

CONTRA COSTA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

Page 1

April 12, 2006

The Board of Retirement met in regular session at 9:00 a.m. on Wednesday, April 12, 2006, in the Conference Room of the Contra Costa County Employees' Retirement Association, 1355 Willow Way, Suite 221, Concord, CA.

Present: Richard Cabral, Dave Gaynor, Brian Hast, Paul Katz, Louis Kroll, Sharon Naramore, William J. Pollacek, Bob Rey, Jerry Telles, Maria Theresa Viramontes and Clifton Wedington.

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	Steeffel, Levitt and Weiss
Paul Angelo	Segal Company
John Monroe	Segal Company

Other Attendees:

Tracy Kroll	Contra Costa County Employees' Retirement Association (CCCERA) Staff
Margie Breen	CCCERA Staff
Mary Lou Williams	Retirees' Association
Bob Campbell	Auditor Controller
Joan Woods	San Ramon Valley Fire Protection District
Melissa Theofauopoulos	San Ramon Valley Fire Protection District
Dante Siracusa	Superior Courts
Jason Crapo	County Administrators Office

1. Public Comment

Leedom introduced, Son Lu, CCCERA's new Information Technology Coordinator.

2. Approval of Minutes

After amending the March 15, 2006 minutes to move Item 5 (a) before the motion to accept the Medical Advisor's recommendation, change the Board's action to "Refer back to the applicant's doctor", change "he" to "Telles" on the first word, seventh paragraph on Item 12 (c). Leedom noted an amendment to reflect a motion, with no second, to "change the investment return assumption to 8%" on Page 3; and amending the March 24, 2006 meeting on Page 4, Item 6 (c) second sentence to "He noted the Board should not be taking a unilateral approach and polling actives and retirees to consider if we should divest of Sudan."; noting that Gaynor voted for Wedington on the votes on Items 2, 5 and the motion to adjourn, it was M/S/C to approve the March 15 and March 24, 2006 minutes as amended. (Yes: Cabral, Gaynor, Hast, Katz, Pollacek, Rey, Telles, and Wedington)

CONTRA COSTA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

Page 2

April 12, 2006

3. Routine Items

It was M/S/C to approve the routine items of the April 12, 2006 meeting. . (Yes: Cabral, Gaynor, Hast, Katz, Pollacek, Rey, Telles, and Wedington)

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 to consult with counsel regarding cases currently being litigated and Gov. Code Section 54956.9(c) to consider whether to initiate litigation (two potential cases).

The Board moved into open session.

4. Disability Retirements

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

- (a) Anne Wolf Non-Service Connected (Yes: Cabral, Gaynor, Gioia, Hast, Katz, Pollacek, Rey, Telles, and Wedington)

Viramontes was present for subsequent discussion and voting.

5. Potential Litigation

No reportable action taken.

6. Entry Date Used When Deferred and Re-depositing Members Re-enter the System

The Chair requested this item moved to a future agenda.

7. Market Stabilization Account

Koehler reviewed his spreadsheet for the Market Stabilization Account (Deferred Return) as of December 31, 2005. A corrected copy with December '05 was distributed to the Board. After questions, Koehler noted the 1% statutory contingency designation of \$52,284,867 was based on 1% of total assets. Discussion followed on the Contra Tracking Account (CTA), and how investment returns affect the CTA. Further discussion on this subject will be continued in May when changes to the Interest Crediting/Excess Earning Policy will be discussed.

8. Segal Analysis Regarding Contribution Rates

Paul Angelo, of the Segal Company, reviewed his letter to the Board regarding his analysis of the delay between the date of the annual Actuarial Valuation and the effective date of the resulting contribution rates.

Discussion began with the letter received from Retirement's largest employer, the County, in which John Cullen, the County Administrator, noted from an administrative perspective, the County would prefer that the current notice period for new contribution rates remain unchanged.

Dunning noted the 18 month delay may be at odds with certain requirements of the '37 Act, depending upon how rate setting is implemented by the Board of Retirement. She noted that Segal's third recommendation, "Implementing an employer rate adjustment to compensate for expected changes in the Unfunded Actuarial Accrued Liability (UAAL) created by the delay," may adequately resolve the issue by balancing administrative needs and statutory requirements.

Discussion followed on the timing of the completion of the Actuarial Valuation, the timing of contribution rate implementation and the reasons for the current method.

Angelo noted there is a subtle effect of an 18 month delay on the sharing of costs between members and employers. Delaying a member rate change also results in a change in the UAAL. The UAAL change that results from the change in the member rate becomes part of the employer rate unless an adjustment is made to member rates to offset any expected UAAL change over the delay period.

It was the consensus of the Board to direct counsel and the actuary to return with the history involved and a legal analysis of the actuary's recommendation and to move this item to a future agenda when more information is available.

When asked, Leedom noted and Angelo agreed that returning to a six-month delay for rates would be very difficult to administer.

There was discussion on notifying employers there would be no change in the implementation of rates this year and to advise them to do whatever possible to clean-up the language on this legislatively.

In public comment Dante Siracusa from Superior Courts noted seven years ago technology was much slower and he noted there has been incredible advances since that time. He recommended an employer survey to determine how far in advance employers need rates.

Bob Campbell, head of the payroll division, at the County Auditor Controller's Office, noted the time needed with the three month testing process and the multiple plans involved with County payroll.

9. Renewal of Segal Contract

Angelo reviewed Segal's proposed schedule of fixed fees and hourly billing rates. During discussion the Board noted the terms of the existing contract were determined

during the RFP process and existing fees were based upon the proposal submitted by Segal.

There was a motion to adopt Segal's proposed contract commencing April 1, 2006. The motion was amended to include subject to legal review. It was mentioned by members of the Board that CCCERA has been paying under market fees, and when asked, Angelo noted the new fees are standard rates charged to all their clients. Angelo provided an explanation for the various actuaries listed under "Class of Personnel". After calling for the question, and amending the motion further to include an on-site visit to Segal and to authorize the Chief Executive Officer to sign the necessary contracts, it was M/S/C to adopt Segal's contract commencing April 1, 2006 as amended. (Yes: Cabral, Hast, Katz, Pollacek, Rey, Telles, Viramontes, and Wedington)

10. Update on Benefit's Software Project

Leedom reviewed her memo regarding additional funding for important strategic enhancements to the software project. She noted three main issues:

- Moving oversight of the project to Leon Wechsler, Inc.
- Updating the Imaging System, and
- Updating CCCERA's environment by upgrading the GroupWise e-mail system and changing from a Novell network to a Windows environment.

Leedom noted design sessions continue with Tier. A meeting was held with the employers and districts to discuss the impact of the software project, and at this point everything is on schedule. New infrastructure is in place.

It was M/S/C to approve the additional funding for strategic enhancements to the Benefit Software System Project as proposed by staff. (Yes: Cabral, Hast, Katz, Pollacek, Rey, Telles, Viramontes, and Wedington)

11. Annual Disability Statistics Review

Somsen reviewed the Disability Status Report for 2005. Discussion followed on whether employees with large amounts of service credit belong in the disability status reports, the significant decrease in disability retirements which can be attributed to the disability requirements of Tier II and III and the length of time disability cases are pending in county counsel.

12. Proposed Slate of SACRS Officers for 2006-2007

On the proposed slate of SACRS Offices for 2006-2007, there was a motion to accept the nominating committee candidates and to disregard Terris, the write-in candidate from San Diego County, for President. After discussion, it was M/S/C to call the question (Yes: Cabral, Hast, Katz, Pollacek, Rey, Telles, Viramontes, and Wedington). On the motion, it was M/S/C to recommend Palmer for President; Terris for Vice

President; Wedington for Secretary; and Khan for Treasurer. (Yes: Hast, Katz, Pollacek, Telles, Viramontes, and Wedington; Abs: Cabral and Rey)

13. Conference Seminar Attendance

- (a) It was M/S/C to authorize the attendance of Wedington and Hally at the Expanding Investment Opportunities through Diversity, CalPERS, April 24-25, 2006, San Jose, CA. (Yes: Cabral, Hast, Katz, Pollacek, Rey, Telles, Viramontes, and Wedington). It was M/S/C to include Rey. (Yes: Cabral, Hast, Katz, Pollacek, Rey, Telles, Viramontes, and Wedington)
- (b) It was M/S/C to authorize the attendance of Pollacek, Leedom, Gaynor, Hast, and Hally at the Client Conference, Adelante, May 4-5, 2006, Berkeley, CA. (Yes: Cabral, Hast, Katz, Pollacek, Rey, Telles, Viramontes, and Wedington)
- (c) No one was able to attend the Seventeenth Annual Meeting, EIF, May 8-10, 2006, Half Moon Bay, CA, due to conflicting dates with SACRS.
- (d) No additional trustees were able to attend the Global Commodities Investment Forum, Institutional Investor, May 15-16, 2006, New York, NY.
- (e) It was M/S/C to authorize the attendance of Cabral, Telles, Hast, and Leedom at the 2006 Client Conference, Adams Street, June 7-8, 2006, Chicago, IL. (Yes: Cabral, Hast, Katz, Pollacek, Rey, Telles, Viramontes, and Wedington)
- (f) No one was able to attend the 18th Annual Real Estate Seminar, Prudential, May 17-18, 2006, Pinehurst, NC.
- (g) It was M/S/C to authorize the attendance of Gaynor, Naramore, Pollacek, and Kroll at the Trustees' Round Table, CALAPRS, June 2, 2006, San Jose, CA. (Yes: Cabral, Hast, Katz, Pollacek, Rey, Telles, Viramontes, and Wedington)
- (h) It was M/S/C to authorize the attendance of Dunning at the Attorneys' Round Table, CALAPRS, June 2, 2006, San Jose, CA. (Yes: Cabral, Hast, Katz, Pollacek, Rey, Telles, Viramontes, and Wedington)
- (i) No one was able to attend the Investor Conference, Hearthstone, May 24-25, 2006, Sonoma, CA.

14. Miscellaneous

- (a) Staff Report - Leedom noted in March CCCERA had 145 employees retire, the highest amount of retirees for March in the last three years. All options for retirement are being mailed out within a month. Leedom and Hally have met with two retiree groups to let them know the changes as the new system is implemented, and gave an update on investment returns. She noted the City of Pittsburg has been billed for the true-up as required in their contract, and may return to the Board and request changes in the timing and methods used to determine amounts due. Leedom has notified them that she is not authorized to approve these changes and they will need to address the Board on this issue. When received, the Board would like counsel to review before presenting to the Board.

CONTRA COSTA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

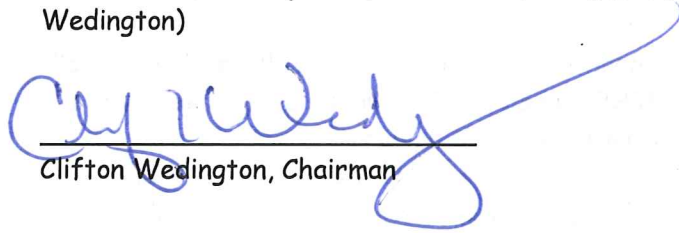
Page 6

April 12, 2006

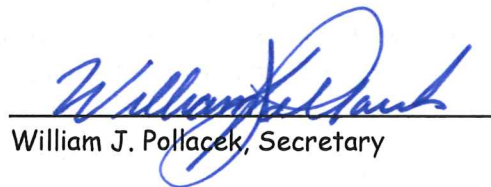
- (b) Outside Professionals' Report - Dunning noted she will be speaking at the National Association of Public Pension Attorneys, in June in New York on Board Governance and Conflict of Interest.
- (c) Trustees' Comments - Kroll noted the ethics training during the SACRS trustees break-out and all should attend. He noted there are other issues that need discussions during break-out and these will be discussed after the ethics training. Leedom commented she has contacted SACRS and ethics education will be included again on a future SACRS agenda. She commented on the limited seating allowed and noted she signed up all CCCERA Board members attending SACRS for the ethics training.

Wedington- commented on AB1234, which requires local agencies to provide ethics training to local agency officials by January 1, 2007. Speakers had been located, but the program committee was unable to get this item on the regular SACRS Program for the Spring Conference. Since it was necessary to get this training as soon as possible, they decided to include the ethics training during the trustee break-out session, as this was the best place. This subject will again be on the SACRS agenda in the fall. Participants will receive a certificate and will need to sign in when attending the course.

It was M/S/C to adjourn (Yes: Cabral, Hast, Katz, Pollacek, Rey, Telles, Viramontes, and Wedington)



Clifton Wedington, Chairman



William J. Pollacek, Secretary