



MINUTES

RETIREMENT BOARD MEETING MINUTES

REGULAR MEETING

June 8, 2016

8:00 a.m.

Retirement Board Conference Room

The Willows Office Park

1355 Willow Way, Suite 221

Concord, California

Present: Debora Allen, Candace Andersen, Scott Gordon, Brian Hast, Jerry Holcombe, Louie Kroll, John Phillips, Gabe Rodrigues, Todd Smithey, Jerry Telles and Russell Watts

Absent: William Pigeon

Staff: Gail Strohl, Chief Executive Officer; Timothy Price, Chief Investment Officer; Karen Levy, General Counsel; Wrally Dutkiewicz, Compliance Officer; Henry Gudino, Accounting Manager; Tim Hoppe, Retirement Services Manager; and Alexis Cox, Member Services Manager

Outside Professional Support:  
John Monroe  
Susan Hastings  
Joe Wiley

Representing:  
Segal Company  
Laughlin, Falbo, Levy & Moresi LLP  
Wiley Price & Radulovich LLP

1. **Pledge of Allegiance**

Watts led all in the *Pledge of Allegiance*.

2. **Accept comments from the public**

Kenneth Sandy, Retiree from the Contra Costa County Sheriff's Office, stated he received a letter regarding mistakes made on calculating the COLA. His late wife died in 1988, he retired in 1992, and the letter says the calculation was based on erroneous retirement dates and went on for 14 years without being found. He stated the letter didn't explain much and asked if this was due to human error or a computer error.

Strohl gave an overview of the letter stating there was a COLA issue that was discovered related to the system conversion to CPAS years ago. She noted the letter stated additional information would be forthcoming. She also stated she will make sure someone follows up with him and all of his questions are answered.

3. **Approval of Minutes**

It was M/S/C to approve the minutes of the March 24, 2016 meeting. (Yes: Allen, Andersen, Gordon, Hast, Phillips, Rodrigues, Smithey, Telles and Watts).

It was M/S/C to approve the minutes of the April 13, 2016 meeting. (Yes: Allen, Andersen, Gordon, Hast, Phillips, Rodrigues, Smithey, Telles and Watts).

#### 4. **Routine Items**

It was M/S/C to approve the routine items of the June 8, 2016 meeting. (Yes: Allen, Andersen, Gordon, Hast, Phillips, Rodrigues, Smithey, Telles and Watts)

#### **CLOSED SESSION**

The Board moved into closed session pursuant to Govt. Code Section 54957 and 54957.6.

The Board moved into open session.

5. It was M/S/C to accept the Medical Advisor's recommendation and grant the following disability benefits:
  - a. Linda Hewitt – Service Connected (Yes: Allen, Andersen, Gordon, Hast, Phillips, Rodrigues, Smithey, Telles and Watts)
  - b. Bryan Michaud – Service Connected (Yes: Allen, Andersen, Gordon, Hast, Phillips, Rodrigues, Smithey, Telles and Watts)
6. There was no reportable action related to Gov. Code Section 54957.
7. There was no reportable action related to Gov. Code Section 54957.6.
8. There was no reportable action related to Govt. Code Section 54957.6.
9. It was M/S/C to accept the Administrative Law Judge's recommendation and deny the service connected disability retirement for David Besag. (Yes: Allen, Andersen, Gordon, Hast, Phillips, Rodrigues, Smithey, Telles and Watts)
10. **Presentation from Segal Consulting: Actuarial Experience Study** – John Monroe

Monroe stated he will be reporting on the Actuarial Experience Study focusing on the demographic assumptions. He noted these assumptions affect the timing of when benefits are payable and the amount of benefits paid. The economic assumptions were previously approved in April. He summarized the types of assumptions: rates of decrement (termination, mortality, disability and retirement); leave cashouts; service from unused sick leave conversion; percent married and member/spouse age difference; and reciprocity. He reviewed how demographic assumptions are set noting all are based on experience in the last 3 years.

Monroe reported new mortality tables have come out which show longer life expectancies and noted Safety members are living longer than general members.

He reviewed the following demographic recommendations:

Retirement rates: Slightly later retirements overall for General members; slightly earlier retirements overall for Safety members;

Termination rates: Increase in termination rates; Maintain current assumption that member will choose a refund or deferred benefit based on which option is more valuable;

Disability incidence: Decrease for General members; Increase for Safety members;

Leave Cashouts: Overall decreases in assumed leave cashouts;

Service from unused sick leave conversion: Overall decreases in assumed sick leave conversion;

Watts was no longer present for subsequent discussion and voting.

Zhu was present for subsequent discussion and voting.

Mortality rates: Recommending change to generational scale (historically have used static scales) to project future mortality improvements. He noted generational scales change over time. He reviewed the differences between headcount weighted and benefit weighted noting they are recommending headcount weighted. He stated benefit weighted is used more in corporate pension plans and not public sector pension plans.

Individual salary increases: Recommending overall increases in the promotional and merit salary increases for both General and Safety members. Overall, salary increases are assumed to be lower for both General and Safety members due to the lower price inflation and real “across the board” pay increases.

Monroe reviewed the investment return for funding noting that currently the 7% investment return assumption for funding is net of investment and administrative expenses. GASB requires gross of administrative expenses. For explicit administrative loading he is recommending using net of investments only. The estimated cost impact of the proposed change to an explicit administrative expense load of 1.0% of payroll is an increase of 0.77% of compensation for the employer rates and 0.23% of compensation for the member rates. He noted they are separate from normal costs.

He reviewed the estimated cost impact of all adopted and proposed assumption changes noting the average employer rate would increase by 2.46% of compensation and the average member rate would increase by 0.09% of compensation. Monroe stated it represents more transparency of how the expenses are funded.

**11. Consider and take possible action to adopt the actuarial demographic assumption changes and explicit administrative expense load recommended by Segal Consulting in its Actuarial Experience Study; which changes and recommendations would then be utilized in the December 31, 2015 actuarial valuation report**

It was M/S to adopt Segal’s recommended demographic assumptions dated June 8, 2016 except for the issue of percentage of allocation of administrative expenses and the way in which the expenses are calculated.

After a discussion, an amended motion was M/S/C to adopt Segal’s recommended demographic assumptions dated June 8, 2016 with further discussion on how the administrative expenses are calculated and allocated. (Yes: Allen, Andersen, Gordon, Hast, Phillips, Smithey and Zhu. No: Rodrigues and Telles)

It was M/S to adopt an explicit administrative expense load and base the rate on the current split of 0.77% of compensation for employers and 0.23% of compensation for members.

A substitute motion was M/S to adopt the explicit administrative expense load and base the rates on a 50/50 split between employer and employee based on the actual expense experience for 2013, 2014, and 2015.

After a lengthy discussion on Normal Costs, PEPRA and Legacy members, retirees, and employer/employee splits, a second substitute motion was M/S to state the expenses explicitly but use the current implicit 77/23 split and use the most recent expenses and payroll from 2015 in determining the amount. (Yes: Hast, Rodrigues, Smithey and Telles. No: Allen, Andersen, Gordon, Phillips and Zhu). Motion Failed.

The original substitute motion was amended as adopting the explicit administrative expense load and base the rates on the implicit rate of the current employer and employee split of the normal cost with the calculation of the administrative rate using 2015 actual expenses over payroll. (Yes: Allen, Andersen, Gordon, Hast, Phillips and Zhu. No: Rodrigues, Smithey and Telles). Motion carried.

## 12. Legislative Update

Levy gave an update on pending legislation as detailed in the memorandum, noting that September 30, 2016 is the last day for the governor to sign or veto bills.

## 13. Consider authorizing the attendance of Board and/or staff:

- a. It was M/S/C to authorize the attendance of 2 Board members and 1 staff member at the 2016 Public Funds Forum, Robbins Geller Rudman & Dowd, September 6-8, 2016, Park City, UT. (Yes: Allen, Andersen, Gordon, Hast, Phillips, Rodrigues, Smithey, Telles and Zhu)
- b. It was M/S/C to authorize the attendance of 2 Board members and 2 staff members at the Annual Bancfund Limited Partners Retreat, Carpenter Community Bancfund, September 29-30, 2016, Newport Beach, CA. (Yes: Allen, Andersen, Gordon, Hast, Phillips, Rodrigues, Smithey, Telles and Zhu)
- c. It was M/S/C to authorize the attendance of 4 Board members and 3 staff members at the CRCEA Fall Conference, CRCEA, October 17-19, 2016, Walnut Creek, CA. (Yes: Allen, Andersen, Gordon, Hast, Phillips, Rodrigues, Smithey, Telles and Zhu)

## 14. Miscellaneous

### (a) Staff Report –

Strohl introduced Henry Gudino, CCCERA's new Accounting Manager. She reported July 12th is Staff Development Day and the picnic is on July 30<sup>th</sup> and will be at the same location as last year. She also reported on current recruitments: Compliance Business Analyst, Deputy General Counsel, Retirement Office Specialist, Member Services Technician and Member Services Supervisor.

Dutkiewicz reported an advisory was sent to Central San after reaffirming a pensionable pay item; and an advisory was sent to Health Services and based on a review, the on-call pay was deemed non pensionable.

Price reported on items for the next meeting: there will be a review of how best to engage in the private markets, including a discussion of the different models and a recommendation on the most cost effective solutions. Additionally, Price reported that the liquidity manager RFPs are coming back and initial feedback will be provided at the next meeting.

### (b) Outside Professionals' Report -

None

### (c) Trustees' comments –

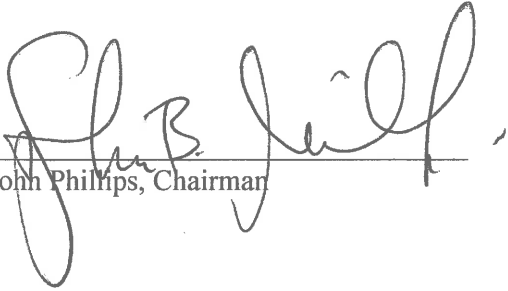
Kroll asked when the item regarding retirees affected by COLA calculations would be on an agenda. Strohl stated she doesn't have a date yet but it will be soon.

Rodrigues reported the approximate cost to employees will be \$9.63 due to today's approval of demographic assumptions; and, he will be moderating at CALAPRS on Friday.


June 8, 2016

Gordon asked if SB330, which doesn't directly affect CCCERA, made it out of the house of origin in time. Levy stated she will look into it.

It was **M/S/C** to adjourn the meeting. (Yes: Allen, Andersen, Gordon, Hast, Phillips, Rodrigues, Smithey, Telles and Zhu)



John Phillips, Chairman



Scott Gordon, Secretary

