The Board of Retirement met in regular session at 9:00 a.m. on Wednesday, November 7, 2007 in the Conference Room of the Contra Costa County Employees' Retirement Association, 1355 Willow Way, Suite 221, Concord, CA.

Present: Richard Cabral, Dave Gaynor, John Gioia, Brian Hast, Paul Katz, Sharon Naramore, William J. Pollacek, Jim Remick, Bob Rey, and Jerry Telles.

Staff: Marilyn Leedom, Retirement Chief Executive Officer; Cary Hally, Retirement Chief Investment Officer; Rick Koehler, Retirement Accounting Manager; Kathy Somsen, Retirement Benefits Manager; Toni Warren, Retirement Administration Manager.

Outside Professional Support:	Representing:
Ashley Dunning	Steefel, Levitt and Weiss
Paul Angelo	Segal Company
John Monroe	Segal Company

Other Attendees:

Luz Casas	Contra Costa County Employees' Retirement Association (CCCERA) Staff
Margie Breen	CCCERA Staff
Tracy Kroll	CCCERA Staff
Joelle Luhn	CCCERA Staff
Gayle Cruz	CCCERA Staff
Karen Davis	CCCERA Staff
Jim Bickert	Deputy Sheriff's Association (DSA)
Terry Buck	Contra Costa County Consolidated Fire Department
Mary Cissna	Contra Costa County Grand Jury (CCCGJ)
John Henderson	CCCGJ
Jerry Holcombe	CCCGJ
Leslie Lea	CCCGJ
Linda Ashcraft	Contra Costa County Human Resources
Liz Walker	CCCERA Staff
Charice Hester	CCCERA Staff
Kris Hunt	Contra Costa County Taxpayer's Association
Randy Musgraves	Contra Costa County Sanitary District
Gary Boyles	Rodeo-Hercules Fire District

1. **Liz Walker - 10 Year Service Award**

Hast congratulated CCCERA employee Liz Walker on the occasion of her 10th Anniversary and thanked her for her years of dedicated service to the Retirement Association.

2. **Public Comment**

In public comment, Jim Bickert, President of the Deputy Sheriff's Association, requested an estimate for the cost of an actuarial study to increase the benefits for approximately 200 non-sworn DSA members. They currently have the 2% @ 55 benefit and are interested in a study on a 2 ½% at 57 benefit prospectively only. DSA expects the cost of an increased benefit will be significantly less if the benefit is prospective only. Mr. Bickert thanked the Board and commented that he will follow up with his request in writing.

Gioia was present for subsequent discussion and voting.

3. **Approval of Minutes**

It was **M/S/C** to approve the minutes of the October 18, 2007 meeting. (Yes: Cabral, Gaynor, Gioia, Hast, Katz, Pollacek, Rey, and Telles)

4. **Routine Items**

It was M/S/C to approve the routine items of the November 7, 2007 meeting. (Yes: Cabral, Gaynor, Gioia, Hast, Katz, Pollacek, Rey, and Telles)

The Board moved into closed session pursuant to Govt. Code Section 54957 to consider the Medical Advisor and or staff's recommendation regarding disability retirement applications and Gov. Code Section 54956.9(c) to consult with counsel to consider whether to initiate litigation.

The Board moved into open session.

5. **Disability Retirements**

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

(a) Patrick Bowen Service Connected (Yes: Cabral, Gaynor, Gioia, Hast, Katz, Pollacek, Remick, and Telles)
(b) Emma Jane Green Service Connected (Yes: Cabral, Gaynor, Gioia, Hast, Katz, Pollacek, Rey, and Telles)

6. **Potential Litigation**

No reportable action taken

7. Education Presentation on Asset Smoothing and Market Stabilization

Paul Angelo, of the Segal Company, reviewed his Asset Smoothing and Market Stabilization Account educational presentation.

He noted the Actuarial Value of Assets (AVA) is the smoothed asset value and determines the unfunded actuarial accrued liability and amortization cost. The AVA determines "available earnings" for CCCERA's Interest Crediting and Excess Earnings policy.

Angelo explained the market smoothing process, noting market returns above or below the assumed earnings rate is smoothed over a five-year period. He provided examples including charts, illustrating returns both over and under the assumed rate of return. He noted the decrease in volatility to the retirement system, including employer contribution rates, as a result of using the smoothing process.

Angelo concluded the presentation by discussing practical and political insights, the asset smoothing policy and the Interest Crediting and Excess Earnings policy.

Cabral was not present for subsequent discussion and voting.

8. Market Stabilization Account

Koehler reviewed the Market Stabilization Account Report, relating his report to Segal's presentation.

It was **M/S/C** to accept the final Market Stabilization Account (Deferred Return) Report as of June 30, 2007. (Yes: Gaynor, Gioia, Hast, Katz, Pollacek, Rey and Telles

Cabral was present for subsequent discussion and voting.

9. Salary Increase Assumption and the effect on Employee contribution rates

Angelo noted the prior methodology for determining assumed salary increases was based on the age of the member. That method grouped members together based on their age, and set the assumed salary increase based on the average pay increases for all members in that age group. This means that salary increases for members at the same current age but with varying years of service were averaged together to determine the assumed increase for that age.

The new methodology for determining assumed salary increases is based on a member's years of service, because Segal's studies show that service is better than age as a predictor of salary increases. This method groups members together based on their years of service, so salary increases for members who have the same years of service and varying current ages are averaged together to determine the assumed increase for those members with comparable years of service.

Several noted they will use Segal's explanation to explain the change to members.

10. **SACRS Proposals and Resolutions**

It was noted that the Resolution opposing the Richman 2007 Initiative on Public Employees' Pensions and Health Plans was tabled from a previous meeting to find out more information and to research any legal or tax issues involved. There was a lengthy discussion that Board members may support the resolution; however, benefit level decisions are not within the role of trustee. It was noted that benefits for members are a negotiated item. There was further discussion on the action taken by other '37 Act counties, and recommendations from the SACRS Legislative Committee and legislative consultants.

It was **M/S** to support the SACRS Resolution to have the SACRS organization register its opposition to proposals to mandate the level of retirement benefits to future public employees throughout the State. (Yes: Cabral, Rey and Telles; No: Gaynor and Katz; Abs: Gioia, Hast and Pollacek). **The motion failed.**

It was **M/S/C** to abstain from the vote at the Fall SACRS Conference for supporting the resolution to oppose Richman's 2007 Initiative on Public Employees' Pensions and Health Plans without an explanation. (Yes: Gaynor, Gioia, Hast, Katz, Pollacek, Rey and Telles; Abs: Cabral)

It was **M/S/C** to approve the Legislative Proposal for LACERA #1: Service Purchases. (Yes: Cabral, Gaynor, Gioia, Hast, Katz, Pollacek, Rey, and Telles)

It was **M/S/C** to approve the Legislative Proposal for SACRS Board of Directors #1: Establish Reciprocity with UC Retirement System. (Yes: Cabral, Gaynor, Gioia, Hast, Katz, Pollacek, Rey, and Telles)

It was **M/S/C** to pass on both LACERA #2: Technical Cleanup of the '37 Act and San Bernardino CERA #1: Cleanup Legislation. (Yes: Cabral, Gaynor, Gioia, Hast, Katz, Rey, and Telles; No: Pollacek)

It was **M/S/C** to pass on the following proposals: Santa Barbara #4: Safety Member Contributions, Santa Barbara #5: Obsolete Reference to Section 31664.1 and Santa Barbara #6: Obsolete Reference to Section 31664.6. (Yes: Cabral, Gaynor, Gioia, Hast, Katz, Rey, and Telles; No: Pollacek)

It was **M/S/C** to abstain on all Legislative Proposals Deferred for consideration pending additional information. (Yes: Cabral, Gaynor, Gioia, Hast, Katz, Pollacek, Rey, and Telles)

11. Travel Reimbursement Policy

It was **M/S/C** to adopt the Travel Policy as amended. (Yes: Cabral, Gaynor, Gioia, Hast, Katz, Pollacek, Rey, and Telles)

12. Conference Seminar Attendance

(a) It was **M/S/C** to authorize the attendance of Cabral, Gioia, and Remick at the Public Funds Summit, Opal Financial Group, January 16-18, 2008, Scottsdale, AZ. (Yes: Cabral, Gaynor, Gioia, Hast, Katz, Pollacek, Rey, and Telles)

(b) It was **M/S/C** to authorize the attendance of up to four Board and appropriate staff at the Public Pension Fund Fiduciary Symposium, Steefel, January 10-11, 2008, San Francisco, CA. (Yes: Cabral, Gaynor, Gioia, Hast, Katz, Pollacek, Rey, and Telles)

13. Miscellaneous

(a) Staff Report – Leedom noted she and Dunning attended the Board of Supervisors Board Meeting on November 6, 2007 for approval of the Retirement Board Regulations. At 5:00 p.m. on the day before the meeting Leedom received a request to pull the item from the agenda until the last meeting in November. At the meeting, the Board of Supervisors decided to table the item until the last meeting in November. Gioia commented that the Board of Supervisor's decision was made as a courtesy to Local 1 and the DSA. Leedom noted that the parties involved have been on the agenda mailing list for CCCERA and have been sent all agendas which would have outlined potential Retirement Board action on these items.

Project employees and machinery will be brought in temporarily to complete imaging that will need to be finished by mid 2008 for the Tier Project to move forward. Leedom noted new positions are not being created, but older vacant project positions are being filled.

FFCA has signed all documents for CCCERA's portion of the portfolio except for one holding.

Western Asset Management's On-Site Visit will be performed on Friday, November 9, 2007.

Conference reports were distributed from Cabral and Hast for The Roundtable for Consultants and Institutional Investors in Chicago they recently attended.

(b) Outside Professionals' Report – nothing further to report.

Trustees' Comments –Cabral has concerns with the differential recently approved by the County for Key Employees.

Rey requested after Leedom receives the written request from the DSA for the actuarial study that the item be placed on a future agenda. After a short discussion regarding the DSA's request, Leedom noted she has already given the DSA a dollar amount for the study. After she receives the request from the DSA, she will respond in writing to their response, noting Board policy on this issue.

It was **M/S/C** to adjourn. (Yes: Cabral, Gaynor, Gioia, Hast, Katz, Pollacek, Rey, and Telles)

Clifton Wedington, Chairman

William J. Pollacek, Secretary