



## RETIREMENT BOARD MEETING MINUTES

SECOND MONTHLY BOARD MEETING

9:00 a.m.

June 25, 2014

Retirement Board Conference Room

The Willows Office Park

1355 Willow Way, Suite 221

Concord, California

Present: Debora Allen, Brice Bins, Scott Gordon, Brian Hast, Jerry Holcombe, Louie Kroll, Karen Mitchoff, John Phillips, William Pigeon, Gabe Rodrigues and Jerry Telles

Absent: Russell Watts

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

Outside Professional Support:	Representing:
Paul Angelo	Segal Consulting
John Monroe	Segal Consulting
Bob Helliesen	Milliman
Marty Dirks	Milliman
Rosalva Flores	Brown Armstrong
Stephanie King	PIMCO
Sabrina Callin	PIMCO
Sasha Talcott	PIMCO

### 1. Pledge of Allegiance

Hast led all in the *Pledge of Allegiance*.

### 2. Accept comments from the public

Hast announced the new Retirement Chief Executive Officer, Gail Strohl will start employment on July 14, 2014.

Hast confirmed the Retirement Board election results noting Todd Smithey received the most votes for seat number 3 and Rodrigues had the most votes for seat number 7 and Pigeon will hold seat number 7 (alternate). He also confirmed that the current appointed members will remain in their seats for another term.

David Rolley, active member at Central Contra Costa County Sanitary District, commented on Item Number 11 noting Robert Rules of Order requires a 2/3rds vote for a change to a previous vote made. He noted that the Board took a vote to maintain the status quo for members hired before January 1, 2011 and in order to change that decision a 2/3rds vote is needed to overturn the past vote.

Mike Sloan, president of CCCREA, discussed the letter that was sent to members dated May 8, 2014 regarding the Board's statement of intent to review past incidents of unusual compensation increases at the end of employment. He noted he understood that clarification will be provided but many retirees are concerned of what this means to their pension.

3. Presentation by Brown Armstrong on the audit of the December 31, 2013 financial statements  
–Rosalva Flores

Kaplan introduced Flores and discussed the changes to the 2013 Comprehensive Annual Financial Report (CAFR) noting GASB Statements 61, 65 and 66 were implemented in this CAFR.

Flores gave an overview of the purpose of the audit and the audit process noting this year more time was spent reviewing the information technology processes.

Flores reported Brown Armstrong gave CCCERA an unmodified opinion, which is the highest form of opinion, on the financial statements and congratulated the Board. She also reported there were no material weaknesses.

The Board discussed the Current Year Agreed Upon Conditions and Recommendations and the Status of the Prior Year Agreed Upon Conditions and Recommendations. They also discussed the possibility of creating an audit committee of the Board.

4. Presentation from PIMCO on StocksPLUS Absolute Return – Stephanie King, Sabrina Callin, and Sasha Talcott

Dirks and Helliesen discussed the fees and performance of the StocksPLUS Absolute Return Fund.

King discussed the general strategy of the StocksPLUS Absolute Return noting the StocksPLUS suite has evolved to meet the growing needs of investors seeking higher return potential over a passive equity index.

Callin discussed the advantages of StocksPlus Absolute Return.

5. Consider and take possible action regarding consultant recommendation to change PIMCO StocksPLUS mandate

It was M/S/C to accept the consultant's recommendation and change the PIMCO StocksPLUS mandate to StocksPLUS Absolute Return subject to fee negotiation and legal review. (Yes: Allen, Bins, Gordon, Hast, Mitchoff, Phillips, Pigeon, Rodrigues and Telles)

After discussion on the different fee structures available, it was M/S/C to pursue a performance based fee structure with the StocksPLUS Absolute Return mandate. (Yes: Allen, Bins, Gordon, Hast, Mitchoff, Phillips, Pigeon, Rodrigues and Telles)

6. Request from Rodeo-Hercules Fire Protection District to modify the contribution requirement for the 2014/2015 fiscal year

Schneider reviewed his memo noting the change in methodology is only being proposed based on the specific facts and circumstances involved, including the small size of the District and the fact that the District is in its own cost group.

It was M/S/C to accept the staff recommendation to modify the employer contribution requirement for Cost Group #12 for the 2014-15 fiscal year based on the proposed methodology. (Yes: Bins, Gordon, Hast, Mitchoff, Phillips, Pigeon, Rodrigues and Telles. Abs: Allen)

7. **Terminal pay assumptions for the December 31, 2013 Actuarial Valuation in light of the pending AB 197 appeal** – Angelo and Monroe

Angelo reviewed the Segal Consulting memo regarding Terminal Pay Assumptions for the December 31, 2013 Actuarial Valuation noting this is not a discussion on the cost sharing of the terminal pay assumption.

He noted AB 197 changed how county retirement boards were permitted to calculate their current members' retirement allowances. For CCCERA, this would effectively make members with membership dates before January 1, 2011 subject to the policy that currently applies to members with membership dates on or after January 1, 2011.

It was M/S/C to continue this item to the July 9, 2014 Board meeting.

**CLOSED SESSION**

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

The Board moved into open session.

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

9. **Consider and take possible action to schedule additional Board meeting on July 31, 2014**

It was M/S/C to schedule an additional Board meeting on July 31, 2014. (Yes: Allen, Bins, Gordon, Hast, Mitchoff, Phillips, Pigeon, Rodrigues and Telles)

10. **Depletion of the "bank" of leave time for "estoppel class" members who use or sell leave between January 1, 2013 and retirement**

It was M/S/C that the "estoppel class" leave bank, so long as the member does not use or sell back after December 31, 2012 more leave time that they can accrue going forward, the bank is preserved. (Yes: Bins, Gordon, Hast, Mitchoff, Pigeon, Rodrigues and Telles. No: Allen and Phillips)

11. **Inclusion of payments for multiple leave sales during a 12-month final average salary period**

It was M/S regarding active leave sell backs, where the employer allows leave sales annually (for example, once every calendar year), no more than one annual cash out counts as compensation earnable for retirement purposes. (Yes: Allen, Gordon, Mitchoff and Phillips. No: Hast, Pigeon, Rodrigues and Telles. Abs: Bins) **Motion failed.**

The Board had a lengthy discussion on the final average salary period and the practice of other retirement systems governed by the County Employees' Retirement Law of 1937.

It was M/S regarding active leave sell backs, so long as leave payouts do not exceed maximum leave that the member can earn during the final average salary period, payments for leave count as compensation earnable for retirement purposes even if the employer allows more than one sale during the final average salary period. **The second was withdrawn.**

The Board directed staff to revise the FAQs and continue to allow the two sales to be included in compensation earnable for legacy members so long as the leave cash out does not exceed what is earned and payable in the 12 month final average salary period.

12. **Conference Seminar Attendance**

- a. It was M/S/C to authorize the attendance of all Board members and appropriate staff members at the 25<sup>th</sup> Annual Northern California Public Retirement Seminar, The Public Retirement Journal, September 25, 2014, Sacramento, CA. (Yes: Allen, Bins, Gordon, Hast, Mitchoff, Phillips, Pigeon, Rodrigues and Telles)
- b. It was M/S/C to authorize the attendance of two Board members and three staff members at the Roundtable for Consultants & Institutional Investors, Institutional Investor, October 8 – 10, 2014, Chicago, IL. (Yes: Allen, Bins, Gordon, Hast, Mitchoff, Phillips, Pigeon, Rodrigues and Telles)

13. Miscellaneous

(a) Staff Report –

Price reported Verne Sedlacek, the President of Commonfund will be retiring within the next two years.

Dunn reported a Communications Coordinator has been hired.

Kaplan reported there was a meeting with plan sponsors on GASB 67 and 68 with more meetings to follow.

She also reported the CAFR and PAFR will be sent to the printers and to the GFOA at the end of the week.

Davis reported staff continue to get many questions regarding July 11, 2014 retirements.

(b) Outside Professionals' Report -

None

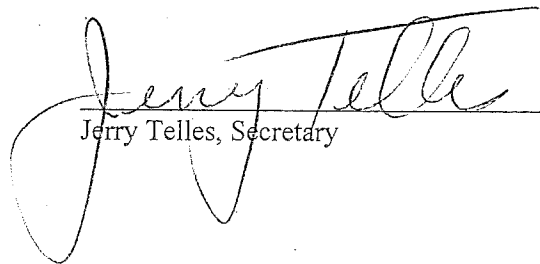
(c) Trustees' comments –

None

It was M/S/C to adjourn the meeting. (Yes: Allen, Bins, Gordon, Hast, Mitchoff, Phillips, Pigeon, Rodrigues and Telles)



Brian Hast, Chairman



Jerry Telles, Secretary