The Board of Retirement met in a special session at 8:30 a.m. on Monday, May 17th, 2010 in the Conference Room of the Contra Costa County Employees' Retirement Association, 1355 Willow Way, Suite 221, Concord, CA.

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

Staff: Marilyn Leedom, Retirement Chief Executive Officer; Silvina Leroux, Retirement Deputy Chief Executive Officer; Cary Hally, Retirement Chief Investment Officer ; Karen Levy, Counsel; Rick Koehler, Retirement Accounting Manager; Kathy Somsen, Retirement Benefits Manager.

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

Other Attendees:

Sean Jara	Contra Costa County Employees' Retirement Association (CCCERA) Staff
Joelle Luhn	CCCERA Staff
Luz Casas	CCCERA Staff
Margie Breen	CCCERA Staff
Brandy Sanborn	Contra Costa County Superior Court
Michelle Johnston	Contra Costa County Auditor-Controller
Bob Campbell	Contra Costa County Auditor-Controller
Marie Rulloda	Contra Costa County Auditor-Controller
Laura Strobel	Contra Costa County Administrator's Office (CAO)
Lisa Driscoll	CAO
Jamie King	Contra Costa County Sanitary District (CCCSD)
Randy Musgraves	CCCSD
Debbie Ratcliff	CCCSD
Marnie Huddleston	Contra Costa First 5
Shawn Garcia	Contra Costa First 5
John Bartel	Bartel Associates
Ray Waletzko	Contra Costa Mosquito and Vector Control District
Craig Downs	Contra Costa Mosquito and Vector Control District
Cheryl Alexander	Delta Diablo Sanitation District
Richard Olsen	Moraga-Orinda Fire District (MOFD)
Kris Hunt	Contra Costa County Taxpayers' Association
Satomi Cadena	Contra Costa County Retired Employees' Association
Sue Casey	MOFD

1. <u>Pledge of Allegiance</u>

Gioia led all in the *Pledge of Allegiance.*

2. <u>Public Comment</u>

John Bartel discussed the issue of pooling smaller employers with the County, noting he was generally in favor of this process. He expressed concern with the method being disadvantageous to small employers.

3. <u>Update and presentation from the Segal Company regarding possible methodology for implementation of depooling</u>

Paul Angelo reviewed information regarding depooling by discussing the timeline of events. At the October 14th, 2009 meeting, the Board took first steps toward depooling of CCCERA's assets, Actuarial Accrued Liability (AAL) and Normal Cost both by tier and by employer for determining employer contribution rates.

Angelo noted the discussion of depooling was triggered by the terminal pay practices of individual employers. The goal was to find a practical way to address accountability for terminal pay practices while maintaining consistent, functional retirement planning.

Segal cited results in the January 6th, 2010 letter which illustrated the impact and practical difficulties with depooling. The initial idea was to go back to 2002 in order to track the separate, final pay practices for each employer and build that into the contribution rates for 2009. The January letter contained results for general members only, due to unresolved data issues for Safety members discussed later in Segal's March 2nd letter. Angelo noted this method is very data intensive.

Segal discussed another proposed methodology for depooling that would base the initial allocation of assets and liabilities for each cost group on the actuarial valuation on December 31st, 2009 (or December 31st, 2010), then develop different terminal pay assumptions for each cost group based on the actual terminal pay experience for those employers over the seven years ending December 31, 2009. This method is less data intensive since it only requires verification of the member's last employer while still capturing some of the terminal pay activity going back to 2002.

Discussion followed on employer pay practices, the possibility of terminal pay surcharges, and how changes would show in the valuations going forward. A question was raised regarding terminal pay and contribution rates. Angelo noted that almost all of the cost of terminal pay is borne by the employer.

4. <u>Consider and take possible action regarding possible methodology for implementation of depooling</u>

After lengthy Board discussion regarding clarification on the information provided by Segal, there was a consensus by the Board that analysis of the safety data is necessary prior to making a decision on depooling. Leedom indicated the retiree data review is

approximately 50% completed; within 4-6 weeks the information should be forwarded to the Segal Co. for analysis.
While the safety data is gathered, Segal will work on the experience study.

The Board will need to reach a conclusion on depooling prior to Segal completing the actuarial valuation, if depooling is to be included.

It was M/S/C to direct Leedom to contract with Segal for an additional $50,000 to continue working on the issue of depooling.

5. **Miscellaneous**

(a) Staff Report -

No report.

(b) Outside Professionals' Report -

Leiderman reported AB 1987 passed 15-0 vote by the Appropriations Committee, and is now headed to the floor.

(c) Trustees' Comments -

Telles discussed attendance at SACRS event and the Bill Gross presentation on "The New Normal" regarding past expected investment returns of 8%-12% dropping to 4%-6% in the future.

Pollacek discussed the SACRS Business meeting. He noted a SACRS New Trustee handbook will be released soon. The larger issues discussed were regarding the proposed changes to the SACRS bylaws and the Trustee Council. Pollacek relayed CCCERA trustees' concerns with the direction and formulation of the SACRS Council and the ability to vote without direction from each individual Board; many other retirement systems agreed. There was no vote taken for the bylaw changes proposed by the Nominations Committee.

It was M/S/C to adjourn meeting in memory of Deidre Katz.

William J. Pollacek, Chairman

David Gaynor, Secretary