

CONTRA COSTA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

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July 8, 2009

The Board of Retirement met in regular session at 9:00 a.m. on Wednesday, July 8, 2009 in the Conference Room of the Contra Costa County Employees' Retirement Association, 1355 Willow Way, Suite 221, Concord, CA.

Present: Terry Buck, Richard Cabral, Dave Gaynor, John Gioia, Brian Hast, Jerry Holcombe, Paul Katz, Sharon Naramore, William J. Pollacek, Jim Remick, Jerry Telles, and Maria Theresa Viramontes.

Staff: Marilyn Leedom, Retirement Chief Executive Officer; Cary Hally, Retirement Chief Investment Officer; Kathy Somsen, Retirement Benefits Manager; Toni Warren, Retirement Administration Manager; Karen Levy, Counsel.

Outside Professional Support: Representing:
Harvey Leiderman Reed Smith LLP
Paul Angelo Segal Company
John Monroe Segal Company

Other Attendees:

Tracy Kroll	Contra Costa County Employees' Retirement Association (CCCERA) Staff
Joelle Luhn	CCCERA Staff
Luz Casas	CCCERA Staff
Karen Davis	CCCERA Staff
Lucy Fogarty	Superior Court
Mary Lou Williams	CCC Retirees' Association
Suzie Griffith	AFSCME
Lois McKinney	SEIU 1021
Anna Lowenthal	Superior Court
Debbie Ratcliff	CCC Sanitary District
Silvina Leroux	Self
Robert Leete	San Ramon Valley Fire Protection District
Bob Campbell	Auditor Controller
Mike George	CCC Fire Protection District
Michelle Johnston	Auditor Controller
Marie Rulloda	Auditor Controller
Pete Nowicki	Moraga Orinda Fire Department (MOFD)
Laura Strobel	County Administrator's Office (CAO)
Lisa Driscoll	CAO
Sue Casey	MOFD
Kris Hunt	CC Taxpayers' Association
Rollie Katz	Local One
Jo Bates	AFSCME

1. Pledge of Allegiance

Remick led all in the *Pledge of Allegiance*.

2. Public Comment

No members of the public offered comment.

3. Board Reorganization

Hast, as Chair, noted the incumbents were Hast, Chair; Pollacek, Vice Chair; and Telles, Secretary.

There was a **motion** to nominate Hast for Chair.

Pollacek was nominated for Chair; it was **M/S/C** to close the nominations and cast a ballot for Pollacek as Chair. (Yes: Gaynor, Gioia, Katz, Pollacek, Viramontes)

Hast congratulated Pollacek on his election to Chair.

Hast was acknowledged for his work as chair and for the personal and professional manner he displayed during very trying economic times.

Hast thanked the Board for the compliments, noting this period has been a difficult time and the Board has navigated through the era successfully.

Pollacek resumed the responsibilities of Chair.

Telles was nominated for Vice Chair; it was **M/S/C** to close the nominations and cast a unanimous ballot for Telles as Vice Chair. (Yes: Buck, Cabral, Gaynor, Gioia, Hast, Katz, Pollacek, Telles, and Viramontes)

Gaynor was nominated for Secretary; it was **M/S/C** to close the nominations and cast a unanimous ballot for Gaynor as Secretary. (Yes: Buck, Cabral, Gaynor, Gioia, Hast, Katz, Pollacek, Telles, and Viramontes)

4. Approval of Minutes

It was **M/S/C** to approve the minutes of the June 24, 2009 meeting. (Yes: Buck, Cabral, Gaynor, Gioia, Hast, Katz, Pollacek, Telles, and Viramontes)

5. Routine Items

It was **M/S/C** to approve the routine items of the July 8, 2009 meeting. (Yes: Buck, Cabral, Gaynor, Gioia, Hast, Katz, Pollacek, Telles, and Viramontes)

6. Valuation Report for the Period Ending 12/31/08 - Paul Angelo, John Monroe

Angelo began by discussing five-year smoothing and the effect on contribution rates. He noted that the report summarizes the actuarial data used in the valuation, establishing the funding requirements for the fiscal year beginning July 1, 2010 and analyzing the preceding year's experience.

He summarized the key valuation results noting that the ratio of the valuation value of assets to actuarial accrued liabilities decreased from 89.9% to 88.5%. The Association's UAAL has increased from \$565 million to \$690 million. This increase is primarily due to an investment return on actuarial value that fell short of the 7.8% assumed rate.

The aggregate employer rate calculated in the valuation (before considering the employer subvention of member rates and member subvention of employer rates) has increased from 24.7% of payroll to 25.9% of payroll.

The aggregate member rate calculated in this valuation (before considering the employer subvention of these rates or member subvention of employer rates) has decreased from 10.66% of payroll to 10.62% of payroll. This decrease is due to the changes in the member population for the December 31, 2008 valuation.

The results of this valuation reflect a change in the methodology used for amortizing the Association's UAAL that was adopted by the Association starting with this valuation. The remaining balance of the UAAL as of December 31, 2007 continues to be amortized over a declining period with 14 years remaining as of December 31, 2008. Any annual gain or loss in the UAAL that arises after December 31, 2007 will be amortized over its own separate declining 18-year period.

Angelo noted the total unrecognized investment loss of December 31, 2008 is about \$1.5 billion. This investment loss will be recognized in the determination of the actuarial value of assets for funding purposes in the next few years, and will serve to offset any investment gains that may occur after December 31, 2008.

There was discussion on adding further information to the actuarial valuation regarding subvention rates. There was continued discussion on the new layered approach for unfunded liability and that the amortization of future gains and losses will be more easily identifiable.

Angelo concluded by noting that the 2009 experience study will review demographic changes and discussion of the effects of the economic downturn on experience.

It was **M/S/C** to accept Segal's Actuarial Valuation as of December 31, 2008. (Yes: Buck, Cabral, Gaynor, Gioia, Hast, Katz, Pollacek, Telles, and Viramontes)

7. Contribution Rates, Effective July 1, 2010

It was *M/S/C* to accept the contribution rates, effective July 1, 2010 to June 30, 2011, as recommended by the actuary. (Yes: Buck, Cabral, Gaynor, Gioia, Hast, Katz, Pollacek, Telles, and Viramontes)

It was the consensus of the Board to move to Items 11 and 12.

Katz recused himself, because of his relationship with one of the parties involved, and was not present for subsequent discussion and voting.

11. Temporary Absence Program

Leiderman discussed his analysis regarding the impact of the County temporary absence program on CCCERA contributions and benefits. He noted it is within the Board's discretion to determine the impact of the temporary absence program on compensation earnable for use in final average salary, consistent with applicable law.

He stated the '37 Act can be interpreted in different ways, and provided different options in his analysis. He commented on several circumstances which might be persuasive: the program is designed to last for less than a full bargaining cycle, the County's work week is not being reduced, the item was a negotiated item and is not being imposed by the employer; and contributions will continue to be paid on gross salary by both the employer and employee. The County will continue to report gross salary for the purposes of retirement calculations. Based on those considerations, Leiderman stated that the furlough program appeared to be closer to a temporary absence situation rather than a permanent reduction of work time.

Leiderman noted he had received the draft Memorandum of Understanding (MOU) language being negotiated by the County and its bargaining units. According to others, the MOU has been ratified by employees and will be going to the Board of Supervisors for adoption.

There was discussion on the past practice for voluntary County furlough days.

There was continued discussion regarding the pension formula. One Board member commented that there is no guarantee when the furloughs will end, and that the furloughs are regular and recurring, with four hours withheld from paychecks each month. Others stated there would have to be negotiations to extend the furloughs beyond the next two years.

Leiderman stated there could be arguments on both sides; however, he felt it was more appropriate to treat furloughs as an anomaly with no impact on retirement, since the MOU indicated that the furloughs would be a temporary absence. An important factor is that full contributions would be made by both the employee and the employer.

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There was a motion to accept outside counsel's analysis and determine that it would be more appropriate to treat the temporary absence program as an anomaly with no impact on "compensation earnable" on member contributions or on County contributions.

In public comment, Rollie Katz, of Local One, noted he supports the motion. He wanted to emphasize counsel's opinion. He stated according to agreements, the time off is a temporary absence. The Board of Supervisor's will adopt the contract in two weeks for the two remaining years. The agreement is for 48 hours of temporary leave time for the fiscal year 2009-2010, and an additional 48 hours for the fiscal year 2010-2011, with nothing beyond that date, unless re-negotiated. Negotiations were that monthly salary and hourly wages remain the same, employees will still be full-time, accruing all leave time and all monthly benefits.

Jo Bates, Business Agent for Local 2700, noted if an employee chooses to take time off during a month, the time off does not affect accruals, since the individual's gross amount does not change.

Lois McKinney, Business Agent for SEIU 1021, concurred with Rollie Katz and Jo Bates, noting furloughs and their effect on retirement are not new. Members have ratified this contract and she asked this board to approve counsel's recommendation.

After more discussion on the gross amount reported, the question was called.

It was **M/S/C** to call for the question. (Yes: Buck, Gaynor, Gioia, Hast, Holcombe, Pollacek, Telles, and Viramontes; No: Cabral)

On the motion, it was **M/S/C** to accept outside counsel's analysis 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. (Yes: Buck, Gaynor, Gioia, Hast, Holcombe, Pollacek, Telles, and Viramontes; No: Cabral)

Katz was present for subsequent discussion and voting.

Viramontes and Gioia were not present for subsequent discussion and voting.

12. Conference Seminar Attendance

- (a) It was **M/S/C** to authorize the attendance of Buck, Naramore, Remick and appropriate staff at the Annual Northern California Public Retirement Seminar, Public Agency Coalition, August 6, 2009, Sacramento, CA (Yes: Buck, Cabral, Gaynor, Hast, Holcombe, Katz, Pollacek, and Telles)

13. Miscellaneous

- (a) Staff Report - Leedom reported on legislation that was introduced to change the limit of 18 basis points from asset value to actuarial accrued liability. Hally will

assist Mendocino County with reviewing the RFP response for an Investment Consultant. McKinley on-site has been set for the following Monday. She noted the new Imaging Area has been completed and construction of the new Investment area will start next.

Viramontes was present for subsequent discussion and voting.

- (b) Outside Professionals' Report - nothing further to report
- (c) Trustees' Comments - Buck noted he has finished Wharton Portfolio Concepts and Management, Stanford and the Public Pension and Investment Program put on by SACRS.

Holcombe attended two conferences: Wharton Portfolio Concepts and Management and the SACRS Public Pension and Investment Program in Berkeley, and he thought both were interesting.

Viramontes has completed eight certificate programs through the combined resources of CCCERA and Richmond City Council. She noted she has completed the executive education and received a Certificate of Professional Development in Finance in the Master's Program from the University of Pennsylvania, Wharton School.

The Board moved into closed session pursuant to Govt. Code Section 54957 to consider the Medical Advisor and or staff's recommendation regarding disability retirement applications, under Gov. Code Section 54956.9(a) to consult with counsel regarding *Irwin vs. Contra Costa County Employees' Retirement Association, et al*, and under Gov. Code Section 54956.81.

The Board moved into open session.

8. Disability Retirements

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

- (a) Mary Hill Non-Service Connected (Yes: Buck, Cabral, Gaynor, Hast, Holcombe, Katz, Pollacek, Telles, and Viramontes)

Telles recused himself from Item 9 and was not present for subsequent discussion and voting.

9. *Irwin vs. Contra Costa County Employees' Retirement Association, et al*

No reportable action taken; however, the Retirement Board will comply with the Court's Order once the Temporary Restraining Order is lifted and the Application for Preliminary Injunction is denied as indicated in the Judge's July 2, 2009 ruling in *Irwin vs. Contra Costa County Employees' Retirement Association, et al*.

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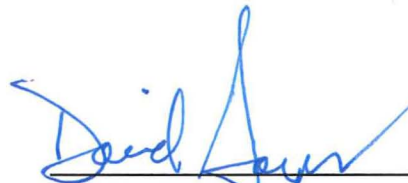
10. Gov. Code Section 54956.81

No reportable action taken.

It was *M/S/C* to adjourn. (Yes: Buck, Cabral, Gaynor, Hast, Holcombe, Katz, Naramore, Pollacek, and Viramontes)



William J. Pollacek, Chairman



David Gaynor, Secretary