

CONTRA COSTA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

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April 11, 2012

The Board of Retirement met in regular session at 9:00 a.m. on Wednesday, April 11, 2012 in the Conference Room of the Contra Costa County Employees' Retirement Association, 1355 Willow Way, Suite 221, Concord, CA.

Present: Debora Allen, Terry Buck, Richard Cabral, Brian Hast, Jerry Holcombe, Sharon Naramore, John Phillips, Jerry Telles, Maria Theresa Viramontes and Russell Watts

Absent: John Gioia

Staff: Marilyn Leedom, Retirement Chief Executive Officer; Kurt Schneider, Retirement Deputy Chief Executive Officer; and Karen Levy, General Counsel

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

Other Attendees:

Luz Casas	Contra Costa County Employees' Retirement Association (CCCERA) Staff
Christina Dunn	CCCERA Staff
Joelle Luhn	CCCERA Staff
Justine Oyler	CCCERA Staff
Karen Davis	CCCERA Staff
Jessica Huffman	CCCERA Staff
Jim Bickert	Rains, Lucia, Stern
Ken Westermann	Deputy Sheriff's Association
John Keel	San Ramon Valley Fire District
Jackie Lorrekovich	Contra Costa County Fire District
Robert Leete	San Ramon Valley Fire District
Lucy Fogarty	Superior Court
Brandy Sanborn	Superior Court
Mike Sloan	RSG & CCCREA
Todd Smithy	Central Contra Costa Sanitary District
Lisa Driscoll	County Administrator's Office
Marie Rulloda	Auditor-Controller
Robert Campbell	Auditor-Controller
Sue Casey	Moraga Orinda Fire District
Nancy Lefebvre	Rodeo Sanitary District
Shawn Garcia	Contra Costa First 5

1. Pledge of Allegiance

Viramontes led all in the *Pledge of Allegiance*.

2. Public Comment

No members of the public offered comment.

3. Approval of Minutes

It was *M/S/C* to approve the minutes of the March 28, 2012 Board meeting. (Yes: Allen, Buck, Cabral, Holcombe, Phillips, Telles, Viramontes and Watts)

4. Routine Items

It was *M/S/C* to approve the routine items of the April 11, 2012 meeting. (Yes: Allen, Buck, Cabral, Holcombe, Phillips, Telles, Viramontes and Watts)

Hast was present for subsequent discussion and voting.

5. Presentation from The Segal Company regarding the 5 year projection of employer contribution rates - John Monroe

Monroe gave an overview of the five-year projection of estimated employer contribution rate changes noting that projections are estimates and not a guarantee of future results. Rate changes are assumed to be from asset gains and losses that are funded as a level percentage of the Association's total active payroll base. Monroe noted the projections are based on information as of 12/31/10 and incorporates an estimated gross market value investment return of 2.7% for the 2011 calendar year.

Monroe defined each cost group's volatility index (VI) as the market value of assets divided by payroll. A higher VI results in less stable contribution rates, and can result from more generous benefits as compared to payroll, more retirees, an older workforce, shorter careers or the issuance of Pension Obligation Bonds.

Monroe illustrated the effect of payroll changes on the VI. He stated as payroll decreases the VI increases due to the market value of assets remaining the same. The modeling projections are intended to serve as illustrations of future financial outcomes that are based on the information available at the time and actual experience may differ due to variables such as demographic experience, the economy, stock market performance and the regulatory environment.

In public comment, Sue Casey, Moraga-Orinda Fire District (MOFD), asked for clarification of MOFD's volatility index being 14.63% and if that figure is partly due to their Pension Obligations Bonds. She inquired as to when smoothing starts again and how the COLA affects rates.

It was noted that smoothing is on an ongoing basis. When rates are calculated the actuaries assume the maximum COLA of 3% so when the granted COLA is 3% there is not an effect on rates.

6. Educational presentation on payment options at retirement

Leedom introduced Karen Davis, Jessica Huffman, Kurt Schneider and Karen Levy.

Staff presented an overview of the payment options available at retirement; the Unmodified Option and Optional Settlements 1 through 4. They described the requirements and the forms of payment.

Levy noted that Optional Settlement 4 is the only payment option that allows for multiple beneficiaries and must be approved by the Board. Optional Settlement 4 is the only option that specifies that the designation shall not, in the opinion of the board and the actuary, place any additional burden upon the retirement system.

Schneider reviewed the IRS minimum distribution rules noting they can affect the form of payment under Optional Settlement 2 and Optional Settlement 4.

Schneider also reviewed how other CERL Systems handle multiple beneficiaries noting that five systems charge members for the cost of calculating Optional Settlement 4 retirement allowances.

Huffman gave an overview of how CCCERA handles divorces prior to retirement noting the account is split in accordance with CERL Article 8.4 and a qualified domestic relations order. The former spouse is awarded a separate account and has the same payment options available to the member.

Huffman also reviewed how divorces are handled after retirement noting they are handled on a case by case basis in accordance with the qualified domestic relations order.

After discussion, the Board directed staff to return with a draft policy and information on the external costs associated with calculating Optional Settlement 4.

After discussion regarding other possible optional settlements including Optional Settlement 5, the Board directed staff to return with information on all other optional settlements in the CERL.

6a. SACRS Proxy Voting Form

It was **M/S/C** to designate Telles as the voting delegate and Naramore as the alternate voting delegate at the SACRS Spring Conference. (Yes: Allen, Buck, Cabral, Hast, Holcombe, Phillips, Telles, Viramontes and Watts).

6b. Proposed slate of SACRS officers for 2012-13

It was **M/S/C** to support the SACRS Nominating Committee recommendation for the 2012-2013 SACRS officers. (Yes: Allen, Buck, Cabral, Hast, Holcombe, Phillips, Telles, Viramontes and Watts)

CLOSED SESSION

7. This item was removed from the agenda.

8. Conference Seminar Attendance

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- (a) It was **M/S/C** to authorize the attendance of 1 staff member at the Annual Investors Meeting, EIF, April 30-May 3, 2012, San Diego, CA. (Yes: Allen, Buck, Cabral, Hast, Holcombe, Phillips, Telles, Viramontes and Watts)
- (b) It was **M/S/C** to authorize the attendance of 2 Board members and 1 staff member at the Annual Conference, Sigular Guff, May 22-23, 2012, New York, NY. (Yes: Allen, Buck, Cabral, Hast, Holcombe, Phillips, Telles, Viramontes and Watts)
- (c) It was **M/S/C** to authorize the attendance of 2 Board members and 2 staff members at the Limited Partner Meeting, Bay Area Equity Fund, June 4, 2012, San Francisco, CA. (Yes: Allen, Buck, Cabral, Hast, Holcombe, Phillips, Telles, Viramontes and Watts)
- (d) It was **M/S/C** to authorize the attendance of 1 Board member and 1 staff member at the Annual Meeting, Paladin, June 6, 2012, Washington, D.C. (Yes: Allen, Buck, Cabral, Hast, Holcombe, Phillips, Telles, Viramontes and Watts)

9. **Miscellaneous**

(a) Staff Report -

Leedom reported she attended the CII Conference and gave a brief update.

Leedom also reported she and Telles attended the Angelo Gordon Client Conference.

An on-site visit with Torchlight Investors will be scheduled during the week of May 16, 2012.

Leedom reported the April 25, 2012 meeting is cancelled.

(b) Outside Professionals' Report -

Leiderman reported he was asked by SACRS to present testimony on pension reform in Chino, California for the joint committee on AB 340. He will be discussing the provision regarding auditing of pay practices of employers noting legal issues with these new audit functions. He will also discuss why retirement systems should be independent from the employers they would be auditing.

(c) Trustees' Comments -

Cabral reported he attended the Klausner Conference and felt it was excellent. He also attended the CII Conference and felt it was interesting.

He reported on the Harvard conference noting the speakers encouraged designating 30-40% of the asset allocation in alternatives.

Telles reported he also attended the CII Conference and felt the keynote speaker, Meg Whitman was the highlight of the conference.

He also attended the Angelo Gordon Conference and feels comfortable with their investment process.

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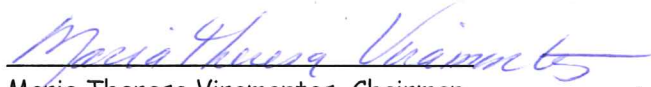
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Allen reported she and Phillips attended the training at Stanford and felt it was an excellent seminar.

Viramontes reminded the Board there is a Special Board meeting on Thursday, April 19, 2012.

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



Maria Theresa Viramontes, Chairman



John Phillips, Secretary