



AGENDA

RETIREMENT BOARD MEETING

REGULAR MEETING

January 27, 2021, 9:00 a.m.

The Board of Retirement meeting will be accessible telephonically at +1 (872) 240-3212, access code 454-753-685 due to the Contra Costa County and State of California Coronavirus (COVID-19) Shelter In Place Orders, and as permitted by Executive Order N-29-20 issued on March 17, 2020.

Persons who wish to make public comment may submit their comment to publiccomment@cccera.org on the day of the meeting, either before or during the meeting. Public comments are limited to any item of interest to the public that is within the subject matter jurisdiction of the Board of Retirement. (Gov't Code Section 54954.3(a).) All comments submitted will be included in the record of the meeting. The comments will be read into the record at the meeting, subject to a three-minute time limit per comment.

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

1. Pledge of Allegiance.
2. Roll Call.
3. Accept comments from the public.

CLOSED SESSION

4. CONFERENCE WITH LABOR NEGOTIATORS
(Government Code Section 54957.6)

Agency designated representative:
Gail Strohl, Chief Executive Officer

Unrepresented Employees: All CCCERA unrepresented positions

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.

5. The Board will continue in closed session pursuant to Govt. Code Section 54957 to evaluate the performance of the following public employee:

Title: Chief Executive Officer

6. The Board will continue in closed session pursuant to Govt. Code Section 54956.9(d)(1) to confer with legal counsel regarding pending litigation:
 - a. *Contra Costa County Deputy Sheriffs Association, et al., v. Board of Retirement of CCCERA, et al.*, Contra Costa County Superior Court, Case No. MSN12-1870

OPEN SESSION

7. Educational presentation on fiduciary duties presented by fiduciary counsel.
8. Educational presentation on Ralph M. Brown Act open meetings laws.
9. Consider and take possible action to adopt a cost-of-living increase for retirees as of April 1, 2021.
10. Presentation of asset allocation implementation timeline.
11. Miscellaneous
 - a. Staff Report
 - b. Outside Professionals' Report
 - c. Trustees' comments

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.

**CONTRA COSTA COUNTY EMPLOYEES' RETIREMENT
ASSOCIATION**
Code of Fiduciary Conduct and Ethics
Adopted 7/23/03

<i>Meeting Date</i> 01/27/2021 <i>Agenda Item</i> #7

WHEREAS, the National Conference on Public Employee Retirement Systems has published NCPERS' Model Code of Ethics, the Guiding Principles of which are as follows:

1. Service to the beneficiaries of public pension funds is the primary function of public pension fund trustees.
2. The beneficiaries of public pension funds are sovereign and the trustees of those funds are ultimately responsible to them.
3. In those situations where the law is not clear, the best interests of the fund beneficiaries must be served. Conscience is critical. Good ends never justify unethical means.
4. Efficient and effective administration and investment management is basic to public pension funds. Misuse of influence, fraud, waste or abuse is unacceptable conduct.
5. Safeguarding the trust of fund beneficiaries is paramount. Conflicts of interest, bribes, gifts or favors which subordinate fund trustees to private gains are unacceptable.
6. Service to public pension fund beneficiaries demands special sensitivity to the qualities of justice, courage, honesty, equity, competence and compassion.
7. Timely and energetic execution of fiduciary responsibilities is to be pursued at all times by pension fund trustees.

WHEREAS, the Political Reform Act of 1974 and Government Code section 1090 set forth specific circumstances which require public officials to disqualify themselves from making, participating in, or attempting to influence governmental decisions which may affect any of their financial interests.

NOW, THEREFORE, BE IT RESOLVED, that the Board of the Contra Costa County Employees' Retirement Association (the "Board") hereby adopts the following Code of Fiduciary Conduct and Ethics:

PREAMBLE

The Contra Costa County Employees' Retirement Association ("CCCERA") is a public pension plan organized under the County Employees Retirement Law of 1937. (California Government Code Section 31450, et seq.)

The management of CCCERA is vested in the Retirement Board.

Each member of CCCERA's Board shall discharge his or her duties with respect to the system solely in the interests of, and for the exclusive purposes of providing benefits to, participants and their beneficiaries, minimizing employer contributions thereto, and defraying reasonable expenses of administering the system, with the duty to the participants and beneficiaries taking precedence over any other duty. (California Constitution Article XVI, Section 17(b).)

The members of CCCERA's Board are mindful of the positions of trust and confidence held by them. They adopt this Code to ensure the proper administration of CCCERA, and to foster unquestioned public confidence in CCCERA's institutional integrity as a prudently managed and fiduciarily governed public pension system.

CCCERA's *Code of Fiduciary Conduct and Ethics* provides a fiduciary framework for the proper conduct of CCCERA's affairs.

1. Fiduciary Duties.

Each member of CCCERA's Board shall execute their duties as set forth in the County Employees' Retirement Law of 1937, as amended, with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of a like character and with like aims.

Each member of CCCERA's Board shall diligently attend to the business of the Board and shall not leave to other Board members control over the administration of the affairs of the Board.

Each member of CCCERA's Board shall comply with CCCERA's *Code of Fiduciary Conduct and Ethics*.

2. Fiduciary Conflicts of Interest.

Each member of CCCERA's Board shall abide by the provisions of California Government Code Sections 1090 et seq., which prohibit Board Members from being financially interested, directly or indirectly, in any contract made by the Board.

Each member of CCCERA's Board shall abide by the provisions of the Political Reform Act, Government Code sections 81000, et seq, including section 87100 which prohibits Board Members from making, participating in making, or using their positions to influence Board and Association decisions in which they have a financial interest.

No member of CCCERA's Board shall engage in any employment, activity, or enterprise for compensation which is inconsistent, incompatible, or in conflict with, his or her duties as a member of CCCERA's Board, or with the duties, functions, or responsibilities of CCCERA's Board.

No member of CCCERA's Board shall perform any work, service, or counsel for compensation outside his or her Board responsibilities where any part of his or her efforts will be subject to approval by any other members of the Board on which he or she serves.

Each member of CCCERA's Board shall abide by the provisions of California Government Code Sections 87200 et seq., which require the public disclosure of economic interests as prescribed therein.

In keeping with the provisions of the Government Code, a member of CCCERA's Board shall not become an endorser, surety, or obligor on, or have any personal interest, direct or indirect, in the making of any investment for the Board, or in the gains or profits accruing therefrom. These people are prohibited from having any financial interest in any contract made by them in their official capacity and from making or influencing official decisions in which they have a financial interest.

Each member of CCCERA's Board shall strive to avoid activities which may impair the ability to exercise independent judgment in the discharge of official duties.

In order to maintain the highest standards of conduct and ethics above the minimum requirements of the California Government Code and to avoid even the appearance of a conflict of interest, each member of CCCERA's Board should conduct official and private affairs so as to avoid giving rise to a reasonable conclusion that he or she can be improperly influenced in the performance of his or her public duty.

Members of the CCCERA Board shall be accountable for recognizing a potential or actual conflict of interest and for disqualifying themselves from making, participating in, or attempting to influence Board decisions which may affect any of their financial interests. Immediately prior to the Board's consideration of the matter, a Member shall publicly disclose the actual or potential conflict in detail sufficient to be understood by the public, recuse himself or herself from acting on the matter, and, except in the case of consent agenda items, leave the room until the matter is concluded. Disclosure during Board meetings may be made 1) orally or 2) by handing a written statement to the Chair of the CCCERA Board, with a

copy to all trustees and the Retirement Administrator. Such a disclosure shall be reflected in the official record of the meeting.

3. Limitations on Gifts, Honoraria and Personal Loans; and Disclosure of Gifts on the Record.

Each member of CCCERA's Board and designated staff shall comply with the gift limitation provisions and the prohibition on acceptance of honoraria under California Government Code Sections 89500 et seq.

Each member of CCCERA's Board and designated staff shall abide by the loan limitation provisions of California Government Code Sections 87460 et seq., which prohibits receiving personal loans from any officer, employee, member, consultant, or contractor with the CCCERA.

In addition to the minimum gift limitation requirements of California Government Code Sections 89500 et seq., CCCERA Board Members shall not accept or solicit gifts, favors, services or promises of future benefits which might compromise or impair the Board Member's exercise of independent judgment, or which the Board Member knows, or should know, are being offered with the intent to influence that Board Member's official conduct.

If a Board Member or designated staff has received gifts of \$75.00 or more in the current calendar year from a person, firm or entity conducting business or seeking to conduct business with the CCCERA Board, immediately before the Board considers an item involving that donor, the Board Member or designated staff shall disclose on the record the receipt of the gift(s), the donor's name, and the nature and value of the gift(s).

If CCCERA has received a gift(s) (i.e., of travel, admission to seminars, tickets to events, use of sporting facilities, entertainment) of \$75.00 or more in the current calendar year from a person, firm or entity, at the time the Board considers assignment to a particular Board Member or designated staff, the Retirement Administrator shall disclose on the record the original donor's name, and the nature and value of the gift(s).

4. Contacts with Vendors, Consultants and Advisors.

- (a) **Prospective Vendors, Consultants and Advisors.** During the time when the CCCERA is in the process of selecting a vendor, consultant or advisor (a "service provider"), no member of the CCCERA Board or staff shall accept any gifts, favors, or services from any current or prospective service provider that the Board Member or staff knows has responded to a Request for Proposal, or is otherwise a candidate in a non-RFP selection process. During the time when CCCERA is in the process of selecting a vendor, consultant or advisor, no member of the CCCERA Board or staff shall accept any gift, benefit or service from CCCERA if it was donated to CCCERA by a current or prospective service provider that the Board or

staff knows has responded to a Request for Proposal, or is otherwise a candidate in a non-RFP selection process. Furthermore, each member of the Board shall refrain from any discussions with any current or prospective service provider who is a finalist in the selection process regarding the Request for Proposal outside of an open public meeting, other than as part of a regularly scheduled interview during the selection process.

- (b) **Existing Vendors, Consultants and Advisors.** Business meetings and discussions, including meetings which include meals, with current vendors, consultants and advisors (“service providers”) may provide useful information of benefit to the Board member, and are not prohibited by this *Code of Fiduciary Conduct and Ethics*.

5. Use of CCCERA Resources and Facilities for Private Gain.

No member of the CCCERA Board shall use Board consultants or staff, or CCCERA facilities, equipment, materials or supplies for any purpose other than the discharge of his or her responsibilities to the retirement system.

6. Use of Official Position.

No CCCERA Board member shall use his or her Board position either to negotiate on behalf of the CCCERA Board outside of any process established for that purpose or to become involved in personnel matters. Furthermore, no Board member shall use his or her official position to secure a special privilege or exemption for himself or herself or on behalf of others.

7. Confidential Information.

No member of the CCCERA Board shall obtain or use for personal reasons or for private gain any confidential information acquired as a result of his or her position as a member of the Board.

Each Board Member shall abide by the provisions of Government Code section 54963, which prohibits the disclosure of confidential information acquired during authorized closed sessions.

8. Conduct at Retirement Board Meetings.

The CCCERA Board shall provide fair and equal treatment for all persons and matters coming before the Board or any Board committee.

Board members shall listen courteously to all discussions at meetings and avoid interrupting other speakers, including other Board members, staff or committee members, except as may be permitted by established Rules of Order.

Board members shall refrain from abusive or disruptive conduct, personal charges or verbal attacks upon the character, motives, ethics, or morals of others.

9. Communications with Service Providers and other Non-CCCERA Persons and Entities.

A Board member shall be respectful of the Board and its decisions in all external communications, even if he or she disagrees with such decision.

Board members shall indicate when they are speaking in a capacity as a member of the CCCERA Board or in another capacity in their external communications.

A Board member shall not correspond with a non-CCCERA person or entity using CCCERA letterhead or as a spokesperson on behalf of the Board unless the communication is authorized by the Board.

Copies of all written communications from a Board member to a current service provider (vendor, consultant or advisor), or person or entity related to a current service provider, relating to CCCERA's business (other than purely personal or social correspondence) shall be provided to the CCCERA Administrator for subsequent distribution to all members of the Board.

A copy of any written business related communication (other than routine announcements, generally distributed newsletters, and similar material) received by a Board member from a current CCCERA service provider, or person or entity related to a current service provider, and not received by any other Board Member, shall be forwarded to the CCCERA Administrator for subsequent distribution to all members of the Board.

10. Communications with Plan Members.

Board members shall be aware of the risk of communicating inaccurate information to plan members (both active members and retirees), and the potential exposure to liability and possible harm to a plan member that may result from such miscommunications.

Board members shall mitigate the risk of miscommunication with plan members and thereby avoid creating additional plan liability by refraining from providing specific advice or counsel with respect to the rights or benefits to which a plan member may be entitled under the CCCERA plan. **To that end, any Board member communication to three or more members of the public should include the following disclaimer: "The following statement has not been authorized by CCCERA or its Board. It reflects the personal views of the author and should not be construed as an official statement of CCCERA or its Board. Additionally, members of CCCERA should not rely on any factual information contained in the following statement when making retirement related decisions. All inquires relating to a member's retirement should be directed to the CCCERA staff."**

Where explicit advice or counsel, with respect to retirement plan provisions, policies or benefits is needed, Board members will refer inquiries to the CCCERA Administrator or appropriate designee.

11. Non-Compliance Sanctions.

Violation of this *Code of Fiduciary Conduct and Ethics* is grounds to remove the offender from the position of Chair or Vice-Chair of the CCCERA Board, or from any other assignment on behalf of the Board, and may also subject the offender to censure by the Board. The Board may also pursue all of its legal remedies against any Board member who violates the provisions of this *Code of Fiduciary Conduct and Ethics*.

Meeting Date
01/27/2021
Agenda Item
#7

ANNUAL FIDUCIARY EDUCATION

Board of Retirement
Contra Costa County
Employees' Retirement
Association

January 27, 2021

Harvey L. Leiderman
Reed **Smith** LLP



FIVE FUNDAMENTAL FIDUCIARY DUTIES

1. Duty of Loyalty. You owe your primary duty to members and beneficiaries of the trust. All other obligations must be subordinated.
2. Exclusive Benefit Rule. The assets of the trust may be used only to pay benefits and reasonable administrative expenses.
3. Prudent Expert Rule. You must exercise the care and skill of a knowledgeable, prudent person charged with similar duties. And assure the competency of the assets of the trust.
4. Diversify Investments. You must broadly diversify the portfolio unless it is imprudent to do so (aka “Modern Portfolio Theory.”)
5. Follow the law. You must obey the plan documents, which includes the law, policies, regulations and governing documents of the trust.

THE FIVE FIDUCIARY PILLARS

Primary Loyalty to Members



- Avoid “two hat” conflicts of interest
- Attract and retain capable staff
- Provide superior member service
- Minimize risk of loss

Exclusive Benefit of Members



- Avoid diverting assets for other purposes
- Avoid impacting plan for others’ goals
- Pay only reasonable expenses to administer fund

Prudent Care and Expertise



- Establish and follow good governance policies as a Board
- Be transparent
- Engage and delegate to expert staff and consultants
- Monitor and adjust as needed

Diversify the Assets



- Establish collective risk tolerance
- Seek risk-adjusted returns across all markets
- Weigh each investment for its contribution to whole program

Follow the Law



- Establish and comply with written plan documents
- Be mindful of public official role

CCCERA CODE OF FIDUCIARY CONDUCT & ETHICS

1. Adhere to fundamental fiduciary duties
2. Obey conflict of interest laws and CCCERA's Conflicts Code
3. Avoid activities that improperly influence or impair your judgment, or are inconsistent with your duty to act in the best interest of the system
4. Disclose conflicting interests; recuse when appropriate and timely
5. Comply with all legal limitations on gifts and things of value
6. Honor the "quiet period" during investment manager searches
7. Avoid using your public position for private gain or influence
8. Maintain the confidentiality of closed sessions
9. Conduct yourself with civility and respect at board meetings
10. Use care in communications with service providers, members and plan sponsors

AVOIDING CONFLICTS OF INTEREST

- Critical duty of loyalty – a trustee cannot serve two masters –the members on one hand and herself or others on the other hand
- Most serious of all fiduciary duties; severe penalties for breach
- Impacts all decisions: contracts, hiring of consultants and vendors, relations with the County and districts, unions, retirees, personal business interests, litigation, etc...
- Exercising independent judgment and avoiding unduly influencing others is essential
- Rules are complicated and often not intuitive; seek counsel when in doubt

CCCERA'S "STAKEHOLDERS"

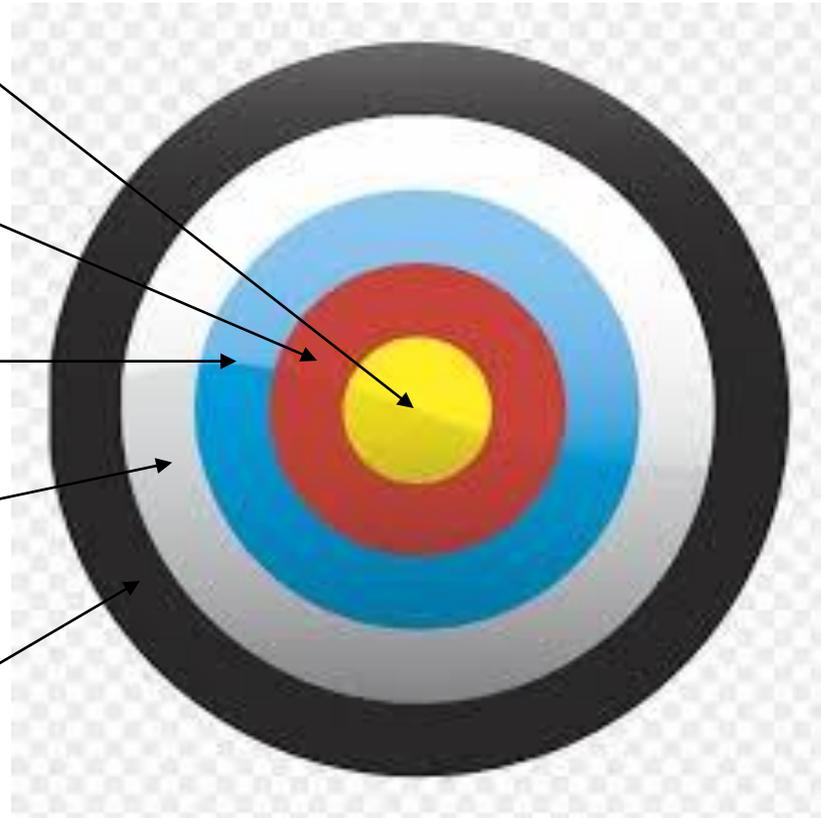
Members & Beneficiaries

Contributing Employers:
County and Districts

Retiree Orgs.

General Public &
Taxpayers

Third Parties: Unions,
consultants, vendors...)



HYPOTHETICAL #1

Kamala is a registered investment advisor who works for a large, national brokerage firm. She was recently appointed to the retirement board for her investment expertise. Under board policy, staff is charged with conducting the manager selection process, with the advice of the board's investment consultant. Kamala is frustrated with this arrangement; she believes her fiduciary duty requires her to be "more hands on." She wants to do several things:

- Participate with staff in conducting manager due diligence
- Meet with prospective managers, put them on her "approved" list and recommend them to staff for consideration
- Meet with the fund's hedge fund managers and learn about their strategies so she can boost returns for her clients
- Meet with the board's investment consultant outside of board meetings
- Talk with individual board members about changing the IPS procedures

Kamala comes to you as board Chair for advice. Got any?

HYPOTHETICAL #2

A CERL system is 51% funded. The board fears the system is no longer actuarially sound and desperately wants the County to issue a POB. They're looking for support from the Board of Supervisors.

An influential Supervisor sits on the retirement board. The County wants the board to split its safety members off from other districts' members in the same rate group, in order to reduce County contributions. The Supervisor proposes a deal to you as the retirement board Chair: Split the rate group and the County will issue the POB. The Supervisor assures the you that he has already talked with the three other appointees and they are "good to go."

The ball is in your court, Chair... any thoughts?

“HOT BUTTON” ISSUES THAT WILL TEST YOUR FIDUCIARY COMMITMENT

- Funding decisions that impact County and districts, e.g., employer and employee contribution rates and budgets
- Complying with a controversial law (e.g., *Alameda*)
- Delegating increased authority to staff
- Overseeing and directing consultants
- Paying investment manager fees for alpha
- Integrating ESG into investment decisions
- Increasing staff compensation during a recession
- Peer pressure



FIVE (NEW) FIDUCIARY PILLARS

Integrity

Fairness

Balance

Prudence

Teamwork



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Contra Costa County Employees'
Retirement Association

Karen Levy, Esq.

General Counsel

Ralph M. Brown Act

Open Meeting Laws: The Fundamentals

January 27, 2021

Ralph M. Brown Act

Open Meeting Laws for Local Legislative Bodies

- The Brown Act sets forth the rules regarding open meetings held by local legislative bodies.
- The CCCERA Board of Retirement is subject to the Brown Act.



Purpose

- To ensure that agency ***actions*** are taken openly
- To ensure that agency ***deliberations*** are conducted openly

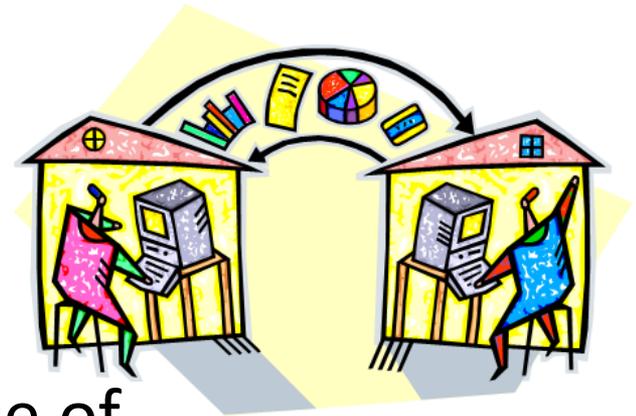
Key Concepts

- Retirement Board meetings must be open and accessible to the public.
- A Board meeting agenda must be posted publicly.
- During Board meetings, the public must be given an opportunity to comment.

Retirement Board Meetings must be Open and Accessible to the Public

“Meeting” means any congregation of a majority of the Retirement Board (i.e. five Retirement Board members) at the same place and location (including teleconference locations) to hear, discuss, deliberate or take action on any item within the Retirement Board’s subject matter jurisdiction.

Serial Meetings



- “Meeting” also means any serial use of communication, personal intermediaries, or technological devices through which a majority of the Board’s members discuss, deliberate, or take action on an item.
- Example of an unlawful “serial” meeting: Trustee A emails Trustee B about a Retirement Board issue. B forwards A’s email to C, who then forwards to D, who then forwards to E. A mere series of emails or phone calls by a majority of the trustees about a business item violates the Brown Act.

Committee Meetings

- The Brown Act also applies to meetings of standing committees – committees that have continuing jurisdiction over a particular topic. For example: Audit Committee.
- Exception – The Brown Act does not apply to a committee that is an advisory committee convened for a limited purpose and a limited duration.

Attendance at Conferences

- A majority of the Retirement Board members may attend a conference or similar gathering open to the public that involves a discussion of issues of general interest to the public or to other public pension systems, so long as the majority of the board do not discuss among themselves business that is within the subject matter jurisdiction of the Retirement Board.
- Examples: the State Association of County Retirement Systems (SACRS) and the California Association of Public Retirement Systems (CALAPRS) conferences.

Attendance at Purely Social Events

A majority of the Retirement Board members may attend a purely social or ceremonial occasion, provided that the majority of the Retirement Board members do not discuss among themselves business that is within the subject matter of the Retirement Board.

Social Media

Participation in an internet-based social media platform by a majority of the members of a legislative body is allowed, provided that a majority of the members do not discuss among themselves business of a specific nature that is within the subject matter jurisdiction of the legislative body of the local agency.

(added by AB 992; effective 1/1/2021 until 1/1/2026.)

COVID-19 Update – Meeting via Teleconference



- March 2020 Executive Orders (EOs) temporarily changed certain Brown Act requirements in light of the Coronavirus pandemic.
- Certain requirements for telecommerce meeting – waived
- Physical meeting location within the jurisdiction – waived if meeting is held via teleconference
- Notice and accessibility requirements – simplified
- Public must be allowed to observe and address the meeting telephonically or otherwise electronically
- Votes taken during the teleconference must be taken by roll call.

Pre-COVID 19 Rules Meeting via Teleconference



- All votes taken during a teleconference must be taken by roll call.
- Agendas must be posted at all teleconference locations.
- Each teleconference location must be identified in the agenda.
- Each teleconference location must be accessible to the public.
- At least a quorum must participate from locations within Contra Costa County.
- The agenda must provide for public comment at each teleconference location.

Voting Report Requirement

Board must publicly report any action taken and the vote or abstention of each member present for the action.

Agenda Requirement



- At least 72 hours before a regular meeting, an agenda containing a general description of each item of business to be transacted, including items to be discussed, and the time and location of the meeting must be posted in a public location and the CCCERA website.
- For Board meetings occurring on or after January 1, 2019: Agenda must be accessible through a prominent, direct link on the CCCERA website.

Agenda Requirement

If an item is not included on the agenda:

- Board may not act on or discuss that item, or add that item to the meeting's agenda as an urgency item, subject to limited exceptions.
- Board and staff may ask a question for clarification, make a brief announcement, or make a brief report. Board may provide a reference to staff or other resources for factual information, request staff to report back to the body at a subsequent meeting concerning any matter, or take action to direct staff to place a matter of business on a future agenda.

Agenda Requirement

The Board may take action on an item not appearing on the posted agenda if the Board determines by a two-thirds vote that:

1. There is a need to take immediate action; and
2. That the need for action came to the attention of CCCERA subsequent to the agenda being posted

Public Comment

- During each meeting, the Board must allow public comment on each agenda item and on other matters within the jurisdiction of the Board.
- Board may limit comment time.
- COVID-19 update: meetings held via teleconference must allow public to observe and address the meeting telephonically or otherwise electronically. Duty to maximize transparency and provide the public access to meeting. (EO N-29-20.)

Disruptive Attendees



- Public comment must be allowed, including negative comments.
- If the meeting is willfully interrupted, the Board may clear the room of the disruptive individuals and continue the meeting. Those members of the public not participating in the disturbance must be allowed to stay.

Closed Session

- Closed sessions are authorized under certain enumerated circumstances.
- Examples
 - Purchase or sale of a particular, specific pension fund investment (Govt. Code §54956.81).
 - Personnel matters, including disability applications (Govt. Code §54957).



Closed Session

Examples (Cont.)

- Conference with CCCERA's designated representatives regarding employees' salaries, benefits but prohibition against taking final action in closed session (Govt. Code §54957.6).
- Conference with legal counsel regarding pending litigation, exposure to litigation against the retirement system or the board, and to decide whether to initiate litigation (Govt. Code §54956.9).

Closed Session – Public Report

- Public report of action taken in closed session and the vote or abstention on that action of every member present is required.
- Public report of pension fund investment transaction decisions made in closed session are to be disclosed either at the first open meeting of the legislative body held after the earlier of the close of the investment transaction or the transfer of pension fund assets for the investment transaction.

Closed Session Confidentiality

Board members may not disclose confidential information acquired by being present in a closed session to a person not entitled to receive the information.

Consequence of Violating the Brown Act

- Criminal liability for individual Board members
- Civil remedies: Civil actions to stop, prevent or invalidate the action of the Board
- Attorneys fees and costs awarded to plaintiff



Questions?



Meeting Date
01/27/2021
Agenda Item
#9

MEMORANDUM

Date: January 27, 2021
To: CCCERA Board of Retirement
From: Gail Strohl, Chief Executive Officer
Subject: Consider and take possible action to adopt a cost-of-living increase for retirees as of April 1, 2021.

In accordance with Government Code §§31870, 31870.1 and 31870.3, the Board must determine the annual cost-of-living adjustments (COLAs) to be effective April 1, 2021.

Determination of COLA

Based on the statutes noted above, the increase or decrease of the retiree allowances must “approximate to the nearest one-half of 1 percent, the percentage of annual increase or decrease in the cost of living as of January 1st of each year as shown by the then current Bureau of Labor Statistics Consumer Price Index for All Urban Consumers for the area in which the county seat is situated.” The only difference in the three COLA statutes that apply to CCCERA members is that the annual maximum adjustment is either 2%, 3%, or 4% depending on which section is applicable.

The consumer price index values used by CCCERA are the December values from the San Francisco-Oakland-Hayward, California table. The increase in the index from December 2019 to December 2020 is 2.0%.

When this value is greater than the annual allowable maximum increase, the excess above the allowance increase is accumulated or “banked”. When the value is less than the annual allowable maximum increase, retirees with sufficient bank will receive the maximum allowable increase and have their banks reduced accordingly.

The attached Segal letter shows the determination of the consumer price index increase and the annual adjustment retirees will receive depending on Tier and bank. The letter also shows the adjustments to the banks.

Recommendation

Consider and take possible action to adopt a cost-of-living increase for retirees as of April 1, 2021.



Andy Yeung, ASA, MAAA, FCA, EA
Vice President & Actuary
T 415.263.8283
ayeung@segalco.com

180 Howard Street
Suite 1100
San Francisco, CA 94105-6147
segalco.com

January 15, 2021

<u>Meeting Date</u> 01/27/2021 <u>Agenda Item</u> #9

Ms. Gail Strohl
Chief Executive Officer
Contra Costa County Employees' Retirement Association
1200 Concord Avenue, Suite 300
Concord, CA 94520

**Re: Contra Costa County Employees' Retirement Association
Cost-of-Living Adjustments (COLA) as of April 1, 2021**

Dear Gail:

We have determined the cost-of-living adjustments for the Association in accordance with Sections 31870.1, 31870.3 and 31870, as provided in the enclosed exhibits.

The cost-of-living factor to be used by the Association on April 1, 2021 is determined by comparing the December CPI for the San Francisco-Oakland-Hayward Area (with 1982-84 as the base period) in each of the past two years. The ratio of the past two December indices, 302.948 in 2020 and 297.007 in 2019, is 1.0200. The County Law sections cited above indicate that the resulting percentage change of 2.00% should be rounded to the nearest one-half percent, which is 2.0%.

Please note the above cost-of-living adjustments calculated using established procedures for CCCERA may result in adjustments different from those calculated using alternative procedures by other systems.

The actual cost-of-living adjustment is dependent on tier and date of retirement. The CPI adjustment to be applied on April 1, 2021 is provided in Column (4) of the enclosed exhibits. The COLA bank on April 1, 2021 is provided in Column (5).

Please give us a call if you have any questions.

Sincerely,

Andy Yeung, ASA, MAAA, FCA, EA
Vice President & Actuary

OH/bbf
Enclosures

cc: Ms. Christina Dunn

Contra Costa County Employees' Retirement Association
 Cost-Of-Living Adjustment
 As of April 1, 2021

	(1)	(2)	(3)	(4)	(5)
Retirement Date	April 1, 2020 Accumulated Carry-over	CPI Change*	CPI Rounded**	CPI Used***	April 1, 2021 Accumulated Carry-over****
Tier 1, Tier 3 (service retirement only), Tier 4 (3% COLA), Tier 5 (3%/4% COLA and service retirement only), Safety Tier A and Safety Tier D Section 31870.1					
Maximum Annual COLA	3.0%				
On or Before 3/31/1982	10.500%	2.00%	2.0%	3.0%	9.500%
04/01/1982 to 03/31/1983	4.027%	2.00%	2.0%	3.0%	3.027%
04/01/1983 to 03/31/2017	1.500%	2.00%	2.0%	3.0%	0.500%
04/01/2017 to 03/31/2018	1.000%	2.00%	2.0%	3.0%	0.000%
04/01/2018 to 03/31/2019	1.000%	2.00%	2.0%	3.0%	0.000%
04/01/2019 to 03/31/2020	0.000%	2.00%	2.0%	2.0%	0.000%
04/01/2020 to 03/31/2021		2.00%	2.0%	2.0%	0.000%

* Based on ratio of December 2020 CPI to December 2019 CPI for the San Francisco - Oakland - Hayward Area.

** Based on CPI change rounded to nearest one-half percent.

*** These are the cost-of-living adjustment factors to be applied on April 1, 2021.

**** These are the carry-over of the cost-of-living adjustments that have not been used on April 1, 2021.

Contra Costa County Employees' Retirement Association
 Cost-Of-Living Adjustment
 As of April 1, 2021

			(1)	(2)	(3)	(4)	(5)
Retirement Date			April 1, 2020 Accumulated Carry-over	CPI Change*	CPI Rounded**	CPI Used***	April 1, 2021 Accumulated Carry-over****
Tier 2, Tier 3 (disability retirement only) and Tier 5 (3%/4% COLA and disability retirement only)							
Section 31870.3							
Maximum Annual COLA			4.0%				
04/01/1984	to	03/31/2018	0.0%	2.00%	2.0%	2.0%	0.0%
04/01/2018	to	03/31/2019	0.0%	2.00%	2.0%	2.0%	0.0%
04/01/2019	to	03/31/2020	0.0%	2.00%	2.0%	2.0%	0.0%
04/01/2020	to	03/31/2021		2.00%	2.0%	2.0%	0.0%

* Based on ratio of December 2020 CPI to December 2019 CPI for the San Francisco - Oakland - Hayward Area.

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Contra Costa County Employees' Retirement Association
 Cost-Of-Living Adjustment
 As of April 1, 2021

Retirement Date	April 1, 2020 Accumulated Carry-over	CPI Change*	CPI Rounded**	CPI Used***	April 1, 2021 Accumulated Carry-over****		
Tier 4 (2% COLA), Tier 5 (2% COLA), Safety Tier C and Safety Tier E Section 31870							
<u>Maximum Annual COLA</u>			<u>2.0%</u>				
04/01/2007	to 03/31/2012	8.5%	2.00%	2.0%	2.0%	8.5%	
04/01/2012	to 03/31/2014	7.5%	2.00%	2.0%	2.0%	7.5%	
04/01/2014	to 03/31/2015	7.0%	2.00%	2.0%	2.0%	7.0%	
04/01/2015	to 03/31/2016	6.5%	2.00%	2.0%	2.0%	6.5%	
04/01/2016	to 03/31/2017	5.5%	2.00%	2.0%	2.0%	5.5%	
04/01/2017	to 03/31/2018	4.0%	2.00%	2.0%	2.0%	4.0%	
04/01/2018	to 03/31/2019	3.0%	2.00%	2.0%	2.0%	3.0%	
04/01/2019	to 03/31/2020	0.5%	2.00%	2.0%	2.0%	0.5%	
04/01/2020	to 03/31/2021		2.00%	2.0%	2.0%	0.0%	

* Based on ratio of December 2020 CPI to December 2019 CPI for the San Francisco - Oakland - Hayward Area.

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Meeting Date
01/27/2021
Agenda Item
#10



Timothy Price

Chief Investment Officer

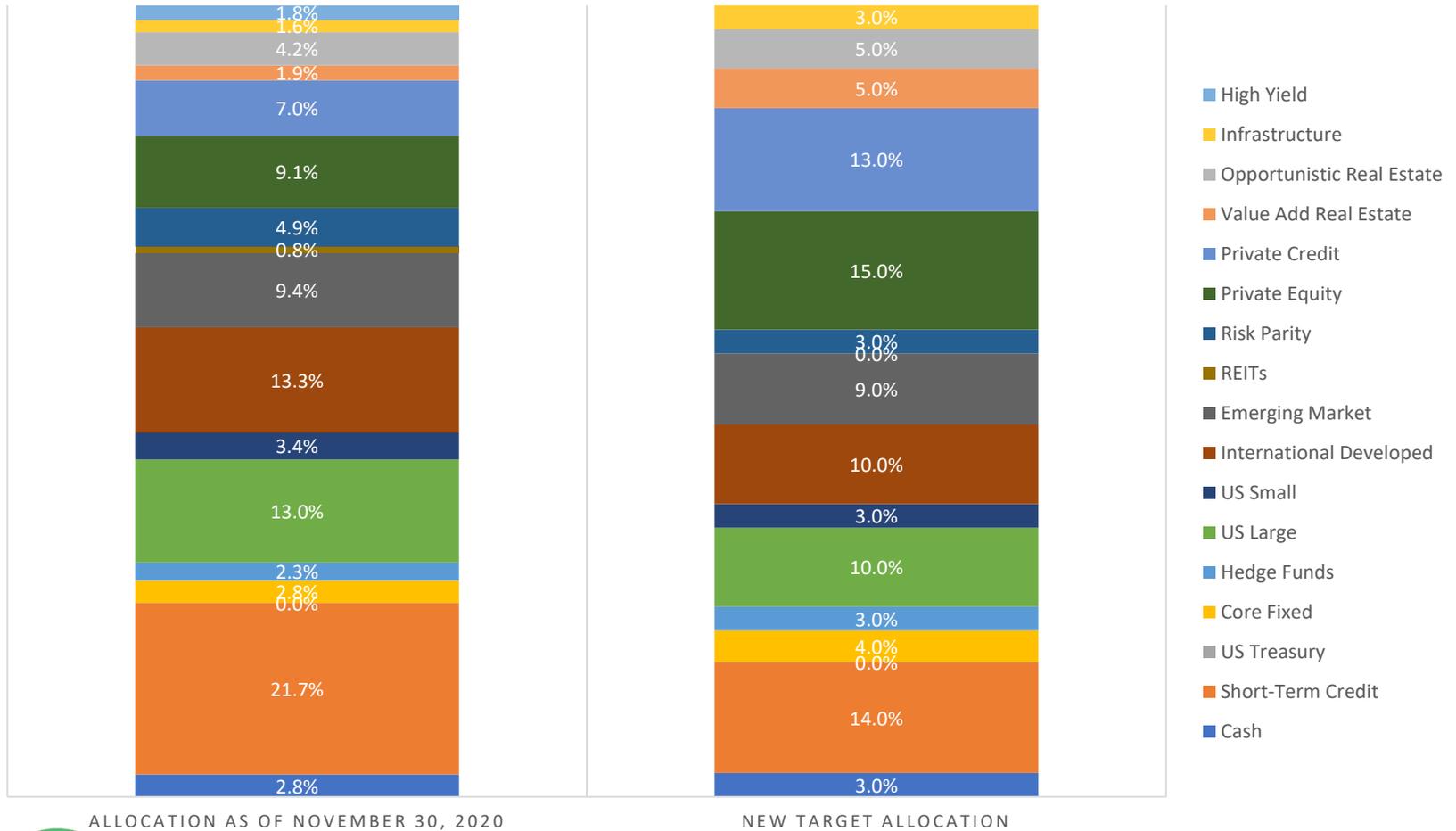
CCCERA Asset Allocation Implementation

January 27, 2021

Asset Allocation Implementation

- Board selected new asset allocation targets in December 2020
- Several of the changes will require modifications to existing investment program and may require additional or different resources
- Implementation will occur over the next several months and be largely complete for public market allocations by mid-2021

New Targets



Notable Changes from Current

1. Reduction in size of Liquidity Sub-portfolio from 4 years of benefit payments to 3 years of benefit payments (equates to a reduction to 17% of plan assets).
2. Reduction in public equity allocation from 39% to 32%.
3. Large increase in illiquid allocations from 24% to 41% (over the next 5+ years).

Approach to Implementation

- Phase 1: Plan for reallocation of public markets
- Phase 2: Updates to Policies, Procedures
- Phase 3: Resource evaluation and acquisition

Implementation Timeline

Phase 1

- Liquidity sub-portfolio will run-off to new allocation by July 2021, restructure as needed
- Restructure public equity exposure, review public market proxies for illiquid mandates
- Adopt updated asset class benchmarks
- Expected completion April 2021

Phase 2

- Review and revise Investment Policy Statement to reflect new asset allocation
- Adopt updated asset allocation resolution
- Expected completion June 2021

Phase 3

- Identify internal and external resources needed to implement increased illiquid allocation (data tools, consulting, staffing)
- Acquire resources and/or launch RFPs as needed
- Expected completion December 2021

Meeting Date

01/27/2021

Agenda Item

#10



**PERSPECTIVES
THAT DRIVE
ENTERPRISE
SUCCESS**



JANUARY 2021

Investment Strategy Implementation

Contra Costa County Employees' Retirement Association

Status review

While the big decisions were made through the end of last year; detailed implementation decisions remain

August

- Updated Risk Tolerance Assessment
- Largely confirmed existing risk tolerance with slight upward bias

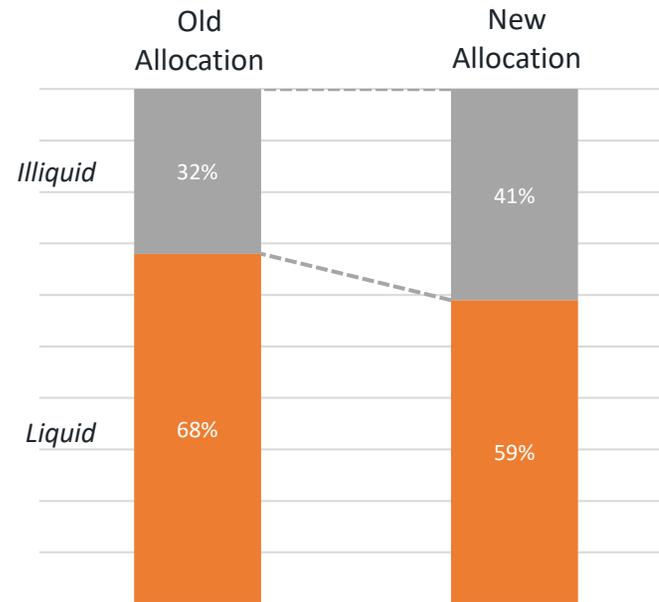
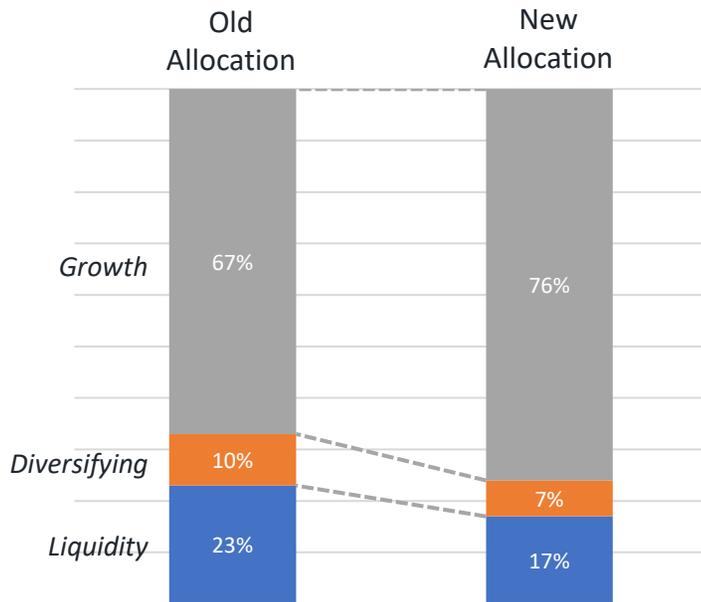
October

- A/L Study indicates adjustment to liquidity profile
- Board requests further analysis on 3-year liquidity reserve alternatives

December

- Additional asset mixes presented
- Board approves “Mix 5”, which reduces the liquidity reserve to 3-years of gross benefits in favor of private market investments.

High-level asset allocation adjustments



The portfolio will shift over time from low earning, liquid assets to higher, earning private market investments.

Policy impact

- Liquidity Sub-Portfolio – reduce from 48 to 36 months of projected benefit payments
- Private markets authority - staff's approval authority should be reevaluated, based on growth in assets and a higher allocation
- Other areas for consideration / “clean-up”
 - Ensure rebalancing zones are clearly defined
 - Create distinction between treatment of public and private market investments
 - Risk management

High-level plan

