

**CONTRA COSTA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION**

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December 13, 2006

The Board of Retirement met in regular session at 9:00 a.m. on Wednesday, December 13, 2006, in the Conference Room of the Contra Costa County Employees' Retirement Association, 1355 Willow Way, Suite 221, Concord, CA.

Present: Richard Cabral, Dave Gaynor, John Gioia, Brian Hast, Paul Katz, Sharon Naramore, William J. Pollacek, Bob Rey, Jerry Telles and Clifton Wedington.

Staff: Marilyn Leedom, Retirement Chief Executive Officer; 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	Steeffel, Levitt and Weiss
John Monroe	Segal Company
Bob Helliesen	Milliman USA
Tim Price	Milliman USA
Rebecca Byrnes	County Counsel

Other Attendees:

Tracy Kroll	Contra Costa County Employees' Retirement Association (CCCERA) Staff
Joelle Luhn	CCCERA Staff
Margie Breen	CCCERA Staff
Luz Casas	CCCERA Staff
Pat Soler	Moraga/Orinda Fire District
Tina Kaufman	Auditor's Office
Marie Rulloda	Auditor's Office
Mary Lou Williams	Retirees' Association
Rollie Katz	Local 1
John Gragnani	Self
Joan Woods	San Ramon Valley Fire Protection District (SRVFPD)
Melissa Theo	SRVFPD
Laura Stobel	County Administrator's Office (CAO)
Lisa Driscoll	CAO
Ed Irwin	Retirees' Support Group
Francine Cornin	Contra Costa County Human Resources (CCHR)
Lori Gentles	CCHR

**1. Public Comment**

Mary Lou Williams thanked everyone for all their hard work this last year and hopes to see everyone tomorrow at the Retirees' Luncheon.

**2. Approval of Minutes**

After amending page 3, Item #10 replacing "Kroll" with "Rey" it was M/S/C to approve the minutes of the November 8, 2006 meeting as amended. (Yes: Cabral, Gaynor, Gioia, Hast, Katz, Pollacek, Rey, Telles and Wedington)

After replacing "he enjoyed" with "it was helpful" on page 5, Item #7(c), it was M/S/C to approve the minutes of the November 21, 2006 meeting as amended. (Yes: Cabral, Gaynor, Gioia, Hast, Katz, Pollacek, Rey, Telles and Wedington)

**3. Routine Items**

It was M/S/C to approve the routine items of the December 13, 2006 meeting. (Yes: Cabral, Gaynor, Gioia, Hast, Katz, Pollacek, Rey, Telles and Wedington)

The Board moved into closed session pursuant to Govt. Code Section 54957 to consider the Medical Advisor and or staff's recommendation regarding disability retirement applications and to consider the Hearing Officer's recommendation regarding the disability application of Mary Troia.

The Board moved into open session.

**4. Disability Retirement**

It was **M/S/C** to accept the Medical Advisor's recommendation and grant the following disability benefits:

Harrell McNeely - Non-Service Connected (Yes: Cabral, Gaynor, Gioia, Hast, Katz, Pollacek, Rey, Telles and Wedington)

**5. Mary Troia**

It was M/S/C to accept the recommendation of the Hearing Officer to deny the application of Mary Troia for either service -connected or non-service connected disability retirement. (Yes: Cabral, Gaynor, Gioia, Hast, Katz, Pollacek, Rey, Telles and Wedington)

**6. Contribution Rates for New Safety Tier**

John Monroe of the Segal Company reviewed his report. There was a **motion** to accept the actuary's recommendation for contribution rates for the new County safety tier for Deputy Sheriffs.

There was discussion on the impact of the new rates on current Enhanced Safety, and how the rates and tier change would affect reciprocal and deferred members. Monroe noted the valuation for December 31, 2007, with rates effective July 1, 2009 will

provide the first picture of the impact on the multiple tiers. On the motion, it was **M/S/C** to accept the contribution rates as recommended by the actuary for the new County safety tier. (Yes: Cabral, Gaynor, Gioia, Hast, Katz, Pollacek, Rey, Telles and Wedington)

**11. 2007 Board Meeting Dates**

After discussing the meeting calendar and the frequency of quarterly meetings, it was **M/S/C** to adopt CCCERA's Meeting Calendar for 2007. (Yes: Cabral, Gaynor, Hast, Katz, Pollacek, Rey, Telles and Wedington)

Gioia was not present for subsequent discussion and voting.

**12. Conference Seminar Attendance**

- a. It was **M/S/C** to authorize the attendance of Dunning and Byrnes at the Attorneys' Roundtable, CALAPRS, January 26, 2007, Oakland, CA. (Yes: Cabral, Gaynor, Hast, Katz, Pollacek, Rey, Telles and Wedington)
- b. It was **M/S/C** to authorize the attendance of all Board Trustees at the Trustees' Roundtable, CALAPRS, February 2, 2007, Oakland, CA. (Yes: Cabral, Gaynor, Hast, Katz, Pollacek, Rey, Telles and Wedington)

Gioia was present for subsequent discussion and voting.

- c. It was **M/S/C** to authorize the attendance of Pollacek and Wedington at the Global Asset Allocation Summit, Opal Financial Group, February 25-27, 2007. (Yes: Cabral, Gaynor, Gioia, Hast, Katz, Pollacek, Rey, Telles and Wedington)
- d. It was **M/S/C** to authorize the attendance of Viramontes at the 2007 Annual Legislative Conference, NCPERS, February 5-7, 2007, Washington, D.C. (Yes: Cabral, Gaynor, Gioia, Hast, Katz, Pollacek, Rey, Telles and Wedington)
- e. It was **M/S/C** to authorize the attendance of Naramore, Telles, and Cabral at the 3<sup>rd</sup> Annual Trustee Education, AFSCME, January 31 - February 2, 2007, Anaheim, CA. (Yes: Cabral, Gaynor, Gioia, Hast, Katz, Rey, Telles Wedington; and Pollacek; No: Katz. Pollacek noted he voted yes assuming all trustees are invited)

Paul Katz recused himself from discussion and voting on Items 7 and 8.

**7. Amendments to Board Regulations**

Dunning noted that she was asked to analyze Section V of the CCCERA Board Regulations and to draft a possible amendment to expand the definition of "prior service" in that Section. Dunning further noted that in that process, she had identified statutory citations that needed to be corrected in that Section. She then presented the Board with those "clean-up" amendments. It was **M/S/C** to approve the "clean-up" amendments to Section V of the Board Regulations. (Yes: Cabral, Gaynor, Gioia, Hast, Pollacek, Rey, Telles and Wedington)

Rollie Katz, of Local One, then spoke on behalf of CCCERA member John Gragnani. Mr. R. Katz stated that he believed it was not necessary to change CCCERA's Regulations to grant Mr. Gragnani's appeal. He noted that Mr. Gragnani's work for the County went from contract to temporary employee overnight with no change in duties or supervisor. Mr. Katz stated further that as a contract employee, Mr. Gragnani received an employee number, his check was processed through the County's payroll system and IRS withholdings were made.

There was discussion on expanding the definition of "prior service" in the Board Regulations to include contract employment with the County. It was noted that the Board of Supervisors and the Board of Retirement would both need to approve any changes to this Section for amended Regulations to be effective under Government Code section 31525. No motion was made on expanding the prior service definition.

**8. John Gragnani's Appeal**

There was a motion to grant Mr. Gragnani's appeal to purchase prior county service for time he worked under a contract for the County as a "contract employee". There was continued discussion on the difference, if any, between contract and temporary employees. Rollie Katz asserted that this was a non-discretionary item and the Board was obligated by law to grant Mr. Gragnani's appeal.

Counsel was asked for an opinion on the legal issues involved. She noted disagreement with Mr. R. Katz's statement that the appeal involved a non-discretionary action by the Board. She further noted the Retirement Chief Executive Officer could not have granted Mr. Gragnani's request given CCCERA's current practice of not permitting contractors to purchase their time worked under such contracts as prior service. Counsel stated that the law may afford the Board sufficient authority, however, to consider the information Mr. Gragnani and his representative had provided to it and, upon making the appropriate findings, to exercise its discretion to grant the appeal. She noted that the best mechanism for the Board to do so, however, would have been by amending the Board's Regulations to expand the definition of "prior service" explicitly by including contract employees. Upon inquiry, Dunning recommended that the Board not disclose written communications protected by the attorney-client privilege that the Board discussed in closed session at a previous Board meeting.

Discussion followed on whether CCCERA's Board should determine employee status of a person hired by the County, or if CCCERA would be interceding into County business.

John Gragnani spoke on his behalf, requesting that the Retirement Board allow him to purchase his contract employee time, noting again that nothing changed when he went from contract to temporary employment with the County; he stated that all of his duties were 100% public service. Mr. R. Katz then commented that Mr. Gragnani was requesting prior "county service," not public service, but that he had used the phrase "public service" in its common sense meaning rather than for its legal significance.

On the motion, it was M/S to grant Mr. Gragnani's request to purchase time worked as a contract employee as prior County service. (Yes: Cabral, Hast, Rey and Telles; No: Gaynor, Gioia, Pollacek and Wedington). The motion failed.

Paul Katz was not present for subsequent discussion and voting.

**9. Benchmark Report**

Helliesen reviewed his Benchmark Study prepared for CCCERA. He noted the appropriate index comparison should be a fair representation of the universe of securities which an investment manager operates. In addition, peer group comparison should be performance of similar types of investment managers.

Helliesen started by reviewing the current benchmarks for the Total Fund, and recommended keeping the CPI plus 400 basis points and the actuarial assumed rate as benchmarks, and dropping the U.S. 90-day Treasury Bill as a benchmark. He also recommended adding a benchmark comprised of appropriate market indices for each asset class weighted according to CCCERA's asset allocation targets. He then reviewed the current benchmarks for each of CCCERA's investment managers, and recommended the most appropriate market index and peer comparison for each manager. It was discussed that the most efficient way for incorporating the benchmarks into the Investment Policy would be to add them as a schedule to the Policy, rather than have the benchmarks defined within the main body of the Policy. When asked, Helliesen noted changes in manager's benchmarks would not affect figures provided to CCCERA's actuary.

Direction was given to Helliesen and Hally to return with the Investment Policy and schedules for continued discussion at a future Board meeting.

**10. Supervising Accountant Position**

It was M/S/C to accept staff's recommendation to approve the establishment of a new "Retirement Supervising Accountant" Position. (Yes: Cabral, Gaynor, Gioia, Hast, Pollacek, Telles and Wedington)

**13. Miscellaneous**

(a) Staff Report - Hally commented the funds received at the end of November from ING Clarion Capital were placed in the PIMCO and Western Asset core plus fixed income accounts.

Leedom - wished everyone a Happy Holiday Season.

(b) Outside Professionals' Report - Dunning noted that in her absence, Michael Toumanoff will be at the next meeting.

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Helliesen - wished everyone a Merry Christmas.

- (c) Trustees' Comments - Cabral - requested that the answers to questions regarding the Market Stabilization Report be placed on the January Meeting Agenda. He then requested an actuarial audit.

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

All were wished a Merry Christmas and Happy Holidays!

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Clifton Wedington, Chairman

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William J. Pollacek, Secretary