



MINUTES

RETIREMENT BOARD MEETING

FIRST MONTHLY BOARD MEETING

9:00 a.m.

May 21, 2014

Retirement Board Conference Room

The Willows Office Park  
1355 Willow Way, Suite 221

Concord, California

Present: Debora Allen, Scott Gordon, Jerry Holcombe, Louie Kroll, Karen Mitchoff, John Phillips, William Pigeon, Gabe Rodrigues, Jerry Telles and Russell Watts

Absent: Brian Hast

Staff: Kurt Schneider, Deputy Retirement Chief Executive Officer; Timothy Price, Retirement Chief Investment Officer; Karen Levy, Retirement General Counsel; Vickie Kaplan, Retirement Accounting Manager; and Christina Dunn, Retirement Administration Manager

Outside Professional Support:	Representing:
Marty Dirks	Milliman
Bob Helliesen	Milliman
Harvey Leiderman	Reed Smith LLP

1. **Pledge of Allegiance**

Holcombe led all in the *Pledge of Allegiance*.

2. **Accept comments from the public**

No members of the public offered comment.

3. **Approval of minutes**

After a discussion the minutes of the April 2, 2014 meeting were tabled until the next meeting.

4. **Review of total portfolio performance**

Dirks discussed the key points of the quarterly report noting the CCCERA Total Fund returned 2.7% for the quarter and 7.9% for the ten year period ending March 31, 2014. CCCERA Total Fund performance has beaten or matched the policy benchmark over the trailing one through three year periods.

Dirks distributed a Flash Report for the period ending April 30, 2014.

It was M/S/C to accept the Quarterly Report presented by Milliman. (Yes: Allen, Gordon, Mitchoff, Phillips, Pigeon, Rodrigues, Telles, and Watts).

**a. Consideration of any managers already under review or to be placed under review**

Dirks reported on the managers on the watch list. Dirks noted PIMCO was placed on the watch list in February and was not included on the list in the report, a revised list will be sent.

**b. Consideration of any changes in allocations to managers**

There were no changes in allocations to managers.

**5. Presentation of Market Stabilization Account report**

Schneider reported the Board previously requested an educational presentation on the Market Stabilization Account and Contra Tracking. He discussed the different reserve accounts and how interest is credited to these accounts. He noted the interest credited and the administration of excess earnings is determined by the CCCERA Interest Crediting and Excess Earnings Policy.

Kaplan reviewed the Market Stabilization Account's deferred return as of December 31, 2013 noting a new format was used to provide more information on the Market Stabilization Account.

After discussion the Board directed staff to include interest crediting on a future agenda for consideration.

**6. Consider and take possible action to approve proposed CEO employment agreement**

Levy presented the proposed CCCERA Chief Executive Officer employment agreement with Gail Strohl and reviewed the key provisions within the contract noting it set an annual base salary of \$182,000.00. She provided a handout with suggested changes to the employment agreement noting the two proposed changes are:

1) page 3-4, Section 3.4 to read as: Once SB 673 or similar legislation is signed into law and becomes effective, the additional benefits provided to Strohl as set forth in paragraph 3.3 above, including leaves with and without pay, health and dental benefits, executive automobile allowance, executive life insurance, executive professional development reimbursement, and retirement benefits, shall all be subject to the terms of the legislation and action of the Board of Retirement.

2) Page 3, Section 3.3 to add a note that the retirement contribution subvention provision in Reso. 2013/299 does not apply. Resolution 2013/299 grants the Retirement CEO a 50% "subvention," meaning that the County pays 50% of the employee's required retirement contributions. (See Reso. 2013/299, Page 15-16, Section 5.11.) This is no longer allowed under PEPRA.

It was M/S/C to approve the proposed employment agreement for Chief Executive Officer with Gail Strohl and authorize the Board Chairperson to execute the contract on behalf of the Retirement Board with the proposed changes listed above. (Yes: Allen, Gordon, Mitchoff, Phillips, Pigeon, Rodrigues, Telles, and Watts).

**7. Conference Seminar attendance**

a. There was no reportable action.

**8. Miscellaneous**

(a) Staff Report –

Price reported the contracts have been executed with Ocean Avenue, Cortex and Adams Street. He noted Cortex will be contacting Board members in the next couple weeks to interview the Board members regarding roles and responsibilities.

He reported Jeff Youngman has been hired as the Retirement Investment Analyst and will be starting on June 2, 2014.

Kaplan reported the CAFR is near completion.

She noted meetings regarding GASB 68 will begin shortly with plan sponsors.

She also reported there will be an update to the accounting software this summer.

Levy reported that after a year and a half of litigation, the Superior Court issued a final ruling on May 12, 2014 in the lawsuit regarding AB197. CCCERA has posted an update regarding the ruling on its website for the benefit of its membership. She noted that the 60 day stay expires on July 12, 2014. CCCERA has not experienced a large number of post-ruling retirements thus far.

(b) Outside Professionals' Report –

Leiderman reported Local 1, Local 21 and PDOCC in Contra Costa County filed a notice of appeal on the AB 197 case.

(c) Trustees' comments –

Mitchoff requested an update on SB 673.

Holcombe reported the legislative update at SACRS included a lot of discussion on SB 673. He noted it appeared that many other counties are interested in becoming independent districts.

Pigeon reported that members are worried about the pending lawsuit. He also reported receiving notification from two independent members that they had called the retirement office with general membership questions unrelated to the lawsuit. It was reported to him that the response was that the retirement office was too busy, and they were asked to mail-in their request. He would like the topic of customer service of the CCCERA office to be placed on a future agenda after the new CEO's arrival.

He also reported he attended Wharton and it was very informative.

He noted he was not able to attend the May 7, 2014 Board meeting and he would like to speak about Item #10 and make it clear he does not agree with the statement of Board intent to review past incidents of unusual compensation increases at end of employment.

Discussion followed regarding the concerns Board members have received from retirement system members regarding the statement of Board intent to review past incidents of unusual compensation increases at end of employment.

Allen reported she attended the CalCPA conference on governmental accounting and felt it was very interesting.

She requested a discussion on how termination pay is included in employers and employee retirement contribution rates on a future agenda for consideration.

The Board directed staff to include a discussion on termination pay and its inclusion in contribution rates on a future agenda for consideration.

Telles reported he attended the Ocean Avenue onsite visit and was impressed with the organization.

He also reported he and Watts attended the EIF conference. He noted the advisory board committee meeting was very educational.

He also reported he learned at SACRS that Ventura County has a ballot initiative to approve a defined contribution plan and eliminate the defined benefit plan.

He noted he was not able to attend the May 7, 2014 Board meeting and he would like to speak about Item #10 and was concerned with the examples provided at that Board meeting.

Phillips reported he attended SACRS and noted some of the main points were that the average assumed rate of return of retirement systems is 7.7%, we will continue to see more information on defined contribution plans and there will be continued pressure to reduce the assumed rate of return in the future.

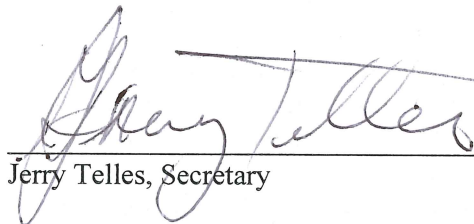
Holcombe noted at SACRS the publisher of the Retirement Journal, Amy Brown is an advocate for defined benefit plans.

Mitchoff noted she has learned that in other states the employer and employee share in the unfunded actuarial accrued liability and this may be something we move towards in the future.

It was M/S/C to adjourn the meeting (Yes: Allen, Gordon, Mitchoff, Phillips, Pigeon, Rodrigues, Telles, and Watts).



\_\_\_\_\_  
Brian Hast, Chairman



\_\_\_\_\_  
Jerry Telles, Secretary