

The Board of Retirement met in regular session at 9:00 a.m. on Wednesday, January 12, 2011 in the Conference Room of the Contra Costa County Employees' Retirement Association, 1355 Willow Way, Suite 221, Concord, CA.

Present: Terry Buck, Dave Gaynor, Brian Hast, Jerry Holcombe, Sharon Naramore, Jerry Telles, Maria Theresa Viramontes and Russell Watts

Staff: Marilyn Leedom, Retirement Chief Executive Officer; Silvina Leroux, Retirement Deputy Chief Executive Officer; Karen Levy, General Counsel; Rick Koehler, Retirement Accounting Manager; Kathy Somsen, Retirement Benefits Manager

Outside Professional Support: Representing:
 Paul Angelo The Segal Company
 John Monroe The Segal Company
 Harvey Leiderman Reed Smith LLP

Other Attendees:

Luz Casas	Contra Costa County Employees' Retirement Association (CCCERA) Staff
Christina Dunn	CCCERA Staff
Joelle Luhn	CCCERA Staff
Tracy Kroll	CCCERA Staff
Justine Oyler	CCCERA Staff
Sharon Venegas	CCCERA Staff
Karen Davis	CCCERA Staff
Bill Cullen	Retiree
Mary Louise Williams	Contra Costa County Retired Employees Association (CCCREA)
Satomi Cadena	CCCREA/Local 1
Lucy Fogarty	Contra Costa County Superior Court
Randy Musgraves	Central Contra Costa Sanitary District (CCCSD)
Colette Curtis-Brown	CCCSD
Michelle Johnston	Auditor-Controller
Haj Nahal	Auditor-Controller
Sue Casey	Moraga-Orinda Fire Protection District (MOFD)
Randy Bradley	MOFD
Tina Kaufmann	Auditor-Controller
Marie Rulloda	Auditor-Controller
Robert Leete	San Ramon Valley Fire District (SRVFD)
Debbie Ratcliff	CCCSD
Chris Wenzel	CCCSD
Jim Bickert	Deputy Sheriff's Association (DSA)
Cheryl Alexander	Delta Diablo Sanitary District (DDSD)
Lisa Driscoll	County Administrator's Office (CAO)
Kris Hunt	Contra Costa County Taxpayers Association

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Telles welcomed new Board member and County Treasurer, Russell Watts.

1. Pledge of Allegiance

Watts led all in the *Pledge of Allegiance*.

2. Employee Recognition

Telles recognized and congratulated Sharon Venegas for 20 years of service and Karen Davis for 10 years of service.

3. Public Comment

No members of the public offered comment.

4. Approval of Minutes

It was *M/S/C* to approve the minutes of the November 23, 2010 meeting. (Yes: Buck, Gaynor, Hast, Holcombe, Telles, Viramontes, Watts)

It was *M/S/C* to approve the minutes of the December 8, 2010 meeting with a change to the last line on page 4 to read "Leiderman noted that Mr. Monroe of Segal confirmed that with the phase-in process all normal contributions will continue to be paid." (Yes: Buck, Gaynor, Hast, Holcombe, Telles, Viramontes, Watts)

5. Routine Items

It was *M/S/C* to approve the routine items of the January 12, 2011 meeting. (Yes: Buck, Gaynor, Hast, Holcombe, Telles, Viramontes, Watts)

6. Consider and take possible action to direct staff to respond to correspondence received from Central Contra Costa Sanitary District and Moraga-Orinda Fire Department

In public comment, Randy Musgraves, Central Contra Costa Sanitary District (CCCSD), thanked the Board and staff for providing the information from The Segal Company's depooling report. Musgraves noted the depooling data from Segal was found to be actuarially correct. He stated the challenge the CCCSD Board is facing is the unanticipated cost associated with depooling retroactively.

After discussion, it was *M/S/C* to direct staff to respond to the correspondence received from Central Contra Costa Sanitary District and the Moraga-Orinda Fire Department, with input from counsel. (Yes: Buck, Gaynor, Hast, Holcombe, Telles, Viramontes, Watts)

7. Presentation and discussion with The Segal Company regarding future contribution rates as a result of changes to Compensation for Retirement Purposes policy - Paul Angelo, John Monroe

Angelo reviewed his January 5, 2011 letter regarding the changes in the *Compensation for Retirement Purposes* policy and the effect of certain terminal pay elements no longer included in the determination of compensation for retirement purposes.

The December 31, 2009 actuarial valuation only included members with membership dates before January 1, 2010, thus the recommended employer contribution rates did not reflect any changes to the terminal pay assumption. The actual impact of the changes in experience due to the cessation of some factors of terminal pay will not be known until new members retire.

Discussion followed on the possibility of a blended employer contribution rate for all employees that would include new members after January 1, 2011.

In public comment, Jim Bickert, Deputy Sheriffs Association (DSA), expressed his concern that the Board eliminated terminal pay, but there has not been a reduction in cost for the new employees now hired. He feels the current rates do not accurately reflect the costs for employers and new employees and thus the Board should be prepared to provide refunds for overpayments. Bickert felt that lower contribution rates should not be delayed until the December 2012 experience study.

Angelo reiterated the components of the revised terminal pay policy and described the process actuaries use to quantify the data of those components. Angelo further acknowledged that actuaries do not determine the components, but use hard data produced by these components to provide quantitative assumptions.

Discussion followed on the methods used to determine changes in rates due to benefit changes, as was completed with the change from 2% @ age 50 to 3% @ age 50 for safety members.

Angelo discussed that ideally The Segal Company would want ten years of data to determine new assumptions. This information would be available as new members (with membership dates on or after January 1, 2011) retire.

In public comment, Lisa Driscoll, County Administrator's Office (CAO), stated with few new hires it would be difficult to project an accurate blended employer contribution rate.

The Board discussed the possibility of providing three years of past information to The Segal Company in order for employers to have rate information for their 2012 budgets.

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The Board directed staff to work with The Segal Company to provide data on terminal pay items over the last three years, to be used for analysis on the terminal pay component of the employer contribution rate.

8. Consider and take possible action to adopt contribution rates as outlined in the CCCERA 2009 Actuarial Valuation

Angelo stated that he had discussed the 2009 Actuarial Valuation at the previous Board meeting.

It was *M/S/C* to adopt the contribution rates as outlined in the CCCERA 2009 Actuarial Valuation. (Yes: Buck, Gaynor, Hast, Holcombe, Telles, Viramontes, Watts)

9. Consider and take possible action to continue the active death and disability process with changes as recommended by fiduciary counsel

Leiderman reported during review by tax counsel, Ice Miller, it was questioned whether the Board needed a policy on the active death and disability process. He believes CCCERA's current practice relating to active death/disability applications is consistent with governing law and the Legislature's intent for active members to maximize their survivors' benefits. He does not believe that the Board needs to adopt a written policy in connection with its application for a tax determination letter from the Internal Revenue Service.

Leiderman recommended revising CCCERA's current active death and disability practice to allow the spouse of a member to consent to the selection of optional settlement 2 (Government Code Section 31762) and to obtain an authorization from the member to file an application for non-service connected disability retirement in the event of the member's death during active service. The Board should proceed to make a formal determination whether the member was permanently incapacitated for the performance of duty at the time it filed the application for non-service disability.

Leedom noted Ice Miller is in agreement with this assessment.

It was *M/S/C* to continue the active death and disability process with changes as recommended by fiduciary counsel. (Yes: Buck, Gaynor, Hast, Holcombe, Telles, Viramontes, Watts)

CLOSED SESSION

The Board moved into closed session pursuant to Govt. Code Section 54957 to consider the Medical and/or staff's recommendations regarding disability retirement applications and under Govt. Code Section 54957 to evaluate the Retirement Chief Executive Officer's performance.

The Board moved into open session.

10. Disability Retirements

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

- (a) Melody Caughrean - Non-Service Connected (Yes: Buck, Gaynor, Hast, Holcombe, Telles, Viramontes, Watts)
- (b) Jon Mudrock - Service Connected (Yes: Buck, Gaynor, Hast, Holcombe, Telles, Viramontes, Watts)
- (c) Wendy Downing - Non-Service Connected (Yes: Buck, Gaynor, Hast, Holcombe, Telles, Viramontes, Watts)
- (d) Kevin Berenson - Non-Service Connected (Yes: Buck, Gaynor, Hast, Holcombe, Telles, Viramontes, Watts)

Telles recused himself from this item and was not present for subsequent discussion and voting.

- (e) Shatrina Thomas - Service Connected (Yes: Buck, Gaynor, Hast, Holcombe, Naramore, Viramontes, Watts)

Telles was present for subsequent discussion and voting.

11. Retirement Chief Executive Officer's performance

Telles reported there were favorable comments of the Retirement Chief Executive Officer's performance by all Board members. He further stated she is doing an exemplary job in all areas and continues to keep the Board well informed on issues and decisions.

12. Conference Seminar Attendance

- (a) It was **M/S/C** to authorize the attendance of two Board members and two staff members at the Spring Conference, Council of Institutional Investors, April 3-5, 2011, Washington, DC. (Yes: Buck, Gaynor, Hast, Holcombe, Telles, Viramontes, Watts)
- (b) It was **M/S/C** to authorize the attendance of one Board member at the Principles for Trustees, CALAPRS, March 22-25, 2011, Palo Alto, CA. (Yes: Buck, Gaynor, Hast, Holcombe, Telles, Viramontes, Watts)
- (c) It was **M/S/C** to authorize the attendance of one Board member at the Pensions, Retirement Security, and Strategies for Investment Conference, Harvard, March 16-18, 2011, Cambridge, MA. (Yes: Buck, Gaynor, Hast, Holcombe, Telles, Viramontes, Watts)
- (d) It was **M/S/C** to authorize the attendance of four Board members at Pensions the 13th Conference, Klausner & Kaufman, March 20-23, 2011, Ft. Lauderdale, FL. (Yes: Buck, Gaynor, Hast, Holcombe, Telles, Viramontes, Watts)

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- (e) It was *M/S/C* to authorize the attendance of two Board members at the Trustees Roundtable, CALAPRS, January 28, 2011, San Jose, CA. (Yes: Buck, Gaynor, Hast, Holcombe, Telles, Viramontes, Watts)

13. Miscellaneous

(a) Staff Report -

Leedom reported the Board of Supervisors reorganized and elected a new chairperson at the January 11, 2011 Board of Supervisors meeting. The Internal Operations Committee will meet to review CCCERA's vacant alternate Board member position in early February.

The IRS Letter of Determination review is complete and the application will be filed by the end of the month.

A RFP has been issued for building management and leasing services.

Board surveys were issued for the review of outside professional consultants.

Leedom asked the Board to please let staff know if they will be attending the CALAPRS general assembly so that arrangements can be made.

CCCERA received the GFOA award for the year ended December 2009.

Leedom noted that, during the month of December, CCCERA had a record amount of capital calls and all transfers were made as needed.

Leedom reminded the Board that Paul Katz's memorial is on Sunday, January 16, 2011, at the Crowne Plaza Hotel in Concord.

(b) Outside Professionals' Report -

Leiderman reported on the final settlement with Tier Technologies, Inc. The settlement is as follows:

On or about December 15, 2010, CCCERA entered into a binding settlement agreement with Tier Technologies, Inc. arising out of disputes over the pension benefits software system Tier contracted to provide to CCCERA starting in 2005. Tier claimed in excess of \$506,000 from CCCERA; CCCERA had counterclaims against Tier in excess of \$400,000. The principal terms of the settlement are:

- CCCERA pays Tier \$50,000
- Tier and CCCERA release each other from all claims
- CCCERA releases the performance bond Tier posted

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- Tier remains obligated on all representations and warranties concerning the software licenses to CCCERA

As of this date, the settlement agreement has been fully performed.

(c) Trustees' Comments -

Viramontes wished everyone a Happy New Year.

Telles and Buck noted they had lunch with Mike Keough of Siguler Guff.

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

Jerry Telles, Chairman

Brian Hast, Secretary