



RETIREMENT BOARD MEETING MINUTES

FIRST MONTHLY BOARD MEETING

9:00 a.m.

July 9, 2014

Retirement Board Conference Room

The Willows Office Park

1355 Willow Way, Suite 221

Concord, California

Present: Debora Allen, Scott Gordon, Brian Hast, Jerry Holcombe, Louie Kroll, Karen Mitchoff, John Phillips, William Pigeon, Gabe Rodrigues, Todd Smithey, Jerry Telles and Russell Watts

Absent: None

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: Harvey Leiderman Representing: Reed Smith

1. Pledge of Allegiance

Hast led all in the *Pledge of Allegiance*.

2. Accept comments from the public

No members of the public offered comment.

3. Election of Board Officers

It was **M/S/C** to nominate Hast as Board Chairperson. (Yes: Allen, Gordon, Hast, Mitchoff, Phillips, Rodrigues, Smithey and Telles. Abs: Watts)

It was **M/S/C** to nominate Phillips as Board Vice-Chairperson. (Yes: Allen, Gordon, Hast, Mitchoff, Phillips, Rodrigues, Smithey and Telles. Abs: Watts)

It was **M/S/C** to nominate Telles as Board Secretary. (Yes: Allen, Gordon, Hast, Mitchoff, Phillips, Rodrigues, Smithey and Telles. Abs: Watts)

4. Minutes Approval

It was **M/S/C** to approve the June 11, 2014 minutes. (Yes: Allen, Gordon, Hast, Mitchoff, Phillips, Rodrigues, Smithey and Telles. Abs: Watts)

5. Routine Items

Price distributed a revised asset allocation report for Item 5.e. noting the values for the private equities were incorrect.

It was M/S/C to approve the routine items of the July 9, 2014 Board meeting. (Yes: Allen, Gordon, Hast, Mitchoff, Phillips, Rodrigues, Smithey, Telles and Watts)

CLOSED SESSION

The Board moved into closed session pursuant to Govt. Code Section 54957 and 54956.9(d)(1).

The Board moved into open session.

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

a. David Poppi –Service Connected (Yes: Allen, Gordon, Hast, Mitchoff, Phillips, Rodrigues, Smithey, Telles and Watts)

7.

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

8. Clarification of the Board's June 25, 2014 confirmation that multiple leave sales during the 12-month FAS period are earned and payable in the FAS period and therefore pensionable for Legacy (pre-PEPRA) members so long as they do not exceed the number of leave hours earned in the FAS period.

Leiderman provided an overview of AB 197 and the recent Superior Court ruling. He noted the Superior Court provided a stay order which was due to expire on July 12, 2014. Once the stay order expires the Board of Retirement is required to implement AB 197.

In public comment, Margaret Hanlon-Gradie, Executive Director of Contra Costa County Labor Council, noted current property tax assessments are improving and will help the County's general fund. She feels that with continued wage reductions, benefit cost increases and reductions in retirement to County employees it will have an impact on current negotiations. She feels it is time to rebuild the middle class. She also feels by eroding the pension benefits it does not assist with providing them to others.

Jonathan Wright, IFPTE Local 21, stated he does not feel the union was properly noticed of this action and has filed a grievance with Contra Costa County.

Hast disclosed some members of the Board of Retirement may have a personal interest on this subject.

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.

Hast stated this Board has a fiduciary duty to the members of the system. He noted in the CCCERA Code of Fiduciary Conduct and Ethics item 3 states "In those situations where the law is not clear, the best interests of the fund beneficiaries must be served." He feels in this case the law is not clear so the Code of Fiduciary Conduct and Ethics that this Board established states that the Board must side with the members. He will vote against the motion since he feels the motion would violate the

CCCERA Code of Fiduciary Conduct and Ethics by taking away one of the annual leave sales currently included in compensation earnable.

After a lengthy discussion on the role the Board of Retirement has regarding benefits and determining what is pensionable it was **M/S/C** 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, Phillips and Watts. No: Hast, Rodrigues, Smithey and Telles)

9. **Proposed statement explaining the Board's intent to review past incidents of unusual compensation increases at end of employment**

Levy reviewed her memo dated July 9, 2014 noting trustees Kroll and Telles requested that the Board consider the adoption of a statement explaining the Board's intent to not review past retirement calculations based upon: normal vacation and compensatory time sales; normal pay for on call work that was regularly required and ordinarily worked by everybody in the same job classification during the same time period; or terminal pay which was comprised of benefits ordinarily earned or permanent and reoccurring.

It was noted this statement was to clarify the original statement from May 7, 2014.

After discussion it was **M/S/C** to not adopt the proposed statement. (Yes: Allen, Gordon, Hast Phillips, Mitchoff, Rodrigues, Smithey and Watts. No: Telles)

10. **Non-service connected disability retirement allowance of deceased member Cheryl Sousa**

Schneider reviewed his memo dated July 9, 2014 regarding Cheryl Sousa's application for non-service connected disability. He reviewed the active death process noting the member has died while in active (not retired) status and had filed an active death form electing Optional Settlement 2 before her death. The Board is now called upon to make a determination as to whether the member became permanently unable to engage in any substantial gainful employment and would then be eligible for a non-service connected disability retirement allowance.

Schneider noted the medical records were analyzed by the Board's medical advisor, who concluded that the evidence clearly shows that Ms. Sousa was totally disabled from any substantial gainful employment on April 9, 2014, as defined by Government Code Section 31720.1.

It was **M/S/C** to grant a non-service connected disability retirement effective April 9, 2014 to Cheryl Sousa and to approve payment to the named beneficiary under Optional Settlement 2. (Yes: Allen, Gordon, Hast, Mitchoff, Phillips, Rodrigues, Smithey, Telles and Watts)

The Board requested a review of the active death process on a future agenda.

11. **Terminal pay assumptions for the December 31, 2013 Actuarial Valuation in light of the pending AB 197 appeal**

Schneider reviewed the history of the Retirement Board policy, "Determining Which Pay Items Are Compensation for Retirement Purposes". He also reviewed how AB 197 may change portions of this policy and noted in order to continue processing the December 31, 2013 valuation report the actuaries need direction on the terminal pay assumptions to use in the valuation report.

Leiderman noted if the court ruling is overturned the Board would have the authority to collect past uncollected contributions.

It was M/S/C to direct Segal Consulting to calculate the actuarial valuation report using the terminal pay assumptions established previously for members with membership dates on or after January 1, 2011 for all members in the actuarial valuation report. (Yes: Allen, Gordon, Hast, Mitchoff, Phillips, Rodrigues, Smithey, Telles and Watts)

12. Investment manager under review

Price stated we were recently notified that there was a personnel change at DBL investors that we were not notified of in a timely manner. On June 14, 2014 we were notified that Seth Miller left DBL investors effective January 1, 2014.

It was M/S/C to place DBL investors on the watch list for personnel changes and conduct an on-site visit. (Yes: Allen, Gordon, Hast, Mitchoff, Phillips, Rodrigues, Smithey, Telles and Watts)

13. Conference Seminar Attendance

a. It was M/S/C to authorize the attendance of two staff members at the Administrators' Institute, CALAPRS, September 24 – 26, 2014, Long Beach, CA. (Yes: Allen, Gordon, Hast, Mitchoff, Phillips, Rodrigues, Smithey, Telles and Watts)

b. It was M/S/C to authorize the attendance of two Board members and two staff members at the 2014 Fall Conference, Council of Institutional Investors, September 29 – October 1, 2014, Los Angeles, CA. (Yes: Allen, Gordon, Hast, Mitchoff, Phillips, Rodrigues, Smithey, Telles and Watts)

c. There was no reportable action on this item.

d. It was M/S/C to authorize the attendance of four Board members and two staff members at the US Client Conference, Invesco, November 4 – 6, 2014, La Jolla, CA. (Yes: Allen, Gordon, Hast, Mitchoff, Phillips, Rodrigues, Smithey, Telles and Watts)

Gordon was not present for subsequent discussion and voting.

14. Miscellaneous

(a) Staff Report –

Levy reported a notification has been sent to all active members notifying them of the expiration of the stay order in the AB 197 lawsuit. She stated the notification is included in the agenda packet as a miscellaneous item.

She also reported a press release announcing the new Retirement Chief Executive Officer, Gail Strohl, has been issued as directed by the Board.

Schneider reported that CCCERA has received around 100 retirement applications this month.

Price reminded the Board there will be a special board meeting on July 31, 2014.

Kaplan reported the CAFR and PAFR have been submitted to the GFOA.

She also reported pre-payments of contributions from employers are coming in.

(b) Outside Professionals' Report -

None

(c) Trustees' comments -

Telles reported he was contacted by the SACRS President to find out how the Board of Retirement felt about providing support for a public relations firm to educate the public on defined benefit plans. He would like this item on a future agenda.

Allen reported she reviewed the Blue Ribbon Panel on Public Pension Funding report from the Society of Actuaries and would like to have Bob Stein come and present at a meeting.

She requested the Board consider creating an agenda committee for compiling the agenda for each meeting.

Mitchoff was no longer present for subsequent discussion and voting.

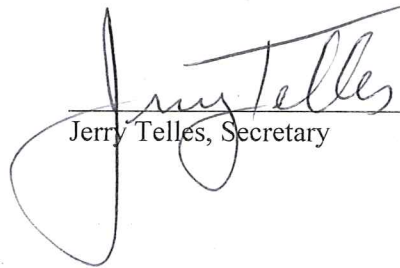
Rodrigues asked who notifies members when contribution rates change.

Hast reported that at the April 2, 2014 meeting, under Agenda Item 13, the Board met in closed session pursuant to Govt. Code Section 54956.81 to consider the purchase of particular pension fund investment. He reported that: It was **M/S/C** to rescind the \$50 million commitment to Siguler Guff SBOF Fund II and make a \$200 million commitment to the negotiated account structure, Siguler Guff CCCERA Opportunities Fund, subject to legal review. (Yes: Allen, Gordon, Hast, Phillips, Pigeon, Rodrigues, Telles, Watts.)

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



Brian Hast, Chairman



Jerry Telles, Secretary