

CONTRA COSTA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

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September 14, 2005

The Board of Retirement met in regular session at 8:30 a.m. on Wednesday, September 14, 2005, in the Conference Room of the Contra Costa County Employees' Retirement Association, 1355 Willow Way, Suite 221, Concord, CA.

Present: Richard Cabral, Brian Hast, Paul Katz, Sharon Naramore, Bob Rey, Jerry Telles, and Rusty Watts for Bill Pollacek.

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: Steefel, Levitt and Weiss

Other Attendees:

Joelle Luhn	Contra Costa County Employees' Retirement Association (CCCERA) Staff
Andrea Peterson	CCCERA Staff
Joel Wehner	CCCERA Consultant
Mary Lou Williams	Contra Costa County Retired Employees' Association (CCCREA)
Ed Irwin	Self
James Lee	Self
Dave Gaynor	Self
Mike Yeraka	Diablo Water District
Jeffrey Polisner	Diablo Water District Attorney
John Bartel	Bartel Associates with Diablo Water District
James Lee	Patrick Hubert Partners

1. Public Comment

No members of the public offered comment.

2. Approval of Minutes

It was M/S/C to approve the minutes of the August 10, 2005 meeting. (Yes: Cabral, Hast, Katz, Rey, Telles, and Watts)

3. Routine Items

It was M/S/C to approve the routine items of the September 14, 2005 meeting. (Yes: Cabral, Hast, Katz, Rey, Telles, and Watts)

6. Diablo Water Termination

Leedom reviewed her memo regarding the Termination of Diablo Water District. She noted the District will withdraw under the Second Alternative Approach to the Employer Termination Policy using market valuation and continued reassessment of

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benefit liability as outlined in the Employer Termination Policy. Leedom noted under this approach, the District's termination liability will be re-measured periodically, usually after CCCERA's triennial experience studies.

There was discussion on active vs. retired Diablo Water District employees. Leedom noted that current retirees will remain with CCCERA, while active and future Diablo Water District employees will go to CalPERS. It was M/S/C to accept the recommendation of the Administrator to approve the Diablo Water District Termination Agreement, including authorization for Leedom to sign all necessary documents.

The Board moved into closed session pursuant to Govt. Code Section 54956.9 and 54956.9(c) to consult with counsel regarding cases currently being litigated and potential litigation.

The Board moved into open session.

4. CCCERA et al. v. WorldCom Officers and Various Banks

No reportable action taken.

San Ramon Valley Fire Protection District v. CCCERA

Hast announced that it was M/S/C to accept a settlement offer made to the Retirement Association by the San Ramon Valley Fire Protection District. The Agreement provides for the District's payment to CCCERA of the entire principal amount in contributions that the Retirement Board had determined the District owed, plus an additional cash payment to CCCERA of \$327,250. The additional payment will cover all of CCCERA's attorney's fees incurred in litigating this case, as well as interest on the underlying obligation. In exchange for that payment, CCCERA will dismiss its cross complaint against the District. (Yes: Cabral, Hast, Katz, Rey, Telles, and Watts)

5. Potential Litigation

No reportable action taken.

7. Benefits Software Package

Leedom reviewed her memo on the status of the Pension Administration Project, and reviewed her recommendations for the choice of software vendor, consultant and creation of a new position. She noted the Pension Software Team, including Wehner and Somsen have diligently reviewed all vendors. As a result of visits to two vendor sites in Harrisburg, PA, both systems were determined to be satisfactory, although one system was significantly more expensive. Leedom noted the task was one of comparative worth, quantifying and comparing the values of one product against the other, and then comparing those results against defined CCCERA requirements.

After weeks of analysis, the entire team individually, and as a group, came up with one leader overall: **Tier Technologies, Inc.** Tier was awarded higher points for the majority of all categories identified by CCCERA as crucial elements of the project.

Discussion followed regarding issues with the current retirement payroll system and how those will be resolved in a new system. After questions on the implementation schedule, Leedom noted she is negotiating the schedule as a part of the contract, and wants to make sure the implementation time frame is workable. Depending on successful contract negotiation, the vendor is scheduled to begin work on October 1, 2005, with full implementation to take approximately twenty months.

Board Members expressed their support and confidence, and noted appreciation for the in-depth process the project team has followed. It was M/S/C to accept the Administrator's recommendations as proposed to contract with Tier Technologies, Inc, to create a new IT position, and to hire LRWL as a consultant for the first 12 months of the project, with an additional 10% increase to total costs if needed, subject to Tier contract review from legal counsel, and to authorize the Administrator to sign any necessary documents. (Yes: Cabral, Hast, Katz, Rey, Telles, and Watts)

Leedom noted that the decision to move to a new imaging system or to stay with the current system will be determined at a later date.

8. PruTimber Contract to Hancock Natural Resource Group

Hally reviewed his memo regarding the sale of Pru Timber to Hancock Natural Resource Group (HNRG). It was M/S/C to accept the recommendation of staff to authorize completing the necessary legal documents to transfer the management of Pru Timber Fund III from Prudential to Hancock Natural Resource Group, subject to review from legal counsel. (Yes: Cabral, Hast, Katz, Rey, Telles, and Watts). Counsel noted she had performed a conflict check and could find no conflict.

9. Voting Proxy for State Association of County Retirement Systems (SACRS) Conference

It was M/S/C to nominate Rey as SACRS Alternate Voting Proxy at the Fall SACRS Conference. (Yes: Cabral, Hast, Katz, Rey, Telles, and Watts)

10. Conference Seminar Attendance

(a) It was M/S/C to authorize the attendance of all Board and appropriate staff at the Fall SACRS Conference, November 8-11, 2005, Costa Mesa, CA. (Yes: Cabral, Hast, Katz, Rey, Telles, and Watts)

Gioia was present for subsequent discussion and voting.

(b) It was M/S/C to authorize the attendance of Telles and Naramore at the Fall Conference, CRCEA, October 17-19, 2005, Modesto, CA. (Yes: Cabral, Gioia, Hast, Katz, Rey, Telles, and Watts)

- (c) The Certificate of Achievement in Public Plan Policy, IFEBP, October 28-29, 2006, San Francisco, CA. will be agendaized for next year.
- (d) No one was able to attend the Public Funds Symposium, Institutional Investor, October 25-26, 2005, Washington, D.C.

8. Miscellaneous

- (a) There were no requests for counsel opinions.
- (b) Leedom reported the Commodities Education has been added to the October 26, 2005 meeting. Helliesen will be developing the program and will include Bob Greer from PIMCO, an individual from the academic community, and Goldman Sachs. This will be a non-sales, strictly educational presentation.

The DVD's for the 2005 Spring SACRS Conference are in the library and are available to be checked out.

San Ramon Valley Fire Department's 415 Excess Plan has been finalized. We understand the County is continuing to work on their 415 Excess Plan.

Moraga/Orinda is planning to issue Pension Obligation Bonds in early October. This will be an agenda item on the September 28, 2005 meeting.

Somsen completed a zip code search for retirees located in New Orleans that may have been affected by Hurricane Katrina. She found ten retirees in the area, and noted their pension checks were on direct deposit.

The Benefits Division has been extremely busy working on Tier II to Tier III conversion requests. The current union contract that allows for the County to share the conversion cost will expire on September 30, 2005. Since July 1, 450 requests have been received, and all but 70 requests have been completed. Leedom complimented staff on their extra effort during this busy time.

Registration forms for those attending the Fall SACRS Conference are needed as soon as possible.

Leedom thanked the Board for their support in going forward with the Benefit Software package, noting it was exciting to be moving forward into new technology.

- (c) Trustee Comments - Cabra requested to have future miscellaneous items show the name of the person requesting the addition to the packet.

Rey commented that many firefighters live in the New Orleans community, have lost homes and still must continue with the rescue of others. His fire unit is

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helping their fellow firefighters in any way possible. He would also enjoy helping retirees as well.

Cabral wondered if there could be a group effort for help with victims of Katrina with SACRS. The Program Committee meets next Thursday, Somsen will introduce the topic.

Katz noted he's been bothered by what's going on in the world and how this will impact our pension system. He feels more education is needed detailing how we as a retirement system can meet these challenges. Leedom requested Somsen to introduce this topic to the SACRS Program Committee to determine if education on this subject can be done at the SACRS Conferences. Katz expressed concerns that the contingency fund is insufficient. Leedom noted that this would be addressed when the combined Interest Crediting/Excess Earnings Policy is presented to the Board.

Gioia commented that it would be useful for the Retirement System to put information together regarding how the following four items contribute to Unfunded Actuarial Accrued Liability (UAAL): increased pension benefits, actuarial assumption changes, market gains/losses, and the Paulson/Ventura issues. He asked to have the actuary put together the raw data with a breakdown of the UAAL to fairly portray the information. He requested a presentation of the findings at a future Board Meeting with an open invitation to all interested parties.

Rey noted he was recently asked to make a presentation to Moraga/Orinda Fire to answer questions on unfunded liability. They didn't understand how the UAAL had changed until Leedom was able to clear up issues. Rey feels this would dove-tail into Gioia's discussion regarding re-introducing the explanation of UAAL to all employers.

Gaynor, in public comment, noted his agreement on the format and process to explain UAAL.

There was discussion on the dates that data should cover for the UAAL presentation and it was discussed that the report should include 1997 through 2004. It was noted that the original County Pension Obligation Bond (POB) was issued in 1994 and provided information on what the funding ratio was before the POB would be beneficial. Staff was given direction to proceed. Leedom noted it would be on the agenda for October.

(d) Consultants' Comments - None

After Hast noted that Louis Kroll's mother passed away, it was M/S/C to adjourn the meeting in memory of Sadie Kroll. (Yes: Cabral, Gioia, Hast, Katz, Rey, Telles, and Watts).

Clifton Wedington, Chairman

William J. Pollacek, Secretary