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

RETIREMENT BOARD MEETING
**SECOND MONTHLY MEETING**
9:00 a.m.
February 27, 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 January 9 and January 23, 2013 meetings.

4. Presentation from The Segal Company: *Review of Economic Actuarial Assumptions.*

5. Consider and take possible action on the economic assumptions recommended by The Segal Company to be used in the December 31, 2012 Valuation.

*CLOSED SESSION*

6. The Board will go into 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*

7. Review of total portfolio performance including:
   a. Consideration of any managers already under review or to be placed under review.
   b. Consideration of any changes in allocations to managers.

8. Review of semi-annual rebalancing report.

9. Consider and take possible action to change the March 13, 2013 Board meeting date.

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

10. Consider authorizing the attendance of Board and/or staff:
    a. Client Conference, Angelo, Gordon & Co, April 10 – 11, 2013, New York, NY (note conflict with Board meeting).
    b. Spring Conference, CRCEA, April 15 – 17, 2013, Long Beach, CA.

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

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

Meeting Date
02/27/13
Agenda Item
#3

The Board of Retirement met in regular session at 9:00 a.m. on Wednesday, January 9, 2013 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; Karen Levy, General Counsel; and Vickie Kaplan, Retirement Accounting Manager

| Outside Professional Support: | Representing: |
|---|---|
| Harvey Leiderman | Reed Smith LLC |
| Bob Helliesen | Milliman |
| Marty Dirks | Milliman |
| John Monroe | The Segal Company |
| Rebecca Byrnes | County Counsel |

Other Attendees:

| | |
|---|---|
| Luz Casas | Contra Costa County Employees' Retirement Association (CCCERA) Staff |
| Chih-Chi Chu | CCCERA Staff |
| Karen Davis | CCCERA Staff |
| Christina Dunn | CCCERA Staff |
| Tracy Kroll | CCCERA Staff |
| Joelle Luhn | CCCERA Staff |
| Justine Rossini | CCCERA Staff |
| Adrian Banner | INTECH |
| Christian McCormick | INTECH |
| Maria Catanese-Helberg | Contra Costa County Retired Employees Association (CCCREA) |
| Todd Word | San Ramon Valley Fire District Local 3546 |
| Rollie Katz | Local One |
| Kris Hunt | Contra Costa County Taxpayers Association |
| Jackie Lorrekovich | Contra Costa Fire District |
| Bill Cullen | Retired |
| Gloriann Sasser | San Ramon Valley Fire District |
| Todd Smithey | Central Contra Costa Sanitary District |
| William Pigeon | Local 1230 |
| Lisa Driscoll | County Administrators Office |

1. **Pledge of Allegiance**

Gioia 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 30, 2012 Board meeting with a correction to the last page before the meeting was adjourned to add "There was no reportable action out of closed session," and to approve the minutes of the November 20, 2012 Board meeting as presented. (Yes: Allen, Buck, Cabral, Gioia, Hast, Phillips, Telles, Viramontes and Watts)

4. **Routine Items**

It was **M/S/C** to approve the routine items of the January 9, 2013 meeting. (Yes: Allen, Buck, Cabral, Gioia, Hast, Phillips, Telles, Viramontes and Watts)

It was the consensus of the Board to move to Item 10.

10. **Presentation from INTECH regarding personnel changes** - Adrian Banner, Christian McCormick

Banner waived the confidentiality disclaimer on the presentation materials, noting this is a public meeting and any information discussed will be available to the public.

McCormick reported on the departure of INTECH's CEO Jennifer Young, noting she stepped down in November and Adrian Banner now oversees the entire firm. He spends 75% of his time as the Chief Investment Officer and 25% of his time as the Chief Executive Officer. He reviewed the firm's updated organizational chart, noting Justin Wright was promoted to Chief Administrative Officer and is responsible for the day to day administration of the firm.

Banner reported all of the lead personnel are performing roles that are extensions of the duties they were previously performing. He reviewed the responsibilities of personnel over the last 10 years. He noted in the last 3 years they have required greater interaction in the structure as the firm has grown. Banner reported Young remains employed as a consultant to INTECH. He stated he feels having a single leader is better for the firm. He also reported there are no other departures from the firm and they have not lost any clients due to Young's departure.

A discussion followed after the presentation and the Board felt INTECH should remain on the watch list.

It was the consensus of the Board to move to Item 18b.

18. **Miscellaneous**

(b) Outside Professionals' Report -

Dirks gave an update on the Private Real Asset manager search noting they received 42 responses. Questionnaires were sent to thirteen managers that manage portfolios containing multiple real asset categories and to eight managers that manage single asset category strategies. He noted they would email a list of the firms receiving questionnaires to the Board that afternoon.

It was the consensus of the Board to move to Item 11.

11. <u>Consider and take action on contribution rates as recommended by The Segal Co. for General and Safety PEPRA members.</u> – John Monroe

Monroe gave an overview of the proposed benefit changes for new General and Safety Members noting that as required by PEPRA, this applies to new members with membership dates of January 1, 2013 or later, not current members.

He described the differences in the formulas for the new General and Safety PEPRA tiers noting they have made the assumption that pensionable compensation for new members would be identical to compensation earnable for current members, with the exception of terminal pay. He reported the new tiers have a 3-year final average salary period and the 30-year cessation on Safety member contributions no longer applies. He also stated that pensionable compensation is limited at $113,700 for 2013 (the Social Security Taxable Wage Base) or $136,440 (120% of the Social Security Taxable Wage Base) if not enrolled in Social Security. He noted this is also the maximum amount of compensation use to collect employer and member contributions.

He explained there are certain requirements that need to be met according to the PEPRA legislation. New members on or after January 1, 2013, would be required to contribute at least 50% of the Normal Cost rate, and the employee rates should be rounded to the nearest one quarter of one percent. He noted the employer would need to continue to contribute for new hires the same Unfunded Actuarial Accrued Liability (UAAL) rates for members that were determined in the December 31, 2011 valuation. He stated there would 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.

He noted the recommended normal cost contribution rates would apply for the period from January 1, 2013 through June 30, 2014 and the UAAL rates would apply until July 1, 2013.

It was ***M/S/C*** to adopt the contribution rates as recommended by The Segal Co. for General and Safety PEPRA members for the period of January 1, 2013 to June 30, 2014. (Yes: Allen, Buck, Cabral, Gioia, Hast, Phillips, Telles, Viramontes and Watts)

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

Levy gave an update on the new information published by CalPERS regarding the definition of "Pensionable Compensation" under PEPRA (AB 340). PEPRA's definition of "pensionable compensation" adopts language from the CalPERS statute that appears to limit it to "monthly rate of pay or base pay." CalPERS has published its determination that certain "special compensation" items such as incentive pay, education pay, special assignment pay and holiday pay may qualify as "pensionable compensation".

Levy reported CalPERS published a Circular Letter explaining that to qualify as "pensionable compensation" under PEPRA (Govt. Code Section 7522.34), an item of compensation must meet the following four criteria: 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; and 4) Pay is paid pursuant to publicly available pay schedules. The CalPERS Circular notifies CalPERS employers to report special compensation items above base pay as pensionable.

She noted staff has looked at pay items above base pay for CCCERA participating employers and some are not on pay schedules but are included in MOU's or other documents such as resolutions or individual employment contracts.

Bill Cullen, Retiree, stated AB 197 did not amend the definition of compensation but it amended terminal pay items. He feels CCCERA shouldn't use the CalPERS Circular because they could label pay items differently than CCCERA. He also doesn't feel a sense of urgency in adopting pay code items because he feels CCCERA has already dealt with spiking.

The Board discussed different options including how the decision should be made, who should be included in the decision, what information should be collected before making a decision and the deadline for making a decision.

Lisa Driscoll, County Administrators Office, stated the County will use what the CCCERA Board has adopted. She feels there is an urgency to make the decision since the County has hired employees who are PEPRA members and accurate contributions need to be collected from these members.

Kris Hunt, Contra Costa County Taxpayers Association, feels taking the time to get it right makes sense.

Rollie Katz, Local One, asks that the decision include input from the labor unions.

It was **M/S** to direct staff to collect a list of the pay code items and meet with the employers and the labor unions to determine if the pay code items meet the four criteria.

A substitute motion was made to take the lists of pay code items and have staff apply the four requirements without employer involvement and bring the list to the Board for review. Motion withdrawn.

An amended motion was made to take the lists of publicly available pay code items and have staff apply the four requirements without employer involvement and bring the list to the Board for review. Motion withdrawn.

A substitute motion was made to meet with employers to get pay code items and have staff determine what is included as a pay code item and bring back to the Board at the February 27, 2013 meeting for a final decision. Motion withdrawn.

It was **M/S/C** to have staff gather the existing lists of pay code items from all CCCERA employers, analyze whether each of the four criteria provided in PEPRA is met for each pay item, and present the pay items at a future Board meeting for Board approval. (Yes: Allen, Buck, Cabral, Gioia, Hast, Phillips, Telles, Viramontes and Watts)

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.**

Levy reported a request was received from the Contra Costa County Superior Court ("District") to determine whether anticipated furloughs for District employees will be considered a reduction in compensation for retirement purposes and contributions. She noted in the past the Retirement Board determined that a furlough which is temporary in nature is to be treated as an "absence" under Government Code Section 31461 and therefore the retirement computation is based on the compensation held by the member at the beginning of the absence. Based on this direction the District instituted furloughs in 2009. Recently the District informed CCCERA that additional furloughs are contemplated for its employees.

The Board discussed what constituted temporary in nature, which employee groups are included in the furlough and if there was a difference if the furloughs were instituted by the District or the State.

It was **M/S/C** to determine the additional furloughs to be a reduction in compensation for retirement purposes. (Yes: Allen, Cabral, Gioia, Hast, Phillips, Telles, Viramontes and Watts. No: Buck)

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

Levy noted the Board began discussion at the December 12, 2012 Board meeting on the establishment of a procedure for assessing and determining whether an element of compensation was paid to enhance a member's retirement benefit. She stated the establishment of such a procedure is required by the pension reform legislation enacted in 2012 (Assembly Bill 340; new Govt. Code §31542). At the December 12, 2012 meeting staff presented the Board with a draft proposed procedure. After discussion, the Board directed staff to return with an additional option for an established procedure that does not require the referral of matters in dispute to an administrative law judge. Levy discussed the revised sections of the draft policy noting the 1937 Act already grants the Board the ability to refer matters to an administrative law judge.

The Board discussed operational considerations of administering the new policy and the length of time the Board has to make a determination on whether an element of compensation was paid to enhance a member's retirement benefit.

It was **M/S** to adopt the revised draft policy and direct staff to return with the operational guidelines for the policy at a future meeting for adoption.

An amended motion was **M/S/C** to adopt the policy presented, in order to meet statutory compliance, and direct staff to return with operational guidelines for implementing the policy. (Yes: Allen, Buck, Cabral, Gioia, Hast, Phillips, Telles, Viramontes and Watts).

15. <u>Consider and take possible action regarding audio recording of meetings</u>

Leedom reported this item was discussed and voted on at the April 21, 2010 meeting. Board members have requested this item to be included in the agenda for reconsideration. In order to bring the item back to the table for vote, she noted Roberts Rules of Order requires one of the Board members who previously voted on the prevailing side of the issue to make a motion for reconsideration of the issue.

It was **M/S/C** to reconsider and take possible action regarding audio recording of meetings. (Yes: Allen, Buck, Cabral, Gioia, Hast, Phillips, Telles, Viramontes and Watts).

Leedom presented three different options for compiling Board minutes; 1) Leave minutes procedure as it stands; 2) Audio record the minutes and retain the audio recordings indefinitely; or 3) Audio record the minutes, develop minutes in the current format and retain the recordings for a short period of time.

Discussion followed regarding transparency, concerns about the changes members of the public and Board members may make in discussing items when they know they are being recorded. Some felt the Board is already transparent and didn't need to record the meetings. They felt crosstalk would also be a problem. The Board also discussed the possibility of the minutes including a short discussion on items.

The Board discussed signage informing members of the public that they will be recorded if they choose to speak to the Board. They felt the microphones should be around the board table and the podium. It was noted members of the public wishing to speak will have to fill out a speaker card and speak from the podium.

It was **M/S/C** to implement Option 2) Audio record minutes and retain audio recordings indefinitely. Written meeting minutes will show only attendees, summaries of motions made and votes taken. (Yes: Allen, Buck, Cabral, Gioia, Hast, Phillips, Telles, Viramontes and Watts).

Watts was not present for subsequent discussion and voting.

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

It was **M/S/C** to adopt the amended policy on IRC Section 415 as presented. Yes: (Allen, Buck, Cabral, Gioia, Hast, Phillips, Telles and Viramontes)

17. <u>Conference Seminar Attendance</u>

a. It was **M/S/C** to authorize the attendance of 4 Board members and 3 staff members at the Annual Conference, Pension Bridge, April 16-17, 2013, San Francisco, CA (Yes: Allen, Buck, Cabral, Gioia, Hast, Phillips, Telles and Viramontes)
b. It was **M/S/C** to authorize the attendance of 1 Board member and 1 staff member at the Roundtable for Public and Taft-Hartley Plans, Institutional Investor, April 24-26, 2013, Beverly Hills, CA (Yes: Allen, Buck, Cabral, Gioia, Hast, Phillips, Telles and Viramontes)

c. It was **M/S/C** to authorize the attendance of 3 Board members at the Investment Forum, Emerald, February 7, 2013, Philadelphia, PA (Yes: Allen, Buck, Cabral, Gioia, Hast, Phillips, Telles and Viramontes)
d. It was **M/S/C** to authorize the attendance of 1 Board member at the Portfolio Concepts and Management, Wharton, May 6-9, 2013, Philadelphia, PA (Yes: Allen, Buck, Cabral, Gioia, Hast, Phillips, Telles and Viramontes)
e. It was **M/S/C** to authorize the attendance of 1 staff member at the Annual Policy Conference, NIRS, February 25-26, 2013, Washington, D.C. (Yes: Allen, Buck, Cabral, Gioia, Hast, Phillips, Telles and Viramontes)
f. It was **M/S/C** to authorize the attendance of 4 Board members at the Trustees Roundtable, CALAPRS, February 8, 2013, San Jose, CA (Yes: Allen, Buck, Cabral, Gioia, Hast, Phillips, Telles and Viramontes)

Gioia and Naramore were no longer present for subsequent discussion and voting.

**18. Miscellaneous**

(a) Staff Report –

Leedom reported with the decreased staff in the IT division the iPad implementation has been delayed. She noted this could also affect the timing of the implementation for audio recording.

Leedom distributed the new Board Continuing Education Form which was developed to assist with complying with Government Code §31522.8 of the CERL which requires that all board members receive a minimum of 24 hours of board member education within the first 2 years of assuming office and for every subsequent 2-year period in which the person serves on the board.

(c) Trustees' Comments

Allen reported she attended the Wellington on-site visit which went very well. She also attended their weekly staff meeting.

Hast reported he also attended the Wellington on-site visit and an on-site visit to State Street. He discussed an issue State Street had in their London office which he was assured would not happen again. The issue did not affect our fund and with the new checks and balances State Street has implemented in its London office he feels confident the issue is not something we would experience.

Viramontes reported she attended the PIMCO on-site visit and felt it went well.

It was the consensus of the Board to move to Item 5.

**CLOSED SESSION**

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

The Board moved into open session.

5. It was ***M/S/C*** to accept the Medical Advisor's recommendation and deny the service-connected disability retirement for Marina Ramos. (Yes: Allen, Buck, Cabral, Hast, Holcombe, Phillips, Telles and Viramontes)

6. It was ***M/S/C*** to accept the Medical Advisor's recommendation and grant the non-service connected disability retirement for Ruby Green. (Yes: Allen, Buck, Cabral, Hast, Holcombe, Phillips, Telles and Viramontes)

7. It was ***M/S/C*** to accept the Medical Advisor's recommendation and deny the service-connected disability retirement for Brenda Moore. (Yes: Allen, Buck, Cabral, Hast, Holcombe, Phillips, Telles and Viramontes)

8. It was ***M/S/C*** to accept the Medical Advisor's recommendation and grant the non-service connected disability retirement for Janet Bruzdowski. (Yes: Allen, Buck, Cabral, Hast, Holcombe, Phillips, Telles and Viramontes)

**9a.** There was no reportable action related to Govt. Code Section 54956.9(a).

**9b.** There was no reportable action related to Govt. Code Section 54956.9(a).

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

Maria Theresa Viramontes, Chairman

John B. Phillips, Secretary

| Meeting Date 02/27/13 Agenda Item #3 |
|---|

The Board of Retirement met in regular session at 9:00 a.m. on Wednesday, January 23, 2013 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; and Karen Levy, General Counsel

| Outside Professional Support: | Representing: |
|---|---|
| Bob Helliesen | Milliman |
| Marty Dirks | Milliman |

Other Attendees:

| | |
|---|---|
| Luz Casas | Contra Costa County Employees' Retirement Association (CCCERA) Staff |
| Christina Dunn | CCCERA Staff |
| Tracy Kroll | CCCERA Staff |
| Justine Rossini | CCCERA Staff |
| Kenneth Minihan | Paladin Capital Group |
| Brenda Chia | Paladin Capital Group |
| Michael Steed | Paladin Capital Group |
| Peter Cheung | Paladin Capital Group |
| Todd Smithey | Central Contra Costa Sanitary District |

1. Pledge of Allegiance

Holcombe led all in the *Pledge of Allegiance.*

2. Public Comment

No members of the public offered comment.

3. Approval of the November 28, 2012 Minutes

It was **M/S/C** to approve the minutes of the November 28, 2012 meeting. (Yes: Buck, Cabral, Hast, Holcombe, Phillips, Telles, Viramontes and Watts)

4. Presentation from Paladin Capital Group – Peter Cheung, Brenda Chia, Michael Steed, Kenneth Minihan

Helliesen introduced the Paladin Capital Group.

Cheung thanked the Board for the opportunity to give the presentation and gave a brief background of each member of the team.

Allen was present for subsequent discussion and voting.

Steed reported after the 9/11 attacks Paladin realized the importance of increasing the resiliency of critical infrastructures within the nation. He noted in early 2013, President Obama is expected to issue a comprehensive Executive order on cyber security, data security and privacy that will boost the administration's effort to improve the digital defenses of critical infrastructure.

Minihan defined cyberspace as a global domain consisting of interdependent networks of information technology critical infrastructures, including the internet, telecommunications networks, computer systems, and imbedded processors and controllers. The private sector, government, and the military all share in the responsibility to protect our global infrastructure. He reviewed the hierarchy of cyber threat and the strategic context.

Gioia was present for subsequent discussion and voting.

Minihan reviewed the challenges to global security noting the biggest challenge is to create an atmosphere of trust using cyberspace products, services and technologies. He reviewed the internal costs and external consequences and costs of a cyber-attack, noting it costs more to protect the intellectual property then the cost for an attacker to destroy it. He stated they would like to change this by transforming current cyber infrastructure from its static configuration to a dynamic architecture which will raise the level of difficulty for our adversaries in conducting attacks as well as make the infrastructure more adaptive and resilient.

Steed gave an overview of the IT market noting the cyber security market is expected to see tremendous growth in 2013 and beyond.

Steed reviewed areas they are researching to obtain the technology advantage, including harvesting new technologies from government, industry, national labs and universities. He stated a prudent strategy would be to first establish trusted foundations within cyberspace and then build public and private sector mission capability on top of those enhanced foundations.

It was the consensus of the Board to move to Item 9b.

9. <u>Miscellaneous</u>

(b) Outside Professionals' Report

Milliman gave an update on the Private Real Asset manager search and distributed a list of firms that received RFP questionnaires.

A 4$^{th}$ Quarter Flash Report was distributed.

It was the consensus of the Board to move to Item 5.

CLOSED SESSION

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

The Board moved into open session

5. <u>Disability Retirements</u>

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

   a. Marvin Lopez - Service Connected (Yes: Allen, Buck, Cabral, Gioia, Hast, Phillips, Telles, Viramontes and Watts)
   b. Harry Kinney - Service Connected (Yes: Allen, Buck, Cabral, Gioia, Hast, Phillips, Telles, Viramontes and Watts)

Gioia recused himself from Item 6a and was not present for subsequent discussion and voting.

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

Gioia was present for subsequent discussion and voting.

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

7. <u>Staff recommendation for a new position of Retirement Information Technology Manager</u>

   Leedom reported on the increased workload in the IT department and the recent vacancies. The IT department needs have also changed and expanded over the years resulting in the need for a manager position.

   The Board discussed the tasks that would be completed by the IT Manager and the reporting level of this position.

   It was ***M/S/C*** to approve a new position of Retirement Information Technology Manager. (Yes: Allen, Buck, Cabral, Gioia, Hast, Phillips, Telles, Viramontes and Watts)

8. <u>Conference Seminar Attendance</u>

   a. It was ***M/S/C*** to authorize the attendance of 1 Board member at the Principles of Pension Management, CALAPRS, March 26-29, 2013, Stanford, CA. (Yes: Allen, Buck, Cabral, Gioia, Hast, Phillips, Telles, Viramontes and Watts)
   b. It was ***M/S/C*** to authorize the attendance of 5 Board members at the Annual Conference and Exhibition, NCPERS, May 18-23, 2013, Honolulu, HI. (Yes: Allen, Buck, Cabral, Gioia, Hast, Phillips, Telles, Viramontes and Watts)

9. <u>Miscellaneous</u>

(a) Staff Report -

Leedom reported an educational presentation on disabilities will be provided to the Board at a future Board meeting.

She reported The Segal Company will present the economic assumptions at the last meeting in February.

She reported 1099R's are being printed and will be sent out next week.

She will be speaking on a small panel regarding PEPRA at Central Contra Costa Sanitary District.

Leedom reported CalPERS's rebuttals to articles recently written by Dan Borenstein were on the CalPERS website.

Price reported concerns with the personnel change at INTECH and will be scheduling an onsite visit at the end of February or beginning of March.

He reported rebalancing will begin at the end of January. He expects shifts from equity portfolios into the debt portfolios.

Schneider reported the Board adopted PEPRA rates at the January 9th meeting which included a 3% COLA. Staff later learned that through negotiations some employee organization groups have adopted MOUs with a 2% COLA. The Segal Company is working on getting rates for these members. He will bring them to the Board once they are available.

Schneider reported the Bay Area Consumer Price Index (CPI) has been released and The Segal Company has calculated the COLA for 2013. The change in the CPI is 2.22%, so the recommendation at the next meeting will be approval of a 2% COLA. The COLA is the change in the CPI rounded to the nearest one-half percent according to government code sections 31870.1, 31870.3 and 31870.

(c) Trustees' Comments -

Viramontes distributed copies of CalPERS's rebuttals to articles written by Dan Borenstein.

Cabral requested the Klausner and Kaufman Client Conference and the Pensions and Capital Stewardship Conference at the Harvard Law School be on the next agenda for approval.

Buck stated he was contacted by an attorney regarding San Ramon Valley Fire District not hiring candidates that have reciprocity and will therefore not be in the lower PEPRA tier. He directed the attorney to Levy and noted this was an employment law issue.

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 B. Phillips, Secretary

*Meeting Date*
02/27/13
*Agenda Item*
#4

# CONTRA COSTA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

## Review of Economic Actuarial Assumptions for the December 31, 2012 Actuarial Valuation

SEGAL
THE SEGAL COMPANY

100 Montgomery Street, Suite 500
San Francisco, CA 94104


FEBRUARY 2013

SEGAL

THE SEGAL COMPANY
100 Montgomery Street, Suite 500 San Francisco, CA 94104-4308
T 415.263.8200 F 415.263.8290 www.segalco.com

February 19, 2013

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

**Re: Review of Economic Actuarial Assumptions**
**For the December 31, 2012 Actuarial Valuation**

Dear Members of the Board:

We are pleased to submit this report of our review of the December 31, 2012 economic actuarial assumptions for the Contra Costa County Employees' Retirement Association. This report includes our recommendations and the analysis supporting their development.

Please note that December 31, 2012 is also the year of the Contra Costa County Employees' Retirement Association's triennial experience study. The non-economic actuarial assumption recommendations will be provided in a separate report once we complete our analysis.

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 look forward to reviewing this report with you and answering any questions you may have.

Sincerely,

| | |
|---|---|
| Paul Angelo, FSA, EA, MAAA, FCA<br>Senior Vice President and Actuary | John Monroe, ASA, EA, MAAA<br>Vice President and Associate Actuary |

AW/bqb

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## I. INTRODUCTION, SUMMARY, AND RECOMMENDATIONS

To project the cost and liabilities of the pension fund, assumptions are made about all future events that could affect the amount and timing of the benefits to be paid and the assets to be accumulated. Each year actual experience is compared against the projected experience, and to the extent there are differences, the future contribution requirement is adjusted.

If assumptions are changed, contribution requirements are adjusted to take into account a change in the projected experience in all future years. There is a great difference in both philosophy and cost impact between recognizing the actuarial deviations as they occur annually and changing the actuarial assumptions. Adjusting contributions as gains or losses occur without making a change in the assumptions is appropriate if the deviation from projections is considered temporary and if, over the long run, experience is expected to return to what was originally assumed. Changing assumptions reflects a basic change in thinking about the future, and it has a much greater effect on the current contribution requirements than the gain or loss as they occur.

The use of realistic actuarial assumptions is important to maintain adequate funding, while fulfilling benefit commitments to participants already retired and to those near retirement. The actuarial assumptions do not determine the "actual cost" of the plan. The actual cost is determined solely by the benefits and administrative expenses paid out, offset by investment income received. However, it is desirable to estimate as closely as possible what the actual cost will be so as to permit an orderly method for setting aside contributions today to provide benefits in the future, and to maintain equity among generations of participants and taxpayers.

This study was undertaken in order to review the economic actuarial assumptions. The study was performed in accordance with Actuarial Standard of Practice (ASOP) No. 27, "Selection of Economic Assumptions for Measuring Pension Obligations." This Standard of Practice puts forth guidelines for the selection of the economic actuarial assumptions utilized in a pension plan actuarial valuation.

Please note that the investment return assumption recommended in this report has been developed without taking into consideration the impact of any "excess earnings" as described in the Board's Interest Crediting and Excess Earnings Policy.

We are recommending changes in the investment return, inflation and "across the board" salary increase assumptions. The promotional and merit salary increase assumptions will be reviewed in the triennial experience study of non-economic assumptions being performed this year. Our recommendations for the economic actuarial assumptions for the December 31, 2012 Actuarial Valuation are as follows:

**Investment Return** - The estimated average future net rate of return on current and future assets of the Association as of the valuation date. This rate is used to discount liabilities.
***Recommendation: Reduce the current investment return assumption from 7.75% per annum to 7.25% per annum. The 7.25% recommendation would be consistent with the Board's past practice of having a margin for adverse deviation under the risk adjusted model used by Segal. However, as this would be a substantial change in this long-term assumption, we are also making an alternative recommendation for a 7.50% assumption that reflects no such margin under the risk adjusted model.***[1]

**Inflation** – Future increases in the Consumer Price Index (CPI) which drives investment returns and active member salary increases, as well as cost-of-living adjustments (COLAs) for retirees.
***Recommendation: Reduce the rate from 3.50% to 3.25% per annum. We also recommend decreasing the assumed COLA for those tiers with a 4.00% maximum COLA from 3.50% to 3.25% per year.***

**Individual Salary Increases** - Increases in the salary of a member between the date of the valuation to the date of separation from active service. This assumption has three components:

- Inflationary salary increases,
- Real "across the board" salary increases, and
- Promotional and merit increases.

***Recommendation: Reduce the current inflationary salary increase assumption from 3.50% to 3.25% and maintain the current real "across the board" salary increase assumption at 0.75%. This means that the combined inflationary and real "across the board" salary increases will decrease from 4.25% to 4.00%. Please note that the promotional and merit increase assumption ranges from 0.75% to 9.00% for General and 0.75% to 9.50% for Safety. The promotional and merit increases will be reviewed as part of our triennial experience study of non-economic assumptions.***

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[1] In addition, the Board could also consider authorizing a review of the economic assumptions at a date earlier than the usual three-year period.

**Terminal Pay** – Additional pay elements that are expected to be received during the member's final average earnings period.

***Recommendation: Our recommendation will be included in our triennial experience study of non-economic assumptions.***

Section II provides some background on basic principles and the methodology used for the review of the economic actuarial assumptions. A detailed discussion of each of the economic assumptions and reasons behind the recommendations is found in Section III.

## II. BACKGROUND AND METHODOLOGY

For this study, we analyzed "economic" assumptions only. Our analysis of the "non-economic" assumptions for the December 31, 2012 valuation will be provided in a separate report at a later date. The primary economic assumptions are inflation, investment return and salary increases.

### *Economic Assumptions*

Economic assumptions consist of:

***Inflation*** - Increases in the price of goods and services. The inflation assumption reflects the basic return that investors expect from securities markets. It also reflects the expected basic salary increase for active employees and drives increases in the allowances of retired members.

***Investment Return*** – Expected long term rate of return on the Association's investments after expenses. This assumption has a significant impact on contribution rates.

***Salary Increases*** – In addition to inflationary increases, it is assumed that salaries will also grow by "across the board" real pay increases in excess of price inflation. It is also assumed that employees will receive raises above these average increases as they advance in their careers. These are commonly referred to as promotional and merit increases. Payments to amortize any Unfunded Actuarial Accrued Liability (UAAL) are assumed to increase each year by the price inflation rate plus any "across the board" pay increases that are assumed.

The setting of these assumptions is described in Section III.

## III. ECONOMIC ASSUMPTIONS

The investment return assumption is comprised of two components: (i) Inflation; and (ii) Real Rate of Return.

## A. INFLATION

Unless an investment grows at least as fast as prices increase, investors will experience a reduction in the inflation-adjusted value of their investment. There may be times when "riskless" investments return more or less than inflation, but over the long term, investment market forces will generally require an issuer of fixed income securities to maintain a minimum return which protects investors from inflation.

The inflation assumption is long term in nature, so it is set using primarily historical information. Following is an analysis of 15 and 30 year moving averages of historical inflation rates:

**Historical Consumer Price Index – 1930 to 2012**

(U.S. City Average - All Urban Consumers)

| | 25th Percentile | Median | 75th Percentile |
|---|---|---|---|
| 15 year moving averages | 2.6% | 3.4% | 4.8% |
| 30 year moving averages | 3.2% | 4.2% | 4.9% |

The average inflation rates have continued to decline gradually over the last several years due to the relatively low inflationary period over the past two decades. Also, the later of the 15-year averages during the period are lower as they do not include the high inflation years of the mid-1970s and early 1980s.

In the 2011 public fund survey published by the National Association of State Retirement Administrators, the median inflation assumption used by 126 large public retirement funds in their 2010 valuations has decreased to 3.25% from the 3.50% used in the 2009 valuations. In California, CalPERS and LACERA have recently reduced their inflation assumptions to 2.75% and 3.00%, respectively.

CCCERA's investment consultant, Milliman USA, anticipates an annual inflation rate of 2.50%. Note that, in general, the investment consultants' time horizon for this assumption is shorter than the time horizon we use for the actuarial valuation.

To find a forecast of inflation based on a longer time horizon, we referred to the 2012 report on the financial status of the Social Security program. The projected average increase in the Consumer Price

Index (CPI) over the next 75 years under the intermediate cost assumptions used in that report was 2.8%. We also compared the yields on the thirty-year inflation indexed U. S. Treasury bonds to comparable traditional U. S. Treasury bonds. As of December 2012, the difference in yields is 2.55%, which provides a measure of market expectations of inflation.

**Based on all of the above information, we recommend that the current 3.50% annual inflation assumption be reduced to 3.25% for the December 31, 2012 actuarial valuation.**

We are also recommending a change to the assumptions we use to value the post-retirement COLA benefit. We recommend decreasing the assumed COLA for tiers with a maximum 4% COLA from 3.50% to 3.25% per year. The current and proposed COLA assumptions are shown below:

| Maximum COLA | Current Assumption | Proposed Assumption |
|---|---|---|
| 2% | 2.00% | 2.00% |
| 3% | 3.00% | 3.00% |
| 4% | 3.50% | 3.25% |

Note that in developing these COLA assumptions we also considered the results of a stochastic approach that would attempt to account for the possible impact of low inflation that could occur before COLA banks are able to be established for the member. The analytical results from that approach for the 2% and 4% maximum COLAs were not significantly lower than our proposed COLA assumptions and in our opinion do not justify using a lower COLA assumption.

Although the results for the 3% COLA assumption might justify the use of a lower COLA assumption we are not recommending that at this time. The reasons for this conclusion include the following:

- The results of the stochastic modeling are significantly dependent on assuming that lower levels of inflation will persist in the early years of the projections. If this is not assumed, then the stochastic modeling will produce results similar to our proposed COLA assumptions.
- Using a lower long-term COLA assumption based on a stochastic analysis would mean that an actuarial loss would occur even when the inflation assumption of 3.25% is met in a year. We question the reasonableness of this result.

We do not see the stochastic possibility of COLAs averaging less than those predicted by the assumed rate of inflation as a reliable source of cost savings that should be anticipated in our COLA assumptions. Therefore, we continue to recommend setting the COLA assumptions based on the long-term annual inflation assumption, as we have in prior years.

## B. INVESTMENT RETURN

The investment return assumption is comprised of two primary components, inflation and real rate of investment return, with adjustments for expenses and risk.

### *Real Rate of Investment Return*

This component represents the portfolio's incremental investment market returns over inflation. Theory has it that, as an investor takes a greater investment risk, the return on the investment is expected to also be greater, at least in the long run. This additional return is expected to vary by asset class and empirical data supports that expectation. For that reason, the real rate of return assumptions are developed by asset class. Therefore, the real rate of return assumption for a retirement system's portfolio will vary with the Board's asset allocation among asset classes.

The following is the Association's current target asset allocation and the assumed real rate of return assumptions by asset class. The column of returns (except for Private Equity and Alternative Investments) represents the average of a sample of real rate of return assumptions. The sample includes the expected annual real rate of returns provided to us by Milliman USA and by eight other investment advisory firms retained by Segal's public sector clients. We believe these assumptions reasonably reflect a consensus forecast of long term future real market returns. The Milliman assumption is used for CCCERA's Private Equity and Alternative Investments.

**CCCERA Target Asset Allocation and Assumed Arithmetic Real Rate of Return Assumptions by Asset Class and for the Portfolio**

| Asset Class | Percentage of Portfolio | Average from a Sample of Consultants to Segal's Public Sector Clients' Real Rate of Return[1] |
|---|---|---|
| Domestic Large Cap Equity[2] | 13.60% | 6.09% |
| Domestic Small Cap Equity[2] | 5.80% | 6.79% |
| Developed International Equity[2] | 17.60% | 6.66% |
| Emerging Market Equity[2] | 5.60% | 8.02% |
| Domestic Core Bonds | 16.10% | 0.83% |
| International Bonds | 3.30% | 0.69% |
| High Yield Bonds | 5.00% | 3.32% |
| Inflation-Indexed Bonds | 1.66% | 0.73% |
| Long Duration Fixed Income | 5.00% | 1.45% |
| Real Estate | 12.50% | 4.83% |
| Commodities | 1.67% | 4.71% |
| Private Equity | 10.00% | 8.95%[3] |
| Alternative Investment (Timber) | 1.67% | 4.20%[3] |
| Cash & Equivalents | 0.50% | 0.25% |
| Total | 100.00% | 4.90%[4] |

(1) These are based on the projected arithmetic returns provided by the investment advisory firms serving the county retirement systems of Contra Costa, Orange, Ventura, Mendocino, Alameda, Fresno, the LA City Employees' Retirement System, LA Department of Water and Power and the LA Fire & Police Pensions. These return assumptions are gross of any applicable investment expenses.

(2) The total allocation of 42.6% to global equity is allocated 13.6% to domestic large cap equity, 5.8% to domestic small cap equity, 17.6% to developed international equity and 5.6% to emerging market equity.

(3) For these asset classes, the Milliman assumption is applied in lieu of the average because there is a larger disparity in returns for these asset classes among the firms surveyed and using the Milliman assumption should more closely reflect the underlying investments made specifically for CCCERA.

(4) The real rate of return assumptions utilized by Milliman produce a 4.53% weighted average real rate of return for the portfolio.

Please note that the above are representative of "indexed" returns and do not include any additional returns ("alpha") from active management. This is consistent with the Actuarial Standard of Practice No. 27, Section 3.6.3.e, which states:

> "Investment Manager Performance – Anticipating superior (or inferior) investment manager performance may be unduly optimistic (pessimistic). Few investment managers consistently achieve significant above-market returns net of expenses over long periods."

The following are some observations about the returns provided above:

1. The investment consultants to our California public sector clients have each provided us with their expected real rates of return for each asset class, over various future periods of time. However, in general, the returns available from investment consultants are projected over time periods shorter than the durations of a retirement plan's liabilities.

2. Using an average of expected real rate of returns allows the Association's investment return assumption to include a broader range of capital market information and should help produce a more stable investment return assumption.

3. Therefore, we recommend that the 4.90% portfolio real rate of return be used to determine the Association's investment return assumption. This is 0.36% lower than the return that was calculated three years ago. This difference is due to changes in the real rate of return assumptions provided to us by the investment advisory firms (-0.54%) offset slightly by the effect of a change in the Association's target asset allocation (+0.18%).

***Association Expenses***

The real rate of return assumption for the portfolio needs to be adjusted for administrative and investment expenses expected to be paid from investment income. The following table provides these expenses in relation to the actuarial value of assets for the five years ending December 31, 2011.

**Administrative and Investment Expenses as a Percentage of Actuarial Value of Assets (All dollars in 000's)**

| FYE | Actuarial Value of Assets[1] | Administrative Expenses | Investment Expenses[2] | Administrative % | Investment % | Total % |
|---|---|---|---|---|---|---|
| 2007 | $5,029,276 | $5,942 | $26,322 | 0.12% | 0.52% | 0.64% |
| 2008 | 5,295,961 | 5,601 | 26,942 | 0.11 | 0.51 | 0.62 |
| 2009 | 5,304,262 | 7,359 | 26,717 | 0.14 | 0.50 | 0.64 |
| 2010 | 5,355,971 | 5,283 | 30,475 | 0.10 | 0.57 | 0.67 |
| 2011 | 5,441,120 | 6,290 | 30,694 | 0.12 | 0.56 | 0.68 |
| Average | | | | 0.12% | 0.53% | 0.65% |

(1) *As of end of plan year*

(2) *Excludes securities lending expenses. Because we do not assume any additional net return for this program, we effectively assume that any securities lending expenses will be offset by related income.*

The average expense percentage over this five year period is 0.65%. Based on this experience, we have increased the future expense component from 0.60% to 0.65%.

***Adjustment to Exclude Administrative Expenses in Developing Investment Return Assumption for use in GASB Financial Reporting***

GASB has recently adopted Statements 67 and 68 that replace Statements 25 and 27 for financial reporting purposes. GASB Statements 67 and 68 are effective for plan year 2014 for the Retirement Association and fiscal year 2014/2015 for the employer[2].

According to GASB, the investment return assumption for use in financial reporting purposes should be based on the long-term expected rate of return on a retirement system's investments and should be net of investment expenses but not of administrative expenses (i.e., without reduction for administrative expenses). As can be observed from the above development of the expense assumption, if the Board wishes to develop a single investment return assumption for both funding and financial reporting purposes, then it would be necessary to exclude the roughly 0.12% administrative expense from the above development and to develop a separate treatment of administrative expenses.

2 The new Statements (67 and 68) will require more rapid recognition for investment gains or losses and much shorter amortization for actuarial gains or losses. Because of the more rapid recognition of those changes, retirement systems that have generally utilized the previous Statements (25 and 27) as a guideline to establish the employer's contribution amounts for both funding and financial reporting purposes would now have to prepare two sets of cost results, one for contributions and one for financial reporting under the new Statements.

However, there are some complications associated with eliminating the administrative expense in developing the investment return assumption used for funding:

1. Even though GASB requires the exclusion of the administrative expense from the investment return assumption, such expense would continue to accrue for a retirement system. For private sector retirement plans, where the investment return is developed using an approach similar to that required by GASB (i.e., without deducting administrative expenses), contribution requirements are increased explicitly by the anticipated annual administrative expense.

2. Under the current approach of subtracting the administrative expense in the development of the investment return assumption, such annual administrative expense is accounted for implicitly by many public sector retirement systems by effectively deducting it from future expected investment returns.

   Since an investment return assumption net of investment and administrative expenses has been used historically to establish both the employer's and the employee's contribution requirements, such expense has been paid for implicitly by both the employer and the employees.

3. A switch from the method described in (2) to the method described in (1) may require a new discussion on how to allocate administrative expenses between employers and employees, including possibly establishing a new method to allocate the anticipated annual administrative expense between them.

4. As the Board may be aware, legislative changes under AB 340 impose major modifications to both the level of benefits and the funding of those benefits for county employees' retirement systems. Included in such modifications is the requirement to fund the Normal Cost on a 50:50 basis between the employer and the employee.

Based on all these considerations, it is our recommendation that a decision to adopt a single investment return assumption for both funding and financial reporting purposes be deferred until more analysis can be performed on the allocation of administrative expense. For that reason, this report continues to treat administrative expenses as an offset to future expected investment returns.

### *Risk Adjustment*

The real rate of return assumption for the portfolio generally is adjusted to reflect the potential risk of shortfalls in the return assumptions. The Association's asset allocation also determines this portfolio risk, since risk levels are driven by the variability of returns for the various asset classes and the correlation of returns among those asset classes. This portfolio risk is incorporated into the real rate of return assumption through a risk adjustment.

The purpose of the risk adjustment (as measured by the corresponding confidence level) is to increase the likelihood of achieving the actuarial investment return assumption in the long term[3]. The 4.90% expected real rate of return developed earlier in this report was based on expected mean or average arithmetic returns. This means there is a 50% chance of the actual return in each year being at least as great as the average (assuming a symmetrical distribution of future returns). The risk adjustment is intended to increase that probability. This is consistent with our experience that retirement plan fiduciaries would generally prefer that returns exceed the assumed rate more often than not.

Three years ago, the Board adopted an investment return assumption of 7.75%. That return implied a risk adjustment of 0.41%, reflecting a confidence level of 55% that the actual average return over 15 years would not fall below the assumed return, assuming that the distribution of returns over that period follows the normal statistical distribution.[4]

In our model, the confidence level associated with a particular risk adjustment represents the likelihood that the actual average return would equal or exceed the assumed value over a 15-year period. For example, if we set our real rate of return assumption using a risk adjustment that produces a confidence level of 60%, then there would be a 60% chance (6 out of 10) that the average return over 15 years will be equal to or greater than the assumed value. The 15-year time horizon represents an approximation of the "duration" of the fund's liabilities, where the duration of a liability represents the sensitivity of that liability to interest rate variations.

If we use the same 55% confidence level to set this year's risk adjustment, based on the current long-term portfolio standard deviation of 12.44%, provided by Milliman USA, the corresponding risk adjustment

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[3] This type of risk adjustment is sometimes referred to as a "margin for adverse deviation".

[4] Based on an annual portfolio return standard deviation of 12.39% provided by Milliman USA in 2010. Strictly speaking, future compounded long-term investment returns will tend to follow a log-normal distribution. However, we believe the Normal distribution assumption is reasonable for purposes of setting this type of risk adjustment.

would be 0.41%. Together with the other investment return components, this produces a net investment return assumption of 7.09%, which is substantially lower than the current assumption of 7.75%.

Because this would be such a substantial change in this long-term assumption, we evaluated the effect on the confidence level of alternative investment return assumptions. In particular, a net investment return assumption of 7.50%, together with the other investment return components, would produce no risk adjustment, which corresponds to a confidence level of 50%. A net investment return assumption of 7.25%, together with the other investment return components, would produce a risk adjustment of 0.25% which corresponds to a confidence level of 53%. As the use of an investment earnings with no risk adjustment (i.e., with a confidence level of only 50%) would not be consistent with the Board's past practice, we are recommending for consideration a 7.25% assumption. However, because this would still represent a substantial change in this long-term assumption, and because we believe that the use and the level of a risk adjustment are matters for the Board to decide, we are also making an alternative recommendation of 7.50% which provides for no risk adjustment and an associated confidence level of 50%.

As we have discussed in prior years, the risk adjustment model and associated confidence level is most useful as a means for comparing how the Association has positioned itself relative to risk over periods of time[5]. The use of either a 50% or 53% confidence level should be considered in context with other factors, including:

- As noted above, the confidence level is more of a relative measure than an absolute measure, and so can be reevaluated and reset for future comparisons.

- The confidence level is based on the standard deviation of the portfolio that is determined and provided to us by Milliman. The standard deviation is a statistical measure of the future volatility of the portfolio and so is itself based on assumptions about future portfolio volatility and can be considered somewhat of a "soft" number.

- A lower level of inflation should reduce the overall risk of failing to meet the investment return assumption. Lowering the confidence level to some extent could be justified as consistent with the change in the inflation assumption.

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5 In particular, it would not be appropriate to use this type of risk adjustment as a measure of determining an investment return rate that is "risk-free."

- A confidence level of 50% (which is associated with a 7.50% investment return assumption) is at the low end of the range of about 50% to 60% that corresponds to the risk adjustments used by most of Segal's other California public retirement system clients. Most public retirement systems that have recently reviewed their investment return assumptions have considered adopting more conservative investment return assumptions for their valuations, in part to maintain some likelihood that future actual market return will meet or exceed the investment return assumption. While this may provide argument for a confidence level of 53% (which is associated with the recommended 7.25% investment return assumption), we again note that a 0.50% reduction in the investment return assumption is a very significant reduction in a long-term assumption.

- As with any model, the results of the risk adjustment model should be evaluated for reasonableness and consistency. One measure of reasonableness is discussed in the following section that presents a comparison with assumptions adopted by similarly situated public sector retirement sections.

- As discussed above, the 7.25% recommendation is consistent with prior Board practice in that it continues to provide for some margin for adverse deviation through the use of a risk adjustment. However, even though the 7.50% assumption provides no such margin, we believe it is a reasonable assumption for the Board to consider, and so is presented here as an alternative recommendation. We note that the purpose of our risk-adjusted model is to identify the relative risk adjustments and confidence levels associated with different assumptions, not to require that the Board necessarily maintain prior levels of these parameters.

Taking into account the factors above, our recommendation is to reduce the net investment return assumption from 7.75% to 7.25%. As noted above, this return implies a 0.25% risk adjustment, reflecting a confidence level of 53% that the actual average return over 15 years would not fall below the assumed return. Because this represents a substantial change in this long-term assumption, we are also making an alternative recommendation of 7.50% with no risk adjustment and an associated confidence level of 50%.

*Recommended Investment Return Assumption*

The following table summarizes the components of the investment return assumption developed in the previous discussion. For comparison purposes, we have also included similar values from the last study.

**Calculation of Net Investment Return Assumption**

| Assumption Component | December 31, 2012 Recommended Value | December 31, 2012 Alternative Recommendation | December 31, 2009 Adopted Value |
|---|---|---|---|
| Inflation | 3.25% | 3.25% | 3.50% |
| Plus Portfolio Real Rate of Return | 4.90% | 4.90% | 5.26% |
| Minus Expense Adjustment | (0.65%) | (0.65%) | (0.60%) |
| Minus Risk Adjustment | (0.25%) | (0.00%) | (0.41%) |
| Total | 7.25% | 7.50% | 7.75% |
| Confidence Level | 53% | 50% | 55% |

**Based on this analysis, we recommend that the investment return assumption be reduced from 7.75% per annum to 7.25% per annum. This would be consistent with the Board's past practice of maintaining the confidence level associated with this assumption at a level of greater than 50%. However, as this would be a substantial change in this long-term assumption, we are also making an alternative recommendation for a 7.50% assumption that, while reasonable, reflects no margin for adverse deviation under the risk adjusted model.**

**Comparison with Other Public Retirement Systems**

One final test of the recommended investment return assumption is to compare it against those used by other public retirement systems, both in California and nationwide.

We note that a 7.50% investment return assumption is emerging as the common assumption among those California public sector retirement systems that have studied this assumption recently. In particular two of the largest California systems, CalPERS and LACERA, recently adopted a 7.50% earnings assumption[6]. Note that CalPERS uses a lower inflation assumption of 2.75% while LACERA uses an inflation assumption of 3.00%.

6 The approach adopted by LACERA was to phase in the reduction from their current 7.75% assumption to their 7.50% over a three-year period.

The following table compares the CCCERA recommended net investment return assumptions against those of the nationwide public retirement systems that participated in the National Association of State Retirement Administrators (NASRA) 2011 Public Fund Survey:

| **Assumption** | **CCCERA** | **NASRA 2011 Public Fund Survey** | | |
|---|---|---|---|---|
| | | Low | Median | High |
| Net Investment Return | 7.50% | 7.00% | 8.00% | 8.50% |

The detailed survey results show that of the systems that have an investment return assumption in the range of 7.50% to 7.90%, over a third of those systems have used an assumption of 7.50%. The survey also notes that several plans have reduced their investment return assumption during the last year, and others are considering doing so. State systems outside of California tend to change their economic assumptions slowly and so may lag behind emerging practices in this area.

In summary, while we believe that both the risk adjustment model and other considerations indicate a lower earnings assumptions, the model result of 7.09% (leaving the confidence level unchanged) appears to be an unreasonably large change for a long term assumption. We further observe that even the recommended assumption of 7.25% is a substantial change, one that would be in advance of comparable plans in California. While the alternative recommendation of 7.50% provides no margin for adverse deviation within the risk adjustment model, it is consistent with the System's current practice relative to other public systems.

## C. SALARY INCREASE

Salary increases impact plan costs in two ways: (i) by increasing members' benefits (since benefits are a function of the members' highest average pay) and future normal cost collections; and (ii) by increasing total active member payroll which in turn generates lower UAAL contribution rates. These two impacts are discussed separately below.

As an employee progresses through his or her career, increases in pay are expected to come from three sources:

1. Inflation – Unless pay grows at least as fast as consumer prices grow, employees will experience a reduction in their standard of living. There may be times when pay increases lag or exceed inflation,

but over the long term, labor market forces may require an employer to maintain its employees' standards of living.

**As discussed earlier in this report, we are recommending that the assumed rate of inflation be reduced from 3.50% to 3.25%. This inflation component is used as part of the salary increase assumption.**

2. Real "Across the Board" Pay Increases – These increases are typically termed productivity increases since they are considered to be derived from the ability of an organization or an economy to produce goods and services in a more efficient manner. As that occurs, at least some portion of the value of these improvements can provide a source for pay increases. These increases are typically assumed to extend to all employees "across the board." The State and Local Government Workers Employment Cost Index produced by the Department of Labor provides evidence that real "across the board" pay increases have averaged about 0.50% - 0.75% annually during the last ten to twenty years.

   We also referred to the annual report on the financial status of the Social Security program published in April 2012. In that report, real "across the board" pay increases are forecast to be 1.1% per year under the intermediate assumptions.

   The real pay increase assumption is generally considered a more "macroeconomic" assumption, that is not necessarily based on individual plan experience. However, we note that for CCCERA's active members the actual average inflation plus "across the board" increase (i.e., wage inflation) over the three-year period ending December 31, 2011 was 1.0%.

   **Considering these factors, we recommend maintaining the real "across the board" salary increase assumption at 0.75%. This means that the combined inflation and "across the board" salary increase assumption will decrease from 4.25% to 4.00%.**

3. Promotional and Merit Increases – As the name implies, these increases come from an employee's career advances. This form of pay increase differs from the previous two, since it is specific to the individual. For CCCERA, this assumption is structured as a function of an employee's service. The assumed increases range from 0.75% to 9.00% for General members and 0.75% to 9.50% for Safety members. This assumption is derived from employee-specific information as part of the triennial experience study.

**Recommended promotional and merit assumptions will be studied as part of our triennial experience analysis.**

All three of these forces will be incorporated into a salary increase assumption which is applied in the actuarial valuation to project future benefits and future normal cost contribution collections.

*Active Member Payroll*

Projected active member payrolls are used to develop the UAAL contribution rate. Future values are determined as a product of the number of employees in the workforce and the average pay for all employees. The average pay for all employees increases only by inflation and real "across the board" pay increases. The promotional and merit increases are not an influence, because this average pay is not specific to an individual.

**We recommend that the active member payroll increase assumption be decreased from 4.25% to 4.00% annually, consistent with the combined inflation plus real "across the board" salary increase assumptions.**

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| Meeting Date |
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| 02/27/13 |
| Agenda Item |
| #8 |

# *Memorandum*

**Date:** February 15, 2013

**To:** CCCERA Board of Retirement

**From:** Timothy Price, Retirement CIO

**Subject:** Semi-Annual Rebalancing

The semi-annual rebalancing of CCCERA accounts took place between the end of January and early February, 2013. The following transactions were used to rebalance CCCERA's assets to the adjusted targets approved by the Board on January 11, 2012.

Funds were withdrawn from the following investment managers:

| | | |
| --- | --- | --- |
| GMO | $13.0 | million |
| William Blair | $31.0 | million |
| J.P. Morgan | $20.0 | million |
| | $64.0 | Million |

Proceeds were invested with the following investment managers:

| | | |
| --- | --- | --- |
| PIMCO Stocks Plus | $12.0 | million |
| AFL CIO | $10.0 | million |
| Goldman Sachs Core Plus | $20.0 | million |
| Lord Abbett | $10.0 | million |
| Lazard | $5.0 | million |
| Allianz | $7.0 | million |
| | $64.0 | Million |

In general, the equity markets have rallied off the lows experienced at the end of 2012 concerning the possibility of going off the "fiscal cliff". Given the strong equity markets, we took withdrawals from the non-US and global equity portfolios. Domestic equity was also over target, but we refrained from rebalancing these accounts at the beginning of the month because they are also holding excess funds intended for the Real Asset program, which will be funded shortly. Details of the rebalancing are provided in the table on the following page.

| | % of Total Adjusted Target | 12/31/2012 Market Value | % of Dec | Over/Under Target | Rebalance | Market Value After Rebalance | % of Total After Rebalance |
|---|---|---|---|---|---|---|---|
| Robeco | 5.2% | 308,182,000 | 5.4% | 10,885,728 | | 308,182,000 | 5.4% |
| Delaware Investment Adv. | 5.2% | 299,550,000 | 5.2% | 2,253,728 | | 299,550,000 | 5.2% |
| Emerald Advisors | 3.5% | 202,278,000 | 3.5% | 2,174,740 | | 202,278,000 | 3.5% |
| Intech (Core) | 3.2% | 185,618,000 | 3.2% | 2,666,448 | | 185,618,000 | 3.2% |
| PIMCO Stock + | 3.6% | 166,856,000 | 2.9% | (38,964,496) | 12,000,000 | 178,856,000 | 3.1% |
| Ceredex | 3.5% | 206,250,000 | 3.6% | 6,146,740 | | 206,250,000 | 3.6% |
| Wentworth, Hauser and Violich | 3.5% | 208,099,000 | 3.6% | 7,995,740 | | 208,099,000 | 3.6% |
| **Total Domestic Equity** | 27.7% | 1,576,833,000 | 27.6% | (6,841,372) | 12,000,000 | 1,588,833,000 | 27.8% |
| GMO | 5.3% | 316,408,000 | 5.5% | 13,394,492 | (13,000,000) | 303,408,000 | 5.3% |
| William Blair | 5.3% | 334,084,000 | 5.8% | 31,070,492 | (31,000,000) | 303,084,000 | 5.3% |
| **Total International Equity** | 10.6% | 650,492,000 | 11.4% | 44,464,984 | (44,000,000) | 606,492,000 | 10.6% |
| JPMorgan Global Opportunities | 4.0% | 245,172,000 | 4.3% | 16,482,560 | (20,000,000) | 225,172,000 | 3.9% |
| First Eagle | 4.0% | 231,992,000 | 4.1% | 3,302,560 | | 231,992,000 | 4.1% |
| Artisan Global Opportunities | 4.0% | 233,353,000 | 4.1% | 4,663,560 | | 233,353,000 | 4.1% |
| Intech (Global Low Volatility) | 0.3% | 17,720,000 | 0.3% | 568,292 | | 17,720,000 | 0.3% |
| **Total Global Equity** | 12.3% | 728,237,000 | 12.7% | 25,016,972 | (20,000,000) | 708,237,000 | 12.4% |
| **Total Equity** | **50.6%** | **2,955,562,000** | **51.7%** | **62,640,584** | **(52,000,000)** | **2,903,562,000** | **50.8%** |
| AFL-CIO Housing Investment Trust | 3.2% | 172,205,000 | 3.0% | (10,746,552) | 10,000,000 | 182,205,000 | 3.2% |
| PIMCO | 5.0% | 305,791,000 | 5.3% | 19,929,200 | | 305,791,000 | 5.3% |
| GSAM "Park" Portfolio | 0.0% | 7,937,000 | 0.1% | 7,937,000 | | 7,937,000 | 0.1% |
| Goldman Sachs Asset Management | 3.7% | 220,280,000 | 3.9% | 8,742,268 | 20,000,000 | 240,280,000 | 4.2% |
| Lord Abbett | 4.2% | 230,771,000 | 4.0% | (9,352,912) | 10,000,000 | 240,771,000 | 4.2% |
| Torchlight Debt Opportunity Fund II | 1.0% | 64,518,000 | 1.1% | 7,345,640 | - | 64,518,000 | 1.1% |
| Torchlight Debt Opportunity Fund III | 1.4% | 62,883,000 | 1.1% | (17,158,304) | - | 62,883,000 | 1.1% |
| Torchlight Debt Opportunity Fund IV | 1.1% | 17,841,000 | 0.3% | (45,048,596) | | 17,841,000 | 0.3% |
| **Total Domestic Fixed Income** | 19.6% | 1,082,226,000 | 18.9% | (38,352,256) | 40,000,000 | 1,122,226,000 | 19.6% |
| Lazard Asset Management | 4.0% | 224,170,000 | 3.9% | (4,519,440) | 5,000,000 | 229,170,000 | 4.0% |
| **Total Global Fixed Income** | **23.6%** | **1,306,396,000** | **22.9%** | **(42,871,696)** | **45,000,000** | **1,351,396,000** | **23.6%** |
| Allianz | 5.0% | 279,107,000 | 4.9% | (6,754,800) | 7,000,000 | 286,107,000 | 5.0% |
| **Total High Yield Fixed Income** | **5.0%** | **279,107,000** | **4.9%** | **(6,754,800)** | **7,000,000** | **286,107,000** | **5.0%** |
| **Total Real Estate** | **13.5%** | **740,437,000** | **13.0%** | **(31,389,860)** | | **740,437,000** | **13.0%** |
| **Total Alternative Investments** | **6.0%** | **366,897,000** | **6.4%** | **23,862,840** | | **366,897,000** | **6.4%** |
| County Treasurer | 0.0% | - | 0.0% | - | | - | 0.0% |
| State Street Bank | 0.5% | 29,463,000 | 0.5% | 876,820 | | 29,463,000 | 0.5% |
| **Total Cash & Equivalents** | **0.5%** | **29,463,000** | **0.5%** | **876,820** | - | **29,463,000** | **0.5%** |
| Goldman Sachs Credit Opportunities | 0.0% | 37,000 | 0.0% | 37,000 | | 37000 | 0.0% |
| Oaktree 2009 | 0.8% | 39,337,000 | 0.7% | (6,400,888) | | 39,337,000 | 0.7% |
| **Total Market Opportunities** | **0.8%** | **39,374,000** | **0.7%** | **(6,363,888)** | - | **39,374,000** | **0.7%** |
| **TOTAL ASSETS** | **100.0%** | **5,717,236,000** | **100.0%** | **(0)** | - | **5,717,236,000** | **100.0%** |

Meeting Date
02/27/13
Agenda Item
#9

# CCCERA Meetings 2013

12/12/2012

## January

| S | M | T | W | T | F | S |
|---|---|---|---|---|---|---|
| | | 1 H | 2 | 3 | 4 | 5 |
| 6 | 7 | 8 | B 9 | 10 | 11 | 12 |
| 13 | 14 | 15 | 16 | 17 | 18 | 19 |
| 20 | 21 H | 22 | B 23 | 24 | 25 | 26 |
| 27 | 28 | 29 | 30 | 31 | | |

H=New Year's Day H=Martin Luther King, Jr. Day

## February

| S | M | T | W | T | F | S |
|---|---|---|---|---|---|---|
| | | | | | 1 | 2 |
| 3 | 4 | 5 | 6 | 7 | 8 | 9 |
| 10 | 11 | 12 | B 13 | 14 | 15 | 16 |
| 17 | 18 H | 19 | 20 | 21 | 22 | 23 |
| 24 | 25 | 26 | Q 27 | 28 | | |

H=President's Day

## March

| S | M | T | W | T | F | S |
|---|---|---|---|---|---|---|
| | | | | | 1 | 2 |
| 3 C | 4 C | 5 C | 6 | 7 | 8 | 9 |
| 10 | 11 | 12 | B 13 | 14 | 15 | 16 |
| 17 | 18 | 19 | 20 | SB 21 | 22 | 23 |
| 24 / 31 | 25 | 26 SL | B 27 SL | 28 SL | 29 SL | 30 |

## April

| S | M | T | W | T | F | S |
|---|---|---|---|---|---|---|
| | 1 | 2 | 3 | 4 | 5 | 6 |
| 7 | 8 | 9 | B 10 | 11 | 12 | 13 |
| 14 | 15 | 16 | 17 CII | 18 CII | 19 CII | 20 |
| 21 | 22 | 23 | B 24 | 25 | 26 | 27 |
| 28 | 29 | 30 | | | | |

## May

| S | M | T | W | T | F | S |
|---|---|---|---|---|---|---|
| | | | 1 | 2 | 3 | 4 |
| 5 | 6 | 7 | B 8 | 9 | 10 | 11 |
| 12 | 13 | 14 SS | 15 SS | 16 SS | 17 SS | 18 N |
| 19 N | 20 | 21 | Q 22 | 23 | 24 | 25 |
| 26 | 27 H | 28 | 29 | 30 | 31 | |

H=Memorial Day

## June

| S | M | T | W | T | F | S |
|---|---|---|---|---|---|---|
| | | | | | | 1 |
| 2 | 3 | 4 | 5 | 6 | 7 | 8 |
| 9 | 10 | 11 | B 12 | 13 | 14 | 15 |
| 16 | 17 | 18 | 19 | 20 | 21 | 22 |
| 23 / 30 | 24 | 25 | B 26 | 27 | 28 | 29 |

## July

| S | M | T | W | T | F | S |
|---|---|---|---|---|---|---|
| | 1 | 2 | 3 | 4 H | 5 | 6 |
| 7 | 8 | 9 | B 10 | 11 | 12 | 13 |
| 14 | 15 | 16 | 17 | 18 | 19 | 20 |
| 21 | 22 | 23 | SB 24 | 25 | 26 | 27 |
| 28 | 29 | 30 | 31 | | | |

H=Independence Day

## August

| S | M | T | W | T | F | S |
|---|---|---|---|---|---|---|
| | | | | 1 | 2 | 3 |
| 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| 11 | 12 | 13 | B 14 | 15 | 16 | 17 |
| 18 | 19 | 20 | 21 | 22 | 23 | 24 |
| 25 | 26 | 27 | 28 | 29 | 30 | 31 |

## September

| S | M | T | W | T | F | S |
|---|---|---|---|---|---|---|
| 1 | 2 H | 3 | Q 4 | 5 | 6 | 7 |
| 8 | 9 | 10 | B 11 | 12 | 13 | 14 |
| 15 | 16 | 17 | 18 | 19 | 20 | 21 |
| 22 | 23 | 24 | 25 CII | 26 CII | 27 CII | 28 |
| 29 | 30 | | | | | |

H=Labor Day

## October

| S | M | T | W | T | F | S |
|---|---|---|---|---|---|---|
| | | 1 | 2 | 3 | 4 | 5 |
| 6 | 7 | 8 | B 9 | 10 | 11 | 12 |
| 13 | 14 | 15 | 16 | SB 17 | 18 | 19 |
| 20 I | 21 I | 22 I | B 23 I | 24 | 25 | 26 |
| 27 | 28 | 29 | 30 | 31 | | |

## November

| S | M | T | W | T | F | S |
|---|---|---|---|---|---|---|
| | | | | | 1 | 2 |
| 3 | 4 | 5 | B 6 | 7 | 8 | 9 |
| 10 | 11 H | 12 SF | 13 SF | 14 SF | 15 SF | 16 |
| 17 | 18 | 19 | 20 | 21 | 22 | 23 |
| 24 | 25 | Q 26 | 27 | 28 H | 29 H | 30 |

H=Veterans Day H=Thanksgiving Day

## December

| S | M | T | W | T | F | S |
|---|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 8 | 9 | 10 | B 11 | 12 | 13 | 14 |
| 15 | 16 | 17 | 18 | 19 | 20 | 21 |
| 22 | 23 | 24 | 25 H | 26 | 27 | 28 |
| 29 | 30 | 31 | | | | |

H=Christmas

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| B Board Meeting | Q Quarterly Meeting | Special Board Meeting SB | SACRS Spring/Fall | CII Spring/Fall | CALAPRS | NCPERS | IFEBP | Principles of Pension Mgmt Stanford Law | SACRS Public Pension Invest. Mgmt | Wharton |

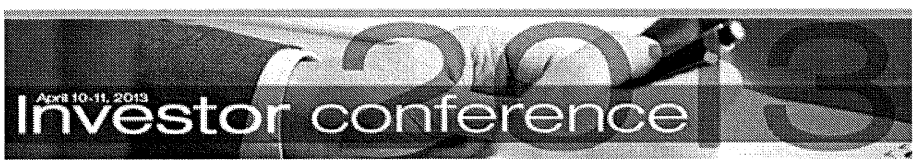
**Meeting Date**
02/27/13
**Agenda Item**
#10a.

## Marilyn Leedom

**From:** Sangeeta Kalra [redacted]
**Sent:** Thursday, January 17, 2013 8:34 AM
**To:** Marilyn Leedom
**Subject:** Save the Date – 2013 Angelo, Gordon & Co.'s Investor Conference

ANGELO, GORDON & CO.

**Please SAVE THE DATE**
Investor Conference 2013
**April 10-11, 2013**




**Dear Marilyn,**

Join us for Angelo, Gordon & Co.'s **2013 Investor Conference**, April 10-11 at The Mandarin Oriental, New York.

This year's conference will include discussions on the market environment in the US, Europe and Asia. We will also share our views on investment opportunities across the spectrum of credit, real estate and private equity.

We look forward to seeing you in April.

Speakers

Sangeeta Kalra | Conference Manager | Angelo, Gordon & Co.

## Agenda

# 2013 Investor Conference

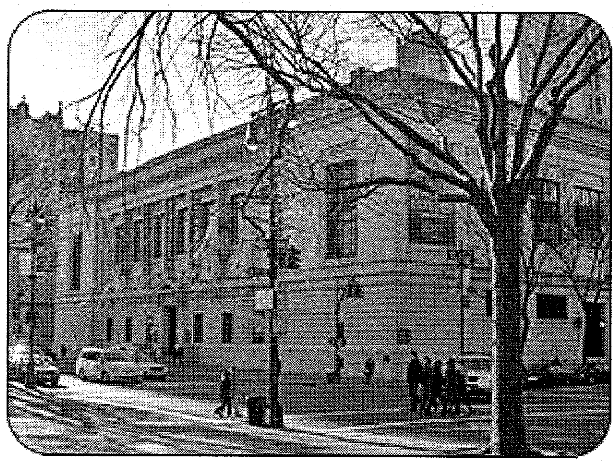
**Personal Agenda for Timothy Price**

**Wednesday, April 10, 2013**

6:30 PM

**Cocktails and Dinner**
**The New-York Historical Society**
170 Central Park West at 77th Street

The



New-York Historical Society, one of America's pre-eminent cultural institutions, is dedicated to fostering research, presenting history and art exhibitions, and public programs that reveal the dynamism of history and its influence on the world of today. Founded in 1804, New-York Historical is the oldest museum in New York City. New-York Historical has a mission to explore the richly layered political, cultural and social history of New York City and State and the nation, and to serve as a national forum for the discussion of issues surrounding the making and meaning of history.

**Thursday, April 11, 2013**

7:30 AM - 3:15 PM

**Investor Conference**
Mandarin Oriental, New York
80 Columbus Circle at 60th Street

**AGENDA**

| | |
|---|---|
| 7:30 AM | Breakfast |
| 8:15 | John Angelo - Remarks |
| | Distressed Debt |

| | | |
|---|---|---|
| | | Net Lease |
| | | CMBS/RMBS |
| | | Private Equity |
| | | Michael Gordon - Remarks |
| | 12:00 PM | Lunch |
| | 1:30 | Real Estate (U.S., Asia, Europe) |
| | 3:15 | Close |
| 12:00 PM | **Lunch** | |

# California Retired County Employees Association

Representing over 160,000 California County Retirees

**Meeting Date**
02/27/13
**Agenda Item**
#10b.

BY:
2013

California Quail Official Bird of California



January 2, 2013

CRCEA Delegates, Members, Affiliates and Friends of County Retirees,
'37 ACT Retirement Board Members and Administrators:

Please accept this invitation to join your fellow retirees at our Annual CRCEA Spring Conference that will be held on **April 15-17, 2013** in beautiful Long Beach in Los Angeles County, California, hosted by the Retired Employees of Los Angeles County (RELAC) and held at the **Hotel Maya.**

Traveling to Los Angeles County will give you the opportunity to visit another of California's beautiful coastal counties. With its beaches, parks, attractions and history, along with wonderful restaurants, RELAC encourages you to join them for this conference.

CRCEA continues to work by providing you with current educational information relative to our present and future county retiree issues, so I am pleased to inform you that our Los Angeles Host Committee, your CRCEA Executive and Conference Committees have worked hard to bring you a meaningful and enjoyable Conference.

The past several conferences included Round Table Discussion, highlighting information and issues from various member associations, which were very well received. Thus, the Conference Executive Committee has continued to allot time for individual associations to present informational materials on discussing problem areas, requests for assistance, along with successful accomplishments that may be helpful to other associations.

With the start of the legislative year in Sacramento, time has been planned for our Legislation Session. We hopefully will be able to bring together CRCEA legislative consultant Amy Brown and other "experts" from the Sacramento scene. Their analysis is always interesting and should provide insight into the future.

Included with this letter, you will be receiving the Tentative Program giving you an idea of the topics and great speakers we will be enjoying at the Conference. Our hosts are also providing entertainment and gifts guaranteed to make the Tuesday evening social event relaxing, fun and rewarding.

The Wednesday Morning Business Session is an important segment, with discussion from local associations as well as updates from all our Standing Committees. We will consider other business brought before the Delegates, who are the Board of Directors and the official voting body for CRCEA. It is important that every association be represented at the Conference, not only for the valuable information, but especially at the Business Session.

You are always welcome to bring members of your family and friends to the Conference. Plan now to attend. Encourage your Retirement Board Retiree Member (and Alternate) to join us. We look forward to seeing you in Long Beach.

Sincerely,

SMurphy

**E. F. "Skip" Murphy, President**


CRCEA Office P.O. Box 310756 - Fontana, CA 95331
Phone: 909-877-0367; dottylu@roadrunner.com

# Retired Employees of Los Angeles County

A non-profit organization ~ Serving over 20,000 members




**RELAC**
1000 S. Fremont Ave., Unit 15
Alhambra, CA 91803-8802
626-308-0532/800-537-3522
Fax: 626-308-2901


Office Hours
Monday through Thursday
9:00 AM to Noon
1:00 PM to 4:00 PM


Website: www.relac.org
E-Mail: admin@relac.org


January 16, 2013

Dear CRCEA Members and Guests:

RELAC is very pleased and excited to host the 2013 CRCEA Spring Conference. For over a year we have been planning and working hard to insure that our conference attendees will receive valuable information that they can take home and share with their respective association members. We had the honor of hosting the CRCEA Spring Conference eight years ago in 2005. It's our turn again folks and we are really looking forward to this opportunity.

Due to the many favorable responses we received in 2005, our RELAC planning committee elected to use the same hotel for this year's conference. The Maya Hotel has a five star rating and is located on the beach in Long Beach. For those of you who are flying, the Maya Hotel is seven miles from the Long Beach Airport. For those of you that are bringing your families, the hotel has a free shuttle to the many interesting activities such as the shopping centers, the Long Beach Aquarium, Pike, Museum of Art and Catalina Excursions, etc.

Most important, and in keeping with the CRCEA Conference plan, we have brought together an excellent and experienced group of speakers who will provide you with updated information regarding retiree pensions and medical plans and other important subjects relating to county retirees.

Our theme for this year's conference is "the Sea is Calling". On behalf of our Board of Directors and our RELAC Conference Committee, we welcome the opportunity to serve you. We look forward to seeing you in April.

Sincerely,

Bill de la Garza

Bill de la Garza
President

# PROGRAM

## CRCEA 2013 SPRING CONFERENCE
## April 15-17, 2013

**HOTEL MAYA**
**700 Queensway Drive, Long Beach, CA**

**Sunday, April 14, 2013**

| | |
|---|---|
| 2:00 p.m. – 6:00 p.m. | REGISTRATION - LOBBY |

**Monday, April 15, 2013**

9:00 a.m. – 5:00 p.m. REGISTRATION - LOBBY

10:00 a.m. EXECUTIVE COMMITTEE MEETING - CIVAL

1:00 p.m. – 1:30 p.m. OPENING SESSION - TIKAL AND MIRADOR

- ***Call to Order:*** E. F. (Skip) Murphy, CRCEA President
- ***Invocation:*** Ed Morris, RELAC Treasurer
- ***Presentation of Colors:*** Los Angeles County Sheriff
- ***Pledge of Allegiance:*** Ed Morris, RELAC Treasurer
- ***God Bless America***
- ***Roll Call of Counties and Seating of Delegates:*** Dorothy Lueking, CRCEA Secretary
- ***Introduction of First-Time Attendees:*** E.F. (Skip) Murphy, CRCEA President
- ***Announcements:*** Bill de la Garza, RELAC President

1:30 p.m. – 1:45 p.m. WELCOME ADDRESS

- Speaker: Gregg Rademacher, CEO, LACERA
- Introduction: Bill de la Garza, RELAC President

1:45 p.m. – 2:30 p.m. SACRAMENTO POLITICS

- Speaker: Joe Ackler, Principal, Ackler & Associates
- Introduction: David Muir, RELAC Vice President

2:30 p.m. – 3:15 p.m. COLLABORATING WITH PENSION STAKEHOLDERS

- Speaker: Gregg Rademacher, CEO, LACERA
- Introduction: Diane Sandoval, RELAC Board Member

3:15 p.m. – 3:30 p.m. AFTERNOON BREAK

| | |
|---|---|
| 3:30 p.m. – 4:15 p.m. | FINANCIAL MANAGEMENT AFTER RETIREMENT<br>Real Estate Transfers (onetime base year value transfer for seniors) and the perils and pitfalls of Reverse Mortgages.<br>• Speaker: Mark Saladino, Treasurer/Tax Collector, Los Angeles County<br>• Introduction: Bill de la Garza, RELAC President |
| 4:15 p.m. – 5:00 p.m. | BREAKOUT SESSIONS FOR STANDING COMMITTEES<br>• E.F. (Skip) Murphy, CRCEA President<br>• All Attendees Welcome - If you are not assigned to a committee, please sit in on any committee of your choice. |
| 5:30 p.m. – 7:00 p.m. | HOSPITALITY RECEPTION - Presidential Suite<br>Hosted by: Steve Pettee, Pacific Group Agencies<br>***All Attendees and Affiliate Members are Cordially Invited*** |
| 7:00 p.m. | DINNER – On Your Own |

**Tuesday, April 16, 2013**

| | |
|---|---|
| 7:00 a.m. – 8:15 a.m. | BREAKFAST |
| 8:00 a.m. – 2:00 p.m. | REGISTRATION - Lobby |
| 8:15 a.m. | MORNING GENERAL SESSION - TIKAL and MIRADOR<br>• Call to Order: E.F. (Skip) Murphy, CRCEA President<br>• Announcements: Bill de la Garza, RELAC President |
| 8:30 a.m. – 8:50 a.m. | LONG BEACH HIGHLIGHTS AND ATTRACTIONS<br>• Speaker: Claudette J. Baldemore, Convention Services Manager, Long Beach Convention Visitors Bureau<br>• Introduction: Diane Sandoval, RELAC Board Member |
| 8:50 a.m. – 9:30 a.m. | TSA TRAVEL SECRETS<br>• Speaker:<br>• Introduction: Greg Walia, RELAC Board Member |
| 9:30 a.m. – 10:30 a.m. | HEALTH CARE - AFFORDABLE CARE ACT, MEDICARE<br>• Speaker: Kirby Bosley, Sr. Vice President, Aon Hewitt<br>• Introduction: Ed Morris, RELAC Treasurer |
| 10:30 a.m. – 10:45 a.m. | MORNING BREAK Sponsored by Southland Credit Union |
| 10:45 a.m. – 11:00 a.m. | INTRODUCTION OF AFFILIATES<br>• Bill de la Garza, Chair, CRCEA Affiliate Committee |

| | |
|---|---|
| 11:00 a.m. – 12 noon | SECRETS TO A HEALTHY AND HAPPY RETIREMENT<br>• Speaker: Tara L. Gruenewald, Ph.D., MPH Assistant Professor, USC Leonard Davis School of Gerontology<br>• Introduction: David Muir, RELAC Vice President |
| 12 noon – 1:30 p.m. | LUNCH - On Your Own |
| 1:30 p.m. – 3:00 p.m. | LEGISLATIVE REPORT - *SACRAMENTO SCENE*<br>• Moderator: **Art Goulet**, Chair, CRCEA Legislation Committee<br>• Panelists: **Amy Brown**, CRCEA Legislative Consultant; **Karon Green**, Chief Consultant to the Assembly Committee on Public Employees, Retirement & Social Security; **Pam Schneider,** Principal Consultant, Senate Committee on Public Employment and Retirement |
| 3:00 p.m. – 3:15 p.m. | AFTERNOON BREAK |
| 3:15 p.m. – 4:30 p.m. | ROUND TABLE SESSION<br>• E.F. (Skip) Murphy, CRCEA President<br>• Speakers: Member Association representatives sharing news on current issues in their organizations |
| 5:30 p.m. – 7:00 p.m. | HOSPITALITY RECEPTION (Presidential Suite)<br>Sponsored by Steve Pettee, Pacific Group Agencies<br>***All Attendees and Affiliate Members are Cordially Invited*** |
| 7:00 p.m. – 9:30 p.m. | BANQUET - MIRADOR (Casual Dress)<br>• **Master of Ceremonies: Ed Morris, RELAC Treasurer**<br>• **Entertainment: The Pulcini Brothers**<br>• **Door Prize Drawing** |

**Wednesday, April 17, 2013**

| | |
|---|---|
| 6:00 a.m. – 8:00 a.m. | BREAKFAST - On Your Own |
| 8:00 a.m. – 11:00 a.m. | BUSINESS SESSION - CIVAL<br>• **Call to Order**<br>• **Announcements:** Bill de la Garza, RELAC President<br>• **Approval of Fall Conference Minutes:** Dorothy Lueking, CRCEA Secretary<br>• **Executive Committee Report:** E.F. (Skip) Murphy, CRCEA President |

- **Financial Report:** Ed Morris, CRCEA Treasurer
- **Committee Reports:** Committee Chairs

  ***Affiliate:*** Bill de la Garza, Los Angeles

  ***Benefits:***

  ***Bylaws:*** David Muir – Los Angeles

  ***Communications:***

  ***Audit/Finance:*** Carlos Gonzalez, San Diego

  ***Legislation:*** Art Goulet, Ventura

  ***Membership:*** Rhonda Biesemeier, Stanislaus

  ***Retirement Security Committee:*** David Muir, Los Angeles

  ***Conference:*** Betty McCollum, Ventura

- ***Unfinished Business:***
- ***New Business:***
- ***Invitation to the 2013 Fall Conference:***
  Retired Employees of Fresno County
  Julie Hornback, Host Committee Chair
  October 21-23, 2013
  Radisson Hotel, Fresno, CA

- ***Closing Remarks:*** E.F. (Skip) Murphy, CRCEA President

**2013 CRCEA SPRING CONFERENCE REGISTRATION FORM**
**APRIL 15-17, 2013**
**Hotel Maya, 700 Queensway Drive, Long Beach, CA 90802**
**Hosted by: Retired Employees of Los Angeles County**

NAME________________________________________________

ADDRESS______________________________________________

CITY_________________________________STATE______ZIP________

TELEPHONE______________________EMAIL______________________

AFFILIATE OR ASSOCIATION NAME_____________________________

EMERGENCY CONTACT (Name & Phone)__________________________

Spring Conference Registration Deadline is: **April 1, 2013**
Hotel Reservation Deadline for Hotel Maya: **March 15, 2013**
To make reservations call (562) 435-7676. Indicate hotel code **CRC** and the hotel will book you into our reserved block of rooms.

Our CRCEA/RELAC group rate is $129 per night, plus taxes. There is a $10 parking fee for vehicles left overnight.

Any questions call RELAC (800) 537-3522.

---

Please indicate designation desired on name badge:

Delegate___ Alternate Delegate___ Ret Board Member___ Ret Board Alternate Member ___ Member___ Guest___ Affiliate___ (Affiliates pay only banquet fee)

CRCEA OFFICER (Title) ______________________________________

Association Fee **$75** per Assoc. on <u>Delegate</u> Registration Form $__________

Attendee Fee **$35** (to be paid by every attendee including spouse/guest) $__________

Banquet-Live Entertainment & Dancing-50/60's music **$45** per person $__________

Please indicate meal selection for Banquet Attendee:

Beef_______ Chicken_______ Fish______ Vegetarian________

TOTAL AMOUNT ENCLOSED: $__________

**Make your check payable to RELAC**
**Mail check & <u>this form</u> to: RELAC, 1000 S. Fremont Ave Unit 15, Alhambra, CA 91803-9965 in the enclosed postage-paid envelope.**

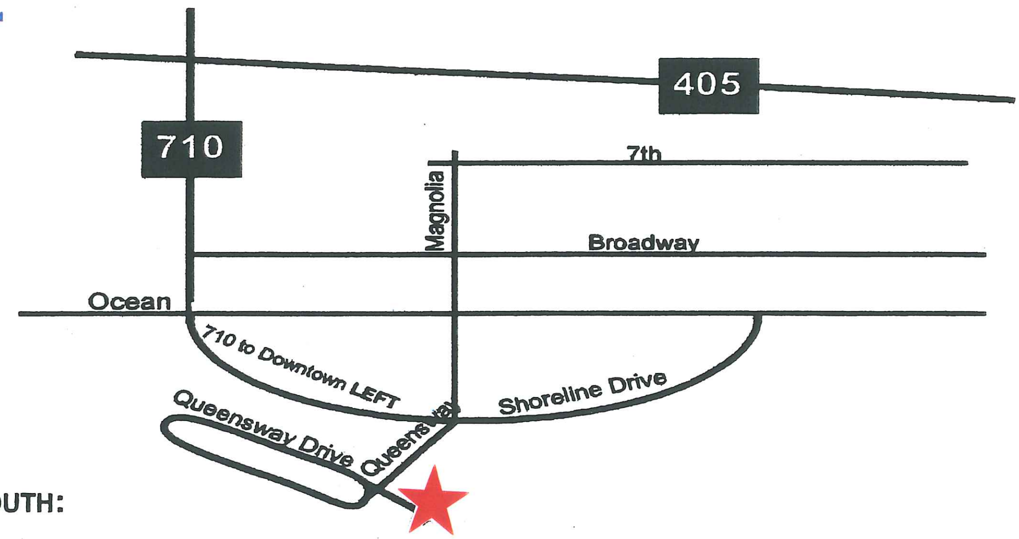
HOTEL

MAYA

A DOUBLETREE BY HILTON

700 Queensway Drive
Long Beach, CA 90802
(562) 435-7676

# Directions




**From 405 North or South:**

Merge onto **710 South**

Stay on the left lanes and follow signs to **Downtown Long Beach**

Continue until the freeway ends

Make a **Right** on **Chestnut/Queen Mary**

Go over the bridge and merge onto the right lane

Keep **Right** and **exit on 710/Queensway Drive**

Continue on the right lane and it will automatically exit onto **Queensway Drive.**

Follow the loop and pass Residence Inn.

**Hotel Maya** will be on the left.