contra costa county
Employees' Retirement Association
1355 willow way suite 221 concord ca 94520
925.521.3960 fax: 925.646.5747

RETIREMENT BOARD MEETING
FIRST MONTHLY MEETING
9:00 a.m.

January 9, 2013

Retirement Board Conference Room
The Willows Office Park
1355 Willow Way
Suite 221
Concord, California

THE RETIREMENT BOARD MAY DISCUSS AND TAKE ACTION ON THE FOLLOWING:

1. Pledge of Allegiance.

2. Accept comments from the public.

3. Approve minutes from the October 30, and November 20, 2012 meetings.

4. Routine items for January 9, 2013.

   a. Approve certifications of membership.
   b. Approve service and disability allowances.
   c. Accept disability applications and authorize subpoenas as required.
   d. Approve death benefits.
   e. Accept Asset Allocation Report

CLOSED SESSION

5. The Board will go into closed session under Gov. Code Section 54957 to consider the Hearing Officer/Staff recommendation regarding the disability application for Marina Ramos.

6. The Board will continue in closed session to consider the Hearing Officer/Staff recommendation regarding the disability application for Ruby Green.

7. The Board will continue in closed session to consider the Hearing Officer/Staff recommendation regarding the disability application for Brenda Moore.

8. The Board will continue in closed session to consider the Hearing Officer/Staff recommendation regarding the disability application for Janet Bruzdowski.

The Retirement Board will provide reasonable accommodations for persons with disabilities planning to attend Board meetings who contact the Retirement Office at least 24 hours before a meeting.

9. The Board will continue in closed session pursuant to Govt. Code Section 54956.9(a) to confer with legal counsel regarding existing litigation (two cases):

    a. *Board of Retirement v. County of Contra Costa, et al.*, Alameda County Superior Court, Case No. RG11608520.

    b. *Contra Costa County Deputy Sheriffs Association, et al., v. CCCERA, et al.*, Contra Costa County Superior Court, Case No. N12-1870.

OPEN SESSION

10. Presentation from INTECH regarding personnel changes.

11. Consider and take action on contribution rates as recommended by The Segal Co. for General and Safety PEPRA members.

12. Consider and take possible action regarding implementation of pensionable compensation under PEPRA, for new members on or after January 1, 2013.

13. Consider and take possible action on request from the Contra Costa Superior Court to determine whether anticipated furloughs are a reduction in compensation earnable.

14. Consider and take possible action on staff recommendation for adoption of *Policy Regarding Assessment and Determination of Compensation Enhancements*.

15. Consider and take possible action regarding audio recording of meetings.

16. Consider and take possible action regarding staff recommendation on amendment to *Policy on Internal Revenue Code Section 415 Compliance.*

17. Consider authorizing the attendance of Board and/or staff:
    a. Annual Conference, Pension Bridge, April 16-17, 2013, San Francisco, CA (note conflict with Board meeting).
    b. Roundtable for Public and Taft-Hartley Plans, Institutional Investor, April 24 – 26, 2013, Beverly Hills, CA (note conflict with Board meeting).
    c. Investment Forum, Emerald, February 7, 2013, Philadelphia, PA.
    d. Portfolio Concepts and Management, Wharton, May 6 - 9, 2013, Philadelphia, PA (note conflict with Board meeting).
    e. Annual Policy Conference, NIRS, February 25 – 26, 2013, Washington, D.C.
    f. Trustees Roundtable, CALAPRS, February 8, 2013, San Jose, CA.

18. Miscellaneous
    a. Staff Report
    b. Outside Professionals' Report
    c. Trustees' comments

The Board of Retirement met in special session at 8:30 a.m. on Tuesday, October 30, 2012 in the Ballroom at the Crowne Plaza Hotel, 45 John Glenn Drive, Concord, CA.

Present: Debora Allen, Terry Buck, Richard Cabral, John Gioia, Brian Hast, Jerry Holcombe, Sharon Naramore, John Phillips, Gabe Rodrigues, Jerry Telles, Maria Theresa Viramontes and Russell Watts

Absent: None

Staff: Marilyn Leedom, Retirement Chief Executive Officer; Kurt Schneider, Retirement Deputy Chief Executive Officer; Timothy Price, Retirement Chief Investment Officer; Karen Levy, General Counsel; and Vickie Kaplan, Retirement Accounting Manager

Outside Professional Support: Representing:
Harvey Leiderman Reed Smith LLP

Other Attendees:

Karen Davis	Contra Costa County Employees' Retirement Association (CCCERA) Staff		
Christina Dunn	CCCERA Staff	Ruchele Durbin	CCCERA Staff
Jessica Huffman	CCCERA Staff	Kelli Ingersoll	CCCERA Staff
Charice Jimenez	CCCERA Staff	Rhonda Jones	CCCERA Staff
Son Lu	CCCERA Staff	Joelle Luhn	CCCERA Staff
Nannette Mendoza	CCCERA Staff	Justine Rossini	CCCERA Staff

PLEASE SEE SIGN-IN SHEET FOR ADDITIONAL ATTENDEES

CLOSED SESSION

The Board moved into closed session pursuant to Govt. Code Section 54956.9(b).

The Board moved into open session.

1. It was **M/S/C** to release the legal opinion from Reed Smith, LLP regarding the Impact of Assembly Bill 197 on Board Policy re Pensionable Compensation to the public. (Yes: Allen, Buck, Cabral, Gioia, Hast, Phillips, Telles, Viramontes and Watts)

2. **Pledge of Allegiance**

   Viramontes led all in the *Pledge of Allegiance.*

   Viramontes read the following statement:

   "NOTICE OF PERSONAL FINANCIAL INTEREST"
   "The following members of the Board of Retirement have personal financial interest in the matters before the Board at this meeting, by reason of their being active members

in the Contra Costa County Employees' Retirement Association (CCCERA) system: Terry Buck, Richard Cabral, John Gioia, Brian Hast, Gabe Rodrigues and Russell Watts. The following senior staff members of CCCERA have personal financial interests in the matters before the Board at this meeting by reason of their being active members of CCCERA: Marilyn Leedom, CEO; Kurt Schneider, Deputy CEO; Timothy Price, CIO; Karen Levy, General Counsel; and Vickie Kaplan, Accounting Manager. All of these individuals' interests are indistinguishable from the interests of the other active members of the system and they need not recuse themselves from these deliberations."

3. **Public Comment**

No members of the public offered comment at this time.

4. **Educational presentation on changes to Government Code Section 31461 (AB 197)**

Viramontes stated that AB 197 appears not to change the retirement allowances of CCCERA members who have already retired.

Levy reported on AB 197 and how CCCERA currently includes terminal pay in calculating retirement allowances. Levy referred to a slide show prepared by CCCERA for this presentation. She noted that handouts of the slideshow are available. Levy reported that in September 2012, the legislature passed and the Governor signed into law AB 197, legislation amending the County Employees Retirement Law of 1937, the main body of statutes that governs CCCERA. AB 197 amended the definition of compensation earnable in the '37 Act.

Levy explained how CCCERA calculates members' retirement allowances, using a formula that contains a "final average salary" factor. The "final average salary" factor in retirement calculation depends on what is included in "compensation earnable". She noted that it is up to the CCCERA Board of Retirement to determine whether the compensation paid to a CCCERA member by an employer is "compensation earnable" i.e., included in the pension calculation.

Levy discussed AB 197 and the way in which this legislation changed the definition of "compensation earnable" in Sec. 31461 of the Govt. Code. She noted that under the amended definition, compensation earnable does not include, in any case, payments for unused vacation and other types of leave, in an amount that exceeds that which may be earned and payable in each twelve month period during the final average salary period, regardless of when it is reported or paid. It also excludes from compensation earnable payments made at the termination of employment, except those payments that do not exceed what is earned and payable in each twelve month period during the final average salary period, regardless of when it is reported or paid.

She described the process the Board has taken to study the changes mandated by AB 197. She went through examples illustrating CCCERA's current implementation of the Retirement Board's policy on "Determining Which Pay Items Are 'Compensation' For

Retirement Purposes." She explained the next few slides illustrating how vacation or other leave cash outs are being included in retirement calculations. She discussed how AB 197 would affect this determination on retirements on or after January 1, 2013.

Levy noted the changes mandated in AB 197 would apply to current CCCERA members except those with a CCCERA membership date of January 1, 2011 or after, pursuant to the Board of Retirement action taken on March 10, 2010. She also noted that new CCCERA members under PEPRA are subject to a different provision, Government Code Section 7522.34, which excludes both termination pay and "sell backs" (cash outs).

Levy noted that for all CCCERA members, unused sick leave counts as service credit at termination under Govt. Code Section 31641.01. Because this is not a cash payment to the employee, but rather, service credit, this item is not impacted by the change mandated in AB 197.

Viramontes then opened the floor to comments from the public. Sixteen individuals addressed the Board. Most speakers were current members who opposed making changes to the current method of calculating compensation for retirement purposes.

5. **Implementation of changes to Government Code Section 31461 (AB 197)**

Leiderman reviewed his memo regarding the Impact of Assembly Bill 197 on Board Policy re Pensionable Compensation. He explained the legal responsibility and authority the Board of Retirement has in applying AB 197. He noted with the passing of AB 197 the legislation is providing instruction to the Board of Retirement and this instruction must be followed. To depart from the instruction of the legislature could expose the system, its employers and its members not only to taxation on contributions made into the system and all investment income earned on those contributions, but to severe penalties and interest as well. He advised the Board that on and after January 1, 2013, the Board may no longer include cash-outs for accrued leave in pensionable compensation that exceed the amount that was both earned and payable to the member in cash during each twelve months of the member's "final compensation" period, unless and until otherwise instructed by a court of competent jurisdiction.

The Board discussed in length the effects of AB 197 for current members. The Board noted the changes in AB 197 are not changes the Board initiated but rather changes that have been mandated by current legislation. Several Board members expressed their disagreement with the new legislation.

It was **M/S/C** directing staff to implement the changes to compensation earnable as outlined by AB 197. (Yes: Allen, Buck, Gioia, Hast, Phillips, Viramontes and Watts, No: Cabral and Telles)

CLOSED SESSION

The Board moved into closed session pursuant to Govt. Code Section 54956.9(b).

The Board moved into open session.

It was **M/S/C** to adjourn the meeting. (Yes: Allen, Buck, Cabral, Gioia, Hast, Phillips, Telles, Viramontes and Watts)

Maria Theresa Viramontes, Chairman

John Phillips, Secretary

Meeting Date
01/09/13
Agenda Item
#3

The Board of Retirement met in regular session at 9:00 a.m. on Tuesday, November 20, 2012 in the Conference Room of the Contra Costa County Employees' Retirement Association, 1355 Willow Way, Suite 221, Concord, CA.

Present: Debora Allen, Terry Buck, Richard Cabral, John Gioia, Brian Hast, Jerry Holcombe, Sharon Naramore, John Phillips, Gabe Rodrigues, Jerry Telles, Maria Theresa Viramontes and Russell Watts

Absent: None

Staff: Marilyn Leedom, Retirement Chief Executive Officer; Kurt Schneider, Retirement Deputy Chief Executive Officer, Timothy Price, Retirement Chief Investment Officer; Karen Levy, General Counsel; and Vickie Kaplan, Retirement Accounting Manager

Outside Professional Support:	Representing:
Harvey Leiderman	Reed Smith LLP
Bob Helliesen	Milliman
Marty Dirks	Milliman
Rebecca Byrnes	County Counsel

Other Attendees:

Luz Casas	Contra Costa County Employees' Retirement Association (CCCERA) Staff
Chih-Chi Chu	CCCERA Staff
Christina Dunn	CCCERA Staff
Tracy Kroll	CCCERA Staff
Joelle Luhn	CCCERA Staff
Justine Rossini	CCCERA Staff
Todd Smithey	Central Contra Costa Sanitary District
Mike Sloan	CCCREA & RSG
Barbara Bogans	Self
Janie Smith	Self
Bill Cullen	Retiree
Bill Pollacek	Retired Contra Costa County Treasurer
Kris Hunt	Contra Costa County Taxpayers Association

1. **Pledge of Allegiance**

Viramontes led all in the *Pledge of Allegiance*.

2. **Public Comment**

No members of the public offered comment.

3. **Approval of Minutes**

It was **M/S/C** to approve the minutes of the October 18, 2012 meeting. (Yes: Buck, Cabral, Gioia, Hast, Holcombe, Naramore, Phillips, Viramontes and Watts)

Allen was present for subsequent discussion and voting.

4. **Routine Items**

   It was **M/S/C** to approve the routine items of the November 20, 2012 meeting. (Yes: Allen, Buck, Cabral, Gioia, Hast, Naramore, Phillips, Viramontes and Watts)

CLOSED SESSION

The Board moved into closed session pursuant to Govt. Code Section 54957, 54956.9(a) and Govt. Code Section 54956.9(b).

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. Gordon Trapp – Service Connected (Yes: Allen, Buck, Cabral, Gioia, Hast, Naramore, Phillips, Viramontes and Watts)

6. It was **M/S** to accept the Medical Advisor's recommendation and approve the non-service connected disability retirement for Barbara Bogans. (Yes: Buck, Cabral, Naramore, Viramontes. No: Allen, Gioia, Phillips and Watts. Abs: Hast). **Motion Failed.**

   It was **M/S/C** to refer the item back to the Hearing Officer for further review pursuant to Government Code Section 31534(c). (Yes: Allen, Gioia, Hast, Phillips and Watts. No: Buck, Cabral, Naramore and Viramontes).

Telles was present for subsequent discussion and voting.

7a. There was no reportable action related to Govt. Code Section 54956.9(a).

Leedom recused herself from Item 7b.

7b. There was no reportable action related to Govt. Code Section 54956.9(a).

Gioia recused himself from Item 7c and was not present for subsequent discussion and voting.

7c. There was no reportable action related to Govt. Code Section 54956.9(a).

Gioia was present for subsequent discussion and voting.

7d. There was no reportable action related to Govt. Code Section 54956.9(b).

8. **<u>Review of total portfolio performance</u>** – Bob Helliesen, Marty Dirks

Helliesen reported on the third quarter total portfolio performance noting the book has a new format.

CCCERA's third quarter return of 4.9% was better than the median public fund at 4.6%. Performance has been strong against peers through the past four years, particularly over the trailing two- and three-year periods, where performance ranked in the 3rd and 2nd percentile, respectively. Still, with the exception of the most recent quarter, the fund has underperformed its policy benchmark over trailing time periods (please see below for the fund's policy benchmark). CCCERA performed slightly above the median over the past five years. CCCERA has out-performed the median over trailing time periods longer than five years.

The Total Fund Policy Benchmark referred to above was constructed by weighting the various asset class benchmarks by their target allocations.

- From the 3rd quarter of 2009 through the 1st quarter of 2010, the benchmark was 40.6% Russell 3000, 10.4% MSCI EAFE (Gross), 25% Barclays U.S. Aggregate, 3% Bank of America High Yield Master II, 4% Barclays Global Aggregate, 8.4% Dow Jones Wilshire REIT, 3.1% NCREIF, 5% S&P 500 + 4% (Quarter Lag) and 0.5% 91-Day T-Bills.
- From the 2nd quarter of 2010 through the 1st quarter of 2011, the benchmark was 35.6% Russell 3000, 10.4% MSCI EAFE (Gross), 5% MSCI ACWI (Net), 25% Barclays U.S. Aggregate, 3% Bank of America High Yield Master II, 4% Barclays Global Aggregate, 8.4% Dow Jones Wilshire REIT, 3.1% NCREIF, 5% S&P 500 + 4% (Quarter Lag) and 0.5% 91-Day T-Bills.
- From the 2nd quarter of 2011 through the 1st quarter of 2012, the benchmark was 31% Russell 3000, 10.4% MSCI EAFE (Gross), 9.6% MSCI ACWI (Net), 25% Barclays U.S. Aggregate, 3% Bank of America High Yield Master II, 4% Barclays Global Aggregate, 8.4% Dow Jones Wilshire REIT, 3.1% NCREIF, 5% S&P 500 + 4% (Quarter Lag) and 0.5% 91-Day T-Bills.
- Beginning the 2nd quarter of 2012, the benchmark was 27.7% Russell 3000, 10.6% MSCI ACWI ex-USA (Gross), 12.3% MSCI ACWI (Net), 19.6% Barclays U.S. Aggregate, 5% Bank of America High Yield Master II, 4% Barclays Global Aggregate, 9% Wilshire REIT, 3.5% NCREIF, 6% S&P 500 + 4% (Quarter Lag) and 0.5% 91-Day T-Bills.

Domestic Equity

CCCERA total domestic equities returned 7.1% for the quarter, better than the 6.2% return of the Russell 3000® and the 5.9% return of the median manager. Boston Partners performed much better than its benchmark with a return of 8.1% compared to 6.5% for the Russell 1000 Value. Sector allocation in the Materials, Information Technology, and Financials sectors greatly helped third quarter performance. Boston Partners is above its benchmark for all trailing time periods extending out to ten years.

Ceredex trailed its benchmark in the third quarter with a return of 4.4% compared to 5.7% for the Russell 2000 Value Index. Ceredex is also below the index for the year-to-date period, 12.0% vs. 14.4%, and ranks in the 60th percentile of small cap value managers. Delaware modestly exceeded the benchmark with a return of 6.4% compared to 6.1% for the Russell 1000 Growth Index. Delaware is above its benchmark for all trailing time periods extending out to the trailing five years, and ranks very well compared to peers.

Emerald Advisors significantly outperformed its benchmark in the third quarter with a return of 7.2% compared to 4.8% for the benchmark. Strong performance in the information technology sector enhanced returns for the Emerald portfolio during the third quarter. Emerald has outperformed its benchmark for all trailing time periods extending out to the trailing seven years, and ranks well versus other small cap growth portfolios.

The Intech Large Cap Core portfolio beat it's index in the third quarter with a return of 6.7% compared to 6.4% for the S&P 500. Intech is close to its benchmark over all trailing time periods, and consistently outperforms the median large cap core equity portfolio. The PIMCO Stocks+ portfolio also beat the S&P 500 in the third quarter, returning 7.9% compared to 6.4% for the index. PIMCO is now above the benchmark over all trailing time periods extending out to ten years, and is above the median large cap core portfolio for all time periods extending out to the trailing five years.

The WHV large cap core portfolio significantly outperformed the S&P 500 Index during the third quarter with a return of 8.8% compared to 6.4% for the S&P 500. Strong performance in WHV's Energy, Materials, and Information Technology sectors enhanced returns for the portfolio in the third quarter. This return ranks in the 3rd percentile of large cap core equity portfolios.

International Equity

CCCERA international equities returned 7.1% for the quarter, better than the MSCI EAFE return of 7.0% but below the MSCI ACWI ex-USA return of 7.5%, and was below the median MSCI ACI ex-US manager return of 7.4%. The GMO Intrinsic Value Extended portfolio returned 6.2%, below the 7.8% return of the Blended Benchmark (100% MSCI EAFE Value Index from inception to February 29, 2012, 100% MSCI ACWI ex-US Value from March 1, 2012 to present). The William Blair portfolio returned 8.0%, better than the MSCI ACWI ex-US Growth Index return of 7.2%.

GMO was put on watch at the August 29, 2012 Board meeting due to poor performance relative to its benchmark. GMO is above the blended benchmark over the trailing two-, three-, five-, and seven-year time periods, but ranks well below the median fund in all trailing time periods. As of March 1, 2012, GMO increased the allocation to emerging markets in the portfolio, and Milliman is comparing GMO to peers in an all-country ex-USA universe, whereas the majority of GMO's history is in developed markets. We would expect the peer ranking of GMO to improve as the track record including emerging markets grows.

Gioia was not present for subsequent discussion and voting.

Global Equity

CCCERA global equities returned 6.1% in the quarter, trailing the MSCI ACWI return of 7.0% and the median global equity return of 6.8%. The J.P. Morgan portfolio returned 6.4%, trailing the 7.0% return of the MSCI ACWI Index. The First Eagle portfolio returned 5.3%, also below the MSCI ACWI Index return. In its first full quarter of performance, the Intech Global Low Volatility portfolio trailed the MSCI ACWI with a return of 4.7%. Assets from the Tradewinds liquidation are held in a transition account, with a return of 6.6% during the third quarter of 2012. It is anticipated that Artisan Partners will be funded with assets from the transition manager in the fourth quarter of 2012.

Short term performance for all global equity managers is below the MSCI ACWI benchmark and the median. JP Morgan, which has the longest track record of the global equity managers, has outperformed the benchmark over the trailing year (23.8% vs. 21.7%), and ranked in the 36th percentile. The low volatility mandates which are managed by Intech and First Eagle are expected to protect in a falling market, and have not kept up with the benchmark in the strong rising market over the trailing year.

Domestic Fixed Income

CCCERA total domestic fixed income returned 3.2% for the third quarter, better than the 2.0% return of the Barclays Universal Index and the 2.2% return of the median core fixed income manager. This return ranked in the 6th percentile of US Core Fixed Income managers. Over trailing periods extending out to four years, the domestic fixed income performance ranks in the top docile, and ranks in the 5th percentile over the trailing ten years.

AFL-CIO returned 1.6%, which matched the Barclays U.S. Aggregate return and was below the median core fixed income manager. Performance of AFL-CIO is very close to the benchmark over longer periods, and ranks below the median core fixed income manager over all trailing time periods.

Allianz Global returned 4.1%, which trailed the 4.6% return of the ML High Yield Master II Index and the 4.4% return of the median high yield manager. Allianz outperformed the benchmark and the median for the trailing two- through seven year periods.

Goldman Sachs returned 2.6%, exceeding the Barclays U.S. Aggregate Index and the median fixed income manager. Performance of the Goldman Sachs portfolio has been very strong, beating the benchmark and the median core fixed income manager of all trailing time periods. The workout portfolio managed by Goldman Sachs returned 9.0%, significantly better than the Barclays Aggregate.

Lord Abbett returned 2.9%, exceeding the 1.6% return of the Barclays U.S. Aggregate and the 2.2% return of the median fixed income manager. Lord Abbett has beat the benchmark over all trailing time periods, and consistently ranks in the top quartile of core fixed income managers.

PIMCO Total Return returned 2.8%, exceeding the Barclays U.S. Aggregate and the median. PIMCO exceeds the benchmark over all trailing time periods, and consistently ranks in the top quartile of core fixed income managers.

The Torchlight II fund returned 11.2%, significantly above the ML High Yield Master II Index and the high yield fixed income median. The Torchlight Fund III returned 3.8% in the third quarter, below the Merrill Lynch High Yield Master II Index return of 4.6%. The first capital call for Torchlight Fund IV took place in August 2012, and performance for this fund will be reported in the fourth quarter 2012 report, after a full quarter of performance. Please note that due to the unique structure of these funds, the high yield benchmark is an imperfect benchmark.

International Fixed Income

Lazard Asset Management returned 4.1% in the third quarter, which exceeded the Barclays Global Aggregate return of 3.3% and the median global fixed income manager return of 3.9%, and ranked in the 47th percentile of global fixed income portfolios. Lazard has beat the benchmark for all trailing time periods, performing similarly to the median global fixed income manager.

Opportunistic

The opportunistic allocation (almost entirely Oaktree) returned 1.3% in the third quarter.

Alternative Investments

CCCERA total alternative investments returned 0.8% in the third quarter, significantly below the 7.4% return of the S&P + 4% per year benchmark. CCCERA total alternatives trail the benchmark over all time periods excluding the trailing five- and seven- year periods. (Please note that due to timing constraints, all alternative portfolio returns are for the quarter ending June 30, 2012). For further comments on each individual manager in the CCCERA real estate portfolio, please refer to page 101.

Adam Street returned -0.6% for the third quarter, the Bay Area Equity Fund returned 1.1%, the Carpenter Bancfund returned 3.7%, Energy Investor Fund I returned -1.8%, EIF Fund II returned 0.3%, EIF III returned 0.1%, EIF IV returned 1.2%, Nogales returned 2.1%, Paladin III returned 0.3%, and Pathway returned 2.3%. All alternative portfolios trailed the 7.4% return of the S&P + 4% per year benchmark during the third quarter.

Real Estate

The median real estate manager returned 2.5% for the quarter while CCCERA's total real estate returned 2.8%. CCCERA's total real estate ranks well above the median over all trailing time periods with the exception of the trailing five years, when performance ranks in the 56th percentile. Performance over the trailing three years is particularly strong with a return of 16.3% which ranked in the 4th percentile. For comments on each individual manager in the CCCERA real estate portfolio, please refer to page 96.

Adelante Capital REIT returned -0.3%, trailing the Wilshire REIT benchmark return of -0.1%, and ranked in the 81st percentile of US REIT managers. Over the trailing three years, Adelante returned 21.5% vs. 20.7% for the benchmark, and ranked in the 48th percentile of US REIT managers. Adelante was taken off the watch list at the August 29, 2012 Board meeting.

The INVESCO International REIT portfolio returned 9.9% compared to 10.5% for the FTSE EPRA/NAREIT Developed ex-USA benchmark, and ranked in the 69th percentile of international REIT portfolios. INVESCO ranked in the 1st percentile of international REIT portfolios over the trailing year with a return of 31.5% compared to the benchmark return of 29.2%. Over the trailing four years, INVESCO ranked in the 99th percentile with a return of 3.2% compared to the benchmark return of 7.5%.

DLJ RECP II returned 0.1%, DLJ RECP II returned 0.2%, and DLJ RECP IV returned -0.3%. (Due to timing constraints, the DLJ portfolio returns are for the quarter ending June 30, 2012). INVESCO Fund I returned 5.3% and INVESCO Fund II returned 10.6%. Long Wharf Fund II returned 0.6 in the third quarter, and Long Wharf Fund III returned 4.2%. Oaktree REOF returned 4.7%, and the Willows Office Property returned 0.7%. In their first full quarters with CCCERA, the Sigular Guff Distressed Real Estate Opportunities portfolio returned 0.3% and Angelo Gordon returned 4.4%.

It was **M/S/C** to accept the Quarterly Report presented by Milliman. (Yes: Allen, Buck, Cabral, Hast, Holcombe, Phillips, Telles, Viramontes and Watts).

a. **Consideration of any managers already under review or to be placed under review**

Helliesen reported on the performance of the managers on the watch list. There were no changes to managers already under review or new managers to be placed under review.

b. **Consideration of any changes in allocations to managers**

There were no changes in allocations to managers.

9. **Presentation on Market Stabilization Account report**

Kaplan reviewed the Market Stabilization Account's deferred return as of June 30, 2012.

It was **M/S/C** to accept the Market Stabilization Account report as of June 30, 2012. (Yes: Allen, Buck, Cabral, Hast, Holcombe, Phillips, Telles, Viramontes and Watts).

10. <u>2013 Budget</u>

Leedom presented the recommended 2013 Budget, noting the accomplishments of CCCERA's divisions and the organizational strategies.

Leedom reviewed staffing requirements and the organizational chart, noting the new Public Employees' Pension Reform Act of 2013 (PEPRA) poses implementation questions for all public retirement systems in California. The law will require changes to information system programming, staff training, forms design, internal and external communication, accounting, benefit statements, and actuarial studies. In order to maintain our existing level of service and improve workflow she requested five additional staff positions for this budget, a Retirement Counselor, a Retirement Assistant General Counsel, a Retirement Member Services Data Specialist, a Retirement Administration Manager and a Retirement Member Services Technician. Most of these classifications are existing positions, so task descriptions, salary steps, and other recruitment materials are currently available.

Preliminary analysis of PEPRA 2013's impact on CCCERA has created the need for a new Retirement Compliance Officer classification. Retirement systems will now be charged with monitoring, verifying, and reporting individual member and employer data according to specific compliance regulations. The Retirement Compliance Officer Job Description and salary survey will be under development in early 2013. The new single classification has an expected salary up to $110,000 annually.

It was **M/S/C** to approve six new positions including a Retirement Counselor, a Retirement Assistant General Counsel, a Retirement Compliance Officer, a Retirement Member Services Data Specialist, a Retirement Administration Manager and a Retirement Member Services Technician. (Yes: Allen, Buck, Hast, Holcombe, Phillips, Telles, Viramontes and Watts, Abstain: Cabral)

Leedom noted with the changes mandated by PEPRA and the additional personnel needed, the office space will be reconfigured and updated to accommodate the additional staff.

It was **M/S/C** to adopt the 2013 Administrative Budget as presented. (Yes: Allen, Buck, Hast, Holcombe, Phillips, Telles, Viramontes and Watts, Abstain: Cabral)

The 2013 Budget was reviewed noting the actual administrative budget is $8.3 million. The law provides that the entire expense of the administration can be up to 21 basis points of CCCERA's total Accrued Actuarial Liability, which is approximately $14.5 million. The recommended budget of $8.3 million does not include the IT, Investments, and Legal Budget that are not subject to the administrative budget cap.

Leedom also reviewed the IT, Investments and Legal Budget for 2013 including the release of an RFI to identify a pool of specialized legal counsel as needed.

It was **M/S/C** to adopt the IT, Investments and Legal Budget for 2013 as presented. (Yes: Allen, Buck, Hast, Holcombe, Phillips, Telles, Viramontes and Watts, Abstain: Cabral)

11. **Conference Seminar Attendance**

(a) It was **M/S/C** to authorize the attendance of 1 Board member at the Fall Conference, CRCEA, October 22-24, 2012, Modesto, CA. (Yes: Allen, Buck, Cabral, Hast, Holcombe, Phillips, Telles, Viramontes and Watts)

(b) It was **M/S/C** to authorize the attendance of 1 Board member and 1 staff member at the Public Funds Conference, Opal Group, January 8-10, 2013, Scottsdale, AZ. (Yes: Allen, Buck, Cabral, Hast, Holcombe, Phillips, Viramontes, Telles and Watts)

12. **Miscellaneous**

(a) Staff Report -

Leedom reported active members have been notified of AB 197 and the changes that may affect their future retirement. She noted letters will be sent to retirement eligible deferred members.

In December the Board will be presented with the revised retiree mailings policy. She mentioned staff is working on an iPad policy, which will be presented to the Board at a future meeting.

She noted new carpet will be installed in the common areas of the building in the next month.

The Kuhns report will be made available to all Board members.

Price mentioned he conducted onsite visits to Allianz and Oaktree. He felt that Allianz was very stable and noted the team is becoming more conservative.

(b) Outside Professionals' Report - None

(c) Trustees' Comments -

Telles asked that the revised retiree mailings policy be presented to the retiree support groups prior to the Board meeting. Leedom noted it would be available on the website as a link in the agenda packet the Friday before the Board meeting.

Rodrigues asked if the travel policy could be amended to include reimbursement for Wi-Fi.

Cabral asked how soon we would know which pay codes would be affected by the changes mandated by AB 197. He felt there may be several hundred members that will be retiring by December 31, 2012.

It was **M/S/C** to adjourn the meeting. (Yes: Allen, Buck, Cabral, Hast, Holcombe, Phillips, Telles, Viramontes and Watts)

Maria Theresa Viramontes, Chairman	John Phillips, Secretary

CONTRA COSTA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

BOARD OF RETIREMENT

January 9, 2013

Meeting Date
01/09/13
Agenda Item
#4

Items requiring Board Action

A. Certifications of Membership – see list and classification forms.

B. Service and Disability Retirement Allowances:

Name	Number	Effective Date	Option Type	Group	Selected
Adams, Frances	47616	12/15/07	SR	II/III	Opt 2
Bick, Marian	39500	10/31/12	SR	III	Unmod
Biscocho, Erlinda	D9991	06/30/12	SR	I	Unmod
Brown, Bernadette	44122	09/28/12	SR	II/III	Unmod
Brown, Lena	47277	09/15/12	SR	II/III	Unmod
Brown, Linda	61334	10/13/12	SR	II/III	Unmod
Echols, William	D3406	11/17/12	SR	I	Unmod
Garman, Mark	54710	09/09/12	SR	SA	Opt 2
Giron, Arnella	42669	10/12/12	SR	II/III	Unmod
Gohs, Susan	61287	09/21/12	SR	III	Unmod
Hearst, David	43747	11/01/12	SR	III	Unmod
Hernandez, Amelia	48620	06/30/12	SR	I	Unmod
Hill, David	37778	11/01/12	SR	II/III	Unmod
Johnson, Judith	41505	10/13/12	SR	II/III	Unmod
Lopez, Kathleen	40032	11/10/12	SR	II/III	Unmod
Mann, Rosaria	52324	11/01/12	SR	II/III	Unmod
Neuhauser, Ron	49102	11/07/12	SR	SA	Unmod
Ng, Andreina	41949	10/01/12	SR	III	Unmod
Okendo, Esmeralda	44266	10/04/12	SR	II/III	Unmod
Ramsay, Rob	D3406	06/08/12	SR	I	Unmod
Rathunde, Gary	D3406	10/06/12	SR	I	Unmod
Smith, Carolyn	55599	10/10/12	SR	II/III	Unmod
Sutherland, Brenda	44591	04/26/12	NSD	II/III	Unmod
Than, Ba	D3406	10/27/12	SR	I	Unmod

C. Disability Retirement Applications: The Board's Hearing Officer is hereby authorized to issue subpoenas in the following cases involving disability applications:

Name	Number	Filed	Type
Derryberry, Kimberly	45855	12/12/12	NSD
Mellor, Lamont	46907	12/03/12	SCD

KEY:

Group
I = Tier I
II = Tier II
III = Tier III
S/A = Safety Tier A
S/C = Safety Tier C

Option
* = County Advance
Selected w/option

Type
NSP = Non-Specified
SCD = Service Disability
SR = Service Retirement
NSD = Non-Service Disability

D. Deaths:

Name	Date of Death	Employer
Affinito, Alfred	11/17/12	Contra Costa County
Burke, Delores	12/06/12	Beneficiary
Christopherson, Don	12/19/12	Contra Costa County
Conner, Anna	11/15/12	Beneficiary
De Fraga, Ann	12/28/12	Contra Costa County
Dechambeaux, Gregory	11/23/12	Contra Costa County
Gurule, Edna	12/05/12	Beneficiary
Holdrich, Lydia	11/22/12	Contra Costa County
Hutcheson, Maxine	12/05/12	Beneficiary
Inzerillo, Collen	12/17/12	Contra Costa County
Knutson, Marielena	12/10/12	Contra Costa County
Levy, Margaret	12/27/12	Contra Costa County
Lineker, Martha	12/09/12	Contra Costa County
Short, William	11/23/12	Contra Costa County
Whitener, Benjamin	12/30/12	Contra Costa County
Zundel, Jane	12/08/12	Contra Costa County

KEY:

Group	Option	Type
I = Tier I	* = County Advance Selected w/option	NSP = Non-Specified
II = Tier II		SCD = Service Disability
III = Tier III		SR = Service Retirement
S/A = Safety Tier A		NSD = Non-Service Disability
S/C = Safety Tier C		

ASSET ALLOCATION

Current Assets (Market Value)
$5,646,394,000
Reporting Month End: November 30, 2012
Prepared By: Chih-Chi Chu

Meeting Date
01/09/13
Agenda Item
4

	A	B	C	D	C-B	D-A	
	% of Target	Target Assets	Market Value	Actual Assets	Over (Under)	Over (Under)	Range
Robeco	5.2%	293,612,488	302,360,000	5.35%	8,747,512	0.15%	
Delaware Investment Adv.	5.2%	293,612,488	298,351,000	5.28%	4,738,512	0.08%	
Emerald Advisors	3.5%	197,623,790	198,464,000	3.51%	840,210	0.01%	
Intech (Core)	3.2%	180,684,608	185,343,000	3.28%	4,658,392	0.08%	
PIMCO Stock +	3.6%	203,270,184	170,383,000	3.02%	(32,887,184)	(0.58%)	
Ceredex	3.5%	197,623,790	198,528,000	3.52%	904,210	0.02%	
WHV Investment Management	3.5%	197,623,790	204,098,000	3.61%	6,474,210	0.11%	
Total Domestic Equity	27.7%	1,564,051,138	1,557,527,000	27.58%	(6,524,138)	(0.12%)	
GMO	5.3%	299,258,882	309,145,000	5.48%	9,886,118	0.18%	
William Blair	5.3%	299,258,882	326,118,000	5.78%	26,859,118	0.48%	
Total International Equity	10.6%	598,517,764	635,263,000	11.25%	36,745,236	0.65%	
JPMorgan Global Opportunities	4.0%	225,855,760	239,875,000	4.25%	14,019,240	0.25%	
First Eagle	4.0%	225,855,760	227,336,000	4.03%	1,480,240	0.03%	
State Street Global Markets	4.0%	225,855,760	231,891,000	4.11%	6,035,240	0.11%	
Intech (Global Low Volatility)	0.3%	16,939,182	17,791,000	0.32%	851,818	0.02%	
Total Global Equity	12.3%	694,506,462	716,893,000	12.70%	22,386,538	0.40%	
Total Equity	**50.6%**	**2,857,075,364**	**2,909,683,000**	**51.53%**	**52,607,636**	**0.93%**	**40% TO 55%**
AFL-CIO Housing Investment Trust	3.2%	180,684,608	174,326,000	3.09%	(6,358,608)	(0.11%)	
PIMCO	5.0%	282,319,700	305,432,000	5.41%	23,112,300	0.41%	
GSAM "Park" Portfolio	0.0%	0	8,956,000	0.16%	8,956,000	0.16%	
Goldman Sachs Asset Management	3.7%	208,916,578	220,189,000	3.90%	11,272,422	0.20%	
Lord Abbett	4.2%	237,148,548	230,677,000	4.09%	(6,471,548)	(0.11%)	
Torchlight Debt Opportunity Fund II	1.0%	56,463,940	64,518,000	1.14%	8,054,060	0.14%	
Torchlight Debt Opportunity Fund III	1.4%	79,049,516	62,883,000	1.11%	(16,166,516)	(0.29%)	
Torchlight Debt Opportunity Fund IV	1.1%	62,110,334	17,841,000	0.32%	(44,269,334)	(0.78%)	
Total Domestic Fixed Income	19.6%	1,106,693,224	1,084,822,000	19.21%	(21,871,224)	(0.39%)	
Lazard Asset Management	4.0%	225,855,760	223,927,000	3.97%	(1,928,760)	(0.03%)	
Total Global Fixed Income	**23.6%**	**1,332,548,984**	**1,308,749,000**	**23.18%**	**(23,799,984)**	**(0.42%)**	**20% TO 30%**
Allianz Global Investors (fka Nicholas Applegate)	5.0%	282,319,700	276,618,000	4.90%	(5,701,700)	(0.10%)	
Total High Yield Fixed Income	**5.0%**	**282,319,700**	**276,618,000**	**4.90%**	**(5,701,700)**	**(0.10%)**	**2% TO 9%**
Total Real Estate	**13.5%**	**762,263,190**	**723,782,000**	**12.82%**	**(38,481,190)**	**(0.68%)**	**10% TO 16%**
Total Alternative Investments	**6.0%**	**338,783,640**	**362,316,000**	**6.42%**	**23,532,360**	**0.42%**	**5% TO 12%**
County Treasurer				0.00%			
State Street Bank			25,872,000	0.46%			
Total Cash & Equivalents	**0.5%**	**28,231,970**	**25,872,000**	**0.46%**	**(2,359,970)**	**(0.04%)**	**0% TO 1%**
Goldman Sachs Credit Opportunities	0.0%	0	37,000	0.00%	37,000	0.00%	
Oaktree 2009	0.8%	45,171,152	39,337,000	0.70%	(5,834,152)	(0.10%)	
Total Market Opportunities	**0.8%**	**45,171,152**	**39,374,000**	**0.70%**	**(5,797,152)**	**(0.10%)**	**0% TO 5%**
TOTAL ASSETS	**100.00%**	**5,646,394,000**	**5,646,394,000**	**100%**	**0**	**0%**	

UNDER REVIEW:
Long Wharf - Performance, Organization. Board Action 05/23/12
Invesco IREF - Performance, Board Action 02/24/10
GMO - Performance, Board Action 08/29/12
Nogales Investors - Performance, Board Action 05/28/08

Real Estate & Alternative Investments
As of November 30, 2012

REAL ESTATE INVESTMENTS	Inception Date	Target Termination	Funding Commitment	Market Value	% of Total Asset	Outstanding Commitment
DLJ Real Estate Capital Partners, L.P. II	04/00/99	7/14/2009	40,000,000	3,701,000	0.07%	5,343,000
DLJ Real Estate Capital Partners, L.P. III	06/01/05	1/1/2014	75,000,000	38,956,000	0.69%	18,958,000
DLJ Real Estate Capital Partners, L.P. IV	12/26/07	1/1/2016	100,000,000	71,225,000	1.26%	28,039,000
Hearthstone Partners I	06/15/95	12/31/2003	3,750,000	117,000	0.00%	0
Hearthstone Partners II	06/17/98	12/31/2009	6,250,000	(2,000)	0.00%	0
Blackrock AVF III (SSR)	11/02/04	12/31/2013	25,000,000	295,000	0.01%	0
Invesco IREF I	10/22/03	4/30/2011	50,000,000	27,349,000	0.48%	6,106,000
Invesco IREF II	05/30/07	12/31/2015	85,000,000	77,913,000	1.38%	15,554,000
Long Wharf FREG II	02/26/04	2/26/2012	50,000,000	12,951,000	0.23%	90,000
Long Wharf FREG III	03/31/07	3/31/2015	75,000,000	51,791,000	0.92%	7,149,000
Oaktree Real Estate Opportunities Fund V	12/15/11	12/31/2016	50,000,000	52,831,000	0.94%	4,500,000
Siguler Guff Distressed Real Estate Opportunities Fund	12/31/11	12/31/2016	75,000,000	41,842,000	0.74%	32,268,000
Angelo Gordon Realty Fund VIII	12/31/11	12/31/2018	80,000,000	27,443,000	0.49%	48,415,000
LaSalle Income & Growth Fund VI	01/31/12	1/31/2019	75,000,000	0	0.00%	75,000,000
Adelante Capital Management (REIT)			0	234,294,000	4.15%	
INVESCO International REIT			0	75,076,000	1.33%	
Willows Office: $10,774,100 ***			0	8,000,000	0.14%	
			870,000,000	723,782,000	12.82%	241,422,000
Outstanding Commitments				241,422,000		
Total				965,204,000		

*** Purchase price $10,600,000 plus acquisition cost and fees $174,100.

ALTERNATIVE INVESTMENTS	Inception Date	Target Termination	Funding Commitment	Market Value	% of Total Asset	Outstanding Commitment
Adams Street Partners	12/22/95	INDEFINITE	180,000,000	87,892,000	1.56%	47,245,000
Adams Street Secondary II	12/31/08	12/31/2012	30,000,000	26,319,000	0.47%	15,112,000
Adams Street Secondary V	10/31/12	10/31/2016	40,000,000	2,600,000	0.05%	37,400,000
Pathway	11/09/98	11/9/2013	125,000,000	74,841,000	1.33%	21,395,000
Pathway 2008	07/31/09	12/31/2016	30,000,000	9,870,000	0.00%	20,647,000
Pathway 6	08/31/11	12/31/2018	40,000,000	2,120,000	0.00%	38,055,000
EIF USPF I	11/26/03	6/30/2011	30,000,000	1,848,000	0.03%	0
EIF USPF II	07/13/05	6/30/2015	50,000,000	40,564,000	0.72%	0
EIF USPF III	05/30/07	3/31/2017	65,000,000	46,636,000	0.83%	663,000
EIF USPF IV	08/31/10	9/1/2020	50,000,000	8,929,000	0.16%	39,494,000
Nogales Investment	02/15/04	2/15/2014	15,000,000	3,223,000	0.06%	1,651,000
Bay Area Equity Fund	06/14/04	12/31/2012	10,000,000	9,215,000	0.16%	0
Bay Area Equity Fund II	2/29/09	12/31/2017	10,000,000	4,773,000	0.08%	4,732,000
Paladin III	11/30/07	12/31/2017	25,000,000	12,391,000	0.22%	8,343,000
Carpenter Community BancFund	01/31/08	1/31/2016	30,000,000	31,095,000	0.55%	7,157,000
			730,000,000	362,316,000	6.20%	241,894,000
Outstanding Commitments				241,894,000		
Total				604,210,000		

Market value column is the latest ending quarter plus any additional capital calls after the ending quarter.
The Target Termination column is the beginning of liquidation of the fund, however, some funds may be extended for an additional two or three years.

25 YEARS OF MATHEMATICAL EQUITY INVESTING

INTECH

INTECH Global Low Volatility

Executive Summary

As of November 30, 2012

Meeting Date
01/09/13
Agenda Item
#10

Composite Inception: 1/1/12
Benchmark: MSCI World Index

Investment Philosophy and Product Overview

For 25 years, we have been using the power of math to construct portfolios, which over time, have the potential to outperform their benchmarks, with less risk.

- **Using Volatility as a Source of Reward**
  At INTECH we approach stock-market volatility as the fuel to generate returns greater than the benchmark with less risk, or market-like returns with significantly less risk.

- **Protecting Your Portfolios**
  Risk management is a key to generating alpha. The risk controls embedded in INTECH's process have helped to protect the portfolios on the downside through many different market cycles.

- **Providing Value to You**
  We offer a consistent and repeatable risk-managed investment process, which, over time, has the potential to generate alpha.

Global Low Volatility	
Strategy	Global Equity Low Volatility Actively Managed
Benchmark	MSCI World Index
Inception Date	1/1/2012
AUM	$17.9 Million*

*As of September 30, 2012

AUM may include custom solutions accounts that are based on the product, which may have different benchmarks than shown.

Product Information

Global Low Volatility	
Risk Objective	Minimize standard deviation
Excess Return Target*	Modest above-market returns
Alpha Source	Volatility Capture
Portfolio Absolute Volatility	Low
Tracking Error	High
Information Ratio	Low to medium
Sharpe Ratio	High

- Instead of attempting to minimize the tracking error, the absolute volatility strategies attempt to **minimize the absolute volatility** for a given target excess return.
- **Capitalizing on 25 years of experience:**
  - Similar to all of INTECH's existing products, alpha is generated via **volatility capture**.
  - Absolute volatility strategies strongly rely on **estimates of volatilities and correlations**; INTECH has been estimating volatilities and correlations as part of its volatility capture process since 1987.

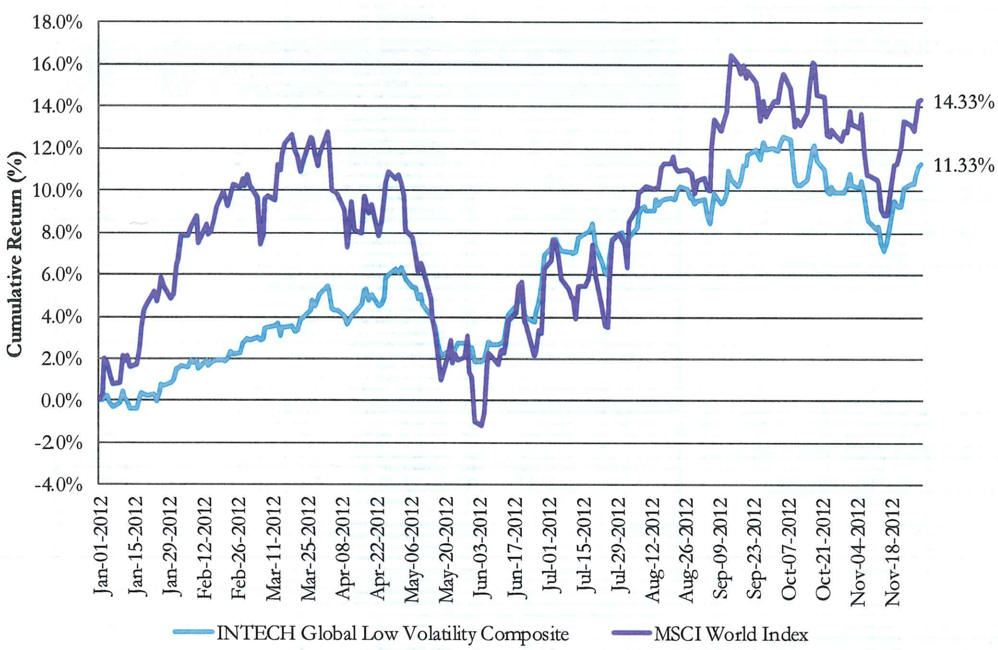
*Gross of fees, annualized, unless otherwise stated. The product information objectives listed are based on mathematical projections and/or simulations. Actual results may vary and the targets should not be considered or relied upon as a performance guarantee.

Contra Costa County Employees' Retirement Association

As of November 30, 2012

Performance : Cumulative Returns Global Low Volatility

Global Low Volatility Composite vs. MSCI World Index
January 1, 2012 – November 30, 2012



Gross
Annualized Returns* (USD)

	Global Low Volatility	MSCI World Index	Difference
QTD	-0.58%	0.68%	**-1.26%**
YTD	11.33%	14.33%	**-3.00%**
Inception 1/1/12	11.33%	14.33%	**-3.00%**

Net
Annualized Returns* (USD)

	Global Low Volatility	MSCI World Index	Difference
QTD	-0.64%	0.68%	**-1.32%**
YTD	10.97%	14.33%	**-3.36%**
Inception 1/1/12	10.97%	14.33%	**-3.36%**

Information presented gross of fees.
Performance includes the reinvestment of dividends and other earnings.
Data presented reflects past performance, which is no guarantee of future results.
Differences may not agree with input data due to rounding.
See Presentation Notes for additional information.

Performance

Contra Costa County Employees' Retirement Association INTECH Global Low Volatility Portfolio vs. MSCI World Index
May 16, 2012 – November 30, 2012

Global Low Volatility	Quarter to Date	From Inception (5/16/2012)
Fund (Gross of Fees)	-0.58%	7.72%
MSCI World Index	0.68%	9.95%
Difference	**-1.26%**	**-2.23%**
Fund (Net of Fees)	-0.62%	7.62%
MSCI World Index	0.68%	9.95%
Difference	**-1.30%**	**-2.33%**

Contra Costa County Employees' Retirement Association

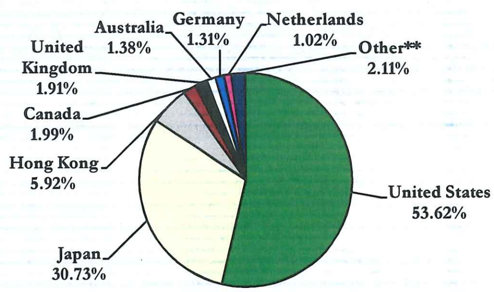
As of November 30, 2012

Portfolio Characteristics

Portfolio Characteristics

Characteristics	INTECH Global Low Volatility	MSCI World Index
Number of Securities	407	1625
Beta*	N/A	1.00
R-Squared*	N/A	1.00
Price/Earnings Ratio (Trailing 12 Mos)	14.57	20.55
Dividend Yield (Current)	2.61%	2.70%
EPS Growth (5 Yr. Historical)	4.67	5.92
Price/Book Ratio	3.70	3.89
Weighted Average Market Cap	$26.6 B	$79.0 B
Weighted Median Market Cap	$12.4 B	$38.7 B

Country Exposures



Portfolio Market Capitalization

Market Capitalization Range	INTECH Global Low Volatility	MSCI World Index
> $100B	5.13%	25.92%
$25B - $100B	22.25%	36.76%
$15B - $25B	14.82%	12.18%
$2B - $15B	57.02%	24.90%
< $2B	0.78%	0.24%
Total	100.00%	100.00%

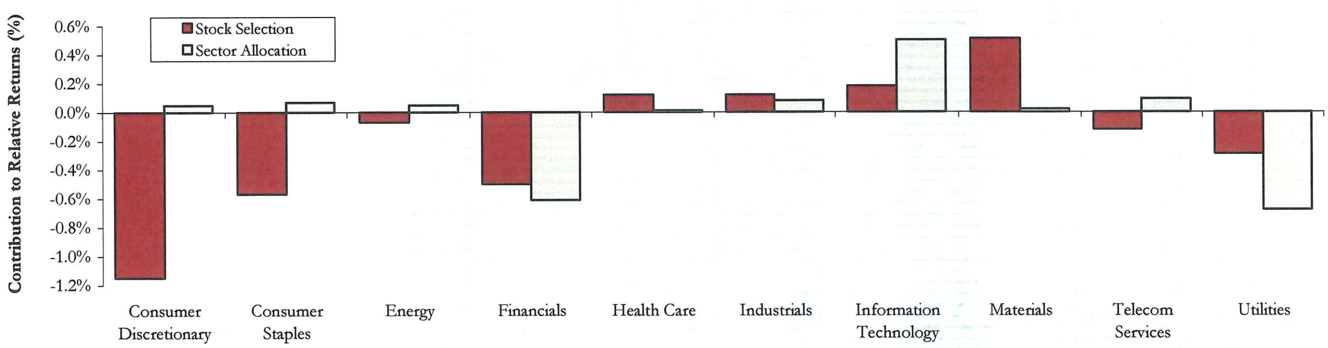
Top-Ten Holdings

Holdings	INTECH Global Low Volatility	MSCI World Index	Difference
General Mills Inc.	3.27%	0.11%	**3.17%**
CLP Holdings Ltd.	2.80%	0.06%	**2.74%**
Kinder Morgan Inc.	2.14%	0.09%	**2.06%**
Duke Energy Corp.	1.61%	0.18%	**1.43%**
AutoZone Inc.	1.53%	0.05%	**1.48%**
Lowe's Cos.	1.46%	0.17%	**1.29%**
Japan Tobacco Inc.	1.43%	0.11%	**1.33%**
Tokyo Gas Co. Ltd.	1.37%	0.05%	**1.32%**
LyondellBasell Industries N.V.	1.33%	0.06%	**1.27%**
Home Depot Inc.	1.19%	0.40%	**0.79%**

*Beta and R-Squared are deemed statistically insignificant as there is less than three years of available data.
**Represents countries that comprise less than 1% of the portfolio.
Portfolio weights may slightly exceed the maximum differential, over time, due to market action.

Performance Attribution (For the period of May 15, 2012 – November 30, 2012)

	Consumer Discretionary	Consumer Staples	Energy	Financials	Health Care	Industrials	Information Technology	Materials	Telecom Services	Utilities
Portfolio Average Active Sector Weight	5.7%	11.6%	-7.7%	-10.5%	-0.8%	1.9%	-7.4%	-4.2%	-0.9%	12.1%



- Fundamental factors tend to have an impact on shorter-term performance; no persistent biases are observed over the longer term.
- At INTECH, sector and stock-specific weightings are a residual of the investment process.
  - Detracting from relative performance were specific stocks in the consumer discretionary, consumer staples, and financials sectors.
  - An overweight in the utilities sector and an underweight to the financials sector also detracted from the portfolio's relative returns.

Portfolio average active sector weight represents the portfolio's average sector weight minus the benchmark's average sector weight over the quarter. Data presented gross of fees. Portfolio returns will be reduced by advisory fees and other expenses.
Data presented reflects past performance, which is no guarantee of future results. Returns include the reinvestment of dividends and other earnings. Source for sectors and sector returns: Wilshire/Atlas. Benchmark sectors defined by Global Industry Classification Standards (GICS).

Presentation Notes

INTECH, an indirect subsidiary of Janus Capital Group Inc., is an investment adviser registered under the Investment Advisers Act of 1940 utilizing a mathematically-based, risk managed investment process that attempts to capitalize on volatility in stock price movements. INTECH is affiliated with Janus Capital Group Inc. and its subsidiaries and affiliates. These subsidiaries and/or affiliates include Janus Capital Management LLC and Perkins Investment Management LLC. ***Past performance cannot guarantee future results. Investing involves risk, including the possible loss of principal and fluctuation of value. In addition, the proprietary mathematical investment process used by INTECH may not achieve the desired results.*** Performance results reflect the reinvestment of dividends and other earnings. Portfolio performance results shown are time-weighted rates of return using daily valuation, include the effect of transaction costs (commissions, exchange fees, etc.), and are gross of non-reclaimable withholding taxes, if any. The composite(s) include all actual fee-paying accounts managed on a fully discretionary basis according to the investment strategy from inception date, including those no longer under management. Accounts meeting such criteria enter the composite upon the full first month under management. For periods of less than one year, performance is not annualized. Differences, if shown, may not agree with input data due to rounding and have been provided as supplemental information. INTECH claims compliance with the Global Investment Performance Standards (GIPS®). To receive a complete list and description of INTECH's composites and/or presentations that adheres to the GIPS standards, please contact INTECH at finance@intechjanus.com. To receive performance data current to the most recent month end, please contact finance@intechjanus.com.

The gross performance results presented do not reflect the deduction of investment advisory fees. Returns will be reduced by such advisory fees and other contractual expenses as described in each client's individual contract.

The net performance results do not reflect the deduction of investment advisory fees actually charged to the accounts in the composite. However, the net performance results do reflect the deduction of model investment advisory fees. Net returns are calculated by applying the standard fee schedule in effect for the respective period to each account in the composite on a monthly basis. Actual advisory fees may vary among clients invested in this strategy. Actual advisory fees paid may be higher or lower than model advisory fees. Some clients may utilize a performance-based fee.

Global Low Volatility Composite includes all fully discretionary, fee paying, separately managed accounts invested in this strategy. This strategy pursues a risk-managed approach to construct a diversified portfolio of predominantly large capitalization securities. Under normal market conditions, the portfolio will typically include from 10% to 50% of the names in the MSCI World Index. This strategy targets modest above-market returns, but with significantly lower standard deviation than the index and a higher Sharpe Ratio, over the long term.

The MSCI World Index is a free float-adjusted market capitalization weighted index that is designed to measure global developed market equity performance.

The Index returns are provided to represent the investment environment existing during the time periods shown and are not covered by the report of independent verifiers. For comparison purposes, the index is fully invested, which includes the reinvestment of dividends and capital gains. The returns for the index do not include any transactions costs, management fees or other costs, and are gross of dividend tax withholdings unless otherwise noted. Composition of each separately managed account portfolio may differ from securities in the corresponding benchmark index. The index is used as a performance benchmark only, as INTECH does not attempt to replicate an index. The weightings of securities within the portfolio may differ significantly from the weighting within the index. The index is not available for direct investment; therefore, its performance does not reflect the expenses associated with the active management of an actual portfolio.

Prices assigned to investments are published prices on their primary markets or exchanges.

25 YEARS OF MATHEMATICAL EQUITY INVESTING

INTECH

INTECH U.S. Large Cap Core

Executive Summary

As of September 30, 2012

Composite Inception: 8/1/01

Benchmark: S&P 500 Index

Summary

INTECH's U.S. Large Cap Core strategy outperformed the S&P 500 Index for the quarter ended September 30, 2012, gross of fees. Relative volatility and size (market diversity) typically impact INTECH's relative performance over the long term. However, fundamental factors can have an impact on shorter-term performance. Accordingly, stock selection within the industrials and energy sectors as well as an underweight allocation to the consumer staples sector and an overweight allocation to the consumer discretionary sector contributed to the strategy's relative outperformance in the quarter. The actual positioning of the portfolio – from a sector and stock-specific perspective – is a residual of the investment process and the rationale for overweighted and underweighted positions is a function of stocks' relative volatility and correlation characteristics in aggregate.

Composite Performance

- INTECH's U.S. Large Cap Core strategy outperformed its benchmark, the S&P 500 Index, for the quarter, gross of fees.
- The strategy also outperformed the benchmark for the three-, five-, and ten-year periods, and since inception, as of September 30, 2012, gross of fees.
- INTECH's relative performance is typically impacted by two factors: the market's relative volatility structure and size (market diversity).

Annualized Performance*	U.S. Large Cap Core Composite Gross	U.S. Large Cap Core Composite Net	S&P 500 Index	Gross Difference
3 Months	6.62%	6.49%	6.35%	0.27%
1 Year	29.84%	29.21%	30.20%	-0.36%
3 Years	13.80%	13.25%	13.20%	0.60%
5 Years	1.92%	1.43%	1.05%	0.87%
10 Years	9.41%	8.90%	8.01%	1.40%
ITD (8/1/01)	5.50%	5.01%	3.58%	1.92%

Since Inception Tracking Error (Gross): 2.90%

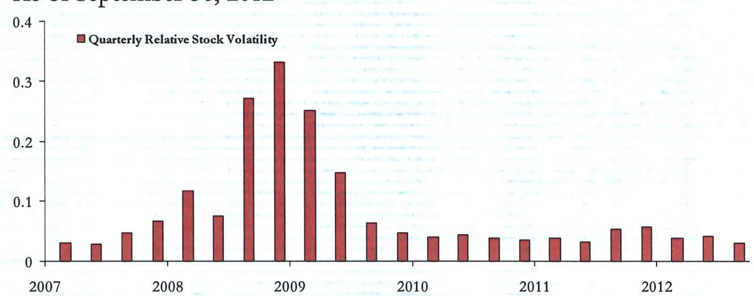
Since Inception Information Ratio (Gross): 0.66

*Periods of less than one year are not annualized. **Data presented reflects past performance, which is no guarantee of future results.** Performance includes the reinvestment of dividends and other earnings. Differences may not agree with input data due to rounding. See Presentation Notes for additional information.

Relative Volatility Environment

- Relative volatility refers to stocks moving relative to one another or relative to a benchmark.
- U.S. equity markets exhibited relatively stable stock volatility in the third quarter.
- INTECH's investment process incorporates risk controls that allow for ongoing adaptation to various volatility environments.

As of September 30, 2012

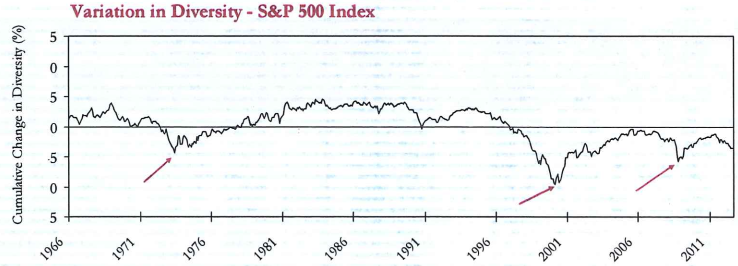


Relative volatility reflects the weighted-average relative variance of stocks in the S&P 500 Index.

The Size Factor

- Size (market diversity) is a measure of how capital is distributed among stocks in a market or an index.
- The relationship between the market cap of stocks (small vs. large) affects the relative performance of most managers.
- A decline in market diversity over the quarter reflected a change in the distribution of capital in which larger stocks outperformed smaller stocks, on average, and resulted in a headwind for INTECH's U.S. Large Cap Core strategy.

As of September 30, 2012



Source: Standard and Poor's.
Chart is cumulative through time period shown above.

Conclusion

INTECH's investment process relies on relative volatility and is affected by changes in diversity. Relative volatility is stable over time, and INTECH's investment process is engineered to gradually adapt to changes in the relative volatility structure through time. Changes in diversity can act as a short-term headwind or tailwind, but typically have a neutral impact on relative performance over the long term.

Contra Costa County Employees' Retirement Association (LCC)

As of November 30, 2012

Performance

U.S. Large Cap Core	Quarter to Date	Year to Date	1 Year	3 Years	5 Years	From Inception (11/10/2006)
				Annualized*		
Fund (Gross of Fees)	-0.87%	14.58%	15.06%	12.05%	1.69%	3.02%
S&P 500 Index	-1.28%	14.96%	16.13%	11.25%	1.34%	2.64%
Difference	**0.41%**	**-0.38%**	**-1.07%**	**0.80%**	**0.35%**	**0.38%**
Fund (Net of Fees)	-0.94%	14.13%	14.57%	11.58%	1.27%	2.59%
S&P 500 Index	-1.28%	14.96%	16.13%	11.25%	1.34%	2.64%
Difference	**0.34%**	**-0.83%**	**-1.56%**	**0.33%**	**-0.07%**	**-0.05%**

*Periods of less than one year are not annualized.
Performance includes the reinvestment of dividends and other earnings.
Portfolio returns net of management fees are calculated using the accrued fixed management fee or base management fee only.

Asset Growth Summary

	Year to Date	Inception to Date
Beginning Market Value (funded 11/8/2006)	$176,201,107	$245,761,929
Client Directed Contributions	$0	$33,607,769
Client Directed Withdrawals	-$12,000,000	-$104,327,808
Change in Asset Value*	$21,142,221	$10,301,438
Ending Market Value	$185,343,328	$185,343,328

* Values shown are approximate.

Top-Ten Holdings and Sector Weights

Holdings	INTECH U.S. Large Cap Core	S&P 500 Index	Difference
ExxonMobil	4.39%	3.21%	**1.18%**
Apple Inc.	3.69%	4.33%	**-0.64%**
TJX Cos.	2.59%	0.26%	**2.33%**
Home Depot Inc.	2.34%	0.77%	**1.56%**
Lowe's Cos.	2.24%	0.33%	**1.92%**
Visa Inc.	1.78%	0.62%	**1.16%**
Pfizer Inc.	1.72%	1.48%	**0.24%**
Walt Disney Co.	1.71%	0.70%	**1.01%**
Ecolab Inc.	1.41%	0.15%	**1.26%**
U.S. Bancorp	1.40%	0.48%	**0.91%**

Sectors	INTECH U.S. Large Cap Core	S&P 500 Index	Difference
Consumer Discretionary	25.47%	11.41%	**14.06%**
Consumer Staples	4.05%	11.05%	**-7.00%**
Energy	8.92%	11.02%	**-2.10%**
Financials	14.55%	14.98%	**-0.43%**
Health Care	9.97%	12.18%	**-2.21%**
Industrials	7.49%	10.05%	**-2.56%**
Information Technology	16.83%	19.21%	**-2.37%**
Materials	4.58%	3.53%	**1.05%**
Telecom Services	3.67%	3.13%	**0.54%**
Utilities	4.46%	3.44%	**1.02%**

Portfolio weights may slightly exceed the maximum differential, over time, due to market action.

Contra Costa County Employees' Retirement Association (LCC)

As of November 30, 2012

Investment Philosophy, Process, and Portfolio Characteristics

For 25 years, we have been using the power of math to construct portfolios, which over time, have the potential to outperform their benchmarks, with less risk.

- **Using Volatility as a Source of Reward**
  At INTECH we approach stock-market volatility as the fuel to generate returns greater than the benchmark with similar or lower risk, or market-like returns with significantly less risk.

- **Protecting Your Portfolios**
  Risk management is a key to generating alpha. The risk controls embedded in INTECH's process have helped to protect the portfolios on the downside through many different market cycles.

- **Providing Value to You**
  We offer a consistent and repeatable risk-managed investment process, which, over time, has the potential to generate alpha.

Portfolio Characteristics

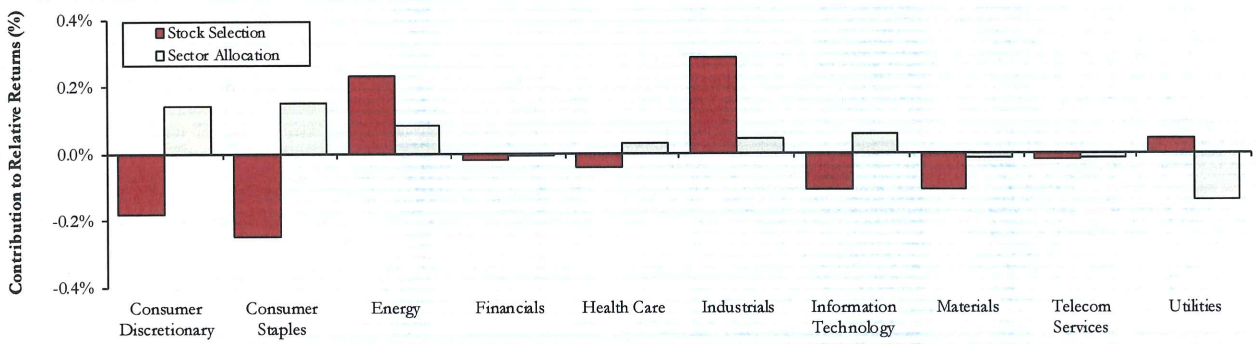
Characteristics	INTECH U.S. Large Cap Core	S&P 500 Index
Number of Securities	237	500
Beta (5 Yr. Historical)	0.97	1.00
R-Squared (5 Yr. Historical)	0.98	1.00
Price/Earnings Ratio (Trailing 12 Mos)	23.48	23.11
Dividend Yield (Current)	1.78%	2.13%
EPS Growth (5 Yr. Historical)	10.96	9.77
Price/Book Ratio	4.12	4.87
Weighted Average Market Cap	$83.7 B	$110.6 B
Weighted Median Market Cap	$28.5 B	$56.8 B

Portfolio Market Capitalization

Market Capitalization Range	INTECH U.S. Large Cap Core	S&P 500 Index
> $100B	20.69%	36.18%
$25B - $100B	29.01%	33.95%
$15B - $25B	20.37%	12.28%
$2B - $15B	29.78%	17.41%
< $2B	0.16%	0.04%
Total	100.00%	99.86%

Performance Attribution* (For the Quarter Ending 9/30/2012)

	Consumer Discretionary	Consumer Staples	Energy	Financials	Health Care	Industrials	Information Technology	Materials	Telecom Services	Utilities
Portfolio Average Active Sector Weight	12.2%	-5.0%	1.2%	-4.8%	-5.9%	-1.3%	1.1%	1.2%	-1.4%	2.9%



- Fundamental factors tend to have an impact on shorter-term performance; no persistent biases are observed over the longer term.
- At INTECH, sector and stock-specific weightings are a residual of the investment process.
  - Contributing to positive relative performance were specific stocks in the industrials and energy sectors.
  - An underweight allocation to the consumer staples sector and an overweight allocation to the consumer discretionary sector also contributed to the portfolio's relative gains.

*Representative portfolio.
Portfolio average active sector weight represents the portfolio's average sector weight minus the benchmark's average sector weight over the quarter. Data presented gross of fees. Portfolio returns will be reduced by advisory fees and other expenses.
Data presented reflects past performance, which is no guarantee of future results. Returns include the reinvestment of dividends and other earnings. Active weights and sector returns for individual accounts may differ from the representative portfolio. Source for sectors and sector returns: Wilshire/Atlas. Benchmark sectors defined by Global Industry Classification Standards (GICS).

Client and Consultant Services Team

John F. Brown
Senior Vice President
Head of Global
Client Development

Client Relations
Nancy N. Holden, CFA
Jim McHugh, M.B.A.
Joe Connors, Jr.
Warren T. DeKinder, CFA
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Investment Services

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Gina Camuccio, M.S.
Adina Lewis
Investment Services Team

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Manager, Investment Services

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Coordinator

Robert Gilbert
Investment Services Specialist

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INTECH Products

	Inception Date
Enhanced	
U.S. Enhanced Plus	7/1/1987
U.S. Enhanced Index	4/1/1998
Global Enhanced Index	1/1/2010
Global Enhanced Index ex Australia	6/1/2011
International Enhanced Index	Available
Global Enhanced All Country	11/1/2011
Core	
U.S. Large Cap Core	8/1/2001
Global Large Cap Core	1/1/2005
Global Large Cap Core ex Japan (Kokusai)	5/1/2009
International Large Cap Core	11/1/2006
European Large Cap Core	1/1/2010
Value and Growth	
U.S. Large Cap Value	7/1/1993
U.S. Large Cap Growth	7/1/1993
Alpha Capture	
U.S. Alpha Capture Index	Available
Global Alpha Capture Index	Available
Absolute Volatility	
U.S. Low Volatility	8/1/2012
Global Low Volatility	1/1/2012
Global Dividend Low Volatility	Available
U.S. Managed Volatility	Available
Global Managed Volatility	Available
Income	
Global High Dividend Core	4/1/2012

Presentation Notes

INTECH, an indirect subsidiary of Janus Capital Group Inc., is an investment adviser registered under the Investment Advisers Act of 1940 utilizing a mathematically-based, risk managed investment process that attempts to capitalize on volatility in stock price movements. INTECH is affiliated with Janus Capital Group Inc. and its subsidiaries and affiliates. These subsidiaries and/or affiliates include Janus Capital Management LLC and Perkins Investment Management LLC. ***Past performance cannot guarantee future results. Investing involves risk, including the possible loss of principal and fluctuation of value. In addition, the proprietary mathematical investment process used by INTECH may not achieve the desired results.*** Performance results reflect the reinvestment of dividends and other earnings. Portfolio performance results shown are time-weighted rates of return using daily valuation, include the effect of transaction costs (commissions, exchange fees, etc.), and are gross of non-reclaimable withholding taxes, if any. The composite(s) include all actual fee-paying accounts managed on a fully discretionary basis according to the investment strategy from inception date, including those no longer under management. Accounts meeting such criteria enter the composite upon the full first month under management. For periods of less than one year, performance is not annualized. Differences, if shown, may not agree with input data due to rounding and have been provided as supplemental information. INTECH claims compliance with the Global Investment Performance Standards (GIPS®). To receive a complete list and description of INTECH's composites and/or presentations that adheres to the GIPS standards, please contact INTECH at finance@intechjanus.com. To receive performance data current to the most recent month end, please contact finance@intechjanus.com.

The gross performance results presented do not reflect the deduction of investment advisory fees. Returns will be reduced by such advisory fees and other contractual expenses as described in each client's individual contract.

The net performance results do not reflect the deduction of investment advisory fees actually charged to the accounts in the composite. However, the net performance results do reflect the deduction of model investment advisory fees. Through December 31, 2004, net returns were derived using the maximum fixed fee in effect for the strategy. As of January 1, 2005, net returns are calculated by applying the standard fee schedule in effect for the respective period to each account in the composite on a monthly basis. Actual advisory fees may vary among clients invested in this strategy. Actual advisory fees paid may be higher or lower than model advisory fees. Some clients may utilize a performance-based fee.

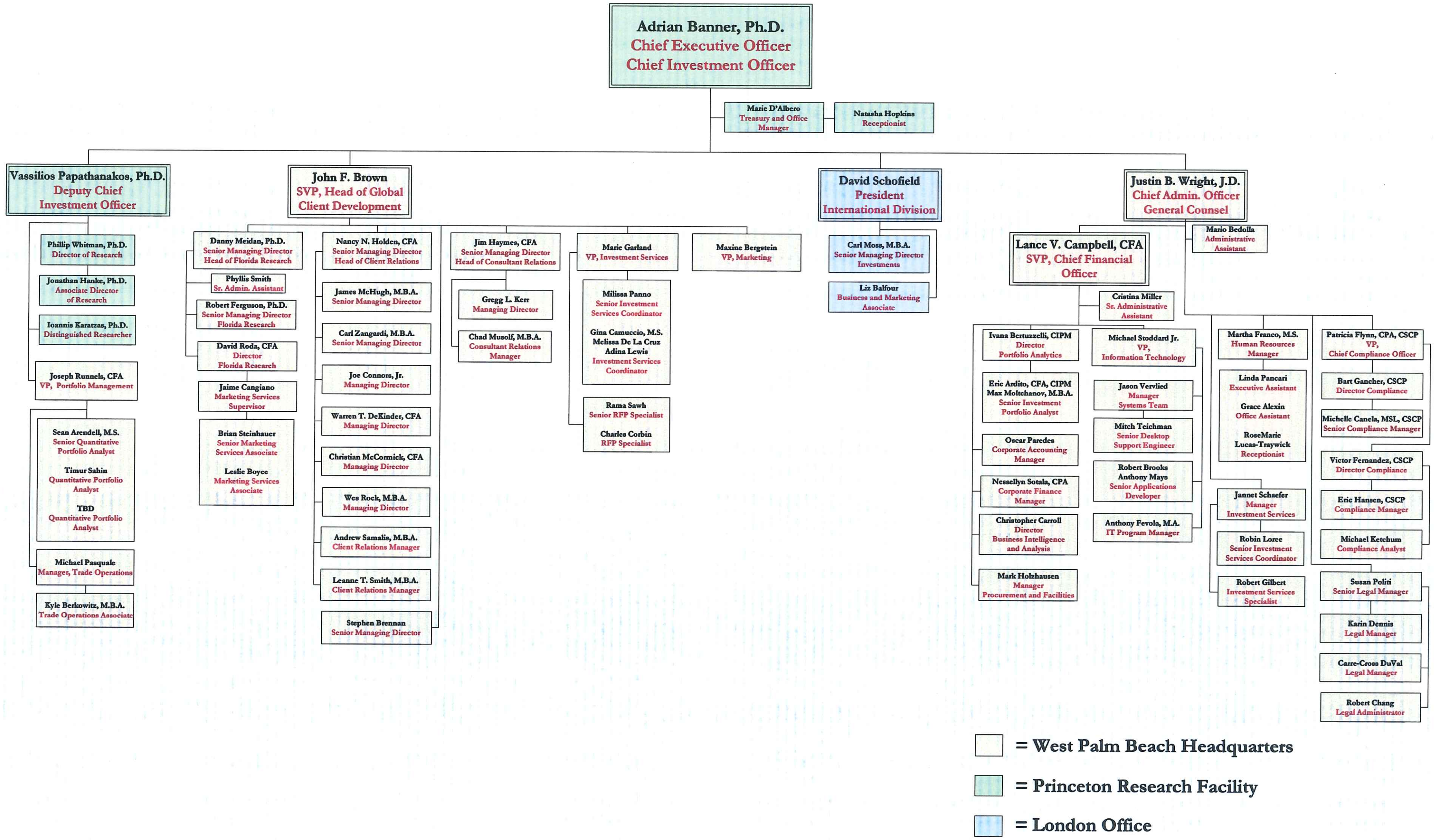
U.S. Large Cap Core Composite, previously named Large Cap Core Composite, pursues a risk-managed approach to construct a diversified portfolio of large-capitalization securities. Under normal market conditions, effective October 26, 2007, the portfolio will typically include from 30% to 90% of the names in the S&P 500 Index. Previously, portfolios typically included from 50% to 90% of the names in the S&P 500 Index. The long term target return objective over the benchmark (annualized gross of fees) range is 300 - 400 basis points.

The S&P 500 Index is an unmanaged index of 500 stocks that is generally representative of the performance of larger companies in the U.S.

The Index returns are provided to represent the investment environment existing during the time periods shown and are not covered by the report of independent verifiers. For comparison purposes, the index is fully invested, which includes the reinvestment of dividends and capital gains. The returns for the index do not include any transactions costs, management fees or other costs, and are gross of dividend tax withholdings unless otherwise noted. Composition of each separately managed account portfolio may differ from securities in the corresponding benchmark index. The index is used as a performance benchmark only, as INTECH does not attempt to replicate an index. The weightings of securities within the portfolio may differ significantly from the weighting within the index. The index is not available for direct investment; therefore, its performance does not reflect the expenses associated with the active management of an actual portfolio.

INTECH Organizational Chart

As of November 29, 2012



C-1212-1449 01-31-13

Milliman

Memorandum

Date: December 4, 2012
To: CCCERA
From: Jeff Youngman and Bob Helliesen
Subject: Review of INTECH CEO Resignation

Overview

Milliman received a call from Gregg Kerr, the managing director of consultant relations at Intech, on the evening of Wednesday, November 28. Gregg notified Milliman that, effectively immediately, Jennifer Young, the Chief Executive Officer of Intech is leaving the firm, and that Adrian Banner is succeeding her as CEO. Adrian is currently the chief investment officer at Intech, and will continue to fill this role while taking on the role of chief executive officer, though Adrian will not take on all of Jennifer's responsibilities. Adrian will continue to oversee day-to-day investment operations alongside Deputy Chief Investment Officer Dr. Vassilios Papathanakos and Director of Research Dr. Phillip Whitman. Jennifer's executive responsibilities have been transitioned to Adrian and other members of Intech's senior leadership team, as detailed below:

- Justin Wright has been appointed to the new position of Chief Administrative Officer, in addition to his current role as General Counsel. Justin will oversee all business operations with the exception of investments
- John Brown, as Head of Global Client Development, will manage client and consultant relations
- David Schofield continues as President of INTECH's international division
- Lance Campbell continues in his role as Chief Financial Officer

December 3, 2012 Conference Call

After being notified of Jennifer's resignation, Milliman set up a conference call with Adrian Banner on December 3, 2012. During this call Adrian said that Intech had been considering moving investment personnel into company leadership roles for the past six months. Adrian mentioned that he felt such a move would allow Intech to take advantage of more business opportunities and that-in the end- Jennifer agreed that the firm could be better served with investment personnel managing the firm. Adrian stated that Jennifer left the firm to allow this transition to take place.

Conclusion

CCCERA has two portfolios managed by Intech. The Intech Large Cap Core portfolio had a market value of $187.5 million as of September 30, 2012 (3.2% of Total Fund assets) and the recently funded Global Low Volatility portfolio had a September 30, 2012 market value of $17.9 million, which was 0.3% of Total Fund assets. Milliman does not believe that Jennifer's resignation will have a material impact on the portfolios used by CCCERA. Adrian stated the investment process and personnel of all Intech portfolios are unchanged as a result of Jennifer's resignation. However, this is a significant change in senior management. Milliman believes it is prudent that both the Intech Large Cap Core and Global Low Volatility portfolios be put on watch for personnel change. Milliman will closely follow these portfolios to evaluate the impact, if any, of Jennifer Young's resignation as CEO of Intech.

MEETING DATE
JAN 09 2013
AGENDA ITEM
#11

SEGAL

The Segal Company
100 Montgomery Street Suite 500 San Francisco, CA 94104
T 415.263.8200 F 415.263.8290 www.segalco.com

January 2, 2013

Board of Retirement
Contra Costa County Employees' Retirement Association
1335 Willow Way, Suite 221
Concord, CA 94520

Dear Board Members:

We are pleased to submit our findings of the prescribed benefit formulas under the California Public Employees' Pension Reform Act of 2013 (PEPRA) for new General members and new Safety members. Other than the required changes to the benefit formula and a few other plan provisions, all the other benefit provisions are assumed to be the same as those currently offered to General and Safety members. The results in this report are determined so as to be applicable for members with a membership date on and after January 1, 2013.

These prescribed formulas would only be offered to new members. Because data for such members is not yet available, we have assumed in this valuation that their demographic profiles (e.g., entry age, composition of male versus female, etc.) can be approximated by the data profiles of current active members with membership dates in the last year prior to the last valuation as of December 31, 2011. No current active, inactive vested members, retirees, or beneficiaries have been included in this valuation. With the exception of the service retirement assumptions and the elimination of terminal pay assumptions under the proposed formulas, this study utilizes the actuarial assumptions and methodologies adopted by the CCCERA Board of Retirement for use in the December 31, 2011 valuation for the current members of the County and other sponsoring employers.

The actuarial calculations were completed under the supervision of John Monroe, ASA, MAAA, Enrolled Actuary. We are members of the American Academy of Actuaries and we meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein.

We recommend that you have the Association's legal counsel confirm that the methodologies applied in this study are consistent with the requirements of PEPRA.

Sincerely,

THE SEGAL COMPANY

By:

Paul Angelo, FSA, MAAA, FCA, EA
Senior Vice President and Actuary

John Monroe
John Monroe, ASA, MAAA, EA
Vice President and Associate Actuary

AW/gxk

CONTRA COSTA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

PEPRA New Tiers of Benefits for New Members

OVERVIEW

- Currently, new General Tier 1 and Tier 3 members are enrolled under either Section 31676.11 (Non-enhanced) (1.67% @ 55) or Section 31676.16 (Enhanced) (2% at 55). New Safety Tier A members are enrolled under either Section 31664 (Non-enhanced) (2% @ 50) or Section 31664.1 (Enhanced) (3% at 50). New Safety Tier C members are also enrolled under Section 31664.1 (Enhanced) (3% at 50). As required by PEPRA, members with membership dates on and after January 1, 2013 would be enrolled in the new tiers described below.
- In this study, we have assumed that new General members would receive a benefit of 2.5% at age 67 as described under PEPRA Section 7522.20(a). For Safety members, they would receive a benefit of 2.7% at 57 as described under Section 7522.25(d). Both of these formulas have been valued with a final 3-year average compensation and the applicable Cost-of-Living Adjustment from CCCERA's current open tiers (i.e., 2% or 3%).
- The General and Safety service retirement benefit formulas included in this study can be found in Section 3. Unless otherwise noted, it is assumed that all the other benefit provisions for these proposed tiers would be unchanged from those provided to members in the current General and Safety plans. We note that under the new tiers there is a 3-year period required for determining final average compensation (excluding certain death benefits), the 30-year cessation on Safety member contributions does not apply and there is a new definition of compensation for purposes of determining retirement benefits ("pensionable compensation").
- For purposes of this study we have assumed that the pay elements that currently comprise compensation for pension purposes would not be affected by the requirements regarding compensation earnable under Section 31461 as amended by AB 340 and AB 197. In addition, we have made the simplifying assumption that pensionable compensation for new members would be identical to compensation earnable for current members (except for the elimination of terminal pay). However, we understand that there may be elements of pay that are included in compensation earnable that would be excluded from pensionable compensation. This would reduce the compensation amounts used in the determination of the Normal Cost rates, but should not significantly impact the Normal Cost rates developed in this study.
- It is our understanding that in the determination of pension benefits under the PEPRA formulas, the pensionable compensation that can be taken into account for 2013 is equal to $113,700 (the Social Security Taxable Wage Base for 2013) or 120% of this amount ($136,440) if not enrolled in Social Security. This is also the maximum amount of compensation over which employer and member contributions will be collected. (reference: Section 7522.10)
- Currently under the 1937 Act, both the service retirement benefit accrual and the member contribution rate for all General members are adjusted to reflect the participation of certain General employers in Social Security. In particular, the benefit accrual and member contribution rate for the first $350 in monthly compensation are set at levels that are 2/3 of those used for compensation in excess of $350 per month.

SECTION 1

SECTION 2

SECTION 3

Since the PEPRA formulas represent a fundamental change in the level of both benefit accrual and member contribution rate for new members, we have made an assumption that the above adjustments for integration with Social Security under the PEPRA formulas would no longer apply. In addition, CCCERA's legal counsel has confirmed this as the appropriate approach.

- This study assumes that the demographic profiles of new General and Safety members would be comparable to current General and Safety members with membership dates in the last year prior to the December 31, 2011 actuarial valuation. We have calculated the employer and member Normal Cost contribution rates for the group of recently hired members under the proposed benefit formulas as of December 31, 2011. Note that the actual costs will be based on the actual demographics of the new members once actual membership enrollment data for each employer becomes available.

- It is our understanding that new members entering on or after January 1, 2013 would be required to contribute at least 50% of the Normal Cost rate. (reference: Section 7522.30(a))

  In addition, there are certain additional requirements that would have to be met such as requiring the employee rates be rounded to the nearest one quarter of one percent and requiring the new employees to pay the contribution rate of "similarly situated employees", if it is greater. (reference: Section 7522.30(c))

  It is our further understanding that different rules may have to be applied for collectively bargained employees, nonrepresented, managerial or other supervisory employees. (reference: section 7522.30(e))

  In preparing the Normal Cost rates in this report, we have assumed that 50% of the Normal Cost would be paid by the new members and we have taken into account in this study only the rounding requirements of Section 7522.30(c), but not requirements of Section 7522.30(e).

- In determining the member contribution rate that is intended to pay 50% of the Normal Cost, we have used a single (non-entry age based) rate regardless of the entry age of the new members. We have made this recommendation to the Association to use a single rate instead of the current practice of entry age based rates because we believe using the same single rate methodology for both new members and the employer will provide clarity as to how the Normal Cost contribution rate is shared between the two. This recommendation has been agreed to by the Board.

- In Sections 2B, 2C, 2D and 2E, we have shown the aggregate employer and member Normal Cost contribution rates approved by the Board of Retirement for General and Safety members with membership dates on or after January 1, 2011 in the December 31, 2011 valuation. Those Normal Cost rates may be compared to the Normal Cost rates calculated under the prescribed formulas to estimate the longer-term potential cost impacts for the employer and the members. In illustrating the average annual contributions in Sections 2B, 2C, 2D and 2E, we have applied the average annual compensation after it has been limited by Section 7522.10 even though that limit would not apply to the current tiers.

- In addition to the employer Normal Cost rates provided in Sections 2B, 2C, 2D and 2E, it is anticipated that the employer would have to continue to contribute for new hires the same Unfunded Actuarial Accrued Liability (UAAL) rates for

General members and Safety members that were determined in the December 31, 2011 valuation. In other words, the UAAL currently being amortized and funded by the employers will continue to be paid off as a level percent of total payroll (including future new members who are in the corresponding new cost group), assuming payroll will grow at 4.25% per year. This is no different than CCCERA's current practice for new members. However, note that there will be a small actuarial loss due to slightly less UAAL contributions being collected during January 1, 2013 through June 30, 2014 since contributions will only be collected up to the pensionable compensation limit described earlier.

> With the exception of the service retirement assumptions and the elimination of terminal pay assumptions, the actuarial assumptions and methods used in this study are the same as those adopted by the Board of Retirement for use in the December 31, 2011 valuation. The service retirement assumptions used in this study are shown in Section 3, Exhibit I of this report. These assumptions were developed for this study to estimate the anticipated impact of the changes in the benefit formulas on future retirement age experience.

> The results shown in this study are for all new General and Safety members with CCCERA membership dates on or after January 1, 2013. The Normal Cost contribution rates would apply for the period from January 1, 2013 through June 30, 2014, while the UAAL rates would change on July 1, 2013.

A. Demographics as of December 31, 2011

Category	
Active members in valuation[1]:	
General Tier 1	
New members	24
Average entry age	38.5
Projected average compensation	$52,135
Projected average compensation after applying the limit under Section 7522.10	$52,135
General Tier 3	
New members	481
Average entry age	39.0
Projected average compensation	$46,635
Projected average compensation after applying the limit under Section 7522.10	$45,879
Safety Tier A	
New members	51
Average entry age	31.7
Projected average compensation	$72,550
Projected average compensation after applying the limit under Section 7522.10	$72,550
Safety Tier C	
New members	36
Average entry age	28.0
Projected average compensation	$56,431
Projected average compensation after applying the limit under Section 7522.10	$54,487

(1) *The data is based on the December 31, 2011 valuation and it includes active members with membership date in the one-year prior to the December 31, 2011 actuarial valuation.*

B. Comparison of Normal Cost Rates for New General Tier 4 Members:

Formula		Employer Rate: % of Payroll[1]	Employer Rate: Estimated Average Annual Amount[2]	Average Member Rate: % of Payroll	Average Member Rate: Estimated Average Annual Amount[2]
Current General Tier 1 (§31676.11 and §31676.16)		16.56%[3]	$8,634	10.50%[3]	$5,474
PEPRA General Tier 4 (§7522.20(a))	Basic	7.55%	$3,936	7.55%	$3,936
	COLA	2.67%	1,392	2.67%	1,392
	Total	10.22%	$5,328	10.22%	$5,328
Rounded PEPRA General Tier 4 (§7522.30(c))	**Basic**	**7.53%**	$3,926	7.57%	$3,947
	COLA	**2.66%**	1,387	**2.68%**	1,397
	Total	**10.19%**	$5,313	**10.25%**	$5,344

(1) *These are the Normal Cost rates only. The total employer rate for the period from January 1, 2013 through June 30, 2014 would be equal to the Normal Cost rates above plus the UAAL rates shown below. These are the same UAAL rates that apply to current CCCERA members.*

Total UAAL Rates for Period	*Cost Group 1 County*	*Cost Group 1 Districts without POB*	*Cost Group 1 Districts with POB (Moraga)*	*Cost Group 3 Contra Costa Sanitary District*	*Cost Group 4 Contra Costa Housing Authority*	*Cost Group 5 Contra Costa County Fire Protection District*	*Cost Group 6 Non-enhanced Districts without POB*
January 1, 2013 through June 30, 2013	*12.10%*	*21.25%*	*9.82%*	*35.27%*	*18.52%*	*10.77%*	*11.01%*
July 1, 2013 through June 30, 2014	*14.49%*	*24.34%*	*6.81%*	*39.56%*	*19.73%*	*15.73%*	*9.59%*

(2) *These per member amounts are based on the December 31, 2011 projected average annual payroll for active General Tier 1 members with membership dates in the last year of $52,135.*

(3) *These current formula aggregated rates are based on applying the payrolls of the General Tier 1 members with membership dates on or after January 1, 2011 included in this study to the Normal Cost rates of those members in the December 31, 2011 valuation.*

Note: ***These Normal Cost rates have not been adjusted to reflect the applicable requirements, if any, under Section 7522.30(e) as discussed in Section 1. These rates do not include any employer subvention of member contributions or any member subvention of employer contributions. The appropriate refundability factors shown on page vi of the December 31, 2011 actuarial valuation would be used to make these adjustments, if applicable.***

C. Comparison of Normal Cost Rates for New General Tier 5 Members:

Formula		Employer Rate: % of Payroll[1]	Employer Rate: Estimated Average Annual Amount[2]	Average Member Rate: % of Payroll	Average Member Rate: Estimated Average Annual Amount[2]
Current General Tier 3 (§31676.16)		13.10%[3]	$6,010	9.75%[3]	$4,473
PEPRA General Tier 5	Basic	6.92%	$3,175	6.92%	$3,175
(§7522.20(a))	COLA	2.37%	1,087	2.37%	1,087
	Total	9.29%	$4,262	9.29%	$4,262
Rounded PEPRA General Tier 5	**Basic**	**6.95%**	$3,189	**6.89%**	$3,161
(§7522.30(c))	**COLA**	**2.38%**	1,092	**2.36%**	1,083
	Total	**9.33%**	$4,281	**9.25%**	$4,244

(1) *These are the Normal Cost rates only. The total employer rate for the period from January 1, 2013 through June 30, 2014 would be equal to the Normal Cost rates above plus the UAAL rates shown below. These are the same UAAL rates that apply to current CCCERA members.*

Total UAAL Rates for Period	*Cost Group 2 County*	*Cost Group 2 Districts without POB*
January 1, 2013 through June 30, 2013	*12.10%*	*21.25%*
July 1, 2013 through June 30, 2014	*14.49%*	*24.34%*

(2) *These per member amounts are based on the December 31, 2011 projected average annual payroll for active General Tier 3 members with membership dates in the last year of $45,879.*

(3) *These current formula aggregated rates are based on applying the payrolls of the General Tier 3 members with membership dates on or after January 1, 2011 included in this study to the Normal Cost rates of those members in the December 31, 2011 valuation.*

Note: ***These Normal Cost rates have not been adjusted to reflect the applicable requirements, if any, under Section 7522.30(e) as discussed in Section 1. These rates do not include any employer subvention of member contributions or any member subvention of employer contributions. The appropriate refundability factors shown on page vi of the December 31, 2011 actuarial valuation would be used to make these adjustments, if applicable.***

D. Comparison of Normal Cost Rates for New Safety Tier D Members:

Formula		Employer Rate: % of Payroll[1]	Employer Rate: Estimated Average Annual Amount[2]	Average Member Rate: % of Payroll	Average Member Rate: Estimated Average Annual Amount[2]
Current Safety Tier A (§31664 and §31664.1)		26.86%[3]	$19,487	15.95%[3]	$11,572
PEPRA Safety Tier D (§7522.25(d))	Basic	11.07%	$8,031	11.07%	$8,031
	COLA	4.66%	3,381	4.66%	3,381
	Total	15.73%	$11,412	15.73%	$11,412
Rounded PEPRA Safety Tier D (§7522.30(c))	**Basic**	**11.06%**	$8,024	**11.08%**	$8,039
	COLA	**4.65%**	3,374	**4.67%**	3,388
	Total	**15.71%**	$11,398	**15.75%**	$11,427

(1) *These are the Normal Cost rates only. The total employer rate for the period from January 1, 2013 through June 30, 2014 would be equal to the Normal Cost rates above plus the UAAL rates shown below. These are the same UAAL rates that apply to current CCCERA members.*

Total UAAL Rates for Period	*Cost Group 7 County*	*Cost Group 8 Contra Costa FPD*	*Cost Group 8 East Contra Costa FPD*	*Cost Group 10 Moraga-Orinda Fire District*	*Cost Group 11 San Ramon Valley FPD*	*Cost Group 12 Rodeo-Hercules FPD*
January 1, 2013 through June 30, 2013	*30.20%*	*21.72%*	*58.62%*	*16.25%*	*34.97%*	*35.65%*
July 1, 2013 through June 30, 2014	*37.67%*	*27.76%*	*65.70%*	*24.61%*	*39.70%*	*50.34%*

(2) *These per member amounts are based on the December 31, 2011 projected average annual payroll for active Safety Tier A members with membership dates in the last year of $72,550.*

(3) *These current formula aggregated rates are based on applying the payrolls of the Safety Tier A members with membership dates on or after January 1, 2011 included in this study to the Normal Cost rates of those members in the December 31, 2011 valuation.*

Note: ***These Normal Cost rates have not been adjusted to reflect the applicable requirements, if any, under Section 7522.30(e) as discussed in Section 1. These rates do not include any employer subvention of member contributions or any member subvention of employer contributions. The appropriate refundability factors shown on page vi of the December 31, 2011 actuarial valuation would be used to make these adjustments, if applicable.***

E. Comparison of Normal Cost Rates for New Safety Tier E Members:

		Employer Rate		Average Member Rate	
Formula		% of Payroll[1]	Estimated Average Annual Amount[2]	% of Payroll	Estimated Average Annual Amount[2]
Current Safety Tier C (§31664.1)		19.31%[3]	$10,521	11.95%[3]	$6,511
PEPRA Safety Tier E	Basic	10.34%	$5,634	10.34%	$5,634
(§7522.25(d))	COLA	2.61%	1,422	2.61%	1,422
	Total	12.95%	$7,056	12.95%	$7,056
Rounded PEPRA Safety Tier E	**Basic**	**10.30%**	$5,612	**10.38%**	$5,656
(§7522.30(c))	**COLA**	**2.60%**	1,417	**2.62%**	1,427
	Total	**12.90%**	$7,029	**13.00%**	$7,083

(1) *These are the Normal Cost rates only. The total employer rate for the period from January 1, 2013 through June 30, 2014 would be equal to the Normal Cost rates above plus the UAAL rates shown below. These are the same UAAL rates that apply to current CCCERA members.*

Total UAAL Rates for Period	*Cost Group 9 County*
January 1, 2013 through June 30, 2013	*30.20%*
July 1, 2013 through June 30, 2014	*37.67%*

(2) *These per member amounts are based on the December 31, 2011 projected average annual payroll for active Safety Tier C members with membership dates in the last year of $54,487.*

(3) *These current formula-aggregated rates are based on applying the payrolls of the Safety Tier C members with membership dates on or after January 1, 2011 included in this study to the Normal Cost rates of those members in the December 31, 2011 valuation.*

Note: ***These Normal Cost rates have not been adjusted to reflect the applicable requirements, if any, under Section 7522.30(e) as discussed in Section 1. These rates do not include any employer subvention of member contributions or any member subvention of employer contributions. The appropriate refundability factors shown on page vi of the December 31, 2011 actuarial valuation would be used to make these adjustments, if applicable.***

EXHIBIT I
Actuarial Assumptions and Plan Summary

Actuarial Assumptions:

The service retirement assumptions (probability of retirement) that are used in determining results for the PEPRA formulas are shown on the next page. We have also eliminated the terminal pay assumptions.

For purposes of this study we have assumed that the pay elements that currently comprise compensation amounts would not be affected by the requirements regarding compensation earnable under Section 31461 as amended by AB 340 and AB 197 (except for the elimination of terminal pay). In addition, we have made the simplifying assumption that pensionable compensation for new members would be identical to compensation earnable for current members . However, we understand that there may be elements of pay that are included in compensation earnable that would be excluded from pensionable compensation. This would reduce the compensation amounts used in the determination of the Normal Cost rates, but should not significantly impact the Normal Cost rates developed in this study.

We are also assuming that the maximum amount of pensionable compensation that be taken into account for 2013 of $113,700 ($136,440 for members not integrated with Social Security) increases by 3.50% per year, consistent with assumed increases in the Consumer Price Index.

All the other actuarial assumptions are the same as those adopted by the Board of Retirement Board for use in the December 31, 2011 actuarial valuation.

Retirement Rates (probability of retirement):

	Rates (%)			
Age	Current General Tier 1 (Enhanced)	Current General Tier 3 (Enhanced)	Current General Tier 1 (Non-enhanced)	PEPRA General Tier 4 and 5
50	4.00	4.00	3.00	0.00
51	4.00	3.00	3.00	0.00
52	4.00	3.00	3.00	2.00
53	5.00	3.00	3.00	2.00
54	10.00	5.00	3.00	3.00
55	15.00	10.00	10.00	5.00
56	15.00	10.00	10.00	5.00
57	17.00	10.00	10.00	6.00
58	20.00	10.00	10.00	7.00
59	20.00	10.00	10.00	8.00
60	20.00	15.00	25.00	10.00
61	30.00	17.00	15.00	12.50
62	30.00	25.00	40.00	20.00
63	30.00	25.00	25.00	20.00
64	30.00	27.00	30.00	20.00
65	35.00	35.00	40.00	25.00
66	35.00	35.00	35.00	30.00
67	35.00	35.00	35.00	30.00
68	35.00	35.00	35.00	30.00
69	35.00	35.00	35.00	30.00
70	100.00	40.00	100.00	50.00
71	100.00	40.00	100.00	50.00
72	100.00	40.00	100.00	50.00
73	100.00	40.00	100.00	50.00
74	100.00	40.00	100.00	50.00
75	100.00	100.00	100.00	100.00

Retirement Rates (probability of retirement):

	Rates (%)			
Age	Current Safety Tier A (Enhanced)	Current Safety Tier C (Enhanced)	Current Safety Tier A (Non-enhanced)	PEPRA Safety Tier D and E
45	2.00	1.00	0.00	0.00
46	2.00	1.00	0.00	0.00
47	2.00	1.00	0.00	0.00
48	2.00	1.00	0.00	0.00
49	10.00	5.00	0.00	0.00
50	25.00	15.00	1.00	5.00
51	17.00	10.00	1.00	3.00
52	20.00	12.00	1.00	3.00
53	20.00	12.00	1.00	4.00
54	20.00	12.00	1.00	4.00
55	30.00	20.00	2.00	6.00
56	25.00	15.00	2.00	8.00
57	25.00	15.00	3.00	12.00
58	30.00	20.00	4.00	18.00
59	30.00	20.00	20.00	20.00
60	40.00	30.00	17.00	17.00
61	40.00	30.00	17.00	17.00
62	40.00	30.00	18.00	18.00
63	40.00	30.00	20.00	20.00
64	40.00	30.00	100.00	100.00
65	100.00	100.00	100.00	100.00

Terminal Pay Assumptions:

Current Formula

The following assumptions for terminal pay as a percentage of final average pay are used:

	Membership Date before January 1, 2011	Membership Date on or after January 1, 2011
Cost Group 1:	12.00%	3.00%
Cost Group 2:	3.50% for Tier 2 7.50% for Tier 3	1.00%
Cost Group 3:	24.00%	8.00%
Cost Group 4:	6.00%	0.75%
Cost Group 5:	12.00%	3.00%
Cost Group 6:	12.00%	3.00%
Cost Group 7:	11.25%	1.50%
Cost Group 8:	10.50%	1.25%
Cost Group 9:	3.75%	0.50%
Cost Group 10:	14.00%	1.75%
Cost Group 11	15.00%	3.50%
Cost Group 12:	16.00%	8.00%

For determining the cost of the basic benefit (i.e. non-COLA component), the cost of this pay element is currently recognized in the valuation as an employer only cost and does not affect member contribution rates.

PEPRA Formula

None

Plan Provisions:

Please note that with the exception of the plan provisions described below, all the other plan provisions are assumed to be the same as those used in the December 31, 2011 valuation.

Membership Eligibility:

All members with membership dates on or after January 1, 2013.

Service Retirement Eligibility:

Current General	Age 50 with 10 years of service, or age 70 regardless of service, or after 30 years of service, regardless of age (§31672).
PEPRA General	Age 52 with 5 years of service (§7522.20(a)).
Current Safety	Age 50 with 10 years of service, or age 70 regardless of service, or after 20 years of service, regardless of age (§31663.25).
PEPRA Safety	Age 50 with 5 years of service (§7522.25(a)).

Final Compensation for Benefit Determination:

General Tier 1, Tier 3 (non-disability), and Safety Tier A	Highest consecutive twelve months of compensation earnable (§31462.1). (FAS1)
General Tier 2, Tier 3 (disability), and Safety Tier C	Highest consecutive thirty-six months of compensation earnable (§31462). (FAS3)
PEPRA Formula	Highest consecutive thirty-six months of pensionable compensation (§7522.32). (FAC3)

Compensation Limit: For the PEPRA formulas, $113,700 for 2013 ($136,440 if not enrolled in Social Security) (§7522.10)

Retirement Benefit Formula:

General	**Retirement Age**	**Benefit Formula**
Current General Tier 1	50	1.24% x (FAS1 – 1/3 x $350 x 12) x Years of Service
(Non-enhanced)	55	1.67% x (FAS1 – 1/3 x $350 x 12) x Years of Service
(§31676.11)	60	2.18% x (FAS1 – 1/3 x $350 x 12) x Years of Service
	62	2.35% x (FAS1 – 1/3 x $350 x 12) x Years of Service
	65 and later	2.61% x (FAS1 – 1/3 x $350 x 12) x Years of Service

Safety	**Retirement Age**	**Benefit Formula**
Current General Tier 1 and Tier	50	1.43% x (FAS1 – 1/3 x $350 x 12) x Years of Service
3 (Enhanced)(§31676.16)	55	2.00% x (FAS1 – 1/3 x $350 x 12) x Years of Service
	60	2.26% x (FAS1 – 1/3 x $350 x 12) x Years of Service
	62	2.37% x (FAS1 – 1/3 x $350 x 12) x Years of Service
	63 and later	2.42% x (FAS1 – 1/3 x $350 x 12) x Years of Service
PEPRA General Tier 4 and 5	52	1.00% x FAC3 x Years of Service
(§7522.20(a))	55	1.30% x FAC3 x Years of Service
	60	1.80% x FAC3 x Years of Service
	62	2.00% x FAC3 x Years of Service
	65	2.30% x FAC3 x Years of Service
	67 and later	2.50% x FAC3 x Years of Service

Safety	**Retirement Age**	**Benefit Formula**
Current Safety Tier A	50	2.00% x FAS1 x Years of Service
(Non-enhanced)(§31664)	55 and later	2.62% x FAS1 x Years of Service
Current Safety Tier A	50	3.00% x FAS1 x Years of Service
(Enhanced)(§31664.1)	55 and later	3.00% x FAS1 x Years of Service
Current Safety Tier C	50	3.00% x FAS3 x Years of Service
(Enhanced)(§31664.1)	55 and later	3.00% x FAS3 x Years of Service
PEPRA Safety Tier D and E	50	2.00% x FAC3 x Years of Service
(§7522.25(d))	55	2.50% x FAC3 x Years of Service
	57 and later	2.70% x FAC3 x Years of Service

Maximum Benefit:	
Current Formula	100% of Final Compensation (§31676.11, §31676.16, §31664, §31664.1)
PEPRA Formula	None
Member Contributions:	Under PEPRA, members are assumed to pay 50% of the total Normal Cost rate. In addition, PEPRA Safety members with 30 or more years of service are not exempt from paying member contributions.

5224060v4/05337.106

MEETING DATE
JAN 09 2013
AGENDA ITEM
#12

Memorandum

Date: January 9, 2013

To: Board of Retirement
Marilyn Leedom, Retirement Chief Executive Officer

From: Karen Levy, General Counsel

Subject: Update On New Information Published By CalPERS Regarding "Pensionable Compensation" Under PEPRA G.C. Section 7522.34 (eff. 1/1/13)

This memorandum provides an update regarding the implementation of "pensionable compensation" under the California Public Employees' Pension Reform Act of 2013 ("PEPRA") for employees becoming new members on or after January 1, 2013. This memorandum does *not* address any changes to current "legacy" members of the CCCERA retirement system.[1]

I. Update: CalPERS Publishes Information About PEPRA Definition of "Pensionable Compensation"

The statutory mandates on "pensionable compensation" for new PEPRA members found in Government Code Section 7522.34 apply to CalPERS as well as all '37 Act systems, including, of course, CCCERA. On December 27, 2012, CalPERS published a Circular Letter to its participating employers with information regarding PEPRA. (Copy enclosed.) Like CCCERA, CalPERS explains that to qualify as "pensionable compensation" under PEPRA, an item of compensation must meet the following four criteria as provided in PEPRA, G.C. Section 7522.34(a):

(1) Pay is part of the normal monthly rate of pay or base pay of the member.
(2) Pay is paid in cash to similarly situated members in the same grade or class of employment.
(3) Pay is for services rendered on a full-time basis during normal working hours.
(4) Pay is paid pursuant to publicly available pay schedules.

Additionally, the compensation must not fall within any of the specific exclusions listed in 7522.34(b), such as: termination or during-service payouts for unused vacation or sick leave;

[1] Assembly Bill 197 contains amendments to compensation for retirement purposes for current members. CCCERA's implementation of AB 197 has been temporarily stayed pursuant to a court order entered on November 28, 2012 in the matter of *Contra Costa County Deputy Sheriffs Association, et al., v. CCCERA, et al.,* Contra Costa County Superior Court, Case No. N12-1870. The Court Order requires that CCCERA continue to follow its policy as to current, "legacy" members, until after this matter is heard and decided.

housing allowance, automobile allowance and uniform allowance; on-call and call-back pay for services rendered outside of normal working hours; conversion of in-kind benefits into cash during the final compensation period; one-time or ad hoc payments, bonus payments, severance pay, retirement incentive pay; and any compensation determined by the board to have been paid to increase a member's retirement benefit under the CCCERA system.

PEPRA's definition of "pensionable compensation" adopts language from the CalPERS statute that appears to limit it to "base pay." However, CalPERS has determined that the following compensation items also qualify as "pensionable compensation":

- Incentive pay, for example: longevity pay, marksmanship pay, typing premium.
- Education pay, for example: educational inventive, Certified Public Accountant pay, Emergency Medical Technician pay, notary pay, paramedic pay, Peace Officer Standard Training (POST) certificate pay.
- Special assignment pay, for example: hazard premium, lead worker premium, motorcycle patrol premium, narcotic division premium, shift differential.
- Holiday pay.

CalPERS' circular explains that CalPERS intends to promulgate regulations to, among other things, include a list of these additional pay items as "pensionable compensation" which CalPERS' participating employers will be reporting as pensionable. CalPERS states that it also will propose implementing regulations to clarify the meaning of "publicly available pay schedules" and to provide a list of additional pay items as "pensionable compensation" to the extent they meet the four criteria above. CalPERS notes that as these items proceed through the regulatory process, some changes, including the additional pay items list, may be required.

It is important to note that CalPERS regulations would not be binding on CCCERA, but they will be instructive on how CalPERS is implementing the same statutory provisions to which CCCERA is now subject, namely, the definition of "pensionable compensation" under PEPRA, G.C. Section 7522.34.

II. CCCERA's Implementation of "Pensionable Compensation"

On December 11, 2012, the CCCERA Board took action to include only "base pay" in "pensionable compensation" for new PEPRA members, subject to staff monitoring developments in the law, and specifically, any clarification from CalPERS. In light of this new information published by CalPERS on December 27, 2012, the CCCERA Board may wish to reevaluate and make appropriate adjustments to its implementation of "pensionable compensation." PEPRA covers CalPERS as well as the twenty CERL systems, and under governing law a consistent definition of plan terms would be appropriate.[2] The CCCERA Board may therefore wish to

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[2] See *Ventura County Deputy Sheriffs' Assn. v. Ventura County* (1997) 16 Cal. 4th 483, 504 ("Since we have no reason to think that the Legislature intended that the same specifically defined term take on a different meaning in computing the pension of a county employee, the construction of "compensation earnable" should be consistent under CERL…and PERL…").

conform to CalPERS' approach, meaning that "pensionable compensation" would include, in addition to "base pay", pay for special skill, education, assignment and special shift pay. These items would be reported to CCCERA as pensionable by the participating employers, so long as CCCERA determines that they meet the four criteria required in Section 7522.34(a), namely:

(1) Pay is part of the normal monthly rate of pay or base pay of the member.
(2) Pay is paid in cash to similarly situated members in the same grade or class of employment.
(3) Pay is for services rendered on a full-time basis during normal working hours.
(4) Pay is paid pursuant to publicly available pay schedules.

If this approach is adopted, it should be subject to further legislative or judicial interpretation and subject to staff's monitoring of any formal actions taken by and final regulations issues by CalPERS implementing this provision.

Alternatively, the CCCERA Board retains the authority, of course, to stay with its "base pay only" approach adopted on December 11, 2012. The Board is not required to conform to the CalPERS approach, but instead, has been granted broad authority to exclude any other form of compensation the Board determines:
(1) Should not be pensionable compensation;
(2) Are "inconsistent" with the requirements of 7522.34(a); or
(3) Are paid to increase a member's retirement benefit.
(See G.C. § 7522.34(c)(1), ((11) and (12).)

Making a determination as to what is included in "pensionable compensation" for PEPRA members is needed primarily for purposes of setting future contribution rates. Since the PEPRA definition of "pensionable compensation" applies only to new members of the system who are unlikely to be retiring anytime soon, the Board has the ability to make its best judgment on the state of the law under the circumstances now prevailing, and to adjust as necessary to developments that are likely to occur during the coming year.

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Reference No.:
Circular Letter No.: 200-062-12
Distribution: V, VI, XII, XVI
Special:

Circular Letter

December 27, 2012

TO: **PUBLIC AGENCIES, AGRICULTURAL DISTRICTS, COUNTY SUPERINTENDENT OF SCHOOLS AND INDIVIDUAL SCHOOL DISTRICTS**

SUBJECT: **PUBLIC EMPLOYEES' PENSION REFORM ACT OF 2013 – PENSIONABLE COMPENSATION AND BENEFIT ENHANCEMENTS**

The purpose of this Circular Letter is to provide further information regarding CalPERS current interpretation of "pensionable compensation" and "benefit enhancements" subject to the provisions of the Public Employees' Pension Reform Act of 2013 (PEPRA) and related Public Employees' Retirement Law (PERL) amendments in Assembly Bill (AB) 340.

PENSIONABLE COMPENSATION

For new members, as defined by Government Code (G.C.) Section 7522.04(f), "pensionable compensation" must meet the following four criteria as provided in G.C. Section 7522.34(a):

- Pay is part of the normal monthly rate of pay or base pay.
- Pay is paid in cash to similarly situated members of the same group or class of employment.
- Pay is for services rendered during normal working hours.
- Pay is paid pursuant to publicly available pay schedules.

G.C. Section 7522.34(c) also provides what cannot be included in "pensionable compensation" for new members. For example, "pensionable compensation" does not include monies paid to new members for bonuses, uniform allowance, overtime allowance or reimbursement for housing and vehicles, or any ad hoc or one-time payments. Please refer to G.C. Section 7522.34(c) for additional forms of compensation that are not considered "pensionable compensation" under PEPRA; the items listed above are only some of the most commonly reported items by employers.

CalPERS interpretation of the types of compensation that may be reported as "pensionable compensation" for CalPERS contracting agencies, provided those items meet the four criteria above, are attached to this letter. This list of "pensionable compensation" will be implemented on January 1, 2013, for new PEPRA public agency and school members. As discussed below, CalPERS intends to propose implementing regulations to, among other things, include this list of items that may be reported as "pensionable compensation" for contracting agencies.

For classic members, please refer to California Code of Regulations (CCR) Section 571 for a list of special compensation items that may be reported. Employers should continue to report both pay rate and all reportable special compensation under CCR 571 as PEPRA does not impact reportable compensation for classic members.

BENEFIT ENHANCEMENTS

G.C. Section 7522.44(a) specifies that "any enhancement to a public employee's retirement formula or retirement benefit adopted on or after January 1, 2013, shall apply only to service performed on or after the operative date of the enhancement and shall not be applied to any service performed prior to the operation date of the enhancement."

Circular Letter #200-055-12, stated CalPERS would develop a list of those existing optional benefits that CalPERS considers to be retirement "benefit enhancements" and therefore subject to the restrictions of PEPRA. The proposed list of existing optional benefit provisions is as follows:

- G.C. Section 21427 – Improved Nonindustrial Disability Allowance
- G.C. Section 21547.7 – Alternate Death Benefit for Local Fire Members Credited with 20 or More Years of Service
- G.C. Section 21548 – Pre-Retirement Option 2W Death Benefit
- G.C. Sections 21624, 21626, 21628 – Post-Retirement Survivor Allowance
- G.C. Section 21151 – Industrial Disability Retirement for Local Miscellaneous Members
- Miscellaneous Member Classifications Optionally Reclassified to Safety by Amendment to the Contract

See the document Optional Benefits Listing on CalPERS On-Line for details on the benefit provisions listed above.

Please note that pursuant to G.C. Section 7522.44(d) "an increase to a retiree's annual cost-of-living adjustment within existing statutory limits shall not be considered to be an enhancement to a retirement benefit."

2013 REGULATORY PROCESS

In 2013, CalPERS will propose implementing regulations to clarify its interpretation of "publicly available pay schedules" and "benefit enhancements" as the terms apply to new members, and to provide a list of items that may be reported as "pensionable compensation" for contracting agencies to the extent those items meet the four criteria above. It is important to note that as the proposed regulations proceed through the regulatory process, some changes, including the items contained in the attached list, may be required. CalPERS will provide information on the proposed regulations as it becomes available.

CalPERS will continue to develop the program changes and interpretations for terms necessary to administer the provisions required by PEPRA. We recommend that you continue to refer to the Pension Reform Impacts page on CalPERS On-Line at www.calpers.ca.gov for the latest PEPRA updates.

In addition, a new online training class is available for employers. *my|CalPERS Changes Due to the Public Employee's Pension Reform Act of 2013 (PEPRA)* reviews important changes to the my|CalPERS system based on PEPRA provisions. To enroll in online training, log in to in my|CalPERS and select the **Education** tab.

If you have any questions, please call the CalPERS Customer Contact Center at **888 CalPERS** (or **888**-225-7377).

KAREN DeFRANK, Chief
Customer Account Services Division

Enclosure
Pensionable Compensation Items – New PEPRA Public Agency and School Members (PDF, 31 KB)

"Pensionable Compensation" Items – New PEPRA Public Agency and School Members

CalPERS interpretation of the types of compensation that may be reported as "pensionable compensation" for CalPERS contracting agencies, provided those items meet the criteria contained in Government Code Section 7522.34(a), are listed below. CalPERS will initiate the regulatory process in 2013 to provide this list of items that may be reported as "pensionable compensation" for contracting agencies. More information on the proposed regulations will be provided to you as it becomes available.

In the meantime, the proposed list of "pensionable compensation" items below will be implemented, and can be reported on January 1, 2013, for new PEPRA public agency and school members. It is important to note that as the proposed regulations proceed through the regulatory process, some changes, including the items contained in this list, may be required.

Type	Reportable Special Compensation Items
Incentive Pay	• Dictation/Shorthand/Typing Premium • Longevity Pay • Marksmanship Pay • Master Police Officer • Physical Fitness Program
Educational Pay	• Applicator's Differential • Certified Public Accountant Incentive • Educational Incentive • Emergency Medical Technician Pay • Engineering Registration Premium • Government Agency Required Licenses • International Conference of Building Officials (ICBO) Certificate • Mechanical Premium (Brake Adjustment License, SMOG Inspector License) • National Institute of Automotive Service Excellence (NIASE) Certificate • Notary Pay • Paramedic Pay • Peace Officer Standard Training (POST) Certificate Pay

Continued on next page

"Pensionable Compensation" Items – New PEPRA Public Agency and School Members, Continued

Type	Reportable Special Compensation Items
Educational Pay, Continued	• Reading Specialist • Recertification Certificate • Special Class Driver's License Pay • Undergraduate/Graduate/Doctoral Credit
Special Assignment Pay	• Accountant Premium • Administrative Secretary Premium • Aircraft/Helicopter Pilot Premium • Asphalt Work Premium • Audio Visual Premium • Auditorium Preparation Premium • Bilingual Premium • Branch Assignment Premium • Canine Officer/Animal Premium • Cement Finisher Premium • Circulation Librarian Premium • Computer Operations Premium • Confidential Premium • Contract Administrator Coordinator Premium • Crime Scene Investigator Premium • Critical Care Differential Premium • D.A.R.E. Premium • Detective Division Premium • Detention Services Premium • DUI Traffic Officer Premium • Extradition Officer Premium • Fire Inspector Premium • Fire Investigator Premium • Fire Prevention Assignment Premium • Fire Staff Premium • Flight Time Premium • Float Differential Premium • Front Desk Assignment (Jail) • Fugitive Officer Premium • Gang Detail Assignment Premium • Grading Assignment Premium

Continued on next page

"Pensionable Compensation" Items – New PEPRA Public Agency and School Members, Continued

Type	Reportable Special Compensation Items
Special Assignment Pay, Continued	• Hazard Premium • Heavy/Special Equipment Operator • Height Premium • Housing Specialist Premium • Juvenile Officer Premium • Lead Worker/Supervisor Premium • Library Reference Desk Premium • Gas Maintenance Premium • Plumber Irrigation System Premium • Refuse Collector Premium • Street Lamp Replacement Premium • MCO Instructor Premium • Motorcycle Patrol Premium • Mounted Patrol Premium • Narcotic Division Premium • Paramedic Coordinator Premium • Park Construction Premium • Park Maintenance/Equipment Manager Premium • Parking Citation Premium • Patrol Premium • Police Administrative Officer • Police Investigator Premium • Police Liaison Premium • Police Polygraph Officer • Police Records Assignment Premium • Rangemaster Premium • Refugee Arrival Cleanup Premium • Safety Officer Training/Coordinator Premium • Sandblasting Premium • School Yard Premium • Search Pay Premium • Severely Disabled Premium • Sewer Crew Premium • Shift Differential

Continued on next page

"Pensionable Compensation" Items – New PEPRA Public Agency and School Members, Continued

Type	Reportable Special Compensation Items
Special Assignment Pay, Continued	• Solo Patrol Premium • Sprinkler and Backflow Premium • Tiller Premium • Tire Technician Premium • Traffic Detail Premium • Training Premium • Tree Crew Premium • Utility Meter Premium • Utilities Systems Operation Premium • Water Certification Premium
Statutory Items	• Fair Labor Standards Act (FLSA) • Holiday Pay

MEETING DATE
JAN 09 2013
AGENDA ITEM
#13

Memorandum

Date: January 9, 2013

To: Board of Retirement
Marilyn Leedom, Retirement Chief Executive Officer

From: Karen Levy, General Counsel

Subject: Request From the Contra Costa County Superior Court To Determine Whether Anticipated Furloughs For Court Employees Are To Be Considered A Reduction in Compensation Earnable

I. Issue Presented

One of CCCERA's participating employers is anticipating additional furloughs for its employees. The Retirement Board has previously determined that temporary furloughs are to be considered an absence that does not impact the furloughed employees' compensation for retirement purposes. If it is determined that the furloughs contemplated here are temporary in nature, the same conclusion should apply.

II. Background

The Contra Costa County Superior Court ("District") instituted furloughs in 2009. (See Exh. A.) At that time, following the Board's direction that temporary furloughs are considered an "absence" and do not impact compensation for purposes of retirement, CCCERA advised the court that the 2009 furloughs would not impact retirement. (See Exhs. B and C.) Recently, the District advised CCCERA that additional furloughs are contemplated for its employees. (See Exh. D.) The District advised that the furloughs would take place during the last three years of the four year contract period, and would not exceed 12 days per year. CCCERA issued a determination that because the furloughs extended beyond the 2009 contract into the following bargaining cycle, the furloughs are no longer temporary in nature and therefore may not be treated as an "absence." (See Exh. E.) Consequently, CCCERA determined that the anticipated reduction in the members' compensation due to the furloughs will result in a reduction to the furloughed members' pensionable compensation, and also result in a lower amount of contributions payable to CCCERA.

The District supplied additional information about the proposed furlough program and requested reconsideration of CCCERA's determination. (See Exh. F.) The additional information set forth that the District's Fiscal Year 2009-10 furlough included only one employee group consisting of 47 court reporters. The furlough did not include employees who are members of seven other labor groups. The proposed furlough in the next bargaining cycle will include these employees, as well as the court reporters. The District also points out that there was an intervening labor negotiation cycle between 2010-11 and 2011-12 during which the District instituted no furloughs.

CCCERA has notified the District that this matter will come before the Retirement Board on January 9, 2013, and the District has advised it will send its representative to attend the meeting and represent the District.

III. Applicable Law

Government Code Section 31461(a) provides:

> "Compensation earnable" by a member means the average compensation as determined by the board, for the period under consideration upon the basis of the average number of days ordinarily worked by persons in the same grade or class of positions during the period, and at the same rate of pay. The computation for any absence shall be based on the compensation of the position held by the member at the beginning of the absence.

The Retirement Board previously determined that a furlough that is temporary in nature is to be treated as an "absence" under Section 31461 and therefore the retirement computation is based on the compensation held by the member at the beginning of the absence, i.e., it is unaffected by the reduction in pay due to the furlough. (See Exh. C.)

IV. Determination of Temporary vs. Non-Temporary Nature of Furlough

A final determination on this matter is within the sound discretion of the Retirement Board. The matter to be determined is, given the details provided by the District about its contemplated additional furloughs, should these furloughs be treated as an absence and therefore have no impact on compensation for retirement purposes as well as contributions? Or, should these furloughs be treated as a reduction in compensation, a reduction in "compensation earnable," and therefore the furloughed members will have a reduced "compensation earnable" and CCCERA will collect lower contributions on the affected compensation? As explained in CCCERA's letter dated October 15, 2012, staff believes the District's contemplated furloughs are not temporary. (See Exh. E.)

Exhibit A

Kiri Torre
Court Executive Officer
925-957-5607 Phone
925-957-5605 Fax

Superior Court of California

COUNTY OF CONTRA COSTA
725 COURT STREET
P.O. BOX 911
MARTINEZ, CA 94553-0091

August 14, 2009

RECEIVED
AUG 18 2009
By________

Marilyn Leedom
Retirement Administrator
Contra Costa County Employees'
Retirement Association
1355 Willow Way, Suite 221
Concord, CA 94520

RE: Impact of Court Furlough Days on Retirement Benefits

Dear Ms. Leedom:

On July 28, 2009, Governor Schwarzenegger signed into law Senate Bill (SB) 4X 13 which was an urgency legislation that was enacted in conjunction with the 2009-10 Budget Act (copy enclosed). SB 4X 13 adds Section 68106 to the Government Code authorizing the state's Judicial Council to close the courts for the transaction of judicial business one day per month. The Judicial Council has ordered that the courts be closed the third Wednesday of every month commencing on September 16, 2009, through and including June 16, 2010.

Government Code Section 68106(b)(3) in pertinent part provides that, "Notwithstanding any other law, any court closure or reduction in earnings as a result of this section shall not constitute a reduction in salary or service for the purpose of calculation of retirement benefits or other employment-related benefits for court employees otherwise eligible for those benefits."

The closure of the courts to the public does not necessarily mean that court employees will be furloughed on court closure days. Our court is currently evaluating the situation to determine whether employees will be furloughed on court closure dates.

The Court is seeking confirmation from the Retirement Association of service time and compensation level to be credited to permanent Court employees who participate in either mandatory furloughs or Voluntary Time Off Programs, based on the following two situations:

1. **MANDATORY FURLOUGHS:** If mandatory furloughs on Court Closure Days are enacted, the Court will continue to forward the full employer and employee retirement contributions to the Retirement Association.

   Please confirm that, consistent with the §68106(b)(3) of the Government Code, if the Court does furlough employees on court closure dates it will not constitute a reduction in either salary or service for the purpose of calculation of retirement benefits for Court employees.

2. **VOLUNTARY TIME OFF PROGRAM:** Besides the possibility of mandatory furloughs of court staff, the Court has had a Voluntary Time Off (VTO) Program in effect for over a year. When employees take VTO, they are not in paid status. If an employee's earnings during the month continue to cover their retirement contributions, the Court submits the entire employer and employee retirement contributions to the Retirement Association.

   Please confirm that, if the full retirement contributions are being submitted when employees are on VTO, their salary and service time will not be reduced for purposes of calculating retirement benefits.

It is very important that we receive a response from the Retirement Association regarding these issues. Employees who are nearing retirement are understandably hesitant to participate in the VTO Program if there is a possibility it may affect their retirement pensions.

Please contact me if you have any questions regarding this request at either ktorr@contracosta.courts.ca.gov or at 925-957-5607. Thank you for your assistance on this important matter.

Sincerely,

Kiri Torre

Kiri Torre
Court Executive Officer

KT/tkr
Enclosure

Exhibit B

Counts

contra costa county
Employees' Retirement Association
1355 willow way suite 221 concord ca 94520
925.521.3960 fax 925.646.5747

September 10, 2009

Kiri Torre
Court Executive Officer
Superior Court of California
County of Contra Costa
725 Court Street
P.O. Box 911
Martinez, California 94553-0091

Re: Impact of Court Furlough Days on Retirement Benefits

Dear Ms. Torre:

This letter responds to your letter of August 14, 2009. CCCERA confirms that any furloughs resulting from court closures will not result in a reduction of either "compensation earnable" or service credit for the purpose calculating the retirement benefits of the furloughed employees. The full employer and employee contributions (as if there were no furloughs) should be forwarded to CCCERA.

CCCERA also confirms that an employee who takes time off under the Voluntary Time Off Program will not experience a reduction in either "compensation earnable" or service credit for the purpose of calculating that employee's retirement benefits. The full employer and employee contributions (as if the employee did not take time off under the Program) should be forwarded to CCCERA. Provided, however, that an employee may experience a negative impact on her retirement benefits, if she takes off so much time under the Program that she becomes excluded from CCCERA membership under CCCERA's Regulations. Please see the enclosed copy of CCCERA's Regulations, at Section III(1)(B) and (C).

Please feel free to contact me with any questions.

Sincerely,

Marilyn Leedom

Marilyn Leedom
Retirement Chief Executive Officer

Encl.

Exhibit C

JUL 08 2009
AGENDA ITEM
#11

ReedSmith

Reed Smith LLP
Two Embarcadero Center
Suite 2000
San Francisco, CA 94111-3922
+1 415 543 8700
Fax +1 415 391 8269
reedsmith.com

Harvey L. Leiderman
Direct Phone: +1 415 659 5914
Email: HLeiderman@reedsmith.com

June 30, 2009

Board of Retirement
Contra Costa County Employees' Retirement Assn.
1355 Willow Way, Suite 221
Concord, CA 94520

Impact of County Temporary Absence Program on CCCERA Contributions and Benefits

Dear Members of the Board:

We are informed that Contra Costa County is in the process of bargaining with certain of its employee representatives to reach agreement on a temporary absence program. If adopted, the program will be in existence for the next two fiscal years only, less than the current contract cycle (which runs from October 1, 2008 through June 30, 2011), and will temporarily reduce the hours worked and compensation received by certain County employees. Since CCCERA members will be working up to 48 fewer hours per year than they ordinarily work and will be receiving a pro rata reduction in their compensation, the Retirement Board must determine whether the program will impact (1) members' "compensation earnable" for purposes of calculating their retirement allowances, (2) members' retirement contributions and (3) the County's retirement contributions.

The primary applicable statute is Government Code section 31461, which defines "compensation earnable" for purposes of calculating a member's retirement allowance. Section 31461 provides:

> *"Compensation earnable" by a member means the average compensation as determined by the board, for the period under consideration upon the basis of the average number of days ordinarily worked by persons in the same grade or class of positions during the period, and at the same rate of pay. The computation for any absence shall be based on the compensation of the position held by the member at the beginning of the absence. Compensation, as defined in Section 31460, that has been deferred shall be deemed "compensation earnable" when earned, rather than when paid.*

The purpose of Section 31461 is to include in the retirement allowance calculation the time worked and compensation received by similarly situated employees under ordinary conditions, and to ignore the effect of temporary absences during the relevant period.

It is our understanding that the County's proposed absence program will be temporary and will be applied across the board to specified grades and classes of employees. This will result in a reduction of days worked across the board, with a pro rata reduction in pay for all, during the next two fiscal years.

A reasonable argument could be made that such a "furlough" program should result in a reduction of "compensation earnable" (and a corresponding reduction in member and County contributions), because

ReedSmith

the "average number of days ordinarily worked" during the period by all similarly situated employees will be reduced. We also think, however, that a reasonable argument could be made that, so long as the program is temporary in nature and employer and employee contributions continue to be made on the employees' gross salaries, no reduction in "compensation earnable" should occur. This is because (1) a member's chosen "final compensation" period (one or three years) may not precisely mirror the mandated absence period (causing ambiguity as to what was "ordinarily worked" during each employee's final compensation period) and (2) the mandated days off may be fairly characterized as an "absence," which would not require any reduction in "compensation earnable."

If there will be no change in members' "compensation earnable," then it will be equally important to maintain the full level of member and County contributions to the retirement system, to support the full level of future retirement allowances.

We know of no direct legal precedent that would make one approach more defensible than the other, or that would help predict how a court might rule in these circumstances. Ordinarily, where there are two reasonable interpretations of a statute, courts can be expected to defer to the public agency's own interpretation of the statute that governs its operations.

We do note that making no change in the calculation of retirement allowances during this temporary period would be more administratively efficient for CCCERA staff. The reporting systems between the County and CCCERA are currently set up to calculate contributions based on the gross pay amount, before considering any reductions due to temporary absences. Changing those systems on a temporary basis could create a significant administrative burden.

We should carefully monitor the County's program going forward. In the event that what is now temporary becomes the future standard for County offices and employees, then we would expect that retirement allowances and contributions would have to be ratcheted down accordingly, based on revised actuarial calculations.

Considering all of the present circumstances, we believe on balance that it would be more appropriate to treat the temporary absence program as an anomaly that will have no impact on "compensation earnable," on member contributions or on County contributions. A final determination on these matters, of course, is within the sound discretion of the Board. We will be available to discuss these matters with the Board at the next meeting.

Respectfully,

Harvey L. Leiderman

HLL:ad

cc: Marilyn Leedom, CEO
Karen Levy, Counsel

Exhibit D

file C.O.S.

Superior Court of California
County of Contra Costa
Court Administration
725 Court Street
Martinez, CA 94553
Telephone: 925-957-5600
Fax: 925-957-5605

RECEIVED
OCT 15 2012
BY:

October 12, 2012

CONFIDENTIAL

Marilyn Leedom
Retirement Chief Executive Officer
Contra Costa County Employees' Retirement Association
1355 Willow Way, Suite 221
Concord, CA 94520

Re: Request for Review of Temporary vs. Non-Temporary Status for Furloughs

Dear Ms. Leedom:

We are writing to officially request a review by your general counsel regarding our proposed furlough plan. We understand that it has already been determined that two years of furloughs in a three or four year contract would be considered a temporary reduction in pay and, as a result, would not impact final average salary. We are currently negotiating contract renewals with all our bargaining units and our current proposal consists of 12 furlough days in the second, third, and fourth years of a four year contract, for a total of 36 furlough days in the four year period. We are seeking a determination of whether this proposed structure would also be considered temporary for determination of final average salary.

In fiscal year 2008-09, GC 68106 was enacted and mandated 12 court closure days for all courts. As a result of the mandatory court closures, all courtrooms were shut down completely. On those days, the court implemented furloughs for court reporters and court interpreters only as they are unable to perform their regular job functions when court is not is session. These furloughs occurred one day per month from October 2008 through June 2009. This nine month furlough period was treated as a temporary reduction in salary, therefore the retirement contributions for these employees remained whole.

In an effort to continue through our negotiations in a timely manner, we ask that our request for a temporary or non-temporary determination on a three year furlough out of a four year contract be made and the Court notified of a decision no later than Friday, October 26, 2012.

Should any further information be required to assist in your decision, please contact Brandy Sanborn, Financial Services Manager, at (925) 957-5619 or via email at bsanb@contracosta.courts.ca.gov.

Sincerely,

Kiri Torre

Kiri Torre
Court Executive Officer

Exhibit E

contra costa county
Employees' Retirement Association
1355 willow way suite 221 concord ca 94520
925.521.3960 fax 925.646.5747

October 15, 2012

Kiri Torre
Court Executive Officer
Superior Court of California
County of Contra Costa
725 Court Street
P.O. Box 911
Martinez, CA 94553

Re: Court Furlough Days

Dear Ms. Torre,

Thank you for your letter dated October 12, 2012 requesting review of the Temporary vs. Non-Temporary Status for the Contra Costa County Superior Court's furlough program.

During CCCERA's analysis of the court's temporary furlough program in 2009, it was determined that the furlough program was temporary in nature and, because it was less than a full normal bargaining cycle, it was more akin to a temporary "absence" which would not affect a retiring employee's final average compensation.

It appears from the information you have provided that the next contract will include furloughs for three out of the four years of the contract. Given that the furloughs go beyond the 2009 contract and into another bargaining cycle, it appears that the furloughs are no longer a "temporary" phenomenon. The furloughs therefore may no longer be treated as a temporary "absence" not affecting the member's final average compensation.

CCCERA has determined, therefore, that the anticipated reduction in pay as part of the proposed furlough program are not temporary in nature, and will result in a reduction in the affected members' pensionable compensation, thus also resulting in a lower amount of contributions payable to CCCERA.

Sincerely,

Marilyn Leedom

Marilyn Leedom
Retirement Chief Executive Officer

Cc: Karen Levy, Esq., General Counsel

Exhibit F

REC'D OCT 29 2012

Kiri Torre
Court Executive Officer
Telephone: 925-957-5600
Fax: 925-957-5605

Superior Court of California

COUNTY OF CONTRA COSTA
725 COURT STREET
P.O. BOX 431
MARTINEZ, CA 94553-0091

October 26, 2012

Marilyn Leedom
Retirement Chief Executive Officer
Contra Costa County Employees' Retirement Association
1355 Willow Way, Suite 221
Concord, California 94520

Re: Court Furlough Days

Dear Ms. Leedom:

Thank you for your letter dated October 15, 2012, wherein you provided a determination on our request to review the Temporary vs. Non-Temporary Status for the Contra Costa Superior Court's proposed furlough plan.

In reviewing the details of the 2009 furlough, I would like to provide additional clarification regarding the implementation. Government Code section 68106 and California Rule of Court 10.620 mandated the one-time closure of all courtrooms one day per month during Fiscal Year 2009-10. Since there was no legitimate work for Court Reporters on each of those days, we negotiated a one-time nine day furlough from October 2009 to June 2010, through the standard meet and confer process (please see attached side letter). The Fiscal Year 2009-10 furlough included only one employee group consisting of 47 Court Reporters. The furlough did not include the following employee groups, consisting of 403.5 (90%) of the Court's 450.5 employees:

- AFSCME Local 2700, Clerical (our largest bargaining unit), consisting of 227 employees
- AFSCME Local 512, Mediators and Investigators, consisting of 14.5 employees
- All Administrative Divisions, Represented and Unrepresented, consisting of 89 employees
- The Court's Unrepresented Professionals and Clericals, consisting of 25 employees
- Operations Management, consisting of 36 employees
- Student Workers, consisting of 7 employees
- Court Interpreters, consisting of 5 Court employees: An optional furlough agreement was in place for Court Interpreters, as they too did not have legitimate work on Court Closure days. Their agreement allowed the use of vacation accruals on the Court Closure days, and 3 of 5 Court Interpreters took advantage of the option to use accruals (please see attached agreement).

The furlough of Court Reporters occurred during a portion of Fiscal Year 2009-10, as described above, within the labor negotiation cycle between September 2007 and September 2010. There was an intervening labor negotiation cycle between 2010-11 and 2011-12, during which period we did not institute any furloughs.

Now in Fiscal Year 2012-13, we are proposing a four-year contract to achieve significant one-time savings through this furlough plan which would consist of no more than 12 days in the second, third and fourth years of the contract.

Based on the new information provided above, we request reconsideration of the determination contained in your letter of October 15, 2012.

Should any further information be required, please contact Brandy Sanborn, Financial Services Manager at (925) 957-5619 or via e-mail at bsanb@contracosta.courts.ca.gov.

Sincerely,

Kiri Torre

Kiri Torre
Court Executive Officer

KT/tkr
Attachment

Proposal by
Region 2
September 14, 2009

Side Letter Agreement
Court Closure Days

The parties agree to the following for the express purpose of implementing the court closure dates authorized by Government Code Section 68106. It is the intent of the parties that this side letter agreement be interpreted consistent with the provisions of Government Code Section 68106.

1. Regular full-time and regular part-time bargaining unit members will be furloughed on the third Wednesday of each month beginning September 16, 2009 through and including June 16, 2010, to coincide with the court closure days.

2. The furloughs shall be unpaid and bargaining unit members will not be permitted to use vacation pay, sick leave, compensatory time or other forms of paid time off, except as set forth in paragraph 8.

3. Closure days will be treated as paid status for purposes of eligibility for holiday pay and for all leave and other benefit accrual purposes.

4. The amount of the employer and employee contributions to health, disability and other insurance shall not be impacted by the furlough day. Retirement benefits will not be impacted by the furlough day.

5. Regular part-time and intermittent interpreters, who are normally scheduled to work on Wednesdays, will be furloughed on the court closure day. Part time employees who are not normally scheduled on Wednesdays will not be furloughed on other days.

6. In the event the Judicial Council revises the court closure days at any time between now and June 30, 2010, the parties will reopen this Agreement to meet and confer regarding the impact of that revision.

7. The loss of pay resulting from a furlough day will be divided over two pay periods, if and only if, the Interpreter's home court is dividing the loss of pay from furloughs for other court staff over two subsequent pay periods. For San Francisco Superior Court, the Interpreters shall have their pay deducted in the pay period in which the furlough day occurs in the same fashion as the Court is doing for its court reporter bargaining unit.

8. In those Region 2 courts that will be closed for judicial business but are having employees (non-interpreter) report to work on the court closure days, the interpreters in those home courts will be allowed the option of taking either an unpaid furlough day or using accrued unused vacation.

Court rejects CFI proposals 9,10 and 11 dated September 14.

Side Letter Agreement Between and Superior Court of California, Contra Costa County (Court), and
The Service Employees International Union (SEIU), Local 1021

The parties have met and conferred in good faith regarding wages, hours and other terms and conditions of employment for the employees in the Court Reporter unit in which the Union is the recognized representative, have freely exchanged information, opinions and proposals and have reached agreement on the matters set forth below.

The joint recommendations of the undersigned for salary and employee benefit adjustments for the period commencing October 1, 2009 and ending September 30, 2012.

General Wages, Increases
No change in currently agreed upon effective date of the 2% wage increase effective 9/21/2009.

The labor contract will be extended until September 30, 2012.

The parties agree to the following for the implementation of furlough days on the State Mandated Court Closure days:

1. Bargaining unit employees shall be furloughed without pay on all remaining Judicial Council/AOC-mandated court closure days in 2009-2010 (nine court closure days remaining). Upon the action of the State Legislature and the Judicial Council of California to mandate any additional court closure days during the term of the extended labor contract, bargaining unit employees shall also be furloughed without pay on such days. The parties will meet and confer regarding impacts not addressed herein of any future furlough days.
2. Thus, employees will not report to work on nor be paid for the nine (9) remaining legislatively mandated court closure days per Government Code Section 68106, and for any future such legislatively mandated court closure days during the term of the extended labor agreement unless, by decision of the CEO of Contra Costa County Superior Court to meet and confer with the Union, new terms regarding mandated court closure days are reached between the parties. For fiscal year 2009-2010 these days have been established by the Judicial Council to be the 3rd Wednesday of each month, and for purposes of this agreement such dates begin October 21, 2009 and continue through and conclude, close of business, June 16, 2010.
3. The value of the furlough days will be smoothed over the period covered by the furloughs by deducting from employees' full salary four (4) hours per pay period for every pay period beginning with the pay period ending 11/1/09 and ending with the pay period ending 6/27/10, as reflected on the attached Smoothing Chart. Smoothing, as a mechanism for the Court to recoup the value of a furlough day may also be applied on furlough days resulting from future court closure days, if any, established through legislatively mandated court closure days during the term of the agreement. For employees who work less than 40 hours in a regular work week, the furlough deduction will be pro rata, proportional to the percentage of the pay period that such employees normally work. Any employee who separates from Court employment during the fiscal year in which any furlough days hereunder are in effect shall be

made whole by the Court if any deductions were made from such person's pay for furlough days not taken, or shall have deducted from their final paycheck any amounts due the Court for furlough days which were taken but for which no deductions had yet been made.

4. Vacation and sick leave accrual calculations shall remain unchanged for all bargaining unit employees as a result of this Agreement, with all such accruals calculated at the employee's regular salary as if there were no furloughs.
5. The Court shall ensure that any bargaining unit employee for whom the salary deduction is made pursuant to this Agreement will not have any reduction or other change to their retirement benefit as a result of this Agreement. Any bargaining unit employee for whom months with furlough days represents a portion of their last and/or highest year of employment for retirement calculation purposes shall suffer no loss or change in retirement benefit as a result of the furloughs, as the Court, per the direction of the County Retirement Association, shall report to the retirement system the full salary of the employee as if there had been no furloughs.
6. Should the legislature and/or the Judicial Council/Administrative Office of the Courts take action during Fiscal Year 2009-10 to reduce or discontinue Court Closures, the parties shall meet to address the same.
7. While the intent of the parties is to be clear, any dispute over the meaning of this Side Letter of Agreement will be subject to the parties' existing dispute resolution mechanism set forth in the labor agreement.
8. This Side Letter Agreement is subject to the approval by the Court and ratification by the respective membership of the union named above, which the parties agree they shall seek at the earliest opportunity and shall recommend approval of same.
9. This Side Letter Agreement may be executed in separate counterparts and a facsimile copy or a portable document format (pdf) of the signatures shall be deemed as original.

Court Health Plan Contribution Rates:

A. Through December 31, 2010, the Court will pay 80% (60% for the PPO) of the monthly premium subvention for employees and their eligible family members for the medical and dental plans as shown in Attachment * .

B. Premium Subsidy after December 31, 2010.

Beginning in January 1, 2011, the Court subvention described in Paragraph A, above, shall be as follows: (i) That portion of any increase over the previous year's total premium charged by the plan(s) which is equal to or less than an 11% increase over the previous year's premium shall be split 50/50 between the Court and the Employees; (ii) that portion, if any, of the increase over the previous year's premium which is in excess of an 11% increase over the previous year's premium shall revert to the subvention set forth in Paragraph A, above; and (iii) the balance of the premium shall continue to be paid as it was in the previous year. Example attached. If in any year beginning on or after January 1, 2011, there is either no change or a decrease in the total premium charged by the plan(s), the subvention set forth in Paragraph A shall apply.

Retirement Health Coverage:

For new hires only effective 1/1/2011:

Beginning on January 1, 2011

For employees hired on or after January 1, 2011 and their eligible family members, no monthly premium subsidy will be paid by the Court for any medical, dental or other health plan after they separate from Court employment.

Employees hired on or after January 1, 2011 will be eligible for a special benefit deferred compensation plan as follows.

1. The Court will make biweekly contributions equivalent to one hundred fifty dollars ($150) per month to an employee's account in the Court's Deferred Compensation Plan, for all employees who meet all of the following qualifications.

a. The employee was first hired by the Court on or after January 1, 2011; and

b. The employee is a permanent full-time or permanent part-time employee regularly scheduled to work at least 20 hours per week; and

c. The employee defers on a biweekly basis an amount equivalent to a minimum of twenty-five dollars ($25) per month to the Court Deferred Compensation Plan; and

d. The employee has completed, signed and submitted to Court Payroll the required enrollment form for the account; and

e. The annual maximum contribution as defined under the relevant IRC provision has not been exceeded (adding together both the employee's contributions and the Court's contributions) for the employee's account for the calendar year.

2. Any employee who has discontinued deferral or who defers less than the amount required herein for a period of one month or more will no longer be eligible to receive the Court contribution set forth herein until eligibility has been re-established by resumption of the amount required to be deferred by the employee for a period equal to the period deferral was discontinued by the employee.

The parties agree to recommend this approval of this tentative agreement to their constituents.

Agreed, this 13 day of November, 2009

SEIU Local 1021

Margot Reed, ~~Spokesperson~~ Worksite Organizer
SEIU Local 1021

Sarah Thompson

Contra Costa Superior Court

Douglas Freifeld, Spokesperson

Mindy Morgado

Jeff Renteria

MEETING DATE
JAN 09 2013
AGENDA ITEM
#14

Memorandum

Date: January 9, 2013

To: Board of Retirement
Marilyn Leedom, Retirement Chief Executive Officer

From: Karen Levy, General Counsel

Subject: The Establishment of a Procedure For Assessing and Determining Whether An Element of Compensation Was Paid To Enhance A Member's Retirement Benefit Pursuant to Assembly Bill 340, new Government Code Section 31542

I. BACKGROUND

At its December 12, 2012 meeting, the Retirement Board considered establishing a procedure for assessing and determining whether an element of compensation was paid to enhance a member's retirement benefit pursuant to the pension reform legislation enacted in 2012 (Assembly Bill 340; new Govt. Code § 31542). The establishment of such a procedure is required by the legislation. The Board directed staff to return with an additional option for an established procedure that does not necessitate the referral of matters in dispute to an administrative law judge. We believe this option is permissible, particularly given the cost associate with a referral, the time it takes to have matters heard before a judge, and because under the law, the final determination of whether an item of compensation was paid to enhance a member's retirement benefit and should therefore be excluded for compensation for retirement purposes rests with the Retirement Board. We note that the 1937 Act already grants the Board the ability to refer matters to an administrative law judge. (See Govt. Code § 31533.[1]) We therefore have prepared an alternative policy as directed by the Board, for the Board's consideration today. We have also included the materials presented to the Board on December 12, 2012 which included a memorandum summarizing the new statutory provision, as well as the recommended policy.

II. RECOMMENDATION

The new law requires that the Board establish a procedure regarding the assessment and determination of whether compensation was paid to enhance a member's retirement benefit. Staff recommends that the Board approve and adopt either one of the proposed policies.

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[1] Government Code Section 31553 provides as follows: "Whenever, in order to make a determination, it is necessary to hold a hearing the board may appoint either one of its members or a member of the State Bar of California to serve as a referee. The referee shall hold such a hearing and shall transmit, in writing, to the board his proposed findings of fact and recommended decision."

CONTRA COSTA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

POLICY REGARDING ASSESSMENT AND DETERMINATION OF COMPENSATION ENHANCEMENTS

Adopted: _______

PURPOSE:

The CCCERA Board of Retirement is required to establish a procedure for assessing and determining whether an element of compensation was paid to enhance a CCCERA member's benefit. (Government Code Section 31542, eff. January 1, 2013.) In keeping with this requirement, the Retirement Board has set forth the following procedure.

LEGAL AUTHORITY:

Government Code Section 31542 provides:

> (a) The board shall establish a procedure for assessing and determining whether an element of compensation was paid to enhance a member's retirement benefit. If the board determines that compensation was paid to enhance a member's benefit, the member or the employer may present evidence that the compensation was not paid for that purpose. Upon receipt of sufficient evidence to the contrary, a board may reverse its determination that compensation was paid to enhance a member's retirement benefits.
>
> (b) Upon a final determination by the board that compensation was paid to enhance a member's retirement benefit, the board shall provide notice of that determination to the member and employer. The member or employer may obtain judicial review of the board's action by filing a petition for writ of mandate within 30 days of the mailing of that notice.
>
> (c) Compensation that a member was entitled to receive pursuant to a collective bargaining agreement that was subsequently deferred or otherwise modified as a result of a negotiated amendment of that agreement shall be considered compensation earnable and shall not be deemed to have been paid to enhance a member's retirement benefit.

POLICY:

The following policies and procedures shall be effective as to the assessment and determination of whether an element of compensation was paid to enhance a member's retirement benefit.

I. STAFF REVIEW AND ASSESSMENT

With respect to all retirement applications with an effective date of retirement on or after January 1, 2013, the Board directs CCCERA staff to review all compensation included within the calculation of the member's final compensation within the meaning of California Government Code Sections 7522.32, 7522.34, 31641, 31462, 31462.1, 31462.11, and 31462.2, as applicable, for the purpose of making an initial assessment as to whether any item of compensation included in final compensation was paid to enhance a member's retirement benefit. In conducting such review and making such initial assessment, staff shall consider:

a. Whether the item of compensation was earned within the period during which final compensation is to be calculated;
b. Whether the compensation exceeds a members' base pay, and if so, whether the earnings codes reported are retirement compensable;
c. Any other factors that cause staff to believe that an item of compensation included in final compensation was paid to enhance a member's retirement benefit; and
d. Information and explanation provided by the member and the employer in response to CCCERA's request as to the facts and circumstances concerning an item of compensation that staff believes may have been paid to enhance the member's retirement benefit.

A member and the employer shall be given no less than 15 days to respond to such a written request. Staff may conduct such written and oral follow-up communication as staff believes is appropriate in the exercise of reasonable diligence.

II. PREPARATION OF WRITTEN ADMINISTRATIVE RECOMMENDATION AND BOARD ACTION

a. If after conducting the initial assessment described above, CCCERA staff believes that an item of compensation was paid to enhance a member's retirement benefit, staff shall prepare a written report to the Board of Retirement making an administrative recommendation to the Board that any item not be included in the calculation of the member's retirement benefit. The report shall contain a description of the reasons for staff's recommendation, including the specific facts and circumstances supporting staff's recommendation.
b. The report shall be noticed and agendized for a regular meeting of the Board, at which time the Board will act upon staff's administrative recommendation. Before the Board acts, CCCERA, the member, and the employer shall be given an opportunity to be heard by the Board.
c. Written notice of the Board meeting and a copy of staff's report shall be provided to the member and the employer no later than 10 days before the recommendation is presented to the Board for action.

d. At the meeting, the Board will make a decision as to whether the item of compensation was paid to enhance the member's retirement benefit.
e. CCCERA will provide the member and the employer written notice of the Board's decision with 5 days, which will inform the member and the employer of their right to seek judicial review of the Board's action by filing a petition for writ of mandate within 30 days after the mailing of that notice.
f. If the Board finds the item of compensation should be included, staff will adjust the member's benefit to include said item, retroactive to the effective date of retirement.

MEMO

MEETING DATE

JAN 09 2013

AGENDA ITEM

#15

Date: January 9, 2012

To: CCCERA Board of Retirement

From: Marilyn Leedom, Chief Executive Officer

Subject: Audio Recording of Retirement Board meetings

History:

The Board of Retirement typically meets from one to four times per month. Board minutes are compiled through a combination of electronic word processing and long-hand notes. Board members requested this item be added to the agenda for discussion and possible action.

Background:

The last time this issue was brought before the Board for discussion was April 21, 2010. At that time there were differing opinions of the benefits of audio recording of the Board meetings. The matter was decided by the Board at that time. The minutes from that discussion and action are attached to this memo. Note that a vote was taken on this issue.

The Board of Retirement operates under Roberts Rules of Order. Thus, in order to bring an item back to the table for vote after the matter was already decided, one of the Board members who previously voted on the prevailing side on the issue must make a motion for reconsideration of the issue. The 'second' may be made by any Board member.

From the April 21, 2010 Board meeting minutes (attached), "It was M/S to audio record the Board meetings and retain the recordings for one year. (Yes: Cabral and Telles; No: Gaynor, Holcombe, Pollacek, and Viramontes) Motion failed.

The Brown Act requires recorded minutes to be retained for a minimum of 30 days, after which the recording may be destroyed. The Brown Act also requires that recorded minutes be available for inspection without charge on equipment provided by the local agency:

"*Any* person attending an open and public meeting of a . . . local agency shall have the right to record the proceedings. . ." so long as this action is not disruptive to the meeting.

"Any audio of visual recording of an open meeting made for whatever purpose by or at the direction of the local agency, shall be subject to inspection pursuant to the California Public Records Act. . . but may be erased or destroyed 30 days after the recording.

The methods used at our sister systems in the state vary by degrees, from no recording at all to audio recording and archiving this media indefinitely, to recording and destroying after the minutes are approved.

Options:

1. Leave minutes procedure as it stands, or

Should the Board chose to audio record minutes, staff will explore options available, and implement accordingly. Options available are:

2. Audio record minutes and retain audio recordings indefinitely. Written meeting minutes will show only attendees, summaries of motions made and votes taken.

3. Audio record minutes and develop minutes in the current format. In this case, audio recording could be kept for a definite time period only, such as 60 days.

Note: The most expedient method of implementation would be to add a recording system to our current audio system. This will result in a mpg file that can be saved in our computer files. This would be available to respond to public records requests by interested parties. The cost on this upgrade should not exceed $5,000 and should be implemented within 30 to 60 days.

Alternatively, CCCERA staff will work with outside companies to provide an integrated recording/ basic minutes taking system. This may require issuance of an RFI and, given the review and equipment installation, would take a substantially longer period of time.

It was *M/S/C* to vote yes at the SACRS Spring Conference for the recommended slate of candidates for the SACRS Board of Director Elections. (Yes: Cabral, Gaynor, Holcombe, Pollacek, Telles, and Viramontes)

9. <u>Electronic Minutes Recording</u>

Leedom reviewed her memo regarding the recommendation and options for recording of meeting minutes, including the methods used by other '37 Act systems.

Board discussion followed concerning the possibility that CCCERA could be subject to misinterpretation as audio only recording will miss all nonverbal communications; this may change how Board members discuss issues.

Some Board members felt the meetings should be recorded with recordings kept permanently archived, accessible and part of the public record. Specific incidents were noted where having a recording would have helped clarify past issues. Some Board members felt that transparency is essential; recording the meetings allows the Board, as well as the public, to remain well informed.

Discussion followed, noting the meeting is already transparent because the Board holds open public meetings. If, from an individual board member's standpoint, something specific is not included in the minutes, it is up to the Board member to ensure the minutes are revised accordingly prior to approval.

It was *M/S* to audio record the Board meetings and retain the recordings for one year. (Yes: Cabral and Telles; No: Gaynor, Holcombe, Pollacek, and Viramontes) Motion failed.

10. <u>Placement Agent Disclosure Policy</u>

Levy reviewed the Placement Agent Disclosure Policy and the definition of a placement agent. Discussion followed regarding whether the disclosure should include, in addition to third party placement agents, investment managers' internal employees. Counsel indicated the Policy uses the definition of "Placement Agent" adopted by the legislature in Government Code section 7513.8. Discussion followed regarding whether section 1 of the Disclosure Statement *Re: Use of Placement Agents* should be changed to: 1. Neither we nor any of our principals, employees, agents, or affiliates have compensated or agreed to compensate, directly or indirectly, any **person** or entity to act as a Placement Agent (as defined in the Policy) in connection with any investment by CCCERA, except as disclosed on Attachment 1 to this Disclosure Statement.

It was M/S/C to carry this topic over to next main meeting.

MEETING DATE
JAN 0 9 2013
AGENDA ITEM
#16

MEMO

Date: January 9, 2013

To: CCCERA Board of Retirement

From: Kurt Schneider, Deputy Chief Executive Officer

Subject: Policy on Internal Revenue Code §415 Compliance

Recommendation: Adopt the amended Policy on IRC §415 Compliance

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CCCERA continues to ensure it is in compliance with Internal Revenue Code (IRC) §415(b). This code section and the Treasury Regulations that provide the Internal Revenue Service's (IRS) official interpretation of this section are some of the most complicated provisions of U.S. federal income tax law. In order to establish CCCERA's compliance with this section, the Board adopted a policy in 2010 detailing the IRS's requirements as they apply to CCCERA.

A number of questions have arisen in the course of implementing the policy. CCCERA's tax counsel, Ice Miller LLP, has recommended several minor changes to the Policy to clarify and provide a greater level of detail on implementation. None of the changes in the document represent changes in our §415 compliance practice. The changes are to provide clarification and to add detail where questions have arisen.

Staff recommends the Board adopt the amended policy.

CONTRA COSTA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
BOARD OF RETIREMENT
POLICY ON INTERNAL REVENUE CODE SECTION 415 COMPLIANCE

Adopted: 12/8/2010
Amended: 1/9/2012

1. **Purpose of this Policy**

   A. CCCERA is established as a qualified defined benefit plan under the County Employees Retirement Law of 1937, California Government Code sections 31450, *et seq.*, as amended from time to time ("CERL"), sections 401(a) and 414(d) of the Internal Revenue Code, such other provisions of the Internal Revenue Code as applicable, and applicable Treasury regulations and other guidance.

   B. The Retirement Board is authorized to adopt regulations and policies which are appropriate or necessary to maintain the qualified status of the plan.

2. **Definitions**

   A. All references to the Internal Revenue Code or IRC mean the Internal Revenue Code of 1986, as amended.

   B. The plan year is the calendar year.

   C. For IRC section 415 testing purposes, the limitation year is the calendar year.

3. **Limitations on Contributions and Benefits (IRC Section 415; CERL §§ 31538 and 31899 et seq.)**

   A. As provided in CERL Chapter 3.9, §31899 et seq., benefits paid from the plan shall be limited to such extent as may be necessary to conform to the requirements of IRC Section 415 for a qualified pension plan. Notwithstanding any other law, the limitation with respect to a person who first became a member under the plan prior to January 1, 1990 shall not be less than the accrued benefit of the member under the plan (determined without regard to any amendment of this plan adopted after October 14, 1987).

   B. *Basic 415(b) Limitation.*

   (i) On and after January 1, 1995, a member may not receive an annual benefit that exceeds the dollar amount specified in IRC Section 415(b)(1)(A), subject to the applicable adjustments in IRC Section 415(b) and subject to any additional limits that may be specified in CERL and this Policy, and subject to the grandfather provisions of CERL §31899.2. In no event shall such member's benefit payable under the plan in any limitation year be greater than the limit applicable at the annuity starting date, as increased in subsequent years pursuant to IRC Section 415(d) and the regulations thereunder.

(ii) For purposes of IRC Section 415(b), the "annual benefit" means a benefit payable annually in the form of a straight life annuity (with no ancillary benefits) without regard to the benefit attributable to after-tax employee contributions (except pursuant to IRC Section 415(n)) and to rollover contributions (as defined in IRC Section 415(b)(2)(A)). The "benefit attributable" shall be determined in accordance with Treasury Regulations.

C. *Adjustments to Basic 415(b) Limitation for Form of Benefit.*

If the benefit under the plan is other than the form specified in subsection (B)(ii), then the benefit shall be adjusted so that it is the equivalent of the annual benefit, using factors prescribed in Treasury Regulations.

(i) If the form of benefit without regard to the automatic benefit increase feature is not a straight life annuity or a qualified joint and survivor annuity, then the preceding sentence is applied by either reducing the IRC Section 415(b) limit applicable at the annuity starting date or adjusting the form of benefit to an actuarially equivalent amount [determined using the assumptions specified in Treasury Regulation § 1.415(b)-1(c)(2)(ii)] that takes into account the additional benefits under the form of benefit as follows:

(ii) For a benefit paid in a form to which IRC Section 417(e)(3) does not apply ~~(*i.e.*, a monthly benefit)~~, the actuarially equivalent straight life annuity benefit that is the greater of:

(a) The annual amount of the straight life annuity (if any) payable to the member under the plan commencing at the same annuity starting date as the form of benefit to the member, or

(b) The annual amount of the straight life annuity commencing at the same annuity starting date that has the same actuarial present value as the form of benefit payable to the member, computed using a 5% interest assumption (or the applicable statutory interest assumption) and, for plan years after December 31, 2008, the applicable mortality tables described in IRC Section 417(e)(3)(B) (Notice 2008-85 or any subsequent Internal Revenue Service ("IRS") guidance implementing IRC Section 417(e)(3)(B)); or

(iii) For a benefit paid in a form to which IRC Section 417(e)(3) applies ~~(*i.e.*, a lump sum benefit)~~, the actuarially equivalent straight life annuity benefit that is the greatest of:

(a) The annual amount of the straight life annuity commencing at the annuity starting date that has the same actuarial present value as the particular form of benefit payable, computed using the interest rate and mortality table, or tabular factor, specified in the plan ~~for actuarial experience~~;

(b) The annual amount of the straight life annuity commencing at the annuity starting date that has the same actuarial present value as the particular form of benefit payable, computed using a 5.5 percent interest assumption (or the applicable statutory interest assumption) and, for plan years after December 31, 2008, the applicable mortality tables described in IRC Section 417(e)(3)(B) (Notice 2008-85 or any subsequent IRS guidance implementing IRC Section 417(e)(3)(B)); or

(c) The annual amount of the straight life annuity commencing at the annuity starting date that has the same actuarial present value as the particular form of benefit payable (computed using the applicable interest rate for the distribution under Treasury Regulation § 1.417(e)-1(d)(3) (~~the 30-year Treasury rate,~~ using the rate in effect for the month prior to retirement) and, for plan years after December 31, 2008, the applicable mortality tables described in IRC Section 417(e)(3)(B) (Notice 2008-85 or any subsequent IRS guidance implementing IRC Section 417(e)(3)(B)), divided by 1.05.

(iv) In lieu of converting the optional form of benefit into a single-life annuity, the actuary may adjust the 415(b) limit at the annuity starting date in accordance with the above subsections (ii) and (iii).

D. *Benefits Not Taken into Account for 415(b) Limitation.*

For purposes of this section, the following benefits shall not be taken into account in applying these limits:

(i) Any ancillary benefit which is not directly related to retirement income benefits;

(ii) That portion of any joint and survivor annuity that constitutes a qualified joint and survivor annuity;

(iii) Any other benefit not required under IRC Section 415(b)(2) and Treasury Regulations thereunder to be taken into account for purposes of the limitation of IRC Section 415(b)(1).

E. *Other Adjustments in 415(b) Limitation.*

(i) In the event the member's retirement benefits become payable before age 62, the limit prescribed by this section shall be reduced in accordance with Treasury Regulations pursuant to the provisions of IRC Section 415(b), so that such limit (as so reduced) equals an annual straight life benefit (when such retirement income benefit begins) which is equivalent to a one hundred sixty thousand dollar ($160,000) (as adjusted) annual benefit beginning at age 62.

The reduction in the limit shall be based on the following set of assumptions which produce the lower limit:

(a) the interest rate and mortality table or tabular factor specified in the plan for commencement prior to the age of 62, or

(b) 5% and for plan years after December 31, 2008, the applicable mortality tables described in IRC section 417(e)(3)(B) (Notice 2008-85 or any subsequent IRS guidance implementing IRS Section 417(e)(3)(B)).

(ii) In the event the member's benefit is based on at least 15 years of service as a full-time employee of any police (sheriff's) or fire department or on 15 years of military service, the adjustments provided for in (i) above shall not apply. This provision applies to any employee of the police or fire department, regardless of whether that person otherwise qualifies as a public safety office, but does not apply to Safety Members who are not employed by a police or fire department.

(iii) The reductions provided for in (i) above shall not be applicable to pre-retirement disability benefits or pre-retirement death benefits.

F. *Less than 10 Years of Participation Adjustment for 415(b) Limitations.*

The maximum retirement benefits payable to any member who has completed less than 10 years of participation shall be the amount determined under subsection (B) multiplied by a fraction, the numerator of which is the number of the member's years of participation and the denominator of which is 10. The reduction provided by this subsection cannot reduce the maximum benefit below 10 percent. The reduction provided for in this subsection shall not be applicable to pre-retirement disability benefits or pre-retirement death benefits.

G. *Ten Thousand Dollar ($10,000) Limit.*

Notwithstanding the foregoing, the retirement benefit payable with respect to a member shall be deemed not to exceed the 415 limit if the benefits payable, with respect to such member under this plan and under all other qualified defined benefit pension plans to which the member's employer contributes, do not exceed ten thousand dollars ($10,000) for the applicable limitation year and for any prior limitation year and the employer has not any time maintained a qualified defined contribution plan in which the member participated.

H. *Effect of COLA without a Lump Sum Component on 415(b) Testing.*

Effective on and after January 1, 2009, for purposes of applying the limits under IRC Section 415(b) (the "Limit") to a member with no lump sum benefit, a member's annual benefit, including any cost of living increases under CERL Article 16.5, shall be tested under the then applicable benefit Limit including any adjustment to the IRC Section 415(b)(1)(A) dollar limit under IRC Section 415(d), and the regulations thereunder.

I. *Effect of COLA with a Lump Sum Component on 415(b) Testing.*

On and after January 1, 2009, with respect to a member who receives a portion of the member's annual benefit in a lump sum, a member's applicable Limit will be applied taking into consideration cost of living increases as required by IRC Section 415(b) and applicable Treasury Regulations.

J. *Section 415(c) limitations on contributions and other additions.*

After-tax member contributions or other annual additions with respect to a member may not exceed the lesser of $40,000 (as adjusted pursuant to IRC Section 415(d)) or 100% of the member's compensation.

(i) Annual additions are defined to mean the sum (for any year) of employer contributions to a defined contribution plan, member contributions, and forfeitures credited to a member's individual account. Member contributions are determined without regard to rollover contributions and to picked-up employee contributions that are paid to a defined benefit plan.

(ii) For purposes of applying IRC Section 415(c) and for no other purpose, the definition of compensation where applicable will be compensation actually paid or made available during a limitation year, except as noted below and as permitted by Treasury Regulation § 1.415(c)-2, or successor regulation; provided, however, that member contributions picked up under IRC Section 414(h) shall not be treated as compensation.

(iii) This section applies solely for purposes of IRC Section 415 testing. Compensation will be defined as wages within the meaning of IRC Section 3401(a) and all other payments of compensation to an employee by an employer for which the employer is required to furnish the employee a written statement under IRC Sections 6041(d), 6051(a)(3) and 6052 and will be determined without regard to any rules under IRC Section 3401(a) that limit the remuneration included in wages based on the nature or location of the employment or the services performed (such as the exception for agricultural labor in IRC Section 3401(a)(2)).

(a) However, for limitation years beginning after December 31, 1997, compensation will also include amounts that would otherwise be included in compensation but for an election under IRC Sections 125(a), 402(e)(3), 402(h)(1)(B), 402(k), or 457(b). For limitation years beginning after December 31, 2000, compensation shall also include any elective amounts that are not includible in the gross income of the member by reason of IRC Section 132(f)(4).

(b) For limitation years beginning on and after January 1, 2009, compensation for the limitation year shall also include compensation paid by the later of 2½ months after a member's severance from employment or the end of the limitation year that includes the date of the member's severance from employment if:

(I) the payment is regular compensation for services during the member's regular working hours, or compensation for services outside the member's regular working hours (such as overtime or shift differential), commissions, bonuses or other similar payments, and, absent a severance from employment, the payments would have been paid to the member while the member continued in employment with the employer; or

(II) the payment is for unused accrued bona fide sick, vacation or other leave that the member would have been able to use if employment had continued; or

(III) payments pursuant to a nonqualified unfunded deferred compensation plan, but only if the payments would have been paid to the member at the same time if the member had continued employment with the employer and only to the extent that the payment is includible in the member's gross income.

(iv) Any payments not described in paragraph (iii)(b) above are not considered compensation if paid after severance from employment, even if they are paid within 2½ months following severance from employment, except for payments to the individual who does not currently perform services for the employer by reason of qualified military service (within the meaning of IRC Section 414(u)(1)) to the extent these payments do not exceed the amounts the individual would have received if the individual had continued to perform services for the employer rather than entering qualified military service.

(v) An employee who is in qualified military service (within the meaning of IRC Section 414(u)(1)) shall be treated as receiving compensation from the employer during such period of qualified military service equal to (i) the compensation the employee would have received during such period if the employee were not in qualified military service, determined based on the rate of pay the employee would have received from the employer but for the absence during the period of qualified military service, or (ii) if the compensation the employee would have received during such period was not reasonably certain, the employee's average compensation from the employer during the twelve month period immediately preceding the qualified military service (or, if shorter, the period of employment immediately preceding the qualified military service).

(vi) Back pay, within the meaning of Treasury Regulation § 1.415(c)-2(g)(8), shall be treated as compensation for the limitation year to which the back pay relates to the extent the back pay represents wages and compensation that would otherwise be included under this definition.

(vii) For limitation years beginning on or after January 1, 2009, a member's compensation for purposes of this section shall not exceed the annual limit under IRC Section 401(a)(17).

K. *Service Purchases under Section 415(n).*

(i) Effective for permissive service credit contributions made in limitation years beginning after December 31, 1997, if a member makes one or more contributions to purchase permissive service credit under the plan, then the requirements of IRC Section 415(n) will be treated as met only if:

(a) the requirements of IRC Section 415(b) are met, determined by treating the accrued benefit derived from all such contributions as an annual benefit for purposes of IRC Section 415(b), or

(b) the requirements of IRC Section 415(c) are met, determined by treating all such contributions as annual additions for purposes of IRC Section 415(c).

For purposes of applying this section, the plan will not fail to meet the reduced limit under IRC Section 415(b)(2)(C) solely by reason of this subparagraph and will not fail to meet the percentage limitation under IRC Section 415(c)(1)(B) solely by reason of this section.

(ii) For purposes of this subsection the term "permissive service credit" means service credit—

(a) recognized by the plan for purposes of calculating a member's benefit under the plan,

(b) which such member has not received under the plan, and

(c) which such member may receive only by making a voluntary additional contribution, in an amount determined under the plan, which does not exceed the amount necessary to fund the benefit attributable to such service credit.

Effective for permissive service credit contributions made in limitation years beginning after December 31, 1997, such term may include service credit for periods for which there is no performance of service, and, notwithstanding clause (b), may include service credited in order to provide an increased benefit for service credit which a member is receiving under the plan.

(iii) The plan will fail to meet the requirements of this section if—

(a) more than 5 years of nonqualified service credit are taken into account for purposes of this subparagraph, or

(b) any nonqualified service credit is taken into account under this paragraph before the member has at least 5 years of participation under the plan.

(iv) For purposes of subparagraph (iii), effective for permissive service credit contributions made in limitation years beginning after December 31, 1997, the term "nonqualified service credit" means permissive service credit other than that allowed with respect to—

(a) service (including parental, medical, sabbatical, and similar leave) as an employee of the Government of the United States, any State or political subdivision thereof, or any agency or instrumentality of any of the foregoing (other than military service or service for credit which was obtained as a result of a repayment described in IRC Section 415(k)(3)),

(b) service (including parental, medical, sabbatical, and similar leave) as an employee (other than as an employee described in clause (a)) of an education organization described in IRC Section 170(b)(1)(A)(ii) which is a public, private, or sectarian school which provides elementary or secondary education (through grade 12), or a comparable level of education, as determined under the applicable law of the jurisdiction in which the service was performed,

(c) service as an employee of an association of employees who are described in clause (a), or

(d) military service (other than qualified military service under IRC Section 414(u)) recognized by the plan.

In the case of service described in clause (a), (b), or (c), such service will be nonqualified service if recognition of such service would cause a member to receive a retirement benefit for the same service under more than one plan.

(v) In the case of a trustee-to-trustee transfer after December 31, 2001, to which IRC Section 403(b)(13)(A) or 457(e)(17)(A) applies (without regard to whether the transfer is made between plans maintained by the same employer)—

(a) the limitations of subparagraph (iii) will not apply in determining whether the transfer is for the purchase of permissive service credit, and

(b) the distribution rules applicable under federal law to the plan will apply to such amounts and any benefits attributable to such amounts.

(vi) For an eligible member, the IRC Section 415(c)(1) limitation shall not be applied to reduce the amount of permissive service credit which may be purchased to an amount less than the amount which was allowed to be purchased under the terms of a Plan as in effect on August 5, 1997. For purposes of this paragraph an eligible member is an individual who first became a member in the plan before January 1, 1998.

L. *Modification of Contributions for 415(c) and 415(n) Purposes.*

Notwithstanding any other provision of law to the contrary, CCCERA may modify a request by a member to make a contribution to the plan if the amount of the contribution would exceed the limits provided in IRC Section 415 by using the following methods:

(i) If the law requires a lump sum payment for the purchase of service credit, CCCERA may establish a periodic payment plan for the member to avoid a contribution in excess of the limits under IRC Section 415(c) or 415(n).

(ii) If payment pursuant to subparagraph (i) will not avoid a contribution in excess of the limits imposed by IRC Section 415(c) or 415(n), CCCERA may either reduce the member's contribution to an amount within the limits of those sections or refuse the member's contribution.

M. *Repayments of Cashouts.*

Any repayment of contributions (including interest thereon) to the plan with respect to an amount previously refunded upon a forfeiture of service credit under the plan or another governmental plan maintained by CCCERA shall not be taken into account for purposes of IRC Section 415, in accordance with applicable Treasury Regulations.

N. *Participation in Other Qualified Plans: Aggregation of Limits.*

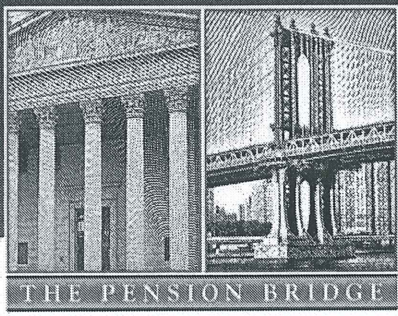
(i) The 415(b) limit with respect to any member who at any time has been a member in any other defined benefit plan as defined in IRC Section 414(j) maintained by the member's employer in this plan shall apply as if the total benefits payable under all such defined benefit plans in which the member has been a member were payable from one (1) plan.

(ii) The 415(c) limit with respect to any member who at any time has been a member in any other defined contribution plan as defined in IRC Section 414(i) maintained by the member's employer in this plan shall apply as if the total annual additions under all such defined contribution plans in which the member has been a member were payable from one (1) plan.

O. *Reduction of Benefits Priority.*

Reduction of benefits and/or contributions to all plans, where required, shall be accomplished by first reducing the member's benefit under any defined benefit plans in which the member participated, such reduction to be made first with respect to the plan in which the member most recently accrued benefits and thereafter in such priority as shall be determined by the plan and the plan administrator of such other plans, and next, by reducing or allocating excess forfeitures for defined contribution plans in which the member participated, such reduction to be made first with respect to the plan in which the member most recently accrued benefits and thereafter in such priority as shall be established by the plan and the plan administrator for such other plans provided, however, that necessary reductions may be made in a different manner and priority pursuant to the agreement of the plan and the plan administrator of all other plans covering such member.

Meeting Date
01/09/13
Agenda Item
#17a.



THE PENSION BRIDGE ANNUAL

APRIL 16 & 17, 2013

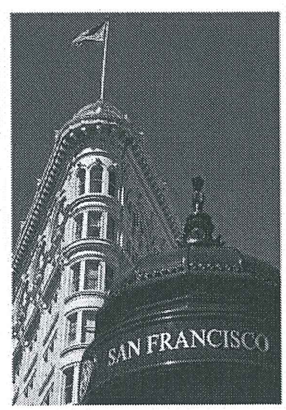
FOUR SEASONS HOTEL, SAN FRANCISCO

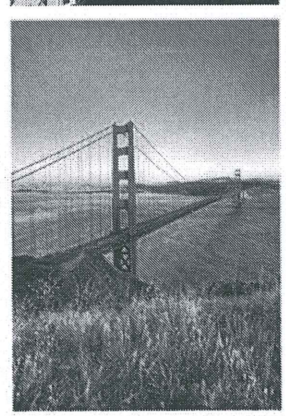
The Pension Bridge Annual Conference provides the highest level of education and networking to the Institutional Investment Community. A mix of Public Funds, Corporate Funds, Foundations, Endowments, Taft-Hartleys, Consultants and Investment Managers will come together for this exclusive event.

We will limit the attendance in order to maintain **better than a 1:1 Ratio**. We will allow for only 100 Manager Firms to attend and will have approximately 150 Pension Funds/Consultants joining us, thus creating an enjoyable atmosphere.

Learn from the experts about the most important Issues, Challenges, Trends, Opportunities and Strategies that will shape our Industry for today and the future:

- A Macroeconomic View of the Economy – Effects on Returns in the coming Years
- Asset/Liability Evaluation
- Risk Allocation Approaches and De-Risking Strategies
- Understanding Proper Diversification to Prevent Portfolio Drawdowns
- How to Position Portfolios against Macro Issues such as the Bond Bubble and Inflation
- Strategies that offer a Non-Correlation to Equities, Fixed Income, and Alternative Investments
- In Depth Coverage of the Alternatives Space - Considerations for each Allocation and Strategy
- Best Practices for the way we Evaluate, Allocate and Invest
- A Glimpse of what our Industry will look like in the Future
- Strategies that will Outperform in the next few Years





And plenty more important topics that need to be addressed during these uncertain economic times that are unlike any other in history! We will learn from the best about how to adapt in our industry which is always evolving and transforming.

The Pension Bridge Annual has two goals in mind. First is to provide the highest level of education with the top speaker faculty. This highly regarded group will bring forth influential insights and concepts. The second goal is to help build relationships between the pension plans, consultants and investment managers.

We have provided the best possible networking atmosphere for this event and will cap it off with a fun and enjoyable networking outing. We will manage the attendance and once again provide the proper networking sessions required for connecting with your peers and prospective business contacts.

We look forward to a strong event and a very productive one from both an educational and relationship perspective. We have designed this conference in a way that will be most productive and beneficial to you. We hope that you will join us to be amongst your industry peers to learn about the most up-to-date insights, investment strategies and trends.

Tuesday, April 16th

7:15 AM – Breakfast

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Inspired by Change, Driven by Growth

8:15 AM – Opening Remarks

8:20 AM – Keynote Speaker

8:50 AM – Keynote Session - Macroeconomic View

- How is the Health of the US Consumer? – Savings Rate, Disposable Income, Debt, Homeowner Equity
- Unemployment – high for how long and just how bad are the Actual Figures?
- Housing Market Outlook
- Stock Market Outlook
- Length of the Average Secular Bear Market
- S&P 500 PE Ratio – will we reach the Historical Low End of Valuations normally associated with Bear Markets?
- Are we in a Bond Market Bubble? How should you be positioned for the end of a 30 Year Bull Market?
- Outlook for the Dollar – will it remain as the World's Reserve Currency? Implications if it doesn't retain that Status
- Inflation Expectations
- European Sovereign Debt Crisis
- Bank Balance Sheets
- Future Municipal Bond Defaults – what can we expect and what are the Implications?
- What Role has the Fed played in the Markets and how might this play out in the Future?
- Is there a Black Swan Event in our future and what is the most likely cause?

9:20 AM – Risk Management and Adopting a Risk Culture, (Discussion)

- To what extent has the Financial Crisis changed the way Pension Plans Measure and Manage Risk?
- What kinds of Future Risk should US Pension Plans be most wary of?
- Integration of Risk Management and Portfolio Modeling Techniques – what are the most effective Asset Allocation Strategies for dealing with Future Financial Challenges?
- Correlation and Drawdown Risk
- Transparency and Liquidity Risk – Basing it on a Cost/Benefit Evaluation
- Developing a Framework for Identifying, Measuring, Monitoring, and Controlling Liquidity Risk in order to meet Future Cash Flow Obligations, (and avoid Shortfall Risk)
- Valuation and Pricing Risk
- The Importance of Monitoring Counterparty Risk being taken by Managers
- Leverage Risk – what are the Best Approaches to keep these Risks within Acceptable Parameters?
- Risk Parity – is Leverage the main Downside and do you see it as a Sustainable Approach in Periods of Market Stress?
- Supervision and Legislation of Markets – Importance of having a Chief Risk Officer and Building In-House Resources (or outsource it), for an overall Risk Management Framework
- How has the Role of Fiduciary Responsibility Changed in this new Era of Risk?
- What Considerations do Boards Need in order to Adopt a more Risk Cultural View? How can Fiduciaries Adapt and Safeguard against today's Challenges?
- How do you go about Educating a Board on Risk?
- How does a Plan's Size affect the Approach to Pension Risk Management?
- What will Risk Management Best Practice look like in the future?

10:00 AM – Refreshment Break

10:30 AM – Unfunded Liabilities, (Discussion)

- Is the Pension Shortfall worse than stated due to Accounting/Valuation Methodologies?
- Assumed Rate of Return Adjustments Trending Lower
- Is Raising the Retirement Age, Reducing Benefits, and Increasing Employee Contributions a Forgone Conclusion?
- Will Cuts on Future Hires save the Weakest Funds?
- Is a Federal Government large scale Bailout a possibility down the road? If so, what might they do?
- Explain the Argument as to why States should not offer a 401(k) DC Plan as a Solution
- Chances Harkin's Private Universal Retirement Plan comes to fruition?
- Thoughts on a Hybrid Model with Elements of DB & DC
- Corporate Pension Buyouts and Annuitization to become a Derisking Trend? Will more DB Plans follow the U.K. and GM's Lead?
- What Ideas would you propose in order to Cut a Pension Plan's Deficit and Close the Gap?
- What can Pension Plans do to be more Proactive going forward to withstand periods of Market Stress?
- What can the Money Management Industry do to help these Underfunded Plans?
- Will Hedge Funds be the Beneficiaries of Asset Flows due to the Funding Gap?
- Do you think Plans will cut more Illiquid Assets to ensure being able to make Benefit Payments?
- Aligning the Interests between Plan Sponsors and Managers
- Will the Consultant's Role change going forward? If so, in what way?

11:00 AM – Liability Driven Investment, (LDI), (Presentation)

- Managing and Controlling Sources of Pension Fund Risk
- What is LDI and how is it Interpreted in the Market?
- What are we seeing now in terms of LDI Related Trends?
- Does LDI make sense right now considering Current and Future Market Conditions and Interest Rates?
- Reducing Funding Ratio Volatility
- Risk/Return – Does embracing LDI mean giving up much needed Returns?
- Are Plan Liabilities the only appropriate Benchmark?
- Understanding the Components of Performance Monitoring and Evaluation
- Low Pension Funded Status and Low Interest Rates – what are Plans doing to address these hurdles?
- Understanding Implementation Approaches, Strategies and Issues
- How to Implement LDI in a Pubic Fund Context
- Pension Buy-In – Insurance Policy Covering Benefits for a Selection of Pensioners. Are you fielding questions regarding this De-Risking Strategy and do you see the Advantages over a Pension Buyout?

11:30 AM – Multi-Asset Strategies & Solutions, (Presentation)

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INVESTMENT MANAGEMENT

- LDI as an Investment Solution
- Sources of Return – Separation of Market Returns (Beta), from Active Returns, (Alpha)
- Accessing Well-Diversified Sources of Alpha from around the Globe
- Asset Allocation and Modeling Techniques
- Risk Management and Hedging
- Manager Selection and Monitoring

12:00 Noon – Fixed Income, (Discussion)

(A) Market Outlook

- Assessing the Current Environment: U.S. Dollar, Monetary Policy, Spreads, Yield Curve, Interest Rates, Foreign Investment in US Treasuries and Default Rate Expectations

- Historical Perspective – the 30 Year Bull Market in Bonds
- Is there more Risk in the Bond Market now compared to other time Periods?
- How should you be Positioned through 2014 knowing Bernanke plans to keep Rates Low until then?
- Global Fixed Income Landscape

(B) Portfolio Construction for Current Environment

- What role Fixed Income should play for you in your Portfolio?
- Portfolio Construction, Risk Management and the Importance of Diversification
- Positioning your Credit Portfolio in a Low Growth, Low Interest Rate Environment
- Why is Liquidity Important in the Consideration of Core Fixed Income?
- Disaggregation of Core and Core Plus Bond Approach – why it makes sense
- Risk/Reward for TIPs and Inflation Overlays
- Managing Risk with Inflation or Deflation – can you earn High Single Digit Returns without taking sides?
- Due Diligence – how to Evaluate Alternative Managers
- The Need for Active Management Techniques

(C) Specialized Strategies

- Using Structured Products and Derivatives to Create Alpha and Hedge Volatility
- Landscape for MBS Market with GSE Reform Considerations
- Why Invest in Emerging Markets Local Fixed Income?
- Making the case for Corporate Debt being Safer than Treasuries
- Why are Bank Loans an attractive Compliment to a High Yield Bond Portfolio?
- Total Return Focused vs. Beta Manager Approach
- Understanding how Commission Recapture can Lower Expenses and Increase Investment Returns

12:40 PM – Lunch

An Afternoon of De-Risking Strategies – Non-Correlation Wanted!

The Importance of True Diversification and Investing in Strategies that offer a Low or Non-Correlation to Equities, Fixed Income and other Alternative Investments

1:50 PM – Introduction - The S&P has moved up over 100% in only three years, partially due to the Fed stimulus policy. With previous bear markets averaging over 16 years and no pent up demand from consumers to spur further economic growth, pension plans should be finding ways to reduce portfolio risk. As we found out during the last treacherous market period, alternatives were highly correlated with equities. With potential Tail Risk Events such as the $600 Trillion Unregulated Derivates Market, a US Dollar Decline, the Bond Bubble and the Euro Crisis still looming, the industry must find a way to avoid a further shortfall and achieve their expected returns. We have an insightful afternoon planned to learn about **Strategies that Properly Diversify, Reduce Risk and have a Non-Correlation factor**.

1:55 PM – Protecting Portfolios from Periods of Financial Stress – Tail Risk Hedging and Understanding Proper Diversification, (Presentation)

(A) Tail Risk Hedging

- Understanding Tail Risk Frequency, Severity and Impact
- Globalization of Capital Markets – leading to a Connected Marketplace
- Importance of Understanding where in the Market your Existential Tail Risks come from and how big they could be – Analysis of your Liquidity and Leverage
- Limits of Diversification and Beta Hedging
- What types of Strategies and Approaches are used to Hedge?
- Derivatives Overlay Hedges – Dedicated and Customized
- Active Management
- Pension Plans developing a Contingency Plan – what are the Best Practices to Navigate through Stressful Periods?
- Is this a good time to Mitigate Equity Tail Risk?
- Is Raising Cash a proper Tail-Risk Strategy?
- Disadvantages – Cost, Implementation, Risks, etc.

(B) Understanding Proper Diversification

- Why is Diversification in the Portfolio Flawed or Misunderstood?
- Preventing Portfolio Drawdowns – Correlations tend to Increase during Periods of Market Disturbance
- How does the Diversification and Allocation Framework need Refining?
- Goal of Creating True Diversification – a Non-Correlated Portfolio
- Types of Alternatives-Based Products that provide a Low Correlation to Traditional Investments with Outsized Returns during periods of Market Stress
- Tail Risk Hedging – do you need to Rebalance?
- Should the Market suffer another Collapse, would your Pension Plan's Portfolio Performance be significantly better off due to changes in Asset Allocation and Diversification, or just slightly?

2:30 PM – Currency and Currency Alpha, (Presentation)

- Goals of a Currency Program
- How does Investing in Currency Diversify and Reduce Risk?
- Non-Correlated Returns to Equities, Fixed Income, and other Alternative Investments
- Liquid and Transparent Market
- What is Currency Alpha and how is it done?
- Can Currencies be Forecasted via Fundamentals, Cycles and Trends?
- Hedging Currency to Reduce Portfolio Volatility and Risk
- Managing Currency Risk
- What are the Current Events and Risks in Developed Market Currencies?

3:00 PM – Commodities, (Discussion)

- Current Market Environment and Outlook – is it still time to Increase your Allocation?
- Fed Policy and China as Factors
- Long Term Global Supply, Demand and Pricing
- Diversification and Low Historical Correlation to Equities – has the Correlation become stronger recently? Will Inflation bring back Lower Correlation?
- Commodities as an Inflation Hedge
- Performance during Down Equity Markets
- Understanding the different Approaches to Investing in Commodities
- Investing in Long/Short vs. Long Only
- Active vs. Passive
- Should you be Investing in Natural Resource Equities or Commodities?
- Dow Jones-UBS Commodity Index – use of Futures vs. Equities
- Should you be Investing in Private or Public Natural Resources?
- Generating Attractive Returns regardless of Pricing Environment while Managing Volatility
- What are the Key Criteria that would lead to Manager Outperformance?
- Risk Factors
- How concerned should we be with the Regulatory Environment – Effect on Pension Plans?

3:30 PM – Refreshment Break

4:00 PM – Managed Futures, (Presentation)

- Global Macro's place in the Hedge Fund Industry – what are the key Differences from other Hedge Fund Strategies?
- How does Investing in Managed Futures Diversify?
- Non-Correlation to Equities and Hedge Fund Strategies
- Performance during periods of Stress or Crisis Events
- Decreasing Depth of Portfolio Drawdowns and Volatility
- Qualitative Traits – Liquid, Transparent and Regulated
- Increasing your Exposure to Global Markets and Non-Financial Sectors
- Managed Futures as an Inflation Hedge
- How to Implement an Allocation to Managed Futures
- How do you Manage Risk and Volatility?
- Recent and Historical Performance of Managed Futures

4:30 PM – Emerging Strategies and Financing Solutions, (Presentation)

(A) Mezzanine Debt

- Will the Private Equity Overhang Benefit Mezzanine?
- Significant Demand for Mezzanine and how the Credit Crisis changed the Providers of Capital – are the Banks still Capital Constrained?
- How much Activity are you seeing for Mezz Loans now? Expectations for the Future?
- Mezz Stability, Non-Correlation and Performance During Economically Challenged Times – Peak to Trough Drawdown compared to PE Sub-Sectors and other Asset Classes
- How are Deals being Structured and Priced?
- What does the Cash Flow Model and Return Structure look like?
- Obstacles, Competition, Liquidity, Pricing and Returns Expectations
- Risk/Reward of Micro, Middle and Upper Market – which one do you favor?

(B) Structured Investments in Healthcare Companies and Products

- Healthcare Reform – Benefiting from Healthcare and Pharma Industry Consolidation and Cost Cutting
- Why the Increased Popularity?
- Investment Characteristics – Liquidity/Cash Flow Strategy, Non-Correlation and Diversification from Private Equity Portfolio
- Cash Flows from Investments in Royalty Contracts
- Structure Debt Loans Collateralized by Royalties or Drug Revenues

(C) Life Settlements

- What are Life Settlements?
- Reasons for Investing in Life Settlements – Non-Correlation, Volatility Protection, Diversification, Amortization, Highly Rated Receivables, etc.
- Demographics of Population
- Investment Structures/Methods of Participation
- Life Settlements tailored to meet LDI Needs of Pension Plans?
- What Returns can be expected?
- Who should Pension Plans seek out for Consulting on this Investment?
- Investor Hurdles/Risks

(D) Farmland and Timber

- Characteristics – Natural Inflation Hedge, Low Correlation, Diversification
- Income Component
- Federal Crop Insurance to Safeguard against Droughts
- Return Expectations – making sense in a Low Return Environment
- Population Demographics and Supply/Demand in Favor of Investment
- Low Risk, High Return Long Term
- Likelihood of World Food Price Inflation and what this means for the Industry and its Returns
- Sustainable and Responsible Management Practices of Farmland Investing
- Timber vs. Stocks – Favorable 30-45 Year Comparison

5:30 PM – Emerging Portfolio Trend – ESG, (Environmental, Social and Governance), (Discussion)

- Why should we consider ESG Issues and is there a Fiduciary Duty to address them?
- ESG Misconceptions
- How ESG should be best Incorporated into the Investment Process – Portfolio Integration into all Asset Classes
- Demand
- ESG Fund Performance vs. Traditional Funds
- Do we have proof that ESG Integration Adds Value?
- How has ESG Research and Data Evolved or Improved? How is it Incorporated into your Portfolio Construction Process?
- Relevant Benchmarks for ESG Risk Measurement and Assessing ESG Factors

6:00 PM – Cocktail Reception

7:20 PM – Cocktail Reception Concludes

Wednesday, April 17th

7:15 AM – Breakfast

8:15 AM – Keynote Speaker

8:45 AM – Emerging Markets, (Presentation)

- Long Term Global Outlook
- What Major Developments have we seen in the Past Year? Appetite?
- Effects of a possible Global Recession
- What are the Demographics driving Growth in Emerging Markets?
- BRIC Counties – GDP, Growth, Debt and Reserves in comparison to Developed Markets
- Breaking down BRIC Prospects – which Countries offer the best Opportunities and Returns?
- China's Growth – Slowing? Sustainable? Able to Avoid a Hard Landing?
- Does the MSCI Emerging Markets Index understate China and India?
- Frontier Markets – should your Plan consider Investing in MENA Countries for further Diversification and Lower Correlation to Developed Markets?
- MENA – Pros and Cons
- How has the Asset Class Evolved?
- What is an appropriate Long-Term Allocation to Emerging Markets?
- Do you consider Emerging Markets to be an Inefficient Asset Class?
- Choosing an Emerging Markets Fund or Manager – should you be Investing by Region, Country Specific or Sector?
- Active vs. Passive Debate
- Identifying Barriers/Risks
- How do Valuations look Relative to Risk? Are Risk and Return in Balance?
- How should Inflation and Currency Risk be factored in?
- Given the Current Environment, will Emerging Markets Outperform Developed Markets? Equities?

9:25 AM – Hedge Funds, (Discussion)

(A) Current and Future State of the Hedge Fund Industry

- How large is the Industry now and how many Funds will there be in Five Years?
- How many Good Hedge Funds are there?
- Pension Inflows – are they still going to the Largest Hedge Funds? Are there Capacity Constraints with the most Desirable Hedge Funds?
- The ongoing Deleveraging Process – where are we?
- Will Hedge Funds become the Primary Source of Manager Alpha?
- How to go about debunking the Misconception that Hedge Funds are Risky
- Transparency and Risk Aggregation Data – are they valuable and accurate?
- Explain the Benefits of Open Protocol Enabling Risk Aggregation (OPERA), Standards
- Valuation Procedures and Controls
- Fee Arrangements – what sort of Trends are you seeing? Do Investors have the ability to Renegotiate? How do you assess the Tradeoff between Lower Fees and Longer Lock-ups?
- How will Hedge Funds, Real Estate and Private Equity Intertwine in the Years Ahead?
- How do you Defend Industry Underperformance since the Crisis in 2008?

(B) Hedge Fund Portfolio Construction, Selection and Strategies

- Should you be considering Smaller Hedge Funds and do they Outperform their Larger Peers? What Size is too big?
- Considerations for Selecting the right Hedge Fund or Fund of Funds – Due Diligence and Manager Selection. What are the Key Traits you should be looking for?
- Importance of Independent Third Party Administrators for Operational Due Diligence and to Avoiding Fraud
- Fund of Funds vs. Direct
- What sort of innovative Changes have Fund of Funds adopted to stay relevant to their Pension Clients?
- Specialization – is this the Trend?
- Which Strategies offer more Transparency and Liquidity?
- Should you ask for a Separate Account? What is the Advantage and Disadvantage?

- Does Portfolio Construction change based on the Size of the Portfolio?
- How many Hedge Fund Strategies do you need?
- Do you find Opportunities within the Global Macro Space attractive and if so, why?
- Hedge Fund Replication – will this Strategy catch on? How do the Fees and Returns Compare?
- If there was a Hedge Fund Strategy you would Invest in over the next Decade, which one would it be and why?

10:20 AM – Refreshment Break

10:50 AM – Distressed Debt, (Discussion)
- Where are we in the Distressed Cycle? How much of the Opportunity has passed and how much remains?
- When could we see the Best Opportunities from Maturing Loans coming due?
- Have the Capital Markets Activity fixed a good portion of the Maturity Wall Problem?
- Which Sectors or Strategies will create the Best Opportunities?
- Approaches to Corporate Credit, Structured Credit, Real Estate, Liquidations, Deal Size
- International Distressed Debt Opportunities – do you see Opportunities in Asia?
- Are there Immediate Opportunities in Europe or 2-3 Years from now? Still Uncertainties about how the Sovereign and Banking Crisis will play out?
- Control vs. Non-Control – which do you see as the Best Strategy?
- How does a Pension Plan go about choosing the right Distressed Strategy, Investment Style and Approach?
- What Skill Sets/Characteristics should Pension Plans look for in a Distressed Manager?
- Importance of Patience and staying Defensive
- Are you seeing more Buyout Firms moving into Distressed Deals?
- Effects of Basel III, Dodd-Frank and Volker Rule on the Opportunity Set?
- What are the Implications and Risks associated with Investing in Distressed now? Pitfalls of the Economy?
- What Returns can Investors expect over the next Five Years?

11:25 AM – Credit Strategies and Lending Opportunities, (Discussion)
- Current State of the Credit Market
- Where are we in the Credit Cycle and how will it play out?
- Any Lessons Learned from 2008 that we can apply to today's Environment?
- Debt coming Due in from Amend-and-Extend – how should Investors be Positioned?
- What is the Current State of the Securitization Market and the Trend in terms of Re-Leveraging?
- CLO Reinvestment Challenge
- Caution in High Yield?
- Default Rates and Expectations
- Is the Credit Quality of New Issuance beginning to Deteriorate?
- European Sovereign Debt Crisis and the Opportunity Set
- How do you Manage a Credit Program in a Volatile Market?
- How can Pension Plans take advantage of the available Opportunities and Profit from it?
- How should Pension Plans go about Analyzing and Selecting from the various Credit Funds and Direct Lending Strategies?
- Considerations for Selecting a Manager
- What are the Trade-offs between Mid-Market and Large Market Credit Investing?
- How has the Competition (Fixed Income, Private Equity, Hedge Funds, etc.), altered the Market?
- What are your Best Ideas for Finding Value?

12:00 PM – Emerging Managers, (Discussion)
- How are Plans defining Emerging Managers?
- What are the Benefits and Opportunities offered by Investing in Next Generation Managers?
- Exploiting Market Inefficiencies by utilizing Emerging Managers
- What are the Growth Prospects?
- Strategies for Implementing an Emerging Managers Program – how is Establishing this type of Program different from others?
- What form do the Programs take?
- Due Diligence and Key Points of Analysis for Selecting Emerging Managers
- Comparing the Attributes of Prospective Emerging Managers
- New Firms Fundraising – how important is it to be spun out from Traditional or Name-Brand Firms? Key

Differentiators that enable a Successful Fund Raising?
- Research Statistics and Results on Emerging Managers
- Risk/Return Prospects of Emerging Manager Programs vs. Programs focused on Established Managers?
- What are the Perceived Risks of Emerging Managers? Are they Inappropriate?
- How do you Evaluate Performance and Measure Success?
- What is an important Lesson Learned from your Experiences?

12:35 PM – Lunch

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1:35 PM – Real Estate, (Discussion)

(A) Current State of the Real Estate Market
- Real Estate Cycle – what Inning are we in?
- Current Conditions
- Commercial Real Estate Challenges – Large amount of Debt Maturities coming due
- Residential Real Estate Challenges – ARM Resets and the new Wave of Foreclosures
- Loan Extensions/Refinancing

(B) Profiting from Distressed Real Estate
- Loan Maturities and Future Opportunities
- Have Lenders started unloading?
- Role of the Government – what is their effect on the Market?
- What sort of Debt Investments are you looking at?
- Importance of Occupancy
- Cap Rates and Vacancy Rates
- Buying Distressed Residential Mortgage Pools
- Strategies for Selecting Investments
- Case Studies
- Drawbacks in this Environment

(C) Strategies in Real Estate
- What Strategies do you see as the biggest Risks and the biggest Rewards/Relative Value for the Future?
- Is Core likely to get your Expected Returns right now?
- Role of Leverage
- Larger vs. Smaller Fund Size – which ones will Outperform going forward?
- Choosing a Manager – Stand Alone vs. Captive
- Joint Ventures with REITs – will we see more Pension Plans re-enter the market by teaming up with Commercial REITs? Why are these Joint Ventures being done?
- Entry Issues with Open-End Funds and Concentration into Fewer Funds?
- Growth of Direct Real Estate for Defined Contribution
- Asia and Europe Real Estate Outlook – Opportunities, Investment Trends and Capital Flows
- Real Estate Secondary Market – Transaction Volume, Pricing, Projected Transaction Flow and Catalysts

2:20 PM – Infrastructure, (Discussion)
- Infrastructure Demand and Size of the Market – where are they projected to be for the Future?
- Infrastructure Spending/Funding Gap – Explanation of the Shortfall and if it Translates into Increased Opportunities for Pension Plans
- Today's Deal Flow Activity and Fundraising
- Infrastructure Objective in Portfolio – Diversification, Inflation Protection, etc.

- Performance – is Infrastructure delivering on its advertised attributes? What are the Return Expectations from Plan Sponsors?
- What is a suitable Benchmark?
- Risk/Return Profiling – which Infrastructure Assets are classified as High Risk and Low Risk?
- In which Sectors will investors find the best Opportunities and Returns?
- Energy Infrastructure – Big Opportunity Set or Too Much Capital rushing into the Sector?
- Any Emerging Trends/Themes? Co-Investment?
- Implementation Approaches – Primary Partnerships, Direct, Co-Investment, Fund of Funds, Publicly Listed – MLP's, Separate Accounts
- What should you look for when Selecting an Infrastructure Manager?
- Mature vs. Emerging Markets
- What are the Largest Challenges/Risks associated with Infrastructure Investing? Understanding Debt Risk

2:50 PM – Refreshment Break

3:15 PM – Secondaries, (Discussion)

- Reasons why are Pension Plans turning to the Secondary Market – what has been the recent Seller Motivation?
- What are the Expectations for the Future – Supply/Demand, who will be the Sellers and where are Valuations headed?
- What is the Current Deal Flow Environment and Volume of Secondary Activity?
- Why are more Sellers Waiting with firm Prices and a Hungry Buyer Group?
- What Forces are behind the Bid-Ask Spread?
- What sort of Discounts are we seeing on the Secondary Market?
- Volker Rule – will we get a Boost to Secondary Market Activity?
- How should LPs get Exposure to the Secondary Market and what are successful Buy Strategies?
- What should LPs look for to Identify Differentiation?
- What will Increased Specialization look like going forward?
- What should LPs consider when Liquidating portions of their Private Equity Portfolio?
- What are the Risk/Return Characteristics of Secondaries vs. Private Equity in general?

3:45PM – Private Equity, (Discussion)

- Difficulty in Fundraising – What are the Key Characteristics of those who are successfully able to Raise a Fund?
- Fund of Funds Consolidation – how will the space Evolve during future Company Closures/Mergers? Specialization? What are the Points of Distinction?
- Trend of Committing More Capital to Fewer Managers
- Survival of the Fittest – how extreme will the GP Shakeout be? Impact from Zombie Funds?
- Trend of Big LPs committing to Customized GP Relationships with Separate Accounts – how will it affect the Industry?
- What will be the Impact from Sovereign Wealth Funds for Future Fundraising?
- Capital Overhang/Dry Powder – how will it Impact Investment Activity and Returns?
- What are your Expectations for Deal Flow Volume?
- What will it take to Finance Deals? Are Large Deals Difficult to Finance?
- What are your Expectations for Buyout Exits and Distributions? Increase in Average Hold Period?
- Do you see Opportunities in Europe?
- Venture IPO and M&A Exit Pipeline – are the Winners concentrated within the top few Firms? Is Social Media Sustainable?
- Should a case be made for Early Stage? Outperformance of Smaller Venture Funds?
- Can you Time Venture Investment based on Equity Peaks and Troughs? Any Relation?
- Reasons why Co-Investments are Attractive to LPs – will it continue to be a growing Trend?
- What Trends have you seen for Fees and Terms?
- Alignment in the LP/GP Relationship – what have we seen as a result of ILPA?
- Liquidity Concerns – Which Strategies offer Shorter Time Horizons, Cash Yield and Greater Liquidity?
- Where do you expect that we'll see the Best Returns over the next Five Years?

4:30 PM – CIO Roundtable, (Discussion)

(A) Fiscal Health and Asset/Liability Evaluation

- What is your Current Funded Status and has it changed your Long Term Decisions with Liquid or Illiquid Investments?
- Is your Fund adequately protected for Liquidity and Cash Flow Requirements whether it is for Benefits and/or other Commitments?
- Has your Fund taken adequate Pension Risk Measures and Diversified via Non-Correlation Strategies to guard against a Prolonged Bear Market in Equities? Is your Fund Better Positioned to withstand Major Market Volatility than it was in 2008?
- What significant Rebalancing Changes have you made in your Portfolio?
- Has your Fund done any Stress-Testing under Extreme Economic Scenarios?
- What sort of De-Risking Strategies or Risk Management Approaches has your Fund Integrated into the Investment Decision Process?
- Do you employ or have you considered Utilizing any Risk Parity Strategies in the Future?
- Do you believe Plans in general will be able to meet or beat the Assumed Rate of Return over the next 10 Years?
- Defending DB Plans – What are the basic elements of a reasonable plan to save DBs? What bothers you most about the efforts to "fix" them?

(B) Allocation and Considerations for the Future

- Has your Plan recently Increased or Decreased its Equity Exposure and why?
- Are you worried about the Long Term Aftermath of a "Bond Bubble" and have you positioned your Fund accordingly?
- What do you feel is the proper Emerging Markets Allocation and are there any Regional or Frontier Strategies that interest you?
- Are you concerned about continued Deleveraging of Global Economies? Have you taken any steps as a result?
- What Strategies does your Fund utilize that will Protect or Hedge against Future Inflation?
- What Trends have you seen towards more Liquid Investments and has your Fund deployed Assets into these types of Investments?
- Which Strategies do you expect to Outperform in the next 3-5 Years?
- What Asset Classes do you expect to Allocate more Money to over the next Year?

(C) Alignment of Interests

- What Changes or Trends have you noticed in Fee Structures/Terms and your Bargaining Power?
- What Tactics work best for you when attempting to Negotiate Private Placement Agreements?
- What are your Concerns about Operational Due Diligence and what can you do about this Issue?
- What Support (if any) would help you to do a better job of Addressing and Solving Investment Problems? What Discretion and Authority do you have with those Problems?
- Any Progress in granting you and your Investment Departments more Latitude in Tactically Managing your Porfolios in response to Extreme Economic Conditions?
- How do you keep your Trustees Educated so they can make more timely and effective Decisions? Any Programs?
- Any important Lessons Learned that you can share from your Individual Plan Experiences?

5:30 PM – Conference Concludes

6:25 PM – Bus Leaves for Pier 40

7:00 PM – Bay Cruise Networking Event

Network with our group while cruising the San Francisco Bay. Enjoy stunning skyline views of Fisherman's Wharf, the Golden Gate Bridge, the Bay Bridge, McCovey Cove, Alcatraz, Angel Island, Treasure Island and more. Join us for a cocktail reception, dinner, four decks of luxury and an excellent atmosphere to connect with your industry peers!

9:45 PM – Bay Cruise Docks at Pier 40

REGISTRATION:

To register or receive more information on The 2013 Pension Bridge Annual:

Florida Office Contact:
Brett Semel
(561) 455-2729
bsemel@pensionbridge.com

New York Office Contact:
Andrew Blake
(516) 818-7989
ablake@pensionbridge.com

Please visit www.pensionbridge.com for additional details. Registration is not available online.

About The Pension Bridge: We are an innovative company offering educational conferences of the highest quality. Our objective is to provide an education to the institutional investment community while providing an impressive speaker faculty in a setting that is conducive to great networking. We help institutional money managers connect with Pension Funds and Consultants across the country in a fun, enjoyable atmosphere. Our events can act as a stepping stone to a successful financial relationship or simply help build the investment education.

Our management team's unique skills, operating experience, and industry relationships help to make our events the main attraction in the industry. We pride ourselves on being there to cater to our clients' wants and needs. Our ratio of plan sponsor to investment manager allows our events to be the most desirable and accommodating in the conference industry. The Pension Bridge is known for its strength, stability, relationships and operational excellence.

The Pension Bridge ▪ 1015 Bel Air Drive, Building 1 ▪ Highland Beach, FL 33487 ▪ (561) 455-2729
www.pensionbridge.com

Meeting Date
01/09/13
Agenda Item
#17b.

Roundtable for Public and Taft-Hartley Plans

April 24-26, 2013 ▪ The Beverly Hilton ▪ Los Angeles, CA

The Search for Yield in a Low-Rate Environment: Risk, Reward, Results!

Introduction

Macro forces continue to re-shape and re-configure the investment landscape. The stock market is volatile; the bond market offers limited returns; real estate is uncertain; and alternative investments do not always live up to their promise. As alpha has been more difficult to come by, the need for returns are greater than ever. So what's an investor to do? The 2013 Public Funds & Taft-Hartley Roundtable will offer an array of plenary sessions, workshops, case studies, discussion groups focused on the innovative ways that plan sponsors are managing their portfolios amid economic and financial uncertainty. Plan sponsors, consultants, asset managers, and regulators will share their perspectives and report on best practices in the pension fund arena.

Created in consultation with a distinguished Advisory Board co-chaired by Donald Pierce of San Bernardino County Employees' Retirement Association and Ashbel C. Williams of the State Board of Administration of Florida, this program will provide a forum for participants to discuss and debate important investment issues with colleagues and peers, and gather information and insights to share with committees, boards and staff.

Tuesday, April 23, 2013 (Pre-Roundtable)

Join us for a special Investor-only session: Prior to the official start of the Roundtable, at 5pm on Monday, March 4th, we will be hosting an investor-only private conversation followed by cocktails & dinner at The Beverly Hilton Aqua Star Pool, please join your peers.

5.00
Investor-only Session/Private Conversation

6:00 -8:30
Welcome Reception & Dinner for All Delegates at the Beverly Hilton Aqua Star Pool

Wednesday, April 24, 2013

8:00 – 9.00
Breakfast and Registration
Beverly Hills Foyer

9:00 - 9:15
Welcome and Introductory Remarks
Beverly Hills Ballroom

9:15 - 10:00 AM
The State of the Hedge Fund Industry Today: What are the Challenges, Where are the Opportunities
Beverly Hills Ballroom

As hedge fund performance has been challenging, institutional investors are rethinking their exposure to this industry. While many investors are increasing their allocation to hedge funds, others are having second thoughts. What kinds of hedge funds have been able to deliver attractive results and grow market share? How have they done it? What role is branding and institutionalization playing in determining hedge fund success? What are the key trends in the hedge fund industry? This panel of industry leaders will share their views on the state of their industry and offer perspectives on where it is headed.

10:00 - 10:45
Hedge Funds in the Context of Risk-Based and Factor-Based Investing
Beverly Hills Ballroom

Since the crash of 2008 investors have become much more conscious about assessing and managing portfolio risks. Risk-based investment strategies allocate funds on the basis of risk levels rather than expected returns. Factor-based investing on the other hand tries to diversify the portfolio by analyzing underlying risk factors of the assets and combines investments with uncorrelated factors. What's the right framework for investors to employ in order to properly assess their options? This session will discuss various approaches and explore how they can best fulfill investor expectations.

10:45 - 11:15
Coffee Break
Beverly Hills Foyer

11:15 - 12:15
Breakout Discussion Groups: Shaping Your Portfolio for 2013 and Beyond

These discussion group workshops – co-led by plan sponsors and hedge fund managers – will explore the ways in which a pension fund can design and implement an exposure to hedge funds and alternatives in the current investment environment.

12:15 - 2:00

Seated Lunch and Featured Speaker

Wilshire Ballroom

2:00 - 2:45

New Strategies to Hedge Portfolios against Market Volatility

Beverly Hills Ballroom

Market volatility may create opportunities, but it creates even more anxiety among many investors. Protecting portfolios from volatility and positioning them as an investment opportunity is high on pension funds list of priorities. This panel will examine various strategies pension plans are using to deal with market volatility.

2:45 - 3:45

Asset Intensive Workshops (Concurrent Sessions)

I. The New Realities in Real Assets

As prices of crude oil and other commodities have slumped, some investors are having second thoughts about real assets. Wasn't the commodities cycle supposed to be replaced by a continuing boom based on surging demand from China, India and other emerging markets? What are the opportunities and risks associated with real assets in the current environment. What's the best way to approach energy markets in an era of fracking? Is real estate a way to gain exposure to real assets? This panel will look at the different approaches to investing in real assets and attempt to answer the question on everyone's mind: Where does the smart money go?

II. Creative Credit Strategies for Fixed Income: What's the Point of Bonds Anyway?

Historically low levels of interest rates are leading many investors to question the role that fixed income can and should play in a portfolio? Should investors reach for yield by turning to lower rated bonds or more exotic fixed income securities? Should they be resigned to low returns? Or should they give up on fixed income?

3:45 - 4:15

Coffee Break

Beverly Hills Foyer

4:15 - 5:00

Great Expectations: Investors on the Role of Hedge Funds in Institutional Portfolios

Beverly Hills Ballroom

After more than a dozen years of growing institutional exposure to hedge funds, astute investors are rethinking the role of hedge funds. Are they primarily sources of potentially high returns, or uncorrelated returns? Should institutions seek bigger more stable hedge funds or those that are small and nimble? What defines an institutional quality hedge fund today? An investor panel will address these questions and more.

6:00

Meet in Hotel Lobby for Departure to Hollywood Hills

6:30 - 9:00 PM

Hollywood Hills House Party: Cocktails & Buffet Dinner

Perched high above Sunset Boulevard, this stunning home features breathtaking views stretching from downtown Los Angeles to the Channel Islands. Once home to Marilyn Monroe, this house provides a setting for wining and dining in true A-list celebrity style. Welcome to Hollywood!

Alternatives Roundtable Concludes

Thursday, April 25, 2013

7:45 - 8:45

Breakfast and Private Conversations for Public Plan Sponsors and Taft-Hartley Executives

At this year's Roundtable, there will be a private session designed to provide an informal dialogue among public plan sponsors and another private session for Taft-Harley plan sponsors. Issues for discussion will be designated in advance, based upon audience suggestions.

8:00 - 8:45

Registration & Breakfast for Asset Managers

Beverly Hills Foyer

8:45 - 9:00

Welcome and Introductory Remarks

Beverly Hills Ballroom

9:00 - 9:30

Global Metatrends: What Do They Mean – And How Can Investors Capitalize On Them?

Beverly Hills Ballroom

The U.S. may be achieving energy independence and becoming an attractive location for manufacturing. China is slowing down and getting expensive. Europe may be facing a lost decade and Japan may be facing a second lost decade. The world is constantly being buffeted by dramatic economic, social, and demographic changes. What does it all mean and how can investors capitalize on emerging opportunities while side-stepping emerging risks? Scott Minerd, Chief Investment Officer at Guggenheim Partners, will offer his views on a range of global developments and indicate what investors need to do in order to stay ahead of the curve.

Scott Minerd, *Chief Investment Officer*, Guggenheim Partners

9:30 - 10:30

Conventional Wisdom Says...How Should You Think About Asset Allocation

Beverly Hills Ballroom

Given the present characteristics of the current investment climate - low growth, low rates, high volatility, and low returns – how does one execute effectively and allocate capital through the old nomenclature of asset allocation? Does the conventional approach to investing still work, or does it need to be changed? Is it better to be hands on or should you keep your hands off? Should you stick to the traditional model or get tactical? Try a risk-based allocation or return to the traditional 60/40 allocation? Apply a liability driven model? Do you need to be more dynamic? Bottom line: do the old policy portfolio concepts still hold and, if not, how do we adapt? Investment officers and asset managers will discuss their approaches to asset allocation.

10:30 - 11:00

Coffee Break

Beverly Hills Foyer

11:00 - 12:00 PM

Breakout Discussion Groups: Asset Allocation

Discussion groups, co-led by an investor and an asset manager, will discuss and debate the merits of various asset allocation strategies. Delegates will explore how the current market experience impacts thinking about diversification, liquidity, and other portfolio attributes that result from the asset allocation process.

12:00 - 2:00

Seated Lunch and Featured Speaker

Wilshire Ballroom

2:00 – 2:45

A New Set Of Rules For Investing: Retirement Insights From The "Naked Economist" Down Under

Beverly Hills Ballroom

The 2008 financial crisis changed the way many pension plans invest. Traditional diversification and portfolio construction assumptions are being reviewed and altered to achieve better results. Damian Lillicrap, aka the "Naked Economist", will present retirement insights from his book on the financial crisis and investing, stripping the jargon from economics to present simple concepts.

2:45 - 3:15

Case Study I: A Risk Sharing Model

Beverly Hills Ballroom

3:15 - 3:45

Coffee Break

Beverly Hills Foyer

3:45 - 4:15

Case Study II: A Rebalancing Act

Beverly Hills Ballroom

4:15 - 5:15

Getting the Board on Board – Practical Lessons from Funds on How to Update More Frequently, Educate More And Give Flexibility

Beverly Hills Ballroom

The public fund and Taft-Hartley governance models lodge ultimate responsibility in the hands of a board largely composed of individuals who are not investment experts. What are the best ways to ensure that board members gain the knowledge to provide appropriate oversight and lead the fund in the right directions? What are the best ways for investment officers to develop effective relationships with their trustees and board members? This panel discussion will focus on the practices requires to make pension fund life easier for investment executives and trustees.

6:00

Meet in Hotel Lobby for Departure to Petersen Automotive Museum

6:30 - 9:00

Cocktails & Buffet Dinner at the Petersen Automotive Museum

More than in any other city, the automobile is an integral part of Los Angeles' history and culture. While we are in the city of freeways and drive-ins, we will have cocktails and dinner amidst the Petersen Automotive Museums' unique collection of celebrity autos and state-of-the-art vehicles. We will also have an opportunity to tour the Petersen Vault, featuring the museum's private collection of hundreds of cars.

Friday, April 26th

8:00 - 9:00
Breakfast
Beverly Hills Foyer

9:00 - 9:45
Case Study III: Strategic Relationships
Beverly Hills Ballroom

9:45 - 10:30
Workshops (Concurrent Sessions)

I. The Role of Your Consultant: How to Best Position This Relationship in Today's Environment
Beverly Hills Foyer

The investment landscape is changing rapidly, and so is the consulting world. As investors turn to new asset classes, new strategies, and new investment techniques, they need new and different services from their consultants. The consulting community has responded by developing new expertise regarding alternative investments and offering new services, such as implemented consulting. How well is the historically close relationship between investors and consultants holding up in the new world of investing?

II. Emerging Markets: BRICs and Beyond
Beverly Hills Ballroom

Everybody *knows* that the epicenter of global economic growth has moved from the industrial world to the emerging markets, and everybody knows this is where attractive investment returns are supposed to be generated. But then why have many emerging markets offered only mediocre returns? This session will focus on the investment opportunities on offer in the world's emerging markets and focus on the strategies that can help investors access those returns while avoiding the risks.

10:30 - 11:00
Coffee Break
Beverly Hills Foyer

11:00 – 11:45
The Public Funds Battleground
Beverly Hills Ballroom

11:45 - 12:30
The Last Word...For Now
Beverly Hills Ballroom

This time it's different. Is that ever true? As the world at large keeps throwing curve balls, even the most seasoned investors are being forced to continually re-evaluate their strategies. How can pension plans meet their obligations and prosper into the future? This panel will explore which investment strategies should be employed, how asset allocations should be re-configured, how risk should be managed and how should staff and investment committees work together to take advantage of opportunities and to overcome the challenges.

12:45 - 1:30

Buffet Luncheon

Wilshire Ballroom

Roundtable Concludes

Meeting Date
01/09/13
Agenda Item
#17c.

Join us for our special 20th anniversary event: the Emerald Groundhog Day Investment Forum is one of the premiere investment events in the Mid-Atlantic region, showcasing many of the fastest growing, but often under-recognized, small and mid-cap growth companies. We also feature presentations by leaders in the institutional investment community sharing their views on the most important issues impacting investors. The Forum consistently attracts hundreds of institutional investors, business leaders, elected officials, investment research analysts, and investment professionals.

Register Now!

I can't make it

Forward email

Emerald Asset Management | 3175 Oregon Pike | Leola | PA | 17540

Meeting Date 01/09/13 Agenda Item #17d.

Portfolio Concepts and Management

Monday, May 6 - Thursday, May 9, 2013
The Wharton School University of Pennsylvania, Philadelphia, PA

Register Online   Register Fax/Mail

Portfolio Concepts and Management is a 3½-day course that offers lecture/discussion sessions, problem-solving exercises and small group breakout sessions. This course lays the groundwork for the core principles of portfolio theory and investment performance measurement, offering the practical tools and experiences needed to make sound investment management decisions. Build confidence in your ability to evaluate investments with a broad, fundamental understanding of investment products and practices.

Key Takeaways

- Learn the fundamental concepts needed for effective portfolio oversight.
- Obtain a solid grounding in the principles of modern portfolio theory.
- Gain practical experience needed to make sound investment management decisions.
- Apply what you have learned in an interactive case study.

Registration Includes

- Certificate from the Wharton school
- Breakfasts
- Lunches
- Healthy snacks and beverage breaks
- A welcome reception

Earning Your Certificate

A certificate of completion from the Wharton School will be awarded to those who:

- Attend all of the sessions (including the group work sessions on Tuesday and Wednesday evenings)
- Successfully complete the brief exam on Thursday, which will reinforce the practical takeaways from the content lectures and group work presentations.

If you wish to be eligible for a certificate, please make your travel plans accordingly and be sure to leave your evenings open for group work participation as indicated above.

A Note About Group Work

Teams will be formed to work through sample portfolios and/or scenarios facing pension fiduciaries. Each scenario will integrate topics from the program. Teams will meet Tuesday and Wednesday evenings to prepare for group work presentations that take place on Thursday morning. The group will also reinforce learning and help participants prepare for the short examination at the end of the week.

Additional Class Notes

You may find it helpful to bring a calculator for participating in examples and exercises throughout the course.

Registrants will be notified by e-mail if and when select materials are posted on the Wharton Web site that will serve as prereading for the course.

For course content call Tiffany Ulbing at (262) 373-7652; or e-mail tiffanyu@ifebp.org.

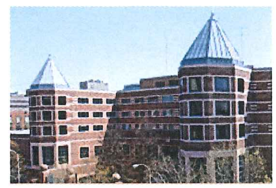
Learning Environment

Wharton School - University of Pennsylvania

Steinberg Executive Conference Center
255 South 38th Street
Philadelphia, Pennsylvania 19104-6359

Classes in Philadelphia are held at the Steinberg Executive Conference Center of the Wharton School on the University of Pennsylvania campus. Lecture rooms offer a state-of-the-art, comfortable environment conducive to adult learning.

Wharton's skilled educators and researchers, award-winning authors and leading authorities in the investment management field teach and/or oversee the curriculum of the investment courses.



Hotel Information

Hotel accommodations are the responsibility of the participant. Please book directly at the hotel of your choice.

877-459-1146

Rate: $165 single/double Mention International Foundation for special rate until April 15, 2013

Who Should Attend

ME PE CORP Training Paths

Introductory   Intermediate   Advanced

This course is intended for those who have little experience with investment-related course work.

Multiemployer and public plan trustees, administrators and staff, human resources and benefits professionals, corporate officers and executives, finance personnel, investment professionals, and fiduciaries from both defined benefit and defined contribution plans. Representatives of funds of various types, sizes and geographical areas (United States and Canada) will benefit from this course.

Registration Information

	Member	Non Member	
Through 3/25/2013	$4,350.00	$4,650.00	Register Online
After 3/25/2013	$4,550.00	$4,850.00	Register Fax/Mail
			(#04-1304)

Search

Meeting Date
01/09/13
Agenda Item
#17e.

NATIONAL INSTITUTE ON
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Reliable Research. Sensible Solutions.

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Events

2012 Conference Highlights
2011 Conference Highlights
2010 Conference Highlights

AGENDA
Mon, Feb. 25, 2013

5:30 PM Reception

Tues. Feb. 26, 2013

7:30 AM Registration & Breakfast

8:15 AM Welcome

8:30 AM Opening Keynote

9:00 AM Public Opinion Keynote

9:30 AM Generational Panel: *Baby Boomers, Gen Xers and Millennials: Who's Ready, Who's Not, What Now?*

10:30 AM Break

10:45 AM International Panel: *International Perspectives on Challenges to Retirement Security*

12:00 PM Lunch Keynote

1:45 PM Closing Keynote

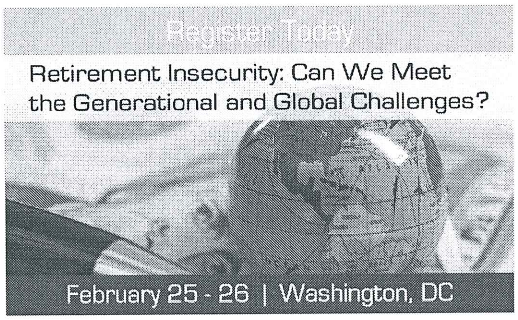
2:15 PM Book Signing

IN THE NEWS

Pensions Share Returns in Private Sector published in *Statesman Journal*
READ MORE

Home > Events

Register Today: 2013 Policy Conference



REGISTRATION OPEN| **4th Annual Policy Conference**

The Annual NIRS Policy Conference brings top thought leaders from across the retirement industry and policy spectrum—retirement plan service providers, regulators and policymakers, and plan sponsors and administrators—together in Washington D.C. each spring to discuss and identify policy solutions amines at improving Americans' retirement prospects.

This conference is *exclusive* to NIRS members, and there is no fee to attend. Members can register here. Not yet a member? Sign up here. You'll receive complimentary conference registration and a full year of member benefits as an Educational Sustainer or Associate Member.

Conference Description | Retirement Insecurity: Can We Meet the Generational & Global Challenges?

The retirement crisis is here. Today in the U. S. – and every day for the next two decades – 10,000 baby boomers will reach age 65, and most will be poorly prepared for retirement. Meanwhile, retirement prospects for their children and grandchildren are growing dimmer. Pensions continue to disappear, while financial market volatility and low interest rates wreak havoc on 401(k) plans. And, the lingering economic downturn is delaying the careers of younger workers, which harms their ability to save for retirement.

The U.S. is not alone in confronting this crisis. For the first time in history, the world soon will be home to more people over fifty than under seventeen. Policymakers across the globe are coping with the economic impacts of aging and struggling to modernize their retirement infrastructure.

What are the pragmatic policy solutions to mitigate both the immediate and long term retirement crises? What is the global outlook? What lessons and solutions from other nations can we bring to bear in the U.S.?

Location:

Washington Court Hotel, Capitol Hill, located at 525 New Jersey Avenue, NW Washington DC 20001. Reserve a room here.

NIRS is sharing a room block with the NASRA, who will be hosting their 2013 Winter Meeting at the Washington Court Hotel prior to the NIRS conference. The joint group code for reserving a room at the Washington Court Hotel is NASRA2013. Please use that code for the group rate when making your reservations for the NIRS Conference.

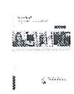
Questions:

Please contact Rachel Fauber at 202.457.8190 or rfauber AT nirsonline.org.

PENSIONOMICS 2012

Pension Engine: $1 Trillion Economic Footprint & 6.5 Million Jobs.
Read More

WHO KILLED PRIVATE PENSIONS?



It's the funding volatility, not the cost. **Read More**

Meeting Date
01/09/13
Agenda Item
#17f.

CALAPRS

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California Association of Public Retirement Systems

TRUSTEES' ROUNDTABLE

Friday, February 8, 2013
Doubletree Hotel San Jose
2050 Gateway Place, San Jose, CA
408-453-4000

AGENDA

8:30 am	**Continental Breakfast**
9:00 am	**Welcome** *Marty Dirks, San José Federated City Retirement System*
9:10 am	**Introduction** *Systems in Attendance*
9:15 am	**Alternative Approaches to Equity Market Beta** *Jeremy Baskin, CEO, & Lawrence Remstedt, Portfolio Manager* *AXA Rosenberg Investment Management*
10:15 am	**Break**
10:30 am	**Applying Endowment Strategies to Pension Plan Investing** *Anne Casscells, Managing Director, Aetos Capital*
11:30 am	**Lunch with discussion of current issues at member plans**
12:15 pm	**Advances in Public Plan Portfolio Management for a Post Crisis World** *Michael Robbins, ECR Capital Management*
1:15 pm	**Break**
1:30 pm	**Low Volatility Hedging Strategies using ETFs** *Kim Arthur, CEO and Portfolio manager, Main Management*
2:30 pm	**Break**
2:45 pm	**Selection of coordinator for the June 2013 CALAPRS Roundtable**
2:50 pm	**SACRS Update, open discussion**
3:30 pm	**Adjournment**

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