

CONTRA COSTA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

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February 13, 2013

The Board of Retirement met in regular session at 9:00 a.m. on Wednesday, February 13, 2013 in the Conference Room of the Contra Costa County Employees' Retirement Association, 1355 Willow Way, Suite 221, Concord, CA.

Present: Terry Buck, Richard Cabral, Brian Hast, Jerry Holcombe, Gabe Rodrigues, Jerry Telles, Maria Theresa Viramontes and Russell Watts

Absent: Debora Allen, John Gioia, Sharon Naramore and John Phillips

Staff: Marilyn Leedom, Retirement Chief Executive Officer; Kurt Schneider, Retirement Deputy Chief Executive Officer; Timothy Price, Retirement Chief Investment Officer; Karen Levy, General Counsel; and Vickie Kaplan, Retirement Accounting Manager

Outside Professional Support: Harvey Leiderman
Representing: Reed Smith LLP

Other Attendees:

Luz Casas	Contra Costa County Employees' Retirement Association (CCCERA) Staff
Christina Dunn	CCCERA Staff
Tracy Kroll	CCCERA Staff
Joelle Luhn	CCCERA Staff
Justine Rossini	CCCERA Staff
Mike Sloan	Contra Costa County Retired Employees Association
Robert Leete	San Ramon Valley Fire District
William Pigeon	Local 1230
Bill Cullen	Retiree
Todd Smithey	Central Contra Costa Sanitary District
Lisa Driscoll	County Administrators Office
Wendy Lack	Contra Costa Taxpayers Association

1. Pledge of Allegiance

Viramontes led all in the *Pledge of Allegiance*.

2. Public Comment

Wendy Lack, Contra Costa Taxpayers Association, stated she is doing research for a story on National Sunshine Month and would like an update on CCCERA's previous discussions on audio taping the Board meetings.

3. Approval of Minutes

It was **M/S/C** to approve the minutes of the December 12, 2012 Board meeting. (Yes: Buck, Cabral, Hast, Holcombe, Telles, Viramontes and Watts)

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4. Routine Items

It was **M/S/C** to approve the routine items of the February 13, 2013 meeting. (Yes: Buck, Cabral, Hast, Holcombe, Telles, Viramontes and Watts)

CLOSED SESSION

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

The Board moved into open session.

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

a. Stacy McPherson - Service Connected (Yes: Buck, Cabral, Hast, Holcombe, Telles, Viramontes and Watts).

6a. There was no reportable action related to Govt. Code Section 54956.9(a).

6b. There was no reportable action related to Govt. Code Section 54956.9(a).

7. Adopt the automatic cost-of-living increases for retirees effective April 1, 2013.

Schneider reviewed the recommendation from The Segal Company regarding the recommended cost of living increase (COLA) for retirees. The CPI increase was 2.22%. In accordance with Government Code Sections 31870, 31870.1 and 31870.3, the COLA is rounded down to 2.0%.

The COLA banks were discussed and it was noted that all Tier 1 and Tier 3 service retirees who retired prior to April of 1985 will receive a 3% COLA.

It was **M/S/C** to adopt the automatic cost-of-living increases for retirees effective April 1, 2013. (Yes: Buck, Cabral, Hast, Holcombe, Telles, Viramontes and Watts)

8. Board recognition of retiree groups.

Levy gave an overview of her memo regarding the newly enacted Government Code Section 31471.5 which defines a "recognized retiree organization" to mean "an organization in which a majority of the members of the organization are retired members of the system and which the board, upon request, has approved recognition."

It was **M/S/C** to formally approve the recognition of the following retiree organizations as "recognized retiree organizations" under Government Code Section 31471.5: Retiree Support Group of Contra Costa County; AFSCME Retirees Chapter 57 Sub Local 142-11; AFSCME Retirees Chapter 57 Sub Local 142-100; and Contra Costa County Retired Employees Association. (Yes: Buck, Cabral, Hast, Holcombe, Telles, Viramontes and Watts)

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9. Adopt employer contribution rates effective July 1, 2013 for General Tier 1 County members with membership dates on or after January 1, 2011.

Schneider reported these rates apply to a small number of individuals that are in General Tier 1 who transferred from one district to another.

It was **M/S/C** to adopt the employer contribution rates effective July 1, 2013 for General Tier 1 County members with membership dates on or after January 1, 2011 as recommended by The Segal Company. (Yes: Buck, Cabral, Hast, Holcombe, Telles, Viramontes and Watts)

10. Adopt employer contribution rates effective January 1, 2013 for PEPRA general members with 2% maximum COLA's.

Schneider reported these contribution rates are necessary because the Contra Costa County Board of Supervisors took action to adopt Government Code Section 31870, providing an annual maximum COLA of 2% for new PEPRA members covered under certain memoranda of understandings.

It was **M/S/C** to adopt the employer contribution rates effective January 1, 2013 for PEPRA general members with 2% maximum COLA's as recommended by The Segal Company. (Yes: Buck, Cabral, Hast, Holcombe, Telles, Viramontes and Watts)

11. Presentation of disability statistics for 2010 and 2011

Schneider reviewed the present value of disabilities compared to employee contributions from 2002 through 2011. He also reviewed service connected and non-service connected disabilities by Tier and type noting service connected disabilities are mostly in the Safety Tier and that Tier 2 has very few members remaining in it. He reported that many retirees that are receiving disability benefits have attained the required years of service so the present value of the service retirement benefit they were eligible for is equal to the present value of the disability retirement benefit they are receiving. The exhibit overstates the value of the disability retirements, since the value of the service retirement benefit is not netted out.

Leedom reviewed disabilities by type, departments and districts, and the trend over the years. She also reviewed the average age of disability retirements, the total number of applications filed, the number of applications pending, and various other disability statistics from 2002-2011.

It was **M/S/C** to accept the disability statistics report for 2010 and 2011 with compliments to the staff. (Yes: Buck, Cabral, Hast, Holcombe, Telles, Viramontes and Watts)

12. Update from staff regarding personnel changes at WHV.

Price gave an update on the personnel changes at Wentworth, Hauser and Violich ("WHV"). He reported Jeff Romrell, the firm's head of sales and distribution, resigned effective February 1, 2013, just shortly after a change in the CEO position from Judy Stevens to Andy Turner. Kurt Hauser, a respected economist, and the "H" in WHV is expected to retire in April of this year. Price noted Romrell's role as head of distribution, Judy Stevens' role as CEO and Kurt Hauser's role as senior economist do not

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directly affect the portfolio management of CCCERA's large cap US core equity account managed by WHV. He noted that the portfolio management team is unchanged at this time.

Price reported the new CEO will be making significant business changes to sales, distribution, operations and IT. The Board discussed the new CEO and what, if any, effect the changes will have on our portfolio. It was noted their domestic products have not grown but their global product has. It was the consensus of the Board to conduct an on-site visit and then request a presentation from WHV regarding their personnel changes at an upcoming Board meeting.

13. Conference Seminar Attendance

- a. It was **M/S/C** to authorize the attendance of 3 Board members at the Certificate of Achievement in Public Plan Policy (CAPPP) Part I and Part II, IFEBP, June 25-28, 2013, Chicago, IL (Yes: Buck, Cabral, Hast, Holcombe, Telles, Viramontes and Watts)
- b. It was **M/S/C** to authorize the attendance of 3 Board members and 2 staff at the Spring Conference, Council of Institutional Investors, April 17-19, 2013, Washington, D.C. (Yes: Buck, Cabral, Hast, Holcombe, Telles, Viramontes and Watts)
- c. It was **M/S/C** to authorize the attendance of 3 Board members at the Client Conference, Klausner and Kaufman, March 10-13, 2013, Ft. Lauderdale, FL (Yes: Buck, Cabral, Hast, Holcombe, Telles, Viramontes and Watts)
- d. It was **M/S/C** to authorize the attendance of 3 Board members at the Pensions and Capital Stewardship Conference, Harvard Law School, May 1-3, 2013, Cambridge, MA (Yes: Buck, Cabral, Hast, Holcombe, Telles, Viramontes and Watts)
- e. It was **M/S/C** to authorize the attendance of 2 Board members and 1 staff member at the Client Conference, Sigular Guff, May 1-2, 2013, New York, NY. (Yes: Buck, Cabral, Hast, Holcombe, Telles, Viramontes and Watts)
- f. It was **M/S/C** to authorize the attendance of 3 Board members and 2 staff members at the Public Pension Fund Conference, Manatt, March 22, 2013, San Francisco, CA (Yes: Buck, Cabral, Hast, Holcombe, Telles, Viramontes and Watts)
- g. It was **M/S/C** to authorize the attendance of 1 staff member at the Chief Investment Officer Summit, CIOS, April 11-12, 2013, New York, NY (Yes: Buck, Cabral, Hast, Holcombe, Telles, Viramontes and Watts)

14. Miscellaneous

(a) Staff Report -

Leedom reported preliminary numbers show we had a return on investments for the year ending December 31, 2012 exceeding 14%.

She will be returning to the Board with a recommendation on integration of Board agendas and attachments, audio system implementation and iPads.

Forms are being revised to accommodate PEPRA.

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Leedom attended the CALAPRS Advanced Trustee Leadership Institute with Watts and felt it was a worthwhile class for trustees. She noted one item discussed was the importance of a published mission statement.

Staff is working on the PEPRA pay code items and anticipates them to be presented at a meeting in March.

Leedom reported letters are being sent to all districts and employers inviting them to attend the February 27, 2013 meeting since The Segal Company will be presenting the economic assumptions.

She has received quite a few public records requests on attendance at NCPERS and requests on CCCERA's disability statistics.

Leedom reported the March 13, 2013 Board meeting will be on the next agenda for rescheduling due to a conflict with a conference.

Price reported all the documents for the PIMCO All Asset Fund are signed.

The semi-annual rebalancing will be split into two phases to accommodate funding real assets.

Price gave an update on the error discovered at DBL in December noting they will have an outside accountant review the solution.

He reminded the Board about the INTECH on-site visit which will be March 8, 2013 at Princeton.

Price noted that he will present a recommendation for a follow-on commitment to Pathway at the first March Board meeting and Pathway representatives will also offer a presentation at that meeting.

(b) Outside Professionals' Report -

None

(c) Trustees' Comments -

Cabral informed the Board that he violated the CCCERA press policy and spoke to Jennifer Gollan from the Bay Citizen.

Buck reported he also received a call from Ms. Gollan and he referred her to Leedom.

Buck asked about moving the closed session items to the end of the agenda. Leedom stated the Board Regulations would have to be changed. Leiderman suggested using the "order of the day" at the beginning of every meeting to move the closed session items to the end of the meeting when necessary.

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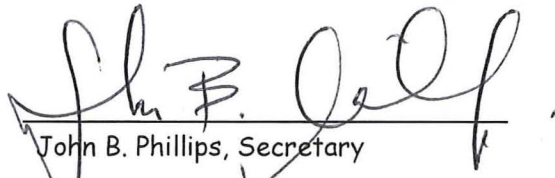
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Hast reported he and Allen attended the Emerald Conference and felt the programs were very interesting.

Telles asked about target termination dates listed on the Asset Allocation Report. Price stated the extensions are built into the contract and some money managers have exercised those extensions.

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


Maria Theresa Viramontes, Chairman


John B. Phillips, Secretary