



MINUTES

RETIREMENT BOARD MEETING MINUTES

REGULAR MEETING

February 27, 2019

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, Jay Kwon, Louie Kroll, David MacDonald, John Phillips, William Pigeon, Todd Smithey, Jerry Telles and Russell Watts

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; Henry Gudino, Accounting Manager; Tim Hoppe, Retirement Services Manager; and Colin Bishop, Member Services Manager

Outside Professional Support:

Harvey Leiderman

Ed Hoffman

John Botsford

Representing:

Reed Smith LLP

Verus Investments

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.

3. Approval of Minutes

It was M/S/C to approve the minutes from the January 23, 2019 meeting. (Yes: Andersen, Gordon, Holcombe, Kwon, Phillips, Pigeon, Smithey, Telles and Watts)

It was the consensus of the Board to move to Item 8.

MacDonald was present for subsequent discussion and voting.

8. Review of total portfolio performance for period ending December 31, 2018

a. Presentation from Verus

Hoffman reviewed the fourth quarter summary highlighting the changes that have taken place since September 30, 2018. He also reviewed the Federal Reserve's position on interest rates and their effect on the market in the fourth quarter.

He reviewed CCCERA's investment fund performance for the period ending December 31, 2018 noting the ending market value of the total fund portfolio is \$8,255,878,307. He reviewed the total fund executive summary net of fees and the total fund performance summary gross of fees. He also reviewed total fund closed end funds investment summary and total fund closed end funds IRR summary.

b. Presentation from staff

Price reported this report is a supplement to Verus' quarterly report. He stated in this report everything is measured against a simple target index and noted everything is working as it should and is in line with long term expectations.

He reviewed each sub-portfolio and reported CCCERA is meeting expectations in each of the three portfolios except Positive Real Returns in the Risk Diversifying sub-portfolio. He noted CCCERA is still building out the Risk Diversifying sub-portfolio.

He reviewed the Total Fund performance vs. the Simple Target Index noting the Total Fund has produced a better Sharpe ratio relative to the Simple Target Index. He also reviewed the performance of the managers noting CCCERA will be meeting with the portfolio managers at William Blair and Wellington regarding their performance.

On a total fund basis relative to the simple target index, CCCERA is capturing more of the upside and less of the downside on a 3-year rolling basis.

It was the consensus of the Board to move to Item 7.

7. Consider and take possible action to adopt the actuarial valuation report of Other Post-Employment Benefits as of December 31, 2018

Dunn reviewed the background on Other Post-Employment Benefits and the irrevocable IRC 115 Trust that was established in 2018 to fund those benefits.

Botsford briefly reviewed the terminology associated with the report and noted CCCERA's OPEB liability has to be accounted for the same as our pension liability but is funded differently. He reviewed the information used to prepare the accounting disclosures required by GASB 74 and 75 including assumptions for the investment rate of return, discount rate, health cost trends, demographic rates, and coverage election rates and spouse age differences.

He reported the Total OPEB Liability as of 12/31/18 is \$4.7 million and the Net OPEB Liability as of 12/31/18 is \$2.17 million. He reported that as of 12/31/18 the trust is 54% funded.

He reported they used a discount rate of 6.75% in the valuation to reflect CCCERA's current investment policy for funding its OPEB liabilities. There was a discussion on making higher contributions to bring the percentage of funding up and/or possibly shortening the amortization period from 30 years to 15 years.

Botsford reported changes in assumptions and any differences between actual and expected experiences will be included in the next valuation. He also reported the Actuarially Determined Contribution (ADC) in the report is for 2018 and noted the ADC for 2019 would be slightly different, especially if the amortization period is shortened.

It was M/S/C to adopt the actuarial valuation report of Other Post-Employment Benefits as of December 31, 2018. (Yes: Andersen, Gordon, Holcombe, MacDonald, Phillips, Pigeon, Smithey, Telles and Watts)

It was the consensus of the Board to move into Closed Session for Items 5 and 6.

CLOSED SESSION

The Board moved into closed session pursuant to Govt. Code Section 54956.9(d)(1) and 54956.9(d)(4).

The Board moved into open session.

5. a. There was no reportable action related to Govt. Code Section 54956.9(d)(1).
- b. MacDonald recused himself from this item and was not present for subsequent discussion and voting. There was no reportable action related to Govt. Code Section 54956.9(d)(1).

Telles was no longer present for subsequent discussion and voting.

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

It was the consensus of the Board to move to Item 9.

9. Information session on retirement process

Dunn reported this is an informational session on CCCERA's processes throughout employment and retirement, noting it provides additional information beyond the presentation at the last Board meeting.

Hoppe reviewed the steps in the retirement process and timeline including informational sessions, pre-retirement workshops, retirement estimates, and one-on-one counseling. He reviewed the information that is covered during the informational sessions and the pre-retirement workshops. He also reviewed the process and timing on preparing estimates. He noted two estimates are prepared for legacy members, one with on-call or standby pay differentials included and one without if applicable.

He reviewed the retirement application and calculation process including the responsibilities of CCCERA, the employer, and the member and the average timing of the process. He also reviewed the items reviewed during the calculation process. He stated the calculations are initially prepared manually, then reviewed by the supervisor and then verified in the pension administration software system. Members then meet with a counselor to discuss final calculations and payment choices. Once the options are signed and returned the member is placed on the next available pension payroll.

He reviewed the documentation required and what can affect the timing of an initial pension check by the member, the employer, and by CCCERA. He also reviewed the steps CCCERA is currently taking to shorten the timeline.

Dunn provided statistical information on the average retirement estimates completed each year and the average number of service retirements process each year. She also provided member survey results on the Informational Sessions, Pre-Retirement Workshops, and In Office surveys.

10. Information regarding fire standby pay for Contra Costa County Fire Protection District

Andersen stated she had to leave the meeting but hoped that the Board will direct staff to go ahead and relook at the MOU language and then request that ConFire provide data regarding fire standby pay so as it pertains to the inclusion or exclusion of standby pay for Contra Costa County Fire Protection District across the board in any classification. Data showing hours of on-call actually performed would show whether it is pay for on call work that is mandatory or whether it is voluntary.

Andersen was no longer present for subsequent discussion and voting.

Dunn reviewed the background on this item and gave an overview of CCCERA's review process when employees retire, including reviewing pay codes regarding on call or standby pay. She noted the fire standby pay for Contra Costa County Fire Protection District is currently being reported to CCCERA as pensionable. She reported members are put on payroll without including those pay codes until the review process is complete. She reviewed the Board's policy, which was approved by the court, on determining compensation earnable under AB 197 for purposes of calculating retirement benefits for Legacy (pre-PEPRA) members. Dunn stated that to be pensionable, the standby pay must be for work; (1) within the normal working hours set forth in the applicable employment agreement, (2) required by the employer to be worked by the employee (as distinguished from voluntarily worked), and (3) ordinarily worked by all others in the same grade or classification at the same rate of pay during the FAS period. Employers must report to CCCERA as pensionable only that pay for work that is required of and ordinarily served by everyone in the same grade or classification.

In Public Comment, Jeff Carman, Fire Chief, Contra Costa County Fire Protection District, spoke on his concerns about the way CCCERA determines if the standby pay code is pensionable or not at the time of retirement and specifically whether the standby time is within the employee's normal work hours. The position in question is the assistant chief level. The MOU language may not be as specific as it should be, but they are more than willing to provide the documentation and information that this board would like to see to verify that all three of the policy standards have been met and that it was the employer's intent that the standby pay be pensionable. He noted in the next round of negotiations they will change the language in the MOU to meet CCCERA's policy standards. He also stated that the statement he made at the November 28, 2018 meeting may have offended some Board members and stated he didn't feel the Board was unethical, he felt that it was unethical to take retirement deductions from employee paychecks and to lead them to believe that they would be compensated for their time, and then at the finish line pull that away from them. He apologized if any Board member was offended.

There was a discussion on what is legally required to meet the standard to include standby and on-call pay, the language in the MOU, and what the current practice is and how long it has been going on.

The Board directed staff to request additional information from the District regarding how the employment agreements in question are applied in practice by the respective parties.

11. Annual Statement of Compliance with Board Resolutions

Price reported one of the components required by the Investment Policy Statement is the Annual Statement of Compliance with Board Resolutions. He reported the Board adopted one investment-related resolution in 2018 and one resolution from 2017 remained in effect at the beginning of 2018.

He also reviewed the Asset Allocation Summary for the calendar year 2018.

12. Consider authorizing the attendance of Board:

- a. It was M/S/C to authorize the attendance of 2 Board members at the CRCEA Spring 2019 Conference, April 14-17, 2019, San Diego, CA. (Yes: Gordon, Holcombe, Kroll, Kwon, MacDonald, Phillips, Pigeon, Smithey and Watts)
- b. There was no action taken on this item. Advanced Investments Management, IFEBP, April 29-May 2, 2019, Philadelphia, PA.
- c. It was M/S/C to authorize the attendance of all Board members at the SACRS 2019 Spring Conference, May 7-10, 2019, Lake Tahoe, CA. (Yes: Gordon, Holcombe, Kroll, Kwon, MacDonald, Phillips, Pigeon, Smithey and Watts)

- d. It was M/S/C to authorize the attendance of 1 Board member at the Annual Conference and Exhibition, NCPERS, May 18-22, 2019, Austin, TX. (Yes: Gordon, Holcombe, Kroll, Kwon, MacDonald, Phillips, Pigeon, Smithey and Watts)

13. Miscellaneous

- (a) Staff Report –

Strohl reported staff is working on the custodian bank conversion from State Street to Northern Trust; and staff is continuing discussions on the new building lease.

Levy reported the 2019 Retirement Law Book is now available and to see Luz Casas if any Board member would like a hard copy. She noted it is also available on CCCERA's website.

- (b) Outside Professionals' Report -

None

- (c) Trustees' comments –

None

It was the consensus of the Board to move into Closed Session for Item 4.

CLOSED SESSION

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

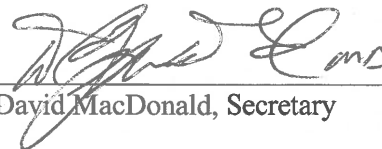
The Board moved into open session.

4. There was no reportable action related to Govt. Code Section 54957.

It was M/S/C to adjourn the meeting. (Yes: Gordon, Holcombe, Kroll, Kwon, MacDonald, Phillips, Pigeon, Smithey and Watts)



Todd Smithey, Chairman



David MacDonald, Secretary