like to take this opportunity to conduct a search of the market and consider a pool of qualified firms, specializing in tax counsel services.

Recommendation

Consider and take possible action to issue a Request for Proposal for Tax Counsel Services.



Save the date
November 6–8, 2018



**2018 Invesco Real Estate
Global Client Conference**

The Lodge at Torrey Pines
La Jolla, California

Begins November 6*
Cocktails/Dinner 6:00 p.m.

Ends November 8
Lunch 12:00 p.m.

*Certain fund specific meetings may take place in the afternoon.

Add to calendar

For questions, please contact:

Jackie Stermer/630 684 6678
Corporate Events Manager
Jackie.Stermer@Invesco.com

Kalinda Jessett/416 324 7604
Corporate Events Manager
Kalinda.Jessett@Invesco.com

Meeting Date
3/14/18
Agenda Item
#15a.