

CONTRA COSTA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

Page 1

July 7, 2005

The Board of Retirement met in special session at 8:30 a.m. on Wednesday, July 7, 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, Paul Katz, 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: Representing:
Ashley Dunning Steefel, Levitt & Weiss

Other Attendees:

| | |
|---------------|---|
| Margie Breen | Contra Costa County Employees' Retirement Association Staff |
| Bob Campbell | Auditor-Controller's Office |
| Mike George | Contra Costa Fire District |
| Jason Crapo | County Administrator's Office |
| Ron Walker | International Association of Fire Fighters, Local 1230 |
| Keith Richter | Contra Costa County Fire District |
| Dave Gaynor | Self |

Chairman Rey noted everyone's thoughts and prayers are with the Londoners involved in this morning's attack.

1. Public Comment

No members of the public offered comment.

2. Pension Obligation Bonds for Contra Costa County Fire Protection District

Dunning noted she has received information that the County intends to issue a Pension Obligation Bond (POB) on behalf of Contra Costa County Fire Protection District. Dunning further noted that while the specifics of the issuance of the POB itself do not involve CCCERA, the proceeds are intended to pay off the Unfunded Actuarial Accrued Liability (UAAL) accrued by the District as of December 31, 2004 and to pay off the balance owed for the Paulson liability attributable to the Fire District. The draft Resolution in the Board's agenda packet was intended to quantify those liabilities and address the adjustment to the contribution rates that would occur should CCCERA receive the POB proceeds timely.

Dunning reviewed the resolution noting the Actuary has determined that the amount of the District's Unfunded Actuarial Accrued Liability (UAAL) as of December 31, 2004 is

CONTRA COSTA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

Page 2

July 7, 2005

\$124,917,000. Based upon the Actuary's determination, she noted the District's payment of that amount on or before July 31, 2005, will satisfy the District's portion of the December 31, 2004 UAAL.

Dunning also noted the District's obligation under the Paulson Agreement as of September 1, 2004 is \$3,459,368.09. Based upon the Actuary's determination, the District's payment of that amount plus simple interest accruing at 8% per annum, calculated per diem from September 1, 2004, until the date of prepayment on or before August 31, 2005, will satisfy the District's portion of the Paulson Obligation.

Pollacek noted the County isn't issuing the Pension Obligation Bond as Dunning stated, but that Contra Costa Consolidated Fire District is a Special District and will be issuing the POB. Pollacek also noted that the pre-payment to CCCERA of over \$125 million in contributions is a benefit to all CCCERA members, so the Board should adopt the Resolution.

There was a motion to adopt the proposed Resolution, noting that if the District pays the proceeds in a timely manner, it will have met its obligation to the Retirement Association to pay their portion of the December 31, 2004 UAAL, its portion of the Paulson liability, and the District's contribution rates shall be adjusted as provided in the Resolution.

Hast noted a correction to replace the first "District" with "CCCERA" Page 3, last sentence of the resolution.

There was additional discussion regarding the Actuary's assurance that certain past liabilities of the District would be satisfied if CCCERA accepts the funds as proposed. There was further discussion regarding the fact that the District may incur an additional UAAL based on events that occurred prior to December 31, 2004, but which have not yet been accounted for, as was the case with the Paulson liabilities. Dunning stated that the District had been advised of that fact, and she requested that the minutes specifically reflect that if any additional contributions need to be made by the Contra Costa County Fire Protection District based upon pre-December 31, 2004 events, that a new UAAL would remain the District's obligation despite the anticipated prepayment by the District from the POB proceeds.

It was M/S/C to call for the question. (Yes: Cabral, Gioia, Hast, Katz, Pollacek, Rey, Telles, Viramontes, Wedington)

After amending the motion to replace the first "District" with "CCCERA", on Page 3, last sentence of the resolution, the previous motion was M/S/C to adopt the proposed Resolution, noting that if the District pays the proceeds in a timely manner, it will have met its obligation to the Retirement Association to pay their portion of the December 31, 2004 UAAL, its portion of the Paulson liability, and the District's contribution rates shall be adjusted as provided in the Resolution. (Yes: Gioia, Hast, Katz, Pollacek, Rey, Viramontes, Wedington; Abs: Cabral, Telles)

3. Board Meeting Date for Commodities Education Session

A Board Meeting for a Commodities Education Session was set for September 21, 2005 from 9:00 a.m. to 1:00 p.m.

4. Miscellaneous

(a) Counsel Opinions - Dunning commented on a conference she attended for attorneys of public pension funds, noting the many fiduciary litigation issues that were discussed. She noted that she would be circulating publications by the Department of Labor covering issues pertaining to ERISA funds, but also valuable to CCCERA trustees.

(b) Administrator's Report - Leedom reported that newly appointed board members who require their Oath of Office to be notarized or elected board members who require their Oath of Office to be signed by a deputy clerk can see Warren for processing of these documents.

Leedom noted the courts have pulled away from the County payroll accounting system effective January 1, 2005. Somsen and Koehler have been working closely with the Courts to obtain correct reports. As of this date, CCCERA has not received April's contributions or reports. Leedom notified the Board that late charges would be assessed if this issue were not resolved. Contributions have been deducted from member's paychecks, but not transferred to the Retirement Association. Leedom noted the courts will not be a part of the County's prefunding of contribution rates as of July 1, 2005 and she wanted to get the situation rectified as soon as possible.

(c) Trustees' Comments - Telles commented on his recent course at the Wharton School and expressed the effort involved in this course.

(d) Consultant's Comments - None

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

Bob Rey, Chairman

Brian Hast, Secretary