

CONTRA COSTA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

MEETING DATE 11/23/10 AGENDA ITEM #3

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October 21, 2010

The Board of Retirement met in special session at 9:00 a.m. on Thursday, October 21, 2010 in the Conference Room of the Contra Costa County Employees' Retirement Association, 1355 Willow Way, Suite 221, Concord, CA.

Present: Terry Buck, Richard Cabral, Dave Gaynor, Brian Hast, Jerry Holcombe, Sharon Naramore, William J. Pollacek and Jerry Telles.

Staff: Marilyn Leedom, Retirement Chief Executive Officer; Silvina Leroux, Retirement Deputy Chief Executive Officer; Cary Hally, Retirement Chief Investment Officer; Karen Levy, General Counsel.

Outside Professional Support:	Representing:
Bob Helliesen	Milliman
Tim Price	Milliman

Other Attendees:

Luz Casas	Contra Costa County Employees' Retirement Association (CCCERA) Staff
Christina Dunn	CCCERA Staff
Chih-Chi Chu	CCCERA Staff
Justine Oyler	CCCERA Staff
Kristin Harper	Lord Abbett
Patricia Lynn	Lord Abbett
Michael Swell	Goldman Sachs Asset Management (GSAM)
John DiPalo	Goldman Sachs Asset Management (GSAM)
Michael Chandra	PIMCO
Richard Fulford	PIMCO
Stephanie King	PIMCO
Lorna Thomson	Self

1. Pledge of Allegiance

Naramore led all in the *Pledge of Allegiance*.

Telles informed the Board that Paul Katz passed away on October 13, 2010. Jerry Holcombe will fill the #9 seat until the Board of Supervisors makes a new appointment pursuant to Government Code Section 31520.12.

2. Public Comment

No members of the public offered comment.

3. Manager Presentations

Helliesen reported all three Domestic Fixed Income managers are performing well. He distributed a memo on additional personnel changes at GSAM which will be effective January 1, 2011. He recommended scheduling an on-site visit in March 2011.

Domestic Fixed Income

Lord Abbett - Kristin Harper, Patricia Lynn

Harper gave a fiscal update, stating their assets were \$102 billion as of September 30, 2010 and they have added five new partners to their firm.

Lynn gave an overview of the investment team stating all senior members are now partners of the firm. Their investment philosophy has remained the same; interest rate forecasting is inherently unreliable and therefore avoided. Lynn provided a bond market update, noting flat yields comparable to US Treasuries.

She reviewed sector allocations, the areas of over and underweighting. Their current strategy is to underweight US Treasuries and agency bonds, and overweight high-yield and CMBS.

Goldman Sachs Asset Management - John DiPalo, Mike Swell

DiPalo gave a brief update on the firm and assets under management. Swell gave an update on the team and personnel changes, noting they hired Kent Wosepka from Standish Mellon as head of the global corporate credit team.

He gave an overview of the market stating there has been a significant decline in rates. He reviewed their portfolio performance and portfolio asset value, noting the performance attributions year to date include corporate and emerging market debt. He noted the portfolio continues to be underweight US Treasuries.

He gave a macroeconomic outlook, stating they believe global growth is settling into a slow but steady range. He concluded by reviewing the housing market.

PIMCO - Michael Chandra, Richard Fulford, Stephanie King

King gave an overview of the firm noting changes to the client service team. She noted they have been able to retain and attract a strong team.

Chandra gave an overview of the market stating the PIMCO Core Plus portfolio has performed very well. There have been consistent levels of outperformance. He reviewed the performance of Stocks PLUS portfolio, noting the structural yield advantage has offered a consistent source of outperformance over the life of the strategy.

Fulford reported they expect slow growth and reviewed four possible scenarios for global growth in the developed world. Fulford discussed continued deleveraging by consumers and businesses, noting that tighter credit will result in slower growth.

4. Consider and take possible action on recommendation from staff regarding changes to target allocations to fund Global Equity portfolios

It was M/S to adopt the proposed staff recommended changes to the equity manager targets to fund the two new global equity managers. An amended M/S/C was made to adopt the proposed changes to the targets modified by increasing the proposed PIMCO Stocks Plus total equity target by 1% from 3.8% to 4.8% of total equity, and reducing the proposed targets for both Wentworth and INTECH from 8.5% to 8.0% of total equity. (Yes: Buck, Gaynor, Hast, Holcombe, Pollacek, Telles. No: Cabral).

5. Miscellaneous

- (a) Staff Report - Leedom reported one of the Willows' tenants, Stratacom, became insolvent and left the building. Another tenant opted for an early termination of their lease and will be moving out on November 30, 2010.

A notice will be put on our website in memory of Paul Katz.

Hally reported assets will be transitioned to William Blair next week and that on-site visit was recently completed with First Eagle.

An on-site visit with Tradewinds has been scheduled for Monday, November 8, 2010.

Levy reported the Board of Supervisors approved the changes to CCCERA's regulations regarding eliminating pre-tax payroll deductions for service purchase contracts.

- (b) Outside Professionals' Report - None

- (c) Trustees' Comments -

Cabral reported on an article on Manatt's employee who was determined to be acting as a placement agent, due to their involvement with investments.

Hast gave a quick report on the First Eagle on-site visit.

Telles requested the meeting be adjourned in memory of Paul Katz who was a trustee for 11 years.

It was M/S/C to adjourn the meeting in memory of Paul Katz. (Yes: Buck, Cabral, Gaynor, Hast, Holcombe, Pollacek, Telles)

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November 3, 2010

The Board of Retirement met in regular session at 9:00 a.m. on Wednesday, November 3, 2010 in the Conference Room of the Contra Costa County Employees' Retirement Association, 1355 Willow Way, Suite 221, Concord, CA.

Present: Terry Buck, Richard Cabral, Dave Gaynor, Brian Hast, Jerry Holcombe, Sharon Naramore, William J. Pollacek, Jerry Telles.

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:
Harvey Leiderman Reed Smith LLP
Paul Angelo The Segal Company
John Monroe The Segal Company

Other Attendees:

Christina Dunn Contra Costa County Employees' Retirement Association (CCCERA) Staff
Luz Casas CCCERA Staff
Chih-Chi Chu CCCERA Staff
Joelle Luhn CCCERA Staff
Justine Oyler CCCERA Staff
Tracy Kroll CCCERA Staff
Randall Musgraves Central Contra Costa Sanitary District (CCCSD)
Debbie Ratcliff CCCSD
Jim Bickert Deputy Sheriff's Association
Maria Catanese Retiree Support Group
Lucy Fogarty Contra Costa County Superior Court (CCCSC)
Brandy Farborn CCCSC
Kris Hunt Contra Costa County Taxpayers Association
Colette Curtis-Brown Central Sanitary District
Rusty Watts Treasurer Tax Collector's Office
Jackie Lorrekovich Con-Fire Contra Costa County
Michelle Johnston Auditor-Controller's Office
Marnie Huddleston Contra Costa County First 5
Ted Cwiek Contra Costa County Human Resources
Kathy Gibson Contra Costa County Grand Jury
Tina Kaufman Auditor Controller's Office
Marie Rulloda Auditor Controller's Office
Sue Casey Moraga/Orinda Fire Protection District
Mike McGill Central Sanitary District
Marilyn Oliver Self
Robert Leete San Ramon Valley Fire Protection District
Ray Waletzko Contra Costa Mosquito & Vector Control
Cheryl Rhodes Alexander Delta Diablo Sanitary District

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Vincent Wells	Local #1230
Lisa Driscoll	Contra Costa County Administrators Office (CAO)
Satomi Cadena	Contra Costa County Retired Employees Association
Cathryn Frietas	Contra Costa County Sanitary District

1. Pledge of Allegiance

Hast led all in the *Pledge of Allegiance*.

2. Public Comment

Telles requested the public fill out speaker cards if they wished to speak on an item. No members of the public offered comment at this time.

3. Approval of Minutes

It was *M/S/C* to approve the minutes of the October 13, 2010 meeting with a correction to Page 3, Item 10 (b) Outside Professionals' Report, changing the word "resolution" to "decision". (Yes: Buck, Cabral, Gaynor, Hast, Holcombe, Pollacek, Telles)

4. Routine Items

It was *M/S/C* to approve the routine items of the November 3, 2010 meeting. (Yes: Buck, Cabral, Gaynor, Hast, Holcombe, Pollacek, Telles)

5. Presentation from Segal regarding the 12/31/09 Valuation Report - Paul Angelo, John Monroe

Angelo presented the December 31, 2009 valuation report. The contribution rates requirements in the report are based on the benefit provisions of the Retirement Association as administered by the Board, the characteristics of covered active members, terminated members, and retired members and beneficiaries as of December 31, 2009. The report is also based on the assets of the Plan as of December 31, 2009, economic assumptions regarding future salary increases and investment earnings, and other actuarial assumptions, regarding employee terminations, retirement, death, etc.

The aggregate employer rate calculated in this valuation (before considering the employer subvention of member rates and member subvention of employer rates) has increased from 25.99% to 30.49% of payroll. Angelo briefly described the contribution rates resulting from the depooling as directed by the Board.

The aggregate member rate calculated in this valuation (before considering the employer subvention of these rates of member subvention of employer rates) has increased from 10.62% to 10.99% of payroll. This increase is primarily due to changes in actuarial assumptions and methods that were approved by the Board.

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The results of this valuation reflect changes in the actuarial assumptions and methods adopted by the Board for this valuation. These changes in actuarial assumptions and methods increased the Plan's UAAL by \$64 million and the average employer contribution rate by 1.11% of payroll.

Angelo noted the total unrecognized investment loss as of December 31, 2009 is about \$828 million. This investment loss will be recognized in the determination of the actuarial value of assets for funding purposes in the next few years, and will serve to offset any investment gains that may occur after December 31, 2009.

Angelo discussed his view on an article that appeared in the Contra Costa Times on investments in 2025. He stated two flaws he recognized in the report; first that the report does not address continuing contributions and the second that California has laws that require pension systems to fund the unfunded liability.

There was a discussion on options for minimizing the immediate impact of employer contributions. The Board directed staff to return with information regarding spreading the impact of depooling over a period of time.

In public comment, Randy Musgraves, Central Contra Costa Sanitary District (CCCSD), reminded the Board that CCCSD would like to review the numbers used to determine the depooling amounts. He asked the Board to delay adopting the new rates until they could review the numbers.

Jim Bickert, Deputy Sheriff's Association (DSA), stated CCCERA made decisions regarding depooling and eliminated terminal pay, but weren't able to provide employers with the cost. He further stated there is nothing showing how much lower the rates will be for new employees, with the change of terminal pay for employees hired January 1, 2011. He questioned if it will create a new tier. Angelo stated the impact is not clear because the data is not available yet. If directed by the Board, The Segal Company could use assumptions to examine the possible change in the 2010 valuation report. The Board directed staff to work with The Segal Company to address this issue in the 2010 valuation.

Kris Hunt, Contra Costa Taxpayers Association, is concerned with the decision on depooling. How an employer deals with depooling should be discussed by employers, not at the Board meetings. She feels the Board should not be reacting to employers, but should be focused on CCCERA.

It was *M/S/C* to accept the December 31, 2009 Valuation Report. (Yes: Buck, Cabral, Gaynor, Hast, Holcombe, Pollacek, Telles).

CLOSED SESSION

The Board moved into closed session pursuant to Govt. Code Section 54957 to consider the Medical Advisor and/or staff's recommendations regarding disability retirement applications.

The Board moved into open session.

6. Disability Retirements

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

- (a) Audie Villanueva Non-service Connected. (Yes: Buck, Gaynor, Hast, Holcombe, Pollacek, Telles. Abstain: Cabral)
- (b) Dominick Doherty Service Connected. (Yes: Buck, Cabral, Gaynor, Hast, Holcombe, Pollacek, Telles)
- (c) Edward Russell Service Connected. (Yes: Buck, Cabral, Gaynor, Hast, Holcombe, Pollacek, Telles)

7. Consider and take possible action on the SACRS legislative platform.

Levy reviewed the SACRS Legislative Platform for 2010-2011.

It was M/S/C for the Board Chair to vote yes on the Legislative Committee's Spot Bills at the November 12, 2010 SACRS meeting. (Yes: Buck, Cabral, Gaynor, Hast, Holcombe, Pollacek, Telles)

8. Conference Seminar Attendance

- (a) It was M/S/C to authorize the attendance of 2 staff members at the Annual Conference, GFOA, May 22-24, 2011, San Antonio, TX. (Yes: Buck, Cabral, Gaynor, Hast, Holcombe, Pollacek, Telles)
- (b) It was M/S/C to authorize the attendance of 3 Board members at the Certificate of Achievement in Public Plan Policy II, IFEBP, March 5-6, 2011, San Antonio, TX. (Yes: Buck, Cabral, Gaynor, Hast, Holcombe, Pollacek, Telles)
- (c) It was M/S/C to authorize the attendance of 2 Board members and 1 staff member at the 2nd Annual Retirement Policy Conference, NIRS, March 7-8, 2011, Washington, DC. (Yes: Buck, Cabral, Gaynor, Hast, Holcombe, Pollacek, Telles)

14. Miscellaneous

- (a) Staff Report - Leedom reported Board members should have received their bill for fiduciary recourse insurance.

CCCERA was awarded the Public Pension Standards Award for Funding and Administration 2010 again this year.

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In response to the questionnaire sent to employers regarding educational needs, Leedom noted only one response was received from employers. An additional effort will be made to notify employers of Board meetings that have educational presentations.

Levy reported on a Bay Citizen reporter who has requested public records regarding Board members, CEO and CIO travel expenses for 2008, 2009 and 2010.

- (b) Outside Professionals' Report - Leiderman reported the Contra Costa Civil Grand Jury asked him to provide background information on the role of the Board and the role of the employers for educational purposes.
- (c) Trustees' Comments - Cabral reported he attended the Fidelity Client Conference in Atlanta, and gave a brief update on the meeting.

Telles reported he went to the CREA Conference and he will be providing a report to Board members.

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

Jerry Telles, Chairman

Brian Hast, Secretary