

**CONTRA COSTA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION**

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February 8, 2006

The Board of Retirement met in regular session at 9:00 a.m. on Wednesday, February 8, 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, Brian Hast, Paul Katz, Louis Kroll, Sharon Naramore, William J. Pollacek, Bob Rey, Maria Theresa Viramontes and Clifton Wedington.

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

Outside Professional Support: Harvey Leiderman  
Representing: Steefel, Levitt and Weiss

Other Attendees:

Tracy Kroll	Contra Costa County Employees' Retirement Association (CCCERA) Staff
Joelle Luhn	CCCERA Staff
Luz Casas	CCCERA Staff
Sharon Venegas	CCCERA Staff
Mary Lou Williams	Contra Costa County Retired Employees' Association (CCCREA)
Joan Woods	San Ramon Valley Fire Protection District
Ed Irwin	Retiree Support Group

**1. Sharon Venegas, 15 Year Service Award**

Wedington congratulated CCCERA employee Sharon Venegas on the occasion of her 15th Anniversary and thanked her for her years of dedicated service to the Retirement Association.

**2. Public Comment**

No members of the public offered comment.

**3. Approval of Minutes**

After amending the January 25, 2006 meeting minutes, changing the third paragraph, last sentence, to: "It was determined that the Lehman Aggregate Index will continue to be the benchmark.", and changing the second sentence in Item 4 to "Chief Investment Officer" it was M/S/C to approve the minutes of the January 25, 2006 meeting as amended. (Yes: Cabral, Hast, Katz, Kroll, Naramore, Pollacek, Rey, Viramontes, Wedington)

**4. Routine Items**

It was M/S/C to approve the routine items of the February 8, 2006 meeting. (Yes: Cabral, Hast, Katz, Kroll, Naramore, Pollacek, Rey, Viramontes, Wedington)

The Board moved into closed session pursuant to Govt. Code Section 54957 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 to consider whether to initiate litigation.

The Board moved into open session.

**5. Disability Retirements**

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

- |                     |   |
|---------------------|---|
| (a) Donna Pfister   | Service Connected (Yes: Cabral, Hast, Katz, Naramore, Pollacek, Rey, Viramontes, and Wedington)     |
| (b) Sandra Thompson | Non-Service Connected (Yes: Cabral, Hast, Katz, Naramore, Pollacek, Rey, Viramontes, and Wedington) |
| (c) Paul Gilbert    | Non-Service Connected (Yes: Cabral, Hast, Katz, Naramore, Pollacek, Rey, Viramontes, and Wedington) |

**6. Potential Litigation**

Wedington noted the Board met in closed session, pursuant to Government Code Section 54956.9 c, to decide whether to initiate litigation. Acting in closed session, the Board previously approved entering into an agreement with the Kensington Fire Protection District to resolve a dispute over the amount of contributions the District owes to the Retirement system. That agreement is now final. Pursuant to Government Code Section 54957.1, the Board now makes that settlement agreement public. The agreement provides essentially that the District shall contribute the sum of \$107,540 to the system on or before February 15, 2006 in full satisfaction of CCCERA's demand for additional contributions to pay certain benefits owed to District employees. The agreement also includes certain defined releases of liability by both parties.

The settlement agreement is now a public record.

**7. Rebalancing as of December 31, 2005**

Hally reviewed his memo regarding semi-annual rebalancing of CCCERA's assets. He noted that a significant portion of the rebalancing schedule in his memo includes the liquidation of both Capital Guardian portfolios and the funding of the new international equity portfolio managed by McKinley. The transition from Capital Guardian to McKinley is scheduled to occur in mid-February and early March. The final Capital Guardian market values will be different than those indicated on his memo since the values are as of December 31, 2005 and not the liquidation dates. After discussion, it was M/S/C to accept staff's recommendation to implement the semi-annual rebalancing of CCCERA's

assets. (Yes: Cabral, Hast, Katz, Naramore, Pollacek, Rey, Viramontes, and Wedington)  
A recommendation was made to separate rebalancing figures from funding transitions.

**8. Cash Flow, 2005**

Koehler reviewed CCCERA's 2005 Cash Flow Report, highlighting and explaining specific line items. There was discussion regarding employer pre-payments and comparing the numbers on the cash flow sheets with those given by the actuaries on the actuarial report. Koehler will discuss the comparison with the actuary and return to the board with the information.

**9. Budgeted versus Actual Expenditures, 2005**

Leedom reviewed CCCERA's 2005 Budget vs. Actual expenditures, January through December 2005. She noted the total expenses were under budget at 81% of the proposed budget. There was discussion regarding how the remaining amount of the budget could best benefit the fund. Koehler noted there are accounting standards and CCCERA procedures in place that would prevent moving the remaining funds back and forth.

**10. 2006 CCCERA Board Meeting Calendar**

Leedom reviewed the 2006 CCCERA Board Meeting calendar. It was M/S/C to change the March 8 Board Meeting to March 15, 2006 and to move the March 22 meeting to March 24, 2006. (Yes: Cabral, Hast, Katz, Naramore, Pollacek, Rey, Viramontes, and Wedington)

There was discussion regarding changing the October Board meetings. To allow Board members to check current schedules, this item will be agendaized for July or August to consider a change in meetings.

**11. Automatic Cost-of-Living Increase, Effective April 1, 2006**

Leedom noted that according to CCCERA's actuary no retirees are currently under their purchasing power. It was requested that a newsletter with an article noting that retirees are not in jeopardy of losing \$ Power because of low inflation be sent to all current retirees.

It was M/S/C to adopt the automatic cost-of-living increase for retirees, effective April 1, 2006, as recommended by the actuary. (Yes: Cabral, Hast, Katz, Naramore, Pollacek, Rey, Viramontes, and Wedington)

**12. Board of Retirement Regulations**

Leedom reviewed the changes to the Board of Retirement Regulations. It was noted that all changes were a technical clean-up of the document.

Additional changes were made as follows:

- Section I, item 2, The Government Code beginning at Section 31520 was changed to **31459**
- Section I, item 2,1 C, elected was changed to **entitled**
- Section II, 4.a,I (i) Counsel report was changed to **Staff report**
- Section II, 4.a,I (ii) Chief Executive Officer's report was changed to **Outside Professional Support's report**
- Section II, 4.a,I (iii) Chief Investment Officer's report was changed to **Trustees' Comments**
- Section II, 4.a, I (iv) and (v) were removed
- Section II, 4.b, F was changed to replicate 4.a.I, (i), (ii), (iii)
- Section II, 5, Five **voting** Members
- Subpena was replaced with **Subpoena** throughout the document

It was M/S/C to amend the Board of Retirement Regulations as proposed with the additional changes as noted. (Yes: Cabral, Hast, Katz, Naramore, Pollacek, Rey, Viramontes, and Wedington)

### **13. Conference Seminar Attendance**

- (a) It was M/S/C to authorize the attendance of Kroll and Naramore at the Annual Conference, NCPERS, April 28 - May 4, 2006, Ft. Lauderdale, FL. (Yes: Cabral, Hast, Katz, Naramore, Pollacek, Rey, Viramontes, and Wedington)
- (a) After the initial vote on 13 (a), it was M/S/C to authorize the attendance of Telles at the Annual Conference, NCPERS, April 28 - May 4, 2006, Ft. Lauderdale, FL. (Yes: Cabral, Hast, Katz, Naramore, Pollacek, Rey, Viramontes, and Wedington)
- (b) It was M/S/C to authorize the attendance of Hast and Cabral at the Global Commodities Investment Forum, Institutional Investor, May 15 - 16, 2006, New York, NY. (Yes: Cabral, Hast, Katz, Naramore, Pollacek, Rey, Viramontes, and Wedington)
- (c) It was M/S/C to authorize the attendance of Hast at the Public Funds Round Table, Hedge Funds Institutional Forum, April 5, 2006, Santa Barbara, CA. (Yes: Cabral, Hast, Katz, Naramore, Pollacek, Rey, Viramontes, and Wedington)
- (d) It was M/S/C to authorize the attendance of Naramore and Telles at the Spring Conference, CRCEA, March 20 - 22, 2006, Newport Beach, CA. (Yes: Cabral, Hast, Katz, Naramore, Pollacek, Rey, Viramontes, and Wedington)
- (e) It was M/S/C to authorize the attendance of Leedom and Hally with Viramontes and Wedington as alternates at the Client Conference, PIMCO, March 26 - 28, 2006, Dana Point, CA. (Yes: Cabral, Hast, Katz, Naramore, Pollacek, Rey, Viramontes, and Wedington)
- (f) It was M/S/C to authorize the attendance of the Board and all appropriate staff at the CA Public Pension Summit, NCPERS, February 28 - March 1, 2006, Sacramento, CA. (Yes: Cabral, Hast, Katz, Naramore, Pollacek, Rey, Viramontes, and Wedington)

**14. Miscellaneous**

- (a) Counsel Report - Leiderman reported on the Bandt Decision. (*Bandt v. Board of Retirement, San Diego County Employees' Retirement Association*, January 30, 2006). He noted the Fourth Appellate District ruled that a Board's constitutional duty to the system's "participants and their beneficiaries" does not require the Board to maximize employer contributions at the earliest possible moment, when the system otherwise is in sound financial condition. He noted the courts affirmed that the Retirement Board did nothing wrong with adjusting the rates between valuations.

He noted he has been in constructive discussion with the County regarding their 415 Excess Plan; if the County doesn't accept CCCERA's language, the County is still able to go forward with the Plan.

Leiderman mentioned copies of the material from the recent Steefel, Levitt and Weiss Symposium are available.

- (b) Chief Executive Officer Report - Leedom reported that work on the new Pension Software System is going forward. The process is intensive with a week every other week needed to work toward implementing the system. She noted another lease for Willows Office Park has been signed and the building is now 96% occupied.
- (c) Chief Investment Officer Report - Hally reported the contract with McKinley has been completed and the agreement with Pathway has been finalized.
- (d) Trustee Comments - Pollacek noted a GASB 43-45 Seminar put on by the SACRS Legislation Committee is on February 23, 2006. He commented that this information would be useful for all systems.

Viramontes noted Gioia has informed her that a new law went into effect January 1, 2006 requiring special districts to disclose all travel reimbursement for every Board in which a trustee is a member. This would need to be announced in open session at the beginning of each meeting. She requested research by counsel if this law applies to CCCERA.

- (e) Consultants' Comments - None

Wedington noted Jerry Telles' Mother has passed away yesterday.

It was M/S/C to close the meeting in memory of Marie Elizabeth Telles, Trustee Jerry Telles' Mother.