

CONTRA COSTA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

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May 7, 2008

The Board of Retirement met in regular session at 9:00 a.m. on Wednesday, May 7, 2008 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, Sharon Naramore, William J. Pollacek, Jim Remick, Jerry Telles, and Maria Theresa Viramontes.

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:
Harvey Leiderman Reed Smith LLP

Other Attendees:

Margie Breen	Contra Costa County Employees' Retirement Association (CCCERA) Staff
Joelle Luhn	CCCERA Staff
Terry Buck	Local 1230 (Fire)
Mike Moehle	Mercer
Bill Hallmark	Mercer
Bonnie Wurst	Mercer
Martin McNair	Self
Art Mitsutome	Self
Daniel Wade	Milliman, Inc.

1. Public Comment

No members of the public offered comment.

2. Approval of Minutes

After adding: "Hand-outs of Leiderman's presentation booklet will continue to be available in CCCERA's library" at the end of Item 11, it was **M/S/C** to approve the minutes of the April 23, 2008 meeting as amended. (Yes: Cabral, Gaynor, Hast, Pollacek, Telles and Remick)

3. Routine Items

It was **M/S/C** to approve the routine items of the May 7, 2008 meeting. (Yes: Cabral, Gaynor, Hast, Pollacek, Telles and Remick)

4. Actuarial Audit Finalist Presentations

Mercer - Mike Moehle, Bonnie Wurst, Bill Hallmark

After introductions, Moehle began by describing the purpose of an actuarial audit. He noted the review would be completely independent of Segal; Mercer would not initially review Segal's process or their methods. He explained actuarial methods are more of an art than a science and there can be differences in approaches. Mercer might have a different outlook for a trend and would discuss any differences that may occur.

Viramontes was present for subsequent discussion and voting.

Wurst reviewed the context for an actuarial audit, noting the work focuses on the application of the organizational objectives within the funding policy. She reviewed Mercer's approach which involves understanding the plan, an unbiased independent review, checking the accuracy of data and calculations, performing a replication of the experience study results and discrepancies discovered in a typical audit process.

Hallmark reviewed Mercer's approach to appropriateness of actuarial methods and assumptions that include actuarial funding methods, and the actuarial assumptions: economic and demographic. He noted that particular attention is paid to the correctness of the investment return, mortality, and salary scale assumptions as these assumptions define the division between member and employer contributions.

Hallmark concluded by noting the key differentiators for choosing Mercer including their independence from Segal, the expertise of their team, the depth of knowledge within the firm, their strategic review and their ability to communicate complex actuarial issues to broad audiences.

Milliman - Daniel Wade

Wade began by noting that a replication audit, as requested by CCCERA, is the most comprehensive approach to an actuarial audit. He noted the credibility of an audit actuary is critical since it would give greater assurance that calculations and assumptions are correct.

He reviewed the expertise, resources and the stability of Milliman as a national firm. He noted the extensive audit experience of the team with experience on both sides of the audit process.

Wade reviewed how Milliman will approach the project and described the experience study, and valuation audit procedures. He then noted the type of differences that may occur, commenting Milliman will notify the Board of any subjective differences. Reconciling numerical differences will be done with direct interaction with CCCERA's retained actuary. He noted Segal's commitment to the process is critical and that most issues are resolved in the initial phase. Milliman will ensure they understand why the retained actuary made their decision.

Wade concluded by noting Milliman's high level of actuarial audit experience with public pension plans.

5. Action on Actuarial Audit Finalist

Cost for the actuarial audit was reviewed and Board members discussed their preferences. The consensus was that both firms are competent to complete the project.

Leiderman noted response times should be indicated and a timetable should be part of the contract. Counsel will review the actuarial audit contract.

It was *M/S/C* to hire Milliman to perform actuarial audit services, subject to contract review, with the inclusion of a timetable and to authorize the Chief Executive Officer to sign any necessary documents. (Yes: Cabral, Gaynor, Hast, Pollacek, Remick, Telles and Viramontes)

Remick was not present for subsequent discussion and voting.

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6. Annual Review of Disability Statistics

Somsen reviewed the Annual Disability Statistics Report for 2007. She noted dates reflected were the disability effective date rather than the date of filing and the age is at time of retirement. There was discussion on possible changes in disability experience since the time 3% @ 50 was instituted.

Pollacek was not present for subsequent discussion and voting.

It was *M/S/C* to accept the report. (Yes: Cabral, Gaynor, Hast, Telles and Viramontes)

7. Investment Analyst

This item was held over until the May 28, 2008 meeting.

8. Lexin v. Superior Court

Leiberman provided an update on *Lexin v. Superior Court* and explained the ramifications of this decision on CCCERA.

It was *M/S/C* to instruct the Chief Executive Officer to advise the Manatt, Phelps & Phillips law firm that CCCERA will not participate in that firm's filing of an *amicus* brief in the California Supreme Court in the matter of *Lexin v. Superior Court*; and that CCCERA request that Reed Smith, LLP prepare an *amicus* brief on behalf of CCCERA and other California retirement systems in the case, subject to the criteria set forth in the

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April 30, 2008 Memorandum to the Board from Harvey L. Leiderman of Reed Smith, LLP, the system's General Counsel; and encourage other systems to participate in that brief. Participation in the filing of any *amicus* brief to be filed in the California Supreme Court in the matter of *Lexin v. Superior Court*, CCCERA authorizes the payment of legal fees and costs in an amount not to exceed \$5,000, provided that fees and costs are shared *pro rata* with other participating retirement systems. (Yes: Cabral, Gaynor, Hast, Telles and Viramontes)

9. Conference Seminar Attendance

- (a) It was *M/S/C* to authorize the attendance of all interested trustees to attend the Trustees' Roundtable, CALAPRS, May 30, 2008, Oakland, CA. (Yes: Cabral, Gaynor, Hast, Telles and Viramontes)

10. Miscellaneous

- (a) Staff Report - Leedom reported that Koehler, Somsen and Leedom attended a meeting with Moraga-Orinda Fire to discuss their termination from CCCERA and transfer to CALPers. She has copies of Torlakson's report comparing CALpers to CCCERA and the CALpers study for any interested Board members.

Benefit Statements have been approved and will be mailed the end of May; Presentation of the Comprehensive Annual Financial Report (CAFR) will be on the June 9th Board Meeting agenda.

Kern County Employees' Retirement Association will be conducting an on-site visit to review our benefit software system.

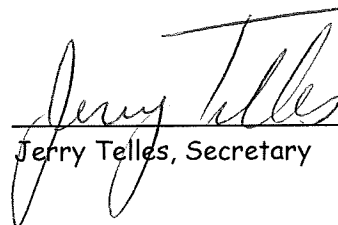
Hally noted on-site visits to Goldman Sachs and Lord Abbett in New York have been performed. He reported positive results from both meetings.

- (b) Outside Professionals' Report - Nothing further to report.
- (c) Trustees' Comments - Telles complimented Leiderman on his previous Conflict of Interest presentation.

Viramontes discussed her report on the Institutional Investors Conference in San Francisco, March 10-12th. She encouraged all trustees to review the material from the conference.



Brian Hast, Chairman



Jerry Telles, Secretary