

CONTRA COSTA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

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March 9, 2005

The Board of Retirement met in regular session at 8:30 a.m. on Wednesday, March 9, 2005, in the Conference Room of the Contra Costa County Employees' Retirement Association, 1355 Willow Way, Suite 221, Concord, CA.

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

Staff: Marilyn Leedom, Retirement Administrator; Cary Hally, Retirement Chief Investment Officer; Rick Koehler, Retirement Accounting Manager; Kathy Somsen, Retirement Benefits Manager; Toni Warren, Retirement Administration Manager.

Outside Professional Support:
Ashley Dunning

Representing:
Steeffel, Levitt and Weiss

Other Attendees:

Tracy Kroll	CCCERA Staff
Joelle Luhn	CCCERA Staff
Luz Casas	CCCERA Staff
Mary Lou Williams	Retirees' Association
Margaret Platt	Retirees' Association
Kris Hunt	Contra Costa Taxpayers Assoc.
Dave Gaynor	Self
John S. Keel	San Ramon Valley FF's, Local 3546
Richard Soderholm	Self
Rebecca Byrnes	County Counsel
Peter Felsenfeld	CC Times
Lisa Vorderbrueggen	CC Times
Joan Woods	SRVFPD
Bev Dagneou	Ironhouse San District
Tom Williams	Ironhouse San District
Robert Henn	Ironhouse San District
John Bartel	Ironhouse San District
Jason Crapo	Contra Costa County
Boyd Clegg	San Ramon Valley Fire

1. Public Comment

Mary Lou Williams of the Retirees' Association asked to defer her public comment until Item 12 on the agenda.

Chairman Rey noted that the meeting was being recorded.

Kris Hunt, Executive Director of the Contra Costa Taxpayers Association, wanted to comment in public regarding the "Retirement News", March 2005 e-mail sent by Board Member, Richard Cabral, regarding the commentary in the Contra Costa Times by the Taxpayers Association that appeared in the Contra Costa Times. She felt Mr. Cabral's statements are incorrect even though he has access to all information, noting his

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comment that it was false that the Board failed to act on the actuary's recommendation for three years. Hunt reviewed the political effect misinformation can have on the Taxpayer's Association. The newsletter gives the impression that the e-mail has been sanctioned by the Retirement Board. She then quoted material from Cabral's e-mail. In addition, she noted that she believes the Retirement Board has been aware that this newsletter has gone out in the past with inaccuracies. She felt there should be a disclaimer that the e-mail is not sanctioned by the Retirement Board and a letter from the Retirement Board should be sent to all on his e-mail list noting his e-mail was not sanctioned by the Board. Her concern is that the e-mail is on the Internet now, is being distributed, and is not accurate. Hunt noted her organization depends on how they are perceived in the community and damage has been done to the organization.

Dunning reviewed the Press Policy as it relates to this topic. She noted that opinions from a single Board Trustee should carefully provide that it is a personal view and that they are not speaking on behalf of the Retirement Board. This also needs to be made clear when speaking individually.

Gioia quoted from the "*Code of Fiduciary Conduct and Ethics*" that was adopted July 23, 2003, noting among other things that "Board members will refer inquiries to the Administrator".

Pollacek commented that an official county document for the Pension Obligation Bonds noted that the Retirement Board's rejection of three of the five recommended assumptions could result in a loss and noted Cabral's statement in the newsletter was incorrect. He requested that the Administrator place discussion and possible action on Cabral's newsletter on a future agenda. He asked Dunning for a legal opinion on the risk faced with unofficial comments and what can be done.

2. Approval of Minutes

It was M/S/C to approve the minutes of the February 9, 2005 meeting. (Yes: Cabral, Gioia, Hast, Pollacek, Rey, Telles, Viramontes, and Wedington)

3. Routine Items

It was M/S/C to approve the routine items of the March 9, 2005 meeting. (Yes: Cabral, Gioia, Hast, Pollacek, Rey, Telles, Viramontes, and Wedington)

The Board moved into closed session pursuant to Govt. Code Section 54957, 54956.9 and 54956.9(c) 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 potential litigation.

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) Raymond Mutter Service Connected (Yes: Cabral, Gioia, Hast, Kroll, Telles, Viramontes, and Wedington; Abs: Pollacek)
- (b) Ryder Brose Service Connected (Yes: Cabral, Gioia, Hast, Kroll, Pollacek, Telles, Viramontes, and Wedington)

5. CCCERA et al. v. WorldCom Officer and Various Banks

No reportable action taken.

San Ramon Valley Fire Protection District v. CCCERA

No reportable action taken.

6. Conference with Legal Counsel on Potential Litigation

No reportable action taken.

14. Asset Allocation Study

After discussion on the significance of the Asset Allocation Study and the consensus that this topic requires its own meeting, it was M/S/C to table discussion on the Asset Allocation Study until a future meeting. (Yes: Cabral, Gioia, Hast, Pollacek, Rey, Telles, Viramontes, and Wedington). A Board Meeting was set for April 1, 2005 to discuss and take possible action on the Asset Allocation Study.

7. Purchase of Additional Service Credit (AB55)

Rey noted he requested this item for the agenda. After discussion on the proper procedure to take action on an item that had been tabled, it was M/S to take the purchase of additional service credit (AB55) off the table and take action. (Yes: Cabral, Telles, Rey; No: Gioia, Pollacek, Wedington, Viramontes, Hast) **The Motion failed.**

8. Ironhouse Termination Agreement

Tom Williams from Ironhouse Sanitary District expressed his gratitude and recognition of the professionalism of staff, consultants and counsel for the challenging work that has gone into the Ironhouse Termination Agreement.

There was a **motion** to approve the Ironhouse Termination Agreement, subject to approval by counsel and staff of the missing "Attachment C". Gioia requested that the actuary be present to discuss how the unfunded liability is distributed, to understand the discretionary points, calculation methodology, and the determination of why one method is used over another. Dunning noted it is the Board's right to request additional information if needed, but it is important to move forward. There was further

discussion on alternatives when an employer terminates and how retirees/liabilities will be handled. **The motion failed for lack of a second.**

It was M/S/C to continue the Ironhouse Termination Agreement until the next meeting, request that the actuary be present, and any other written material describing the methodology be distributed before the meeting. (Yes: Cabral, Gioia, Hast, Pollacek, Rey, Telles, Viramontes, and Wedington)

9. Semi-Annual Review of Disability Statistics

Somsen reviewed the Semi-Annual Disability Statistics for 2004. Somsen noted she is now able to compare statistics using a 10-year history as noted in Exhibits A and B. She noted the trend was decreasing in the number of applications. Tier I is a closed plan and because of the more stringent rules, very few Tier II/III members will be qualifying for disability as we move forward. Rebecca Byrnes from County Counsel has cleaned out most of the old disability cases. There was discussion on the age when most members go out on disability. Somsen noted members were usually vested and at or near retirement age. The Board thanked Somsen and Staff for the report and noted that other systems have reviewed and used CCCERA's report as an example.

10. Disability Discussion with the County

Leedom noted that Katz had requested that this item be placed on an agenda. This item was tabled until Katz can be present and more information is obtained.

11. Cost of Closing a Plan

Leedom noted this was an item of discussion at a previous meeting. The actuary has estimated that the cost of a study regarding plan closure to new participants would be between \$30,000 to \$35,000. There was discussion if it was appropriate to use plan assets on this study or if funds should be used only for beneficiaries and to defray normal costs. Discussion followed on the fiduciary duty to know the costs, including a request to have the actuary present to explain issues and terminology used in the actuary's letter.

There was a motion to go forward with the study and to have the actuary present to give detailed methodology. After more discussion it was M/S/C to call the question. (Yes: Cabral, Gioia, Hast, Pollacek, Rey, Telles, Viramontes, and Wedington)

It was M/S/C to go forward with the study and to have the actuary present to give detailed methodology. (Yes: Cabral, Gioia, Hast, Pollacek, Rey, Telles, Viramontes, and Wedington) This item will be on the April 13, 2005 agenda.

12. Legislation to Close Defined Benefit Plans

Mary Lou Williams, current President of the Contra Costa Retired Employees' Association, spoke in public comment. She noted she wanted to speak to this item because of the Board's responsibility to fight any legislation that would weaken future employee's retirement. She noted there are future retirees in the Boardroom that are depending on the Board to do the right thing.

There was a great deal of discussion on the need for pension reform within the existing pension plan, and how best this should be addressed. Discussion followed regarding potentially taking a position that might prevent being involved when possible solutions on pension reform are discussed. Action may be premature because ACA 5 is still a work in progress. Discussion continued regarding the fiduciary duty of the Board to oppose legislation that would mean the end of defined benefit plans, and the need to make amendments at this point before going forward.

It was *M/S* to support significant and meaningful pension reform and the Retirement Board believes that this can be achieved within the context of the defined benefit structure.

Discussion followed on how the Retirement Board has already been proactive by taking action on education and voting to complete a study of the effects of a closed plan. Some Board members felt the resources of experienced staff should be made available for educational purposes. Some feel information is still being gathered regarding this issue and it is premature to respond.

A substitute motion was offered. It was ***M/S*** to oppose ACA 5 until amended; to support significant and meaningful pension reform and the Retirement Board believes this can be achieved within the context of the defined benefit structure. It was *M/S/C* to call for the question. (Yes: Cabral, Gioia, Hast, Pollacek, Rey, Telles, Viramontes, and Wedington)

On the substitute motion (Yes: Telles, Viramontes, Rey, Cabral; abs: Wedington, Pollacek, Gioia, Hast) **The substitute motion failed.**

The vote was taken on the original motion to support significant and meaningful pension reform and the Retirement Board believes this can be achieved within the context of the defined benefit structure. (Yes: Gioia, Hast no: Cabral, Telles; abs. Viramontes, Pollacek, Wedington, Rey) **The original motion failed.**

13. Travel Policy

Leedom reviewed proposed changes to the Travel Policy. The following changes were made:

- The last sentence in I. A. changed to "No report is required when Board members attend an educational event such as a SACRS conference or CALAPRS General Assembly that are typically attended by several board members.",
- Adding a sentence at the end of C. 4. "Subject to any existing MOU's applicable to particular employees.",
- Changing the amount for a brief call home on D2 from \$10 to \$20 and adding the sentence: "Alternatively, a \$10 phone card will be made available for overnight travel."; and,
- Changing "at" to "before" in the last sentence of VIII.

It was M/S/C to approve the Travel policy as amended. (Yes: Cabral, Gioia, Hast, Pollacek, Rey, Telles, Viramontes, and Wedington)

15. Conference Seminar Attendance

- (a) No one was able to attend the California Retired County Employees' Association, Spring Conference, March 21-23, 2005, Long Beach, CA.
- (b) No one was able to attend the Certificate of Achievement in Public Plan Policy I (CAPP), IFEBP, July 9-10, 2005, Portland, OR.
- (c) No one was able to attend the Benefits Conference for Public Employees, IFEBP, July 11-13, 2005, Portland, OR.
- (d) It was requested that the Portfolio Concepts and Management, Wharton, May 10 - 13, 2005, Philadelphia, PA be placed on a future agenda.
- (e) It was M/S/C to authorize the attendance of all Board members and appropriate staff at the Spring SACRS Conference, May 10 - 13, 2005, Burlingame, CA. (Yes: Cabral, Gioia, Hast, Pollacek, Rey, Telles, Viramontes, and Wedington)
- (f) It was M/S/C to authorize the attendance of Cabral and Naramore at the Council of Institutional Investors, 2005 Spring Conference, April 10 -12, 2005, Washington, DC. (Yes: Cabral, Gioia, Hast, Pollacek, Rey, Telles, Viramontes, and Wedington)

16. Miscellaneous

- (a) Dunning followed up from a previous discussion item when she questioned possible Brown Act issues when a quorum of the Board attended the CALAPRS General Assembly and the conference was not open to the public. She is pleased to report that in direct response to CCCERA's request, Rich Goss of CALAPRS authorized the public to attend the CALAPRS General Assembly. The Board of CALAPRS will address this issue for the future.
- (b) Leedom reported she has received booklets from the DB vs. DC Educational Symposium that was recently put on by the SACRS legislation committee. A copy of the booklet can be provided to any Board Member that was unable to attend the session.

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Leedom noted she had been requested to allow our Actuary to make an educational presentation to Local 1. She asked if the Board would consider allowing our actuary to make this presentation with the unions paying for the cost of the presentation. Dunning was uncomfortable with certain aspects of the presentation until we have completed review of our Interest Crediting and Excess Earnings policies. It was the consensus of the Board to invite the union to attend future educational presentations given during CCCERA's Board meetings.

The RFP for the benefit software consultant has been mailed and the RFP for benefit software is scheduled for release at a later date. Leedom noted she will be bringing in an IT Project contract employee for two - three months until the current recruitment for an IT Project Manager can be completed.

- (c) Trustees' Comments - Telles noted the CCCERA presenters at CALAPRS did a wonderful job. The presentations were informational and he was surprised to see what we do and others do not. He was impressed and wanted to thank both Somsen and Wedington.

Gioia commented on the proposed legislation for an alternate Board of Supervisor's appointee. He noted it was an equity issue as other Board member groups have an alternate. There was discussion on the dynamics of the legislation and how the alternate position would work.

Pollacek noted he felt the DB vs. DC Educational Symposium was a rousing success. He thanked all of the people that gathered material for the booklet.

- (d) Consultants' Comments - none

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

Bob Rey, Chairman

Brian Hast, Secretary