



MINUTES

RETIREMENT BOARD MEETING

SECOND MONTHLY MEETING

9:00 a.m.

April 23, 2014

Retirement Board Conference Room

The Willows Office Park

1355 Willow Way, Suite 221

Concord, California

Present: Debora Allen, Brice Bins, Scott Gordon, Brian Hast, Jerry Holcombe, Louie Kroll, Karen Mitchoff, John Phillips, Jerry Telles and William Pigeon

Absent: Gabe Rodrigues

Staff: Kurt Schneider, Retirement Deputy Chief Executive Officer; Timothy Price, Retirement Chief Investment Officer; and Christina Dunn, Retirement Administration Manager

Outside Professional Support:	Representing:
Harvey Leiderman	Reed Smith LLP
Marty Dirks	Milliman
Nick Collier	Milliman
Daniel Wade	Milliman
Paul Angelo	Segal
John Monroe	Segal

1. **Pledge of Allegiance**

Hast led all in the *Pledge of Allegiance*.

2. **Accept comments from the public**

No members of the public offered comment.

3. **Approval of Minutes**

It was M/S/C to approve the minutes of the February 26, 2014 meeting. (Yes: Allen, Gordon, Hast, Kroll, Mitchoff, Phillips, Pigeon. Abs. Bins)

It was M/S/C to approve the minutes of the March 20, 2014 meeting. (Yes: Gordon, Hast, Mitchoff, Kroll, Phillips and Pigeon. Abs.: Allen and Bins)

It was M/S/C to approve the minutes of the March 26, 2014 meeting. (Yes: Allen, Gordon, Hast, Kroll, Mitchoff, Phillips and Pigeon. Abs. Bins)

The Board requested clarification on the Board Policy relating to the time audio recordings are posted on the website.

4. **Presentation of Actuarial Audit Report by Milliman** – Nick Collier, Daniel Wade

Collier reported they are presenting the results of the December 31, 2012 Actuarial Valuation and the 2010-2012 Experience Study as completed by Segal & Company.

Telles was present for subsequent discussion and voting.

Collier gave an overview of the Purpose and Scope of the Actuarial Audit noting this is not an accounting audit rather it is a review of Segal's actuarial valuation and experience study. He reported there were no material issues encountered with the valuation and there was a good match on liabilities and contribution rates which is very important. They only have one recommended change for future valuations which is to revise the methodology for refundability factor calculations.

Wade reported Milliman performed an actuarial audit of CCCERA as of December 31, 2007. He gave a brief review of the changes noting there have been significant changes since that time. He reviewed the components used in their valuation: 1) Membership Data; 2) Actuarial Value of Assets; 3) Actuarial Liabilities; and 4) Member Contribution Rates. Wade noted they felt the assets used in the valuation are reasonable.

Collier noted they reviewed the Member Contribution Rates and Employer Contribution Rates and felt CCCERA is one of the best funded plans.

Collier reviewed the experience study and the importance of reasonable assumptions and assumption types. He also reported on the Entry Age Actuarial Cost Method and Employer Contribution Rate funding.

Wade reported that any discrepancies from Segal's reports were rectified by Segal providing them with more in-depth information. He reviewed price inflation and wage growth noting wage growth is very reasonable. He also reviewed CCCERA's investment return, demographic assumptions and mortality rates.

Their recommendations were summarized. Their conclusion is the valuation accurately represents the actuarial condition of the fund based on a package of assumption and methods that are reasonable and Segal's recommended member and employer contribution rates are appropriate for funding at CCCERA.

The Board discussed the terminal pay assumption.

It was the consensus of the Board to move to Item 6.

6. **Consider and take possible action on Segal Consulting's recommendation of the investment return assumption to use for financial reporting purposes**

Angelo reviewed their February 19, 2014 letter regarding an adjustment to exclude administrative expenses in developing investment return assumptions for funding purposes in order to maintain consistency with new Governmental Accounting Standards Board (GASB) financial reporting.

He reviewed Segal's recommendation to use an interim approach to use the same investment return assumption for both funding and financial reporting, but have them represent two different expected returns, one net of administrative expense (for funding) and one gross of such expenses (for financial reporting). He noted in their April 17, 2014 letter additional information is provided regarding this interim approach. Angelo noted he has discussed this approach with CCCERA's auditors, Brown Armstrong, and they agree this is an appropriate approach.

Hast clarified that the action to be taken today is an interim action with regards to the GASB reporting assumption and the recommendation is for financial reporting purposes that the investment return assumption be set net of investment expenses but not net of administrative expenses.

It was M/S/C to adopt an investment return assumption for financial reporting purposes that is net of investment expenses and not net of administrative expenses equal to 7.25% per year as recommended by Segal. (Yes: Allen, Bins, Gordon, Hast, Mitchoff, Phillips, Pigeon and Telles)

5. **Consider and take possible action on ad-hoc investment consultant search committee's recommendation to retain Cortex to assist in the search**

Price gave an overview of the ad-hoc committee's search process and the role of the investment consultant. The ad-hoc investment consultant search committee members reported on the reference checks they completed on Cortex noting the responses were positive.

After a discussion, it was M/S/C to enter into a contract with Cortex to provide the services of an outside expert administering the RFP process, while retaining the ultimate due diligence and selection responsibility with CCCERA, and provide the services at approximately \$50,000, including out-of-pocket expenses, subject to legal review and authorize the Board Chair to sign the necessary contracts. (Yes: Allen, Bins, Gordon, Hast, Mitchoff, Phillips, Pigeon and Telles)

7. **Conference Seminar Attendance**

- a. No action was taken on the Emerging Markets Forum, Institutional Investor, May 7-8, 2014, New York, NY.
- b. It was M/S/C to authorize the attendance of 2 Board members and 2 staff members at the Governmental Accounting and Auditing Conference, CalCPA, May 13, 2014, Sacramento, CA. (Yes: Allen, Bins, Gordon, Hast, Mitchoff, Phillips, Pigeon and Telles)
- c. It was M/S/C to authorize the attendance of 2 Board members and 1 staff member at the Client Conference, Adams Street Partners, June 4-5, 2014, Chicago, IL. (Yes: Allen, Bins, Gordon, Hast, Mitchoff, Phillips, Pigeon and Telles)
- d. It was M/S/C to authorize the attendance of 1 Board member at the Advanced Trustee Institute, IFEBP, June 23-25, 2014, Las Vegas, NV. (Yes: Allen, Bins, Gordon, Hast, Mitchoff, Phillips, Pigeon and Telles)
- e. It was M/S/C to authorize the attendance of 4 Board members at the International Investing and Emerging Markets, IFEBP, July 28-30, 2014, San Francisco, CA. (Yes: Allen, Bins, Gordon, Hast, Mitchoff, Phillips, Pigeon and Telles)

8. **Miscellaneous**

(a) Staff Report –

Price reported Pyrford will be funded tomorrow.

Price reported he, Telles and Watts will be attending an on-site visit to Ocean Avenue next Wednesday noting they will also visit a few DLJ Properties in Los Angeles.

Price reported we are still in contract negotiations with Sigular Guff, Adams Street and Ocean Avenue.

Schneider reported benefits statements are scheduled to be sent out next month.

(b) Outside Professionals' Report -

Leiderman provided an update on the AB 197 lawsuit noting a hearing is scheduled for April 30, 2014.

Discussion followed regarding the process of the 60 day stay order issued in the AB 197 lawsuit and notification to members.

Dirks reported Young will be accompanying staff and Board members at the onsite visits to Ocean Avenue next week.


(c) Trustees' comments –

Mitchoff asked for an update on the hiring process of the CEO. Hast reported as soon as the meeting is adjourned the CEO recruitment ad hoc committee will be meeting to discuss the terms of the employment agreement noting the terms of the agreement are under negotiations.

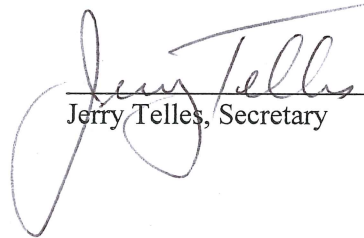
Allen asked about the SACRS voting proxy. It was noted it was on the previous agenda.

Pigeon reported he and Price attended the Pension Bridge Conference and felt it was an excellent conference. He noted it was very fast paced and he learned a lot about risk. He recommended the conference to all.

It was M/S/C to adjourn the meeting. (Yes: Allen, Bins, Gordon, Hast, Mitchoff, Phillips, Pigeon and Telles)



Brian Hast, Chairman



Jerry Telles, Secretary