

MEMO

MEETING DATE

NOV 23 2010

AGENDA ITEM

#4

Date: November 17, 2010
To: CCCERA Board of Retirement
From: Marilyn Leedom, Retirement Chief Executive Officer
Subject: Request from Employer Districts for Additional Actuarial Information

Background: At the November 3, 2010, Central Contra Costa Sanitary District (CCCSD) discussed their request to attain further actuarial information on the depooling study and the actuarial valuation for the period ended December 31, 2009.

During this public comment, the CCCSD referred to a letter dated November 2, 2010 (copy attached), hand delivered to CCCERA, outlining the need for this additional information. The letter was distributed to Board members for informational purposes; however, this item was not placed on the agenda as an action item due to the timing of the receipt of the letter.

Current Issue: The CCCSD sent another letter to CCCERA (copy attached) requesting the same information, and again reiterating their request to delay final action regarding adoption of contribution rates until the CCCSD had an opportunity to complete their review. Additionally, an email was received from San Ramon Valley Fire District (SRVFD) asking for similar information and the time period for review.

We discussed this request with The Segal Company to determine the amount of information currently available, and the costs associated with providing any additional calculations not already completed. The Segal Company has responded to us with a letter outlining the costs associated with providing the additional information (copy attached).

The Board will need to provide direction on the following issues:

1. When the depooling information for the period ended December 31, 2008 was previously provided to Bartel Associates, as directed by the Board, it included information on other employer groups represented by Bartel, and therefore included more data than is specific to CCCSD. Since the November 2, 2010 letter, we have also received a similar request from SRVFD. Because of this inclusion, it is more appropriate to provide Bartel Associates with information for the other appropriate cost groups. Does the Board wish to provide Bartel Associates with this additional information for all other employers? The cost associated with providing this additional information is estimated at \$2,000.00.
2. CCCSD is also requesting an explanation, or reconciliation, of contribution rate changes for each cost group. The question here is twofold.
 - a. The information has not yet been calculated by The Segal Company. There is an estimated charge of \$10,000 to \$15,000 to provide these calculations. If the Board approves this additional work, who should pay for the calculations?

- b. If the Board approves the additional work, should the calculations for all rate groups be provided to CCCSD and SRVFD?
3. The Segal Company states in their letter that the information provided to Bartel Associates, based on the December 31, 2008 illustration of depooling, "would have been sufficient to determine whether or not the calculations and methods related to the depooling were reasonable." Does the Board feel it is necessary to provide the additional information to Bartel Associates?

Paul Angelo, representing The Segal Company, will be available at the November 23, 2010 Board meeting to respond to questions on this issue.



Central Contra Costa Sanitary District

Protecting public health and the environment

5019 Imhoff Place, Martinez, CA 94553-4392

November 2, 2010

PHONE: (925) 228-9500

FAX: (925) 676-7211

www.centrcalsan.org

Ms. Marilyn Leedom
Chief Executive Officer
Contra Costa County Employees' Retirement
Association
1355 Willow Way, Suite 221
Concord, CA 94520

JAMES M. KELLY
General Manager

KENTON L. ALM
Counsel for the District
(510) 808-2000

ELAINE R. BOEHME
Secretary of the District

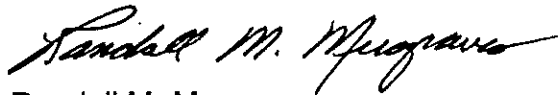
Dear Ms. Leedom:

As you know, the District obtained the services of Mr. John Bartel to evaluate the methodology, data, assumptions and conclusions by Segal Company staff regarding de-pooling. Central Contra Costa Sanitary District (CCCSD) management and staff met with Mr. Bartel on November 2, 2010 and discussed his progress and findings. Unfortunately, the District's increase due to de-pooling was first reported at a 3.94% increase, then a 4.87% increase and now we understand that it has increased to approximately 6%. Mr. Bartel requested the information below in an effort to be able to explain to us the reasoning for the change. He was told by Segal Company staff that they did not have the authority to release the data and information. We are requesting that the data and information below be provided to Mr. Bartel so that we can conclude our review and evaluation regarding the financial impact of de-pooling to the District.

- The June 30, 2009 CCCERA actuarial valuation, prepared by the Segal Company, shows contribution rates for the fiscal year 2011-12. It also provides, in total, reasons for contribution rate changes from 2010-11. However, it does not provide an explanation of contribution changes by rate group.
- In addition, because the District's de-pooling impact has increased from the 12/31/08 valuation estimate to the 12/31/09 valuation, we are requesting the Segal Company staff to provide Bartel Associates staff the same 12/31/09 de-pooling information as provided for 12/31/08.

We are also requesting that the CCCERA Board of Directors postpone a final decision on rates until after we have had the opportunity to evaluate the data and meet with Mr. Bartel. If the data is provided by the end of this week, we would anticipate concluding our review such that the CCCERA Board could then take action at the first meeting in December. We are disappointed that this delay occurred, but feel strongly that our review include all of the pertinent data, methodology and assumptions affecting the financial position of the District with CCCERA.

Sincerely,

A handwritten signature in black ink, reading "Randall M. Musgraves". The signature is written in a cursive style with a prominent flourish at the end.

Randall M. Musgraves
Director of Administration

cc: Central Contra Costa Sanitary District Board of Directors
Kenton Alm, District Counsel
John Bartel, Actuary



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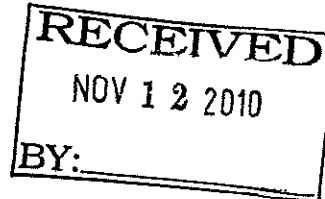
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JAMES M. KELLY
General Manager

KENTON L. ALM
Counsel for the District
(510) 808-2000

ELAINE R. BOEHME
Secretary of the District

Dear Ms. Leedom:

Thank you for your recent telephone call advising me that the Central Contra Costa Sanitary District's (CCCSD) letter dated November 2, 2010 will be placed on the agenda for the November 23, 2010 Contra Costa County Employees' Retirement Association (CCCERA) Board of Directors meeting.

It is my understanding that you will be requesting the CCCERA Board to authorize Segal Company staff to provide Mr. John Bartel, CCCSD's actuary, the data and information requested in my November 2, 2010 letter. As you are aware the valuation information and proposed rate increases have been updated from the estimates based on the 12/31/08 data to the present estimates based on the 12/31/09 data. CCCSD has not had an opportunity to review the data and information on which the 12/31/09 rate calculations are based. It is critical for CCCSD's actuary and the Board of Directors to understand and review that information prior to the CCCERA Board making its final determination on future rates.

To reiterate, CCCSD requests that the information and data noted in our November 2, 2010 letter and as set forth below be provided at the earliest opportunity.

- CCCSD seeks the same or similar information with regard to the de-pooling calculations provided for the 12/31/08 valuation for the June 30, 2009 CCCERA actuary evaluation recently prepared by Segal Company.
- CCCSD seeks all data and information providing the basis for the contribution changes by rate group, as well as in total, from the fiscal years 2010-2011 rates and those calculated for fiscal 2011-2012.

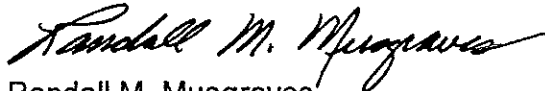
We understand that you believe you cannot release the second bulleted, above, requested information without Board authorization and direction to Segal and Company. You have informed me that this authorization will be considered at your next Board meeting. Furthermore, it is my understanding that you will be working with the CCCERA Board to ensure a schedule that allows the employer (CCCSD) adequate time to obtain the needed

data and information and thoughtfully review it prior to the CCCERA Board implementing the proposed rates effective July 1, 2011. The time schedule needs to provide the CCCSD's actuary with an opportunity to both review the material and report his analysis to the CCCSD Board. We again request that CCCERA postpone a final decision on rates until the CCCSD Board has had the opportunity to review this information.

Due to the time constraints in moving this process forward, you should consider this a Public Records Act request pursuant to California Government Code Section 6253.1, et seq. We would hope that we would be to obtain the data and information immediately following your November 23, 2010 CCCERA Board meeting. If you find any ambiguity in this request, or further coordination on this request is required, please contact me immediately.

I understand that you cannot speak for or commit to the CCCERA Board's position or actions. We are, however, appreciative for your assistance in helping CCCSD obtain the necessary data and information to allow CCCSD to perform our required due diligence for our rate payers. We prospectively thank you for your continued cooperation in processing this additional request.

Sincerely,



Randall M. Musgraves
Director of Administration

cc: Central Contra Costa Sanitary District Board of Directors
Kenton Alm, District Counsel
John Bartel, Actuary

From: "Leete, Robert" <RLeete@svfire.ca.gov>
To: "Marilyn Leedom" <mleedom@ret.cccounty.us>
Date: 11/12/2010 10:07 AM
Subject: Depooling Study

CC: "John Bartel" <jbartel@bartel-associates.com>, "Price, Richard" <rprice@...
Marilyn:

San Ramon Valley Fire Protection District is continuing its analysis of the CCCERA report regarding depooling. In order to more clearly understand the implications of the depooling decision, we are requesting some additional information. Could you or Segal provide us with the depooling rate impact, including causes of other rate changes from the December 31, 2008 valuation to the December 31, 2009 valuation? Also, the District is interested in an estimate of the contribution rates for the following 3 - 5 years. Can Segal also provide that information? Assuming that this information can be assembled in the near term, could we also request that the final action on adoption of depooled rates be deferred until the December meeting? Thank you for your consideration of these requests. Bob

Robert Leete

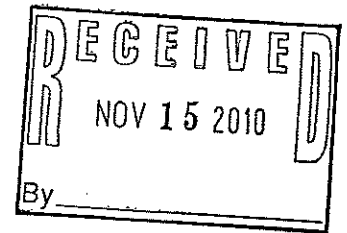
Administrative Services Director

San Ramon Valley Fire Protection District

925-838-6677



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John W. Monroe, ASA, MAAA
Vice President & Associate Actuary
jmonroe@segalco.com

November 11, 2010

Ms. Marilyn Leedom
Chief Executive Officer
Contra Costa County Employees' Retirement Association
1355 Willow Way, Suite 221
Concord, CA 94520

**Re: Central Contra Costa Sanitary District
Fee Quote to Provide Information Requested**

Dear Marilyn:

As requested, we are providing fee quotes to provide the information requested by the Central Costa Sanitary District (CSAN) in their letter to you dated November 2, 2010.

In that letter, CSAN requests two separate pieces of information:

- An explanation (or reconciliation) of contribution rate changes for each cost group
- The same depooling information as of December 31, 2009 that we previously provided as of December 31, 2008.

Based on instructions by the Retirement Board at its November 3, 2010 meeting, we have proceeded with providing Bartel Associates the second item for CSAN only. The fees required to complete this were approximately \$1,000.

We did not provide Bartel Associates any information as of December 31, 2009 that was related to any employer other than CSAN. This is different than what was done with the December 31, 2008 depooling data that we provided to Bartel Associates, which included information on other employers that we understand he was hired by (including data on all the employers in the cost groups that those employers are in.)

If we are requested to also provide data to Bartel Associates for the General County and Small Districts Tier 1 and Tier 3 cost groups, then the estimated fees to complete that work would be an additional \$2,000.

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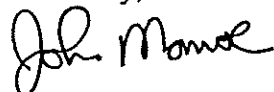
Providing information to Bartel Associates on the first item that was requested (i.e. a reconciliation of contribution rate changes for each cost group) would be a significantly more complicated project. We note that we did provide all of the information that was requested based on the December 31, 2008 illustration of depooling, and that that information would have been sufficient to determine whether or not the calculations and methods related to the depooling were reasonable.

The estimated fees to complete the first item that was requested, would be \$10,000 to \$15,000.

Actual fees for all of these projects would be billed on a time and charge basis according to actual hours worked.

Please let us know if you have any questions.

Sincerely,

A handwritten signature in black ink that reads "John Monroe". The signature is written in a cursive style with a large initial "J" and "M".

John Monroe

/gzk