



AGENDA

RETIREMENT BOARD MEETING

SPECIAL MEETING
November 6, 2019
9:00 a.m.

Board Conference Room
1200 Concord Avenue, Suite 350
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 October 9, 2019 meeting.
4. Routine items for November 6, 2019.
 - a. Approve certifications of membership.
 - b. Approve service and disability allowances.
 - c. Accept disability applications and authorize subpoenas as required.
 - d. Approve death benefits.
 - e. Accept travel report.
 - f. Accept asset allocation report.
 - g. Accept liquidity report.

CLOSED SESSION

5. The Board will go into closed session pursuant to Govt. Code Section 54957 to consider recommendations from the medical advisor and/or staff regarding the following disability retirement applications:

<u>Member</u>	<u>Type Sought</u>	<u>Recommendation</u>
a. Neal Bassett	Service Connected	Non-Service Connected
b. Tracy Kenney	Service Connected	Service Connected
c. Alex Ray	Service Connected	Service Connected

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

6. The Board will continue in closed session pursuant to Govt. Code Section 54956.9(d)(1) to confer with legal counsel regarding pending litigation:
 - a. *CCCERA v. Salgado*, Contra Costa County Superior Court, Case No. MSC19-00580

OPEN SESSION

7. Presentation of the Actuarial Audit Report by Cheiron.
8. Consider and take possible action concerning the SACRS legislative proposals to be voted on at the November 2019 SACRS Conference.
9. Consider authorizing the attendance of Board:
 - a. General Assembly, CALAPRS, March 7-10, 2020, Rancho Mirage, CA.
 - b. Advanced Principles of Pension Management for Trustees, CALAPRS, March 30-April 1, 2020, Los Angeles, CA.
10. Miscellaneous
 - a. Staff Report
 - b. Outside Professionals' Report
 - c. Trustees' comments

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



Meeting Date
11/06/19
Agenda Item
#3

MINUTES

RETIREMENT BOARD MEETING MINUTES

REGULAR MEETING
October 9, 2019
9:00 a.m.

Board Conference Room
1200 Concord Avenue, Suite 350
Concord, California

Present: Candace Andersen, Donald Finley, Scott Gordon, Jerry Holcombe, Louie Kroll, Jay Kwon, David MacDonald, John Phillips, Mike Sloan, Todd Smithey and Russell Watts

Absent: William Pigeon

Staff: Gail Strohl, Chief Executive Officer; Christina Dunn, Deputy Chief Executive Officer; Timothy Price, Chief Investment Officer; Wrally Dutkiewicz, Compliance Officer; Anne Sommers, Administrative/HR Manager; Henry Gudino, Accounting Manager; Tim Hoppe, Retirement Services Manager and Son Lu, IT Manager

Outside Professional Support:	Representing:
Paul Angelo	Segal Consulting
John Monroe	Segal Consulting
Jeff Rieger	Reed Smith LLP

1. Pledge of Allegiance

The Board, staff and audience joined in the *Pledge of Allegiance*.

2. Accept comments from the public

No member of the public offered comment.

3. Approval of minutes

It was **M/S/C** to approve the minutes of the August 28 and September 11, 2019 Board meetings. (Yes: Andersen, Finley, Gordon, Holcombe, Kroll, MacDonald, Phillips, Smithey and Watts).

4. Routine Items

It was **M/S/C** to approve the routine items of the October 9, 2019 meeting. (Yes: Andersen, Finley, Gordon, Holcombe, Kroll, MacDonald, Phillips, Smithey and Watts)

CLOSED SESSION

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

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. Randall Crane – Service Connected (Yes: Andersen, Finley, Gordon, Holcombe, Kroll, MacDonald, Phillips, Smithey and Watts)
- b. Theresa Draper – Non-Service Connected (Yes: Andersen, Finley, Gordon, Holcombe, Kroll, MacDonald, Phillips, Smithey and Watts)

6. Consider and take possible action to accept the GASB 68 Report from Segal Consulting

Angelo presented the GASB 68 Report for reporting as of June 30, 2019. It was **M/S/C** to accept the GASB 68 Report from Segal Consulting. (Yes: Andersen, Finley, Gordon, Holcombe, Kroll, MacDonald, Phillips, Smithey and Watts)

7. Presentation from Segal Consulting regarding the December 31, 2018 Valuation Report

Angelo presented the Actuarial Valuation Report as of December 31, 2018. It was noted that adoption of the contribution rates for 2020-2021 will be considered at the October 23, 2019 Board meeting.

8. Presentation on mental health conditions

Dr. Gordon Baumbacher gave a presentation on mental health conditions.

9. Consider authorizing the attendance of Board:

- a. It was **M/S/C** to authorize the attendance of 1 Board member at the Trustees' Roundtable, CALAPRS, October 25, 2019, Oakland, CA. (Yes: Andersen, Finley, Gordon, Holcombe, Kroll, MacDonald, Phillips, Smithey and Watts)

10. Miscellaneous

(a) Staff Report –

Strohl reported the Board Regulations need minor revisions related to our new address and also revising the Board meeting schedule which she will present at the next Board meeting.

(b) Outside Professionals' Report -

None

(c) Trustees' comments –

None

It was **M/S/C** to adjourn the meeting. (Yes: Andersen, Finley, Gordon, Holcombe, Kroll, MacDonald, Phillips, Smithey and Watts)

Todd Smithey, Chairman

David MacDonald, Secretary

CONTRA COSTA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

BOARD OF RETIREMENT

<p><i>Meeting Date</i> 11/06/19 <i>Agenda Item</i> #4</p>
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Items requiring Board Action

A. *Certifications of Membership – see list and classification forms.*

B. *Service and Disability Retirement Allowances:*

<u>Name</u>	<u>Number</u>	<u>Effective Date</u>	<u>Option Type</u>	<u>Tier</u>	<u>Selected</u>
Aguilar-Rodriguez, Cecilia	60650	08/01/19	SR	Tier I	Unmodified
Aquino, Lourdes	72422	08/17/19	SR	Tier III	Unmodified
Austin, Mary	41120	08/01/19	SR	Tier II and III	Unmodified
Barksdale, Rhonda	48168	07/22/19	SR	Tier II and III	Unmodified
Beyer, Darin	D9991	07/03/19	SR	Safety A	Unmodified
Byrne, John	80348	07/01/19	SR	Safety E	Unmodified
Chu, Lingling	65883	08/10/19	SR	Tier III	Unmodified
De Castro, Elenita	70807	08/10/19	SR	Tier III	Unmodified
Devereaux, Paige	70911	07/13/19	SR	Tier III	Unmodified
Gaitan, Alice	45983	07/15/19	SR	Tier II and III	Unmodified
Gerrard, Mary	52942	09/21/19	SR	Tier II and III	Unmodified
Gingrich, John	80439	08/01/19	SR	PEPRA 5.2	Unmodified
Greenlee, Paris	76875	07/31/19	SR	Tier III	Unmodified
Harris, Cynthia	D9500	08/06/19	SR	Tier III	Unmodified
Hwang, Donald	71732	06/01/19	SR	Tier III	Unmodified
Ignacio, Marilyn	70950	07/10/19	SR	Tier III	Unmodified
Lopez-Ganancial, Bernadette	66730	06/27/19	SR	Tier III	Option 4
McGregor, Patricia	56179	08/01/19	SR	Tier II and III	Unmodified
Mubarak, Rome	61685	07/09/19	SR	Tier II and III	Unmodified
Puente, Jesus	65469	07/26/18	SCD	Safety A	Unmodified
Roth, Lesha	63281	07/05/19	SR	Tier II and Safety A	Unmodified
Sibley, Kathryn	62375	08/01/19	SR	Tier I and III	Unmodified

C. *Disability Retirement Applications: The Board's Hearing Officer is hereby authorized to issue subpoenas in the following cases involving disability applications:*

<u>Name</u>	<u>Number</u>	<u>Filed</u>	<u>Type</u>
Morrison, Lance	70638	10/23/19	SCD

<p>Option Type NSP = Non-Specified SCD = Service Connected Disability SR = Service Retirement NSCD = Non-Service Connected Disability * = County Advance Selected w/option</p>	<p>Tier I = Tier I II = Tier II III = Tier III S/A = Safety Tier A S/C = Safety Tier C</p>	<p>Tier Pepra 4.2 = Pepra Tier 4 (2% COLA) Pepra 4.3 = Pepra Tier 4 (3% COLA) Pepra 5.2 = Pepra Tier 5 (2% COLA) Pepra 5.3 = Pepra Tier 5 (3% COLA) S/D = Pepra Safety Tier D S/E = Pepra Safety Tier E</p>
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CONTRA COSTA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

BOARD OF RETIREMENT

D. Deaths:

<u>Name</u>	<u>Death</u>	<u>Employer as of Date of Death</u>
Aaland, Elizabeth	09/26/19	Contra Costa County
Adamson, Julian	05/27/19	Contra Costa County
Anderson, Marion	09/24/19	Contra Costa County
Barber, Wanda	07/03/19	Contra Costa County
Bohannon, Dorothy	03/31/19	Contra Costa County
Booth, Wendell	10/19/19	Contra Costa County Housing Authority
Brasier, Ted	10/03/19	Contra Costa County
Calhoun, Richard	07/20/19	Contra Costa County Superior Courts
Carlson, Evelyn	07/10/19	Contra Costa County
Chase, Barbara	10/06/19	Contra Costa County
Cho, Leon	04/11/19	Contra Costa County
Chumley, Bettie	08/30/19	Contra Costa County
Clark, Dan	10/10/19	Contra Costa County
Coslett, Ann	05/22/19	Contra Costa County
Culver, James	09/24/19	Contra Costa County
Curran, James	06/30/19	Contra Costa County
Curtis, Wrilma	08/25/19	Contra Costa County
Davis, Stella	06/26/19	Contra Costa County
Derum, Harry	09/11/19	Contra Costa County
Dyck, Marvin	08/11/19	Delta Diablo Sanitation District
Foster, Judy	09/19/19	Contra Costa County
Gallamore, Nick	06/26/19	Contra Costa County
Giese, Robert	08/07/19	Contra Costa County
Guinasso, Marjorie	07/05/19	Contra Costa County
Henry, Herman	08/26/19	Contra Costa County
Holcombe, Donald	09/13/19	Contra Costa County
Hunt, Joan	07/06/19	Contra Costa County
James, Jacqueline	08/02/19	Contra Costa County
Lucido, Bernard	09/18/19	City of Pittsburg
Rydingsword, James	09/29/19	Contra Costa County
Walraven, James	09/16/19	Contra Costa County

Option Type

NSP = Non-Specified
 SCD = Service Connected Disability
 SR = Service Retirement
 NSCD = Non-Service Connected Disability
 * = County Advance
 Selected w/option

Tier

I = Tier I
 II = Tier II
 III = Tier III
 S/A = Safety Tier A
 S/C = Safety Tier C

Pepra 4.2 = Pepra Tier 4 (2% COLA)
 Pepra 4.3 = Pepra Tier 4 (3% COLA)
 Pepra 5.2 = Pepra Tier 5 (2% COLA)
 Pepra 5.3 = Pepra Tier 5 (3% COLA)
 S/D = Pepra Safety Tier D
 S/E = Pepra Safety Tier E

CERTIFICATION OF MEMBERSHIPS

Name	Employee Number	Tier	Membership Date	Employer
Alcayde, Elaine	82724	P5.2	09/01/19	Contra Costa County
Allen, Chauntel	88559	P5.2	09/01/19	Contra Costa County
Allen, Gabriella	88602	P5.2	09/01/19	Contra Costa County
Alvarenga, Mayra	88622	P5.2	09/01/19	Contra Costa County
Arredondo, Alexia	88527	P5.2	09/01/19	Contra Costa County
Austin, Sandra	88599	P5.2	09/01/19	Contra Costa County
Augustine, Freda	51041	III	09/01/19	Contra Costa County
Bailey, Amy	88476	P5.2	09/01/19	Contra Costa County
Bal, Rebecca	88630	P5.2	09/01/19	Contra Costa County
Bui, Hong-Anh	88528	P5.2	09/01/19	Contra Costa County
Buban, Maria	70466	III	09/01/19	Contra Costa County
Butler, Cassandra	D3406	P4.3	08/01/19	Central Contra Costa Sanitary District
Cabral, Jennifer	87208	III	09/01/19	Contra Costa County
Carroll, Shawnay	D7830	S/D	09/01/19	San Ramon Valley Fire Protection District
Chen, Vickie	88567	P5.2	09/01/19	Contra Costa County
Choi, Cynthia	88582	P5.2	09/01/19	Contra Costa County
Cunningham, Deborah	88569	P5.2	09/01/19	Contra Costa County
Danielson, Bradley	88492	P5.2	09/01/19	Contra Costa County
Dakin, Grant	D7830	S/D	09/01/19	San Ramon Valley Fire Protection District
De Jesus, Jamianne	72449	P5.2	09/01/19	Contra Costa County
Diaz, Adriana	66048	III	09/01/19	Contra Costa County
Finlinson, Wade	88597	P5.2	09/01/19	Contra Costa County
Flores, Renee	D4980	P4.3	09/01/19	Contra Costa County Employees' Retirement Assocation
Francis, Chris	88591	P5.2	09/01/19	Contra Costa County
Galdamez, Fadua	80444	P5.2	09/01/19	Contra Costa County
Godinez, Michelle	88555	P5.2	09/01/19	Contra Costa County
Goode, LaShondra	88588	P5.2	09/01/19	Contra Costa County
Goode, Rima	82692	P5.2	09/01/19	Contra Costa County
Greene, Lauren	88506	P5.2	09/01/19	Contra Costa County
Gutierrez, Angelo	88519	P5.2	09/01/19	Contra Costa County
Hennessy, Richard	88538	P5.2	09/01/19	Contra Costa County
Henning, Misha	88391	P5.2	09/01/19	Contra Costa County
Hernandez, Isabel	88511	P5.2	09/01/19	Contra Costa County
Hill, Justin	88574	P5.2	09/01/19	Contra Costa County
Hu, Peiyu	88571	P5.2	09/01/19	Contra Costa County
Hyde, Lisa	88561	P5.2	09/01/19	Contra Costa County
Jackson, Sarah	88604	P5.2	09/01/19	Contra Costa County
Keagy, Gaye	88486	P5.2	09/01/19	Contra Costa County
Khamthakhoun, Nangla	50515	III	09/01/19	Contra Costa County
Klinger, Jamie	88583	P5.2	09/01/19	Contra Costa County
Larson, Matthew	88643	S/E	09/01/19	Contra Costa County Fire Protection District
Lee, DonDanesha	88592	P5.2	09/01/19	Contra Costa County

Key:

I = Tier I	P4.2 = PEPRA Tier 4 (2% COLA)	S/A = Safety Tier A
II = Tier II	P4.3 = PEPRA Tier 4 (3% COLA)	S/C = Safety Tier C
III = Tier III	P5.2 = PEPRA Tier 5 (2% COLA)	S/D = Safety Tier D
	P5.3 = PEPRA Tier 5 (3% COLA)	S/E = Safety Tier E

CERTIFICATION OF MEMBERSHIPS

Name	Employee Number	Tier	Membership Date	Employer
Lee, Grace	88603	P5.2	09/01/19	Contra Costa County
Lopez, Tanya	88627	P5.2	09/01/19	Contra Costa County
Martin, Indira	81617	P5.2	09/01/19	Contra Costa County
McCockran, Vanessa	88667	P5.2	09/01/19	Contra Costa County
McDonnell, Patrick	88487	P5.2	09/01/19	Contra Costa County
Meadows, Olivia	88543	P5.2	09/01/19	Contra Costa County
Moore, Breia	86441	P5.2	09/01/19	Contra Costa County
Mohamed, Mohamed	66791	III	09/01/19	Contra Costa County
Mongeau, Devin	D7830	S/D	09/01/19	San Ramon Valley Fire Protection District
Morris, Lan	77770	I	09/01/19	Contra Costa County
O'Connor, Kellen	88485	P5.2	09/01/19	Contra Costa County
Olivar, Aileen	88535	P5.2	09/01/19	Contra Costa County
Ortiz, Jason	D7160	S/E	09/01/19	East Contra Costa Fire Protection District
Partida, Desiree	88557	P5.2	09/01/19	Contra Costa County
Pedrola, Angelique	88174	P5.2	09/01/19	Contra Costa County
Perea, Lorena	71306	III	09/01/19	Contra Costa County
Pogois, Katherine	88554	P5.2	09/01/19	Contra Costa County
Raymond, Monique	56198	III	09/01/19	Contra Costa County
Rochin, Kristina	82738	P5.2	09/01/19	Contra Costa County
Rodriguez Lopez, Olmo	88333	P5.2	09/01/19	Contra Costa County
Rios, Maria	68282	III	09/01/19	Contra Costa County
Rueda, Maria	88566	P5.2	09/01/19	Contra Costa County
Saechao, Meuy	88619	P5.2	09/01/19	Contra Costa County
Santos, MARRISA	87179	P5.2	09/01/19	Contra Costa County
Scamporrino, David	D7830	S/D	09/01/19	San Ramon Valley Fire Protection District
Schiller, Janine	88606	P5.2	09/01/19	Contra Costa County
Schumacher, Rynn	88533	P5.2	09/01/19	Contra Costa County
Sciancalepore, Linda	80681	P5.2	09/01/19	Contra Costa County
Shkidt, Sarah	88565	P5.2	09/01/19	Contra Costa County
Spani, Zekiel	D7830	S/D	09/01/19	San Ramon Valley Fire Protection District
Smith, LaRichea	88611	P5.2	09/01/19	Contra Costa County
Smithonic, Joseph	88411	P5.2	09/01/19	Contra Costa County
Sotelo Suarez, Susana	88656	P5.2	09/01/19	Contra Costa County
Turnquist, Robert	88581	P5.2	09/01/19	Contra Costa County
Quezada, Berta	D9500	P5.3	09/01/19	Contra Costa County Superior Courts
Vander Hyde, Ryan	D7830	S/D	09/01/19	San Ramon Valley Fire Protection District
Villarreal, Lorena	88436	P5.2	09/01/19	Contra Costa County
Vu, Nicholas	88497	P5.2	09/01/19	Contra Costa County
Walker, Pamela	88617	P5.2	09/01/19	Contra Costa County
Webb, Tracy	88542	P5.2	09/01/19	Contra Costa County
Wong, Chi Keung	87857	P5.2	09/01/19	Contra Costa County
Zandian, Alexander	88491	P5.2	09/01/19	Contra Costa County

Key:

I = Tier I	P4.2 = PEPRA Tier 4 (2% COLA)	S/A = Safety Tier A
II = Tier II	P4.3 = PEPRA Tier 4 (3% COLA)	S/C = Safety Tier C
III = Tier III	P5.2 = PEPRA Tier 5 (2% COLA)	S/D = Safety Tier D
	P5.3 = PEPRA Tier 5 (3% COLA)	S/E = Safety Tier E

TIER CHANGES

<i>Name</i>	<i>Employee Number</i>	<i>Old Tier</i>	<i>New Tier</i>	<i>Effective Date</i>	<i>Employer</i>	<i>Reason for Change</i>
Ho, Lisa	88501	P5.2	III	08/01/19	Contra Costa County	Recip In: Age and Tier Change
Schneider, Jonathan	62693	I	III	08/01/00	Contra Costa County	Age & Tier Change: Reciprocity Broken

Key:

I = Tier I	P4.2 = PEPRA Tier 4 (2% COLA)	S/A = Safety Tier A
II = Tier II	P4.3 = PEPRA Tier 4 (3% COLA)	S/C = Safety Tier C
III = Tier III	P5.2 = PEPRA Tier 5 (2% COLA)	S/D = Safety Tier D
	P5.3 = PEPRA Tier 5 (3% COLA)	S/E = Safety Tier E

CCCERA Board of Trustees
 Training & Educational Conference Expenses Paid During
 Quarter 3 2019 (July- September)

Trustee:	Conference Name/Purpose:	Location:	Dates:	Total
Candace Andersen	NONE			
Donald Finley	CALAPRS-Principles of Pension Governance	Malibu, CA	Aug 26-28, 2019	3,486.24
Scott Gordon	Siguler Guff 2019 Annual Conference	New York, NY	Apr 24-25, 2019	912.59
Jerry Holcombe	NONE			
Louie Kroll	NONE			
Jay Kwon	NONE			
David J. MacDonald	La Salle Onsite Visit	Chicago, IL	Jul 9, 2019	1,065.40
	NASP-Pension & Financial Services Conference	Baltimore, MD	Jun 24-26, 2019	1,246.64
	2019 Public Funds Forum	Park City, UT	Sept 3-5, 2019	2,103.78
John Phillips	NONE			
William Pigeon	NONE			
Mike Sloan	CALAPRS Principles of Pension Governance	Malibu, CA	Aug 26-28, 2019	3,438.70
Todd Smithey	2019 Public Funds Forum	Park City, UT	Sept 3-5, 2019	2,084.77
Russell V. Watts	NONE			

Contra Costa County Employees' Retirement Association
Asset Allocation as of September 30, 2019

Meeting Date
11/06/19
Agenda Item
#4

	Market Value	Percentage of Total Fund	Phase 3 Target Percentage	Phase 3 Over/(Under)	Long Term Target	Long Term Over/(Under)
Liquidity						
Insight	1,028,461,532	11.4%	12.0%	-0.6%		
Sit	542,662,117	6.0%	6.0%	0.0%		
Dimensional Fund Advisors	501,752,961	5.6%	6.0%	-0.4%		
Total Liquidity	2,072,876,610	23.0%	24.0%	-1.0%	24.0%	-1.0%
		Range				
		16% - 28%				
Growth						
Domestic Equity						
Boston Partners	232,261,879	2.6%	2.5%	0.1%		
Jackson Square	231,044,330	2.6%	2.5%	0.1%		
BlackRock Index Fund	187,647,476	2.1%	2.0%	0.1%		
Emerald Advisors	143,146,343	1.6%	1.5%	0.1%		
Ceredex	156,462,227	1.7%	1.5%	0.2%		
Total Domestic Equity	950,562,255	10.5%	10.0%	0.5%	5.0%	5.5%
Global & International Equity						
Pyrford (BMO)	447,988,315	5.0%	5.0%	-0.0%		
William Blair	450,848,556	5.0%	5.0%	-0.0%		
First Eagle	371,818,334	4.1%	4.0%	0.1%		
Artisan Global Opportunities	368,952,264	4.1%	4.0%	0.1%		
PIMCO/RAE Emerging Markets	332,474,898	3.7%	4.0%	-0.3%		
TT Emerging Markets	317,450,275	3.5%	4.0%	-0.5%		
Total Global & International Equity	2,289,532,642	25.4%	26.0%	-0.6%	24.0%	1.4%
Private Equity	1,025,299,390	11.4%	11.0%	0.4%	11.0%	0.4%
Private Credit	430,927,421	4.8%	5.0%	-0.2%	12.0%	-7.2%
Real Estate - Value Add	173,831,065	1.9%	4.0%	-2.1%	4.0%	-2.1%
Real Estate - Opportunistic & Distressed	490,193,675	5.4%	4.0%	1.4%	4.0%	1.4%
Real Estate - REIT (Adelante)	80,779,460	0.9%	1.0%	-0.1%	1.0%	-0.1%
High Yield (Allianz)	203,391,255	2.3%	2.0%	0.3%	0.0%	2.3%
Risk Parity			5.0%	0.0%	5.0%	0.0%
AQR GRP EL	228,677,512	2.5%				
PanAgora	223,666,394	2.5%				
Total Other Growth Assets	2,856,766,172	31.7%	32.0%	-0.3%	37.0%	-5.3%
Total Growth Assets	6,096,861,069	67.6%	68.0%	-0.4%	66.0%	1.6%
		Range				
		60% - 80%				
Risk Diversifying						
AFL-CIO	338,239,760	3.7%	3.5%	0.2%	3.0%	0.7%
Parametric Defensive Equity	203,166,436	2.3%	2.5%	-0.2%	3.5%	-1.2%
Wellington Real Total Return	187,272,385	2.1%	2.0%	0.1%	3.5%	-1.4%
Total Risk Diversifying	728,678,580	8.1%	8.0%	0.1%	10.0%	-1.9%
		Range				
		0% - 10%				
Cash and Overlay						
Overlay (Parametric)	27,067,493	0.3%		0.3%		
Cash	96,443,107	1.1%		1.1%		
Total Cash and Overlay	123,510,601	1.4%	0.0%	1.4%	0.0%	1.4%
Total Fund	9,021,926,859.73	100%	100%	0%	100%	0%

*Phase 3 targets and ranges reflect Phase 3 asset allocation targets accepted by the Board on June 27, 2018 (BOR Resolution 2018-2)

Private Market Investments
As of September 30, 2019

REAL ESTATE - Value Add	Inception Date	Target Termination	# of Extension in full liq.	Discretion by GP/LP	New Target Termination	Funding Commitment	Market Value	% of Total Asset	Outstanding Commitment
Invesco IREF II	05/30/07	12/31/15				85,000,000	11,858	0.00%	
Invesco IREF III	08/01/13	08/01/20				35,000,000	3,411,598	0.04%	
Invesco IREF IV	12/01/14	12/01/21				35,000,000	22,246,509	0.25%	5,191,261
Invesco IREF V	09/11/18	09/11/25				75,000,000	18,474,809	0.20%	56,981,266
Long Wharf FREG IV	08/14/13	09/30/21				25,000,000	7,021,713	0.08%	
Long Wharf FREG V	10/31/16	09/30/24				50,000,000	43,672,898	0.48%	
LaSalle Income & Growth Fund VI	01/31/12	01/31/19				75,000,000	28,250,949	0.31%	3,946,000
LaSalle Income & Growth Fund VII	10/31/16	09/30/24				75,000,000	50,740,731	0.56%	20,836,646
Outstanding Commitments						580,000,000	173,831,065	1.93%	86,955,173
Total							86,955,173		260,786,238

Outstanding Commitments

86,955,173
260,786,238

REAL ESTATE -Opportunistic & Distressed	Inception Date	Target Termination	# of Extension in full liq.	Discretion by GP/LP	New Target Termination	Funding Commitment	Market Value	% of Total Asset	Outstanding Commitment
DJ Real Estate Capital Partners, L.P. III	06/30/05	06/30/14				75,000,000	21,299,106	0.24%	4,031,338
DJ Real Estate Capital Partners, L.P. IV	12/31/07	09/30/18				100,000,000	80,379,965	0.89%	2,890,809
DJ Real Estate Capital Partners, L.P. V	07/31/13	12/31/22				75,000,000	51,562,989	0.57%	15,635,816
DJ Real Estate Capital Partners, L.P. VI	02/28/19	01/31/29				50,000,000	28,827,136	0.32%	20,386,999
Oaktree Real Estate Opportunities Fund V	02/01/11	02/01/21				50,000,000	4,713,271	0.05%	25,750,000
Oaktree Real Estate Opportunities Fund VI	09/30/13	09/30/20				80,000,000	32,672,167	0.36%	18,400,000
Oaktree Real Estate Opportunities Fund VII	02/28/15	02/28/23				65,000,000	56,923,691	0.63%	18,720,000
Siguler Guff Distressed Real Estate Opp. Fund	07/30/11	07/30/22				75,000,000	32,797,271	0.36%	5,625,000
Siguler Guff Distressed Real Estate Opp. Fund II	08/31/13	08/31/25				70,000,000	49,356,793	0.55%	8,015,000
Siguler Guff Distressed Real Estate Opp. II Co-Inv	01/31/16	10/31/25				25,000,000	20,197,542	0.22%	4,462,138
Paulson Real Estate Fund II	11/10/13	11/10/20				20,000,000	25,503,076	0.28%	654,377
Angelo Gordon Realty Fund VIII	12/31/11	12/31/18				80,000,000	22,359,154	0.25%	12,334,302
Angelo Gordon Realty Fund IX	10/10/14	10/10/22				65,000,000	63,601,514	0.70%	12,122,500
Outstanding Commitments						830,000,000	490,193,675	5.43%	149,028,279
Total							149,028,279		639,221,954

Outstanding Commitments

149,028,279
639,221,954

PRIVATE CREDIT	Inception Date	Target Termination	# of Extension 2nd 1 YR	Discretion by GP/LP	New Target Termination	Funding Commitment	Market Value	% of Total Asset	Outstanding Commitment
Torchlight Debt Opportunity Fund III	09/30/08	06/30/16				75,000,000	0	0.00%	0
Torchlight Debt Opportunity Fund IV	08/01/12	08/30/20		LP	06/30/18	60,000,000	15,017,276	0.17%	0
Torchlight Debt Opportunity Fund V	12/31/14	09/17/22				75,000,000	45,589,039	0.51%	15,000,000
Angelo Gordon Energy Credit Opportunities	09/10/15	09/10/20				16,500,000	4,292,137	0.05%	2,319,783
CCCERA StepStone	12/01/17	11/30/27				920,000,000	366,028,969	4.06%	579,918,985
Outstanding Commitments						1,274,500,000	430,927,421	4.78%	597,238,768
Total							597,238,768		1,028,166,189

Outstanding Commitments

597,238,768
1,028,166,189

**Private Market Investments
As of September 30, 2019**

PRIVATE EQUITY	Inception Date	Target Termination	# of Extension	Discretion by GP/LP	New Target Termination	Funding Commitment	Market Value	% of Total Asset	Outstanding Commitment
Adams Street Partners	12/22/95	12/22/25				269,565,614	154,479,930	1.71%	27,005,080
Adams Street Secondary II	12/31/08	12/31/20				30,000,000	8,487,962	0.09%	1,635,000
Adams Street Secondary V	10/31/12	10/31/22				40,000,000	20,904,594	0.23%	9,388,100
Adams Street Venture Innovation Fund	03/09/16	03/09/28				75,000,000	51,250,010	0.57%	29,587,500
AE Industrial Partners Fund II	05/18/18	05/18/28				35,000,000	4,471,762	0.05%	29,896,316
Bay Area Equity Fund	06/14/04	12/31/14	2nd 2 YR	LP	12/31/2017	10,000,000	2,407,545	0.03%	0
Bay Area Equity Fund II	2/29/09	12/31/19				10,000,000	12,346,571	0.14%	0
Carpenter Community BancFund	10/31/09	10/31/19				30,000,000	0	0.00%	0
EIF USPF II	06/15/05	06/15/15	3rd 1 YR	LP	06/15/18	50,000,000	6,665,595	0.07%	(1)
EIF USPF III	02/28/07	02/28/17	1st 1 YR	LP	02/28/18	65,000,000	16,736,968	0.19%	0
EIF USPF IV	06/28/10	06/28/20				50,000,000	47,326,520	0.52%	4
Ares EIF V	09/09/15	11/19/25				50,000,000	41,702,913	0.46%	9,566,328
Genstar Capital Partners IX, L.P.	02/21/19					50,000,000	5,190,800		44,328,457
Oaktree Private Investment Fund 2009	02/28/10	12/15/19				40,000,000	6,646,603	0.07%	6,308,961
Ocean Avenue Fund II	05/07/14	05/07/24				30,000,000	29,959,808	0.33%	3,900,000
Ocean Avenue Fund III	12/09/15	12/09/25				50,000,000	54,155,372	0.60%	8,000,000
Paladin III	08/15/08	08/15/18				25,000,000	32,754,167	0.36%	256,983
Pathway	11/09/98	05/31/21				125,000,000	15,379,976	0.17%	10,925,354
Nogales Investment	02/15/04	02/15/14			sold last inv.	15,000,000	0		0
Pathway 2008	12/26/08	12/26/23				30,000,000	18,883,185	0.21%	3,269,542
Pathway 6	05/24/11	05/24/26				40,000,000	34,134,179	0.38%	4,276,924
Pathway 7	02/07/13	02/07/23				70,000,000	66,838,868	0.74%	8,765,254
Pathway 8	11/23/15	11/23/25				50,000,000	43,536,219	0.48%	15,380,736
Siguler Guff CCCERA Opportunities	06/03/14	05/31/25				200,000,000	168,618,039	1.87%	61,224,772
Siguler Guff Secondary Opportunities	12/31/16	12/31/26				50,000,000	175,871	0.00%	49,356,046
Siris Partners IV	05/18/18	05/18/28				35,000,000	10,333,894	0.11%	24,327,036
TPG Healthcare Partners, L.P.	06/28/19					24,000,000	0		24,000,000
Trident VIII, L.P.	05/24/19					40,000,000	0		40,000,000
Real Assets									
Aether III & III Surplus	11/30/13	11/30/20				75,000,000	70,789,411	0.78%	7,607,042
Aether IV	01/01/16	01/01/28				50,000,000	39,406,953	0.44%	16,778,671
Commonfund Capital Natural Resources IX	06/30/13	06/30/20				50,000,000	43,771,673	0.49%	6,675,005
Wastewater Opportunity Fund	12/31/15	11/30/22				25,000,000	17,944,002	0.20%	4,353,023
Outstanding Commitments						1,818,565,614	1,025,299,390	13.02%	446,812,134
Total							446,812,134		
							1,472,111,524		

Market value equals the most recent reported net asset value, plus capital calls after net asset value date, less distributions after net asset value date. The Target Termination column is the beginning of liquidation of the fund, however, some funds may be extended for an additional two or three years.



Meeting Date
11/06/19
Agenda Item
#4

**Contra Costa County Employees' Retirement Association
Liquidity Report – September 2019**

September 2019 Performance

	Cash Flow	Coverage Ratio
Benefit Cash Flow Projected by Model	\$41,500,000	
Liquidity Sub-Portfolio Cash Flow	\$41,500,000	100%
Actual Benefits Paid	\$41,188,537	101%
<i>Next Month's Projected Benefit Payment</i>	\$42,000,000	

Monthly Manager Positioning – September 2019

	Beginning Market Value	Liquidity Program Cash Flow	Market Value Change/Other Activity	Ending Market Value
Sit	\$545,812,356	(\$1,250,000)	(\$1,900,239)	\$542,662,117
DFA	\$515,337,279	(\$14,250,000)	\$665,682	\$501,752,961
Insight	\$1,052,823,818	(\$26,000,000)	\$1,637,714	\$1,028,461,532
Liquidity	\$2,113,973,453	(\$41,500,000)	\$403,157	\$2,072,876,610
Cash	\$103,729,204	\$282,365	(\$7,597,559)	\$96,443,107
Liquidity + Cash	\$2,217,702,657	(\$40,717,635)	\$10,784,803	\$2,169,319,717

Functional Roles

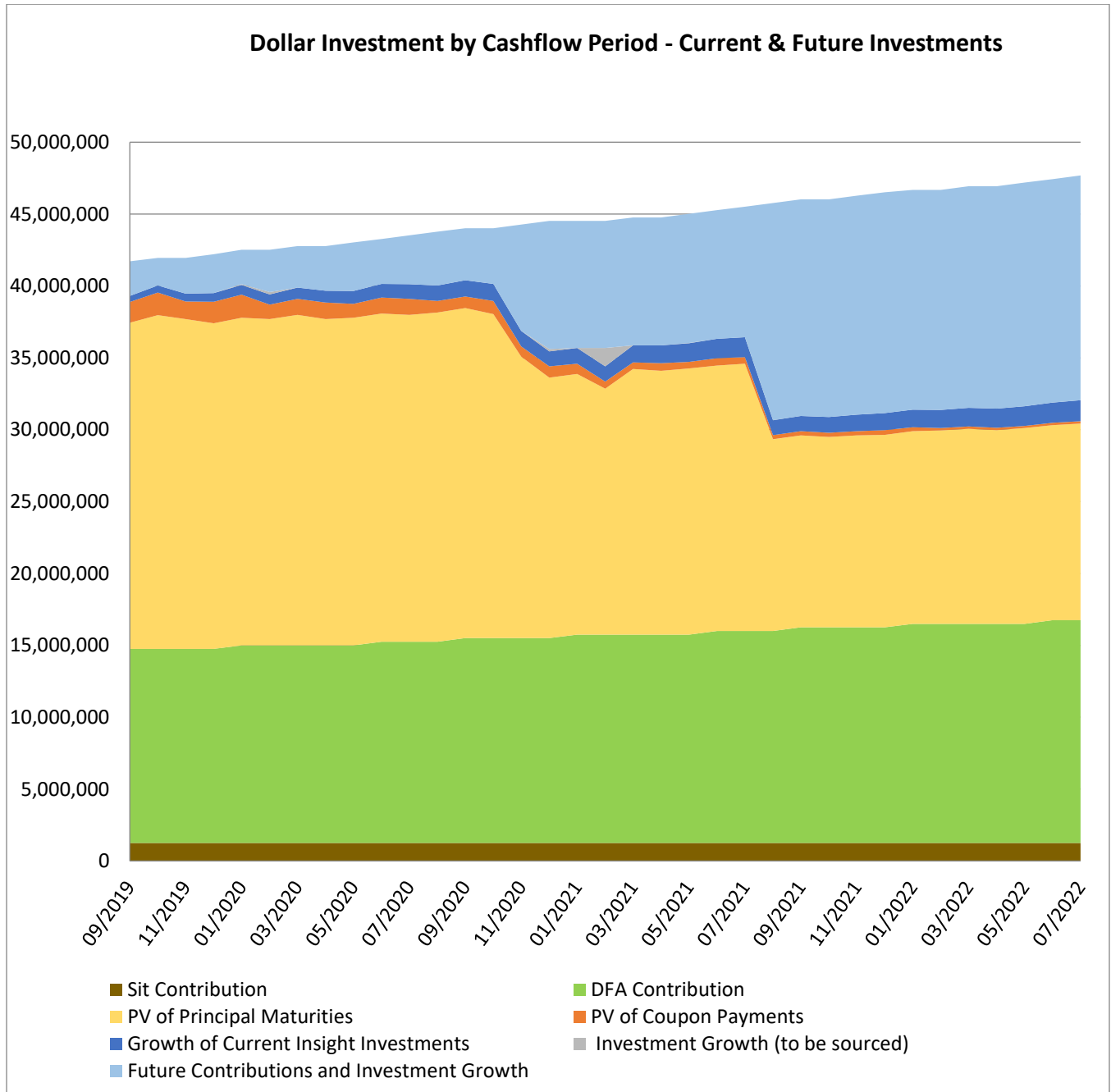
Manager	Portfolio Characteristics	Liquidity Contribution
Sit	High quality portfolio of small balance, government guaranteed mortgages with higher yields.	Pays out net income on monthly basis.
DFA	High quality, short duration portfolio of liquid, low volatility characteristics.	Pays out a pre-determined monthly amount. DFA sources liquidity from across their portfolio.
Insight	Buy and maintain (limited trading) portfolio of high quality, short duration, primarily corporates.	Completion portfolio makes a payment through net income and bond maturities that bridges the gap between other managers and projected payment.
Cash	STIF account at custodial bank.	Buffer in the event of any Liquidity shortfall/excess.

Notes

The ninth cash flow for 2019 from the liquidity program was completed on September 23rd. The actuarial model cash flow was slightly higher than actual experience, producing \$311 thousand more than the actual benefits paid.

Cash Flow Structure

The chart below shows the sources of cash flow for the next several years of CCCERA’s projected benefit payments. This table will change slightly as the model is tweaked and as the portfolios receive new rounds of funding each August as part of the Annual Funding Plan.





<i>Meeting Date</i> 11/06/19 <i>Agenda Item</i> #7

MEMORANDUM

Date: November 6, 2019
To: CCCERA Board of Retirement
From: Gail Strohl, Chief Executive Officer
Subject: Presentation of the Actuarial Audit Report by Cheiron

Background

At the December 12, 2018 meeting, the Board authorized the CEO to execute a contract with Cheiron for Actuarial Auditing Services. Cheiron will be presenting an actuarial audit report of the December 31, 2018 actuarial valuation.

Recommendation

Informational only. No action is necessary.

Meeting Date

11/06/19

Agenda Item

#7



Contra Costa County Employees' Retirement Association

**Audit of the December 31, 2018
Actuarial Valuation**

Produced by Cheiron

October 2019

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Via Electronic Mail

October 29, 2019

Board of Retirement
Contra Costa County Employees' Retirement Association
1200 Concord Avenue, Suite 300
Concord, CA 94520

Members of the Board:

Cheiron is pleased to present the results of our actuarial audit of the December 31, 2018 Actuarial Valuation for Contra Costa County Employees' Retirement Association (CCCERA) performed by Segal Consulting (Segal). We would like to thank Segal for providing us with information and explanations that facilitated the actuarial audit process and ensured that our findings are accurate and benefit CCCERA.

We direct your attention to the executive summary section of our report that highlights the key findings of our review. The balance of the report provides details in support of these findings along with supplemental data, background information, and discussion of the process used in the evaluation of the work performed by Segal.

In preparing our report, we relied on information (some oral and some written) supplied by CCCERA and Segal. This information includes, but is not limited to, actuarial assumptions and methods adopted by CCCERA, the plan provisions, employee data, and financial information.

We performed an informal examination of the obvious characteristics of the data for reasonableness in accordance with Actuarial Standard of Practice No. 23. A detailed description of all information provided for this review is provided in the body of our report.

This report and its contents have been prepared in accordance with generally recognized and accepted actuarial principles and practices and our understanding of the Code of Professional Conduct and applicable Actuarial Standards of Practice set out by the Actuarial Standards Board as well as applicable laws and regulations. Furthermore, as credentialed actuaries, we meet the Qualification Standards of the American Academy of Actuaries to render the opinion contained in this report. This report does not address any contractual or legal issues. We are not attorneys, and our firm does not provide any legal services or advice.

Members of the Board
Contra Costa County Employees' Retirement Association
October 29, 2019
Page ii

This report was prepared exclusively for the Contra Costa County Employees' Retirement Association for the purpose described herein. Other users of this report are not intended users as defined in the Actuarial Standards of Practice, and Cheiron assumes no duty or liability to any other users.

Sincerely,
Cheiron



Anne D. Harper, FSA, MAAA, EA
Principal Consulting Actuary



William R. Hallmark, ASA, FCA, MAAA, EA
Consulting Actuary



Graham A. Schmidt, ASA, FCA, MAAA, EA
Consulting Actuary

**ACTUARIAL AUDIT REPORT OF THE
CONTRA COSTA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION**

SECTION I – EXECUTIVE SUMMARY

Scope of Assignment

Cheiron performed a complete independent replication of the CCCERA December 31, 2018 Actuarial Valuation. We reviewed the census data provided by CCCERA staff, and compared it to the information used by Segal in their valuation. We then performed a full parallel valuation, including the calculation of the projected benefits, Actuarial Liability, and normal cost for all CCCERA members, and compared the results to those shown in Segal's actuarial valuation report.

This audit provides CCCERA confirmation that:

- The results reported by Segal can be relied upon,
- The actuarial methods comply with Actuarial Standards of Practice (ASOP), and
- The communication of the actuarial valuation results is complete and reasonable.

Key Findings and Recommendations

The main findings of our review are as follows:

1. The liabilities and costs computed in the valuation as of December 31, 2018 are materially accurate and were computed in accordance with generally accepted actuarial principles. For the scope of this audit, materiality means the results in the aggregate are within industry standards of plus or minus 5%. Our replication of the measures of plan liabilities and costs is summarized in Table I-1 on the following page. We note that all results are within 5% of Segal's calculation except for the Unfunded Actuarial Liability (UAL) amount and the UAL payment as a percentage of payroll. We are not concerned with these differences as the UAL is leveraged by the assets, and discussed in more detail later in the report.
2. There were differences in the actuarial methodology employed by Segal and Cheiron, but in our professional opinion both are reasonable. Section II of this report discusses these differences in more detail and makes some suggestions for consideration in future valuations.

**ACTUARIAL AUDIT REPORT OF THE
CONTRA COSTA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION**

SECTION I – EXECUTIVE SUMMARY

Table I-1			
Summary of Valuation Results as of December 31, 2018			
(\$ in thousands)			
	Segal	Cheiron	Ratio
Present Value of Future Benefits	\$ 11,428,659	\$ 11,374,530	100%
Actuarial Liability (AL)	\$ 9,682,144	\$ 9,613,769	99%
Valuation Value of Assets (VVA)	<u>8,650,178</u>	<u>8,650,178</u>	100%
Unfunded Actuarial Liability (UAL)	\$ 1,031,966	\$ 963,591	93%
Funded Percentage on VVA basis	89.3%	90.0%	101%
Contribution Rate by Component (AL difference amortized over 18 years)			
Net Employer Normal Cost Rate	15.81%	16.20%	102%
UAL Payment Rate	<u>19.92%</u>	<u>19.01%</u>	95%
Total Employer Contribution	35.73%	35.22%	99%

Our primary recommendations are summarized as follows:

- For the next valuation, we recommend Segal consider whether to modify the timing methodology used in their valuation system, which assumes that benefit payments are paid at the beginning of the month.
- For the next valuation, we recommend Segal modify their methodology for determining the entry age used to calculate the normal cost for active members with reciprocal service with another system.
- We commend Segal for including projections of the outstanding balance of the Unfunded Actuarial Liability (UAL) and UAL payment projections on pages 100-101 of the valuation report. However, we suggest that Segal also include projections of the employer contribution rate and funded status in their report to help the CCCERA Board and stakeholders understand the dynamics of their actuarial funding policies and the impact of the new PEPRAs benefit tiers on the future costs of the system.

**ACTUARIAL AUDIT REPORT OF THE
CONTRA COSTA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION**

SECTION II – REVIEW OF ACTUARIAL VALUATION RESULTS

Valuation Procedures

Overall, we find that the December 31, 2018 actuarial valuation procedures applied in the reporting of the funded status and the determination of the funding requirements based on the current funding policies and adopted assumptions are reasonable and conform to the ASOPs. This conclusion is based on our review of: the valuation report, the census data used in the valuation, and our parallel valuation using the information described above.

Valuation Results

Our independent replication of the December 31, 2018 actuarial valuation found no material difference in calculations of plan liabilities, normal costs, Valuation Value of Assets, and overall contribution rates from the amounts calculated by Segal based on the adopted assumptions and methods. Consequently, we conclude that the valuation prepared by Segal for CCCERA as of December 31, 2018 is reasonable and can be relied on by the Board for its intended purpose.

Present Value of Future Benefits

The comparison of the present value of future benefits calculated by Segal and Cheiron indicates how closely we match the application of the assumptions to the census data in the valuation. To confirm that the match is close across all Cost Groups, a comparison of the Present Value of Benefits for each Cost Group is shown below in Table II-1. We note that all results are within 1% - a very close match and well below the 5% threshold.

Table II-1			
Present Value of Benefits Comparison by Cost Group			
(\$ in thousands)			
	Segal	Cheiron	Ratio
General			
Cost Group 1 - County and Small Districts (Tier 1 and 4)	\$ 1,543,502	\$ 1,536,250	100%
Cost Group 2 - County and Small Districts (Tier 3 and 5)	4,973,687	4,943,123	99%
Cost Group 3 - Central Contra Costa Sanitary District	475,717	472,237	99%
Cost Group 4 - Contra Costa Housing Authority	72,192	71,750	99%
Cost Group 5 - Contra Costa County Fire Protection District	70,104	69,742	99%
Cost Group 6 - Small Districts (Non-Enhanced Tier 1 and 4)	8,308	8,221	99%
Safety			
Cost Group 7 - County (Tier A and D)	\$ 2,079,941	\$ 2,066,027	99%
Cost Group 8 - Contra Costa and East Fire Protection Districts	1,158,333	1,155,683	100%
Cost Group 9 - County (Tier C and E)	219,883	220,714	100%
Cost Group 10 - Moraga-Orinda Fire District	220,587	219,736	100%
Cost Group 11 - San Ramon Valley Fire District	490,599	490,594	100%
Cost Group 12 - Rodeo-Hercules Fire Protection District	51,354	51,380	100%

**ACTUARIAL AUDIT REPORT OF THE
CONTRA COSTA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION**

SECTION II – REVIEW OF ACTUARIAL VALUATION RESULTS

Actuarial Liability

The entry age actuarial cost method attributes the Present Value of Future Benefits between time periods. The portion attributed to periods before the valuation date is the Actuarial Liability and is used as a funding target in developing contribution rates. Cheiron and Segal use slightly different methods for employing the entry age actuarial cost method. For the calculation of the Actuarial Liability in Table II-2 below, we replicated the method used by Segal. See below for a discussion of the differences in methods between Segal and Cheiron. We note that the Actuarial Liability for each cost group is within 1% - a very close match and well below the 5% threshold.

Table II-2			
Actuarial Liability Comparison by Cost Group			
(\$ in thousands)			
	Segal	Cheiron	Ratio
General			
Cost Group 1 - County and Small Districts (Tier 1 and 4)	\$ 1,510,948	\$ 1,503,832	100%
Cost Group 2 - County and Small Districts (Tier 3 and 5)	3,823,773	3,773,381	99%
Cost Group 3 - Central Contra Costa Sanitary District	412,241	410,007	99%
Cost Group 4 - Contra Costa Housing Authority	63,995	63,578	99%
Cost Group 5 - Contra Costa County Fire Protection District	60,758	60,433	99%
Cost Group 6 - Small Districts (Non-Enhanced Tier 1 and 4)	6,694	6,645	99%
Safety			
Cost Group 7 - County (Tier A and D)	\$ 1,940,811	\$ 1,929,374	99%
Cost Group 8 - Contra Costa and East Fire Protection Districts	1,042,856	1,041,210	100%
Cost Group 9 - County (Tier C and E)	75,707	76,741	101%
Cost Group 10 - Moraga-Orinda Fire District	195,310	194,665	100%
Cost Group 11 - San Ramon Valley Fire District	439,542	439,920	100%
Cost Group 12 - Rodeo-Hercules Fire Protection District	45,056	44,977	100%

Normal Costs

The Normal Cost represents the portion of the Present Value of Future Benefits that is attributed to the current year of service. Under the entry age method, it is designed to be a level percent of pay throughout an individual's career. As noted in the Actuarial Liability section, Cheiron and Segal use slightly different methods for employing the entry age actuarial cost method. For the calculation of the Employer Normal Cost in Table II-3 on the next page we replicated the method used by Segal. We note that the Employer Normal Cost for each group is within the 5% threshold except for Tier A for the County, CCCFPD, and East CCCFPD and Tier D for CCCFPD and East CCCFPD.

It is not unusual for there to be differences in the allocation of the total present value of benefits into past and future amounts (the actuarial liability and normal costs, respectively) due to the different valuation systems and minor differences in programming. We are not concerned with

**ACTUARIAL AUDIT REPORT OF THE
CONTRA COSTA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION**

SECTION II – REVIEW OF ACTUARIAL VALUATION RESULTS

these differences if they offset each other (where Cheiron's normal cost rates shown in Table II-3 below are higher than Segal's, but our Actuarial Liabilities in Table II-2 are lower) and when the projected value of benefits match is so close, as it is in our analysis.

Table II-3 Employer Normal Cost Comparison by Benefit Tier			
	Segal	Cheiron	Ratio
General			
County and District Tier 1	15.0%	15.0%	100%
County and District Tier 4 with 3% COLA	11.8%	12.0%	102%
County Tier 4 with 2% COLA	10.7%	10.9%	102%
County and District Tier 3	15.2%	15.5%	102%
County and District Tier 5 with 3%/4% COLA	11.2%	11.6%	104%
County Tier 5 with 2% COLA	10.0%	10.4%	104%
CCCSD Tier 1	16.0%	16.3%	101%
CCCSD Tier 4	11.1%	11.1%	101%
CC Housing Authority Tier 1	16.4%	16.2%	99%
CC Housing Authority Tier 4	12.0%	12.2%	102%
CCCYPD Tier 1	15.2%	15.6%	103%
CCCYPD Tier 4 (3% COLA)	15.2%	15.4%	101%
CCCYPD Tier 4 (2% COLA)	12.3%	12.4%	101%
Non-Enhanced District Tier 1	16.4%	16.3%	99%
Non-Enhanced District Tier 4	12.6%	12.8%	101%
Safety			
County Tier A	29.4%	31.5%	107%
County Tier D	20.0%	20.4%	102%
CCCYPD and East CCCYPD Tier A	28.9%	30.6%	106%
CCCYPD and East CCCYPD Tier D	18.4%	19.6%	107%
CCCYPD Tier E	15.4%	15.9%	103%
County Tier C	24.9%	25.5%	102%
County Tier E	16.7%	17.4%	104%
Moraga-Orinda FD Tier A	27.1%	27.9%	103%
Moraga-Orinda FD Tier D	17.9%	18.2%	102%
San Ramon Tier A	28.6%	29.1%	102%
San Ramon Tier D	16.2%	16.5%	102%
NE Rodeo-Hercules FPD Tier A	22.3%	22.9%	103%
NE Rodeo-Hercules FPD Tier D	16.5%	16.7%	102%

There are two primary differences between Segal's application of the entry age actuarial cost method and Cheiron's. First, for members who are assumed to have a 100% probability of retiring, Cheiron assumes they retire immediately. Under this approach, no normal cost is assigned and the actuarial liability equals the present value of future benefits. Segal, on the other

**ACTUARIAL AUDIT REPORT OF THE
CONTRA COSTA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION**

SECTION II – REVIEW OF ACTUARIAL VALUATION RESULTS

hand, assigns a full year of normal cost, and the actuarial liability combined with that normal cost equals the present value of future benefits. This difference is strictly an allocation between normal cost and actuarial liability, and we believe both approaches are reasonable.

The second difference between Segal and Cheiron is the treatment of members who have reciprocal service from another system. Segal's approach spreads the present value of future benefits over the member's entire service period, including the period of reciprocal service. Cheiron's approach spreads the value of the benefits over the member's service with CCCERA. With Segal's approach, a member has an actuarial liability the moment they are hired if they have reciprocal service. Under Cheiron's approach, there is no actuarial liability for a member at the moment of hire. The liability accrues beginning at hire over the member's career in CCCERA service. As a result, Cheiron's approach produces a higher normal cost for members with reciprocal service and a lower actuarial liability. We believe this approach is required by GASB. However, the difference for funding CCCERA right now is not material. The higher normal cost rate under the Cheiron method is offset by a lower UAL rate resulting in a very similar contribution rate. We suggest that Segal use this approach for members with reciprocal service for the next valuation.

Valuation Value of Assets

Based on the statement of changes in fiduciary net position and related backup information, we independently calculated the Valuation Value of Assets for each cost group. Table II-4 below shows the comparison of Cheiron's calculation to Segal's calculation. We note that the Valuation Value of Assets for each cost group is within 1% - a very close match and well below the 5% threshold.

Table II-4				
Valuation Value of Assets Comparison by Cost Group				
(\$ in thousands)				
	Segal	Cheiron	Difference	Ratio
General				
Cost Groups 1/2 - County and Small Districts (Tier 1, 3, 4 and 5)	\$ 4,858,186	\$ 4,857,314	\$ (872)	100%
Cost Group 3 - Central Contra Costa Sanitary District	338,258	338,275	17	100%
Cost Group 4 - Contra Costa Housing Authority	56,455	56,456	2	100%
Cost Group 5 - Contra Costa County Fire Protection District	50,534	50,539	5	100%
Cost Group 6 - Small Districts (Non-Enhanced Tier 1 and 4)	7,192	7,192	(1)	100%
Safety				
Cost Groups 7/9 - County (Tier A, C, D and E)	1,779,772	1,780,173	402	100%
Cost Group 8 - Contra Costa and East Fire Protection Districts	913,885	914,250	365	100%
Cost Group 10 - Moraga-Orinda Fire District	166,368	166,430	62	100%
Cost Group 11 - San Ramon Valley Fire District	388,827	388,880	53	100%
Cost Group 12 - Rodeo-Hercules Fire Protection District	35,828	35,835	7	100%
Terminated Districts	55,714	55,676	(39)	100%
Total	\$8,651,020	\$8,651,020	\$ 0	100%

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SECTION II – REVIEW OF ACTUARIAL VALUATION RESULTS

While the differences are clearly not material, there are two sources. First, we understand from Segal that approximately \$38,000 in benefit payments reported for the City of Pittsburg are dollar power payments that are not the responsibility of the terminated employer.

Second, there were approximately \$4.3 million in “Other” deductions reported on the statement of changes in net fiduciary position. These items need to be allocated to the assets of the different cost groups. Segal allocated the “Other” deductions using a methodology as if they were benefit payments. However, these deductions were attributable to miscellaneous non-investment expenses (\$2.4 million), legal fees (\$1.1 million), retiree and member adjustments (\$0.6 million), and IT disaster recovery (\$0.1 million). As a result, we thought allocating the “Other” deductions similar to how administrative expenses are allocated was a more reasonable approach. However, the different approaches do not produce materially different results.

Employer Contributions

As part of our review, we have verified the calculations of the employer contribution rates, by Cost Group and by employer.

One challenge in matching the cost calculations is caused by the fact that differences in the Actuarial Liability (AL) are leveraged by the assets, especially in a well-funded system like CCCERA and can result in discrepancies in the UAL payment. For example, we calculated the total Actuarial Liability within 1% of Segal’s AL. Relative to the size of the UAL, this result produces a UAL that is 7% less than Segal’s.

We have computed the UAL payment rate using two different methodologies. For the first methodology (“Method #1”) the UAL payment rate is determined by applying the ratio of our calculated UAL amount to Segal’s UAL amount, both excluding the terminated employer liabilities, to Segal’s UAL payment rate of 19.92%. For the second methodology (“Method #2”), the difference of \$68.4 million in Segal’s actuarial liability compared to Cheiron’s is set-up as a new amortization base using CCCERA’s amortization policy to amortize changes in the UAL over an 18-year period. The base is a credit base since Cheiron’s calculated AL is lower than Segal’s.

Our replication of the employer contribution rates by Cost Group is shown on the next page in Table II-5. We have shown the Cheiron rates based on the two different methodologies described in the paragraph above. The leveraged UAL payment calculated under Method #1 produces employer contribution rates slightly outside of the 5% threshold for Cost Groups 1 and 2. However, Method #2 produces employer contribution rates within 3% of Segal for all Cost Groups. Employer rates by individual rate group are shown in Appendix A under this methodology.

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SECTION II – REVIEW OF ACTUARIAL VALUATION RESULTS

Table II-5 Employer Contribution Rate Comparison by Cost Group					
	Segal	Cheiron Method #1		Cheiron Method #2	
		Rate	Ratio	Rate	Ratio
General					
Cost Group 1 - County and Small Districts (Tier 1 and 4)	31.11%	29.11%	94%	30.25%	97%
Cost Group 2 - County and Small Districts (Tier 3 and 5)	26.42%	24.68%	93%	25.82%	98%
Cost Group 3 - Central Contra Costa Sanitary District	49.86%	48.79%	98%	49.35%	99%
Cost Group 4 - Contra Costa Housing Authority	42.22%	40.44%	96%	41.35%	98%
Cost Group 5 - Contra Costa County Fire Protection District	32.80%	32.26%	98%	32.40%	99%
Cost Group 6 - Small Districts (Non-Enhanced Tier 1 and 4)	15.60%	15.56%	100%	15.56%	100%
Safety					
Cost Group 7 - County (Tier A and D)	70.32%	70.50%	100%	71.51%	102%
Cost Group 8 - Contra Costa and East Fire Protection Districts	69.14%	69.46%	100%	69.87%	101%
Cost Group 9 - County (Tier C and E)	61.10%	59.96%	98%	60.97%	100%
Cost Group 10 - Moraga-Orinda Fire District	70.81%	70.02%	99%	70.36%	99%
Cost Group 11 - San Ramon Valley Fire District	75.79%	76.63%	101%	76.40%	101%
Cost Group 12 - Rodeo-Hercules Fire Protection District	85.28%	84.71%	99%	84.96%	100%

Employee Contribution Rates

As part of the audit, we replicated the calculations of the individual member contribution rates based on the applicable provisions of the County Employees' Retirement Law (the CERL). For Non-PEPRA Cost Groups, we understand the member contribution rates to be made up of the following components:

- A Basic rate providing for an annuity equal to:
 - General Tier 1 and Tier 3 (Non-Enhanced): Entry-age rates that provide for ½ of the 31676.11 benefit payable at 55, or
 - General Tier 1 and Tier 3 (Enhanced): 1/120th of One-Year Final Average Compensation at a retirement age of 60, or
 - Safety Tier A (Non-Enhanced): ½ of the 31664 benefit payable at age 50, or
 - Safety Tier A (Enhanced): 1/100th of One-Year Final Average Compensation at a retirement age of 50, or
 - Safety Tier C (Enhanced): 1/100th of Three-Year Final Average Compensation at a retirement age of 50
- A COLA rate providing for one-half of the cost of the COLA

Pre-PEPRA Safety members with 30 or more years of service are exempt from paying member contributions.

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SECTION II – REVIEW OF ACTUARIAL VALUATION RESULTS

We have verified the calculations of the member contribution rates based on the applicable provisions of the CERL for sample ages and have found these rates to be correct. Our Basic (non-COLA) rates were well within 1% of Segal's rates for General Tiers 1 and 3, and Safety Tiers A and C.

We have verified the calculations of the COLA member rates for all 12 cost groups, and the resulting total member contribution rates are within 5% of Segal's calculations for 11 of the cost groups. The other cost group is within 6% and since that cost group has very few active members we can expect some variation in the results. The total contribution rates – Basic plus COLA – are all within 5%.

The Segal methodology is commonly used by '37 Act systems (determining Basic rates and then applying a COLA load based on each year's valuation results) and appears to meet the requirement that "*Any increases in contribution shall be shared equally between the county or district and the contributing members*" (CERL 31873). However, we have previously shared with Segal's consultants an alternative methodology for determining employee COLA contribution rates, which involves calculating a distinct COLA rate for each individual entry-age, rather than applying a certain percentage load to the Basic rates. This methodology has the advantage of avoiding annual changes to the COLA contribution rates; the COLA rates will only change if there is a modification to the benefit provisions or actuarial assumptions.

For the PEPRA members, the member contributions rates are equal to 50% of the total normal cost rates. Our comparison of the employer normal cost rates is shown in Table III-2 above

We have also calculated a weighted-average member contribution rate for each Cost Group and compared to Segal's average member rates for consistency. The comparison is shown in Table II-6 on the following page and again all results are within 5% of Segal's.

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SECTION II – REVIEW OF ACTUARIAL VALUATION RESULTS

**Table II-6
Average Member Contribution Rate Comparison by Cost Group**

	Segal	Cheiron	Ratio
General			
Cost Group 1 - County and Small Districts (Tier 1 and 4)	10.82%	10.98%	102%
Cost Group 2 - County and Small Districts (Tier 3 and 5)	10.70%	10.91%	102%
Cost Group 3 - Central Contra Costa Sanitary District	11.29%	11.27%	100%
Cost Group 4 - Contra Costa Housing Authority	11.54%	11.72%	102%
Cost Group 5 - Contra Costa County Fire Protection District	11.32%	11.31%	100%
Cost Group 6 - Small Districts (Non-Enhanced Tier 1 and 4)	13.22%	13.36%	101%
Safety			
Cost Group 7 - County (Tier A and D)	17.99%	17.93%	100%
Cost Group 8 - Contra Costa and East Fire Protection Districts	17.25%	17.34%	101%
Cost Group 9 - County (Tier C and E)	16.02%	16.40%	102%
Cost Group 10 - Moraga-Orinda Fire District	17.30%	17.37%	100%
Cost Group 11 - San Ramon Valley Fire District	16.99%	17.21%	101%
Cost Group 12 - Rodeo-Hercules Fire Protection District	13.39%	13.68%	102%

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SECTION II – REVIEW OF ACTUARIAL VALUATION RESULTS

Census Data

The CCCERA Staff and Segal provided us with the data that was used in the December 31, 2018 actuarial valuation. We reviewed the information in both files and find that the data used in the valuation is valid, complete, and contain the necessary data elements for purposes of performing the actuarial valuation of CCCERA.

We also find that the methods and requirements provided in the Actuarial Standard of Practice No. 23 *Data Quality* have been adhered to, to the extent applicable for the valuation of pension plan obligations.

In Table II-7 below, we compare the raw December 31, 2018 data file provided by CCCERA to Segal's processed data file and found only minor differences between the files.

Table II-7			
Summary of Member Data Comparison as of December 31, 2018			
	Segal	Cheiron	Ratio
Active Members			
Total Number	10,021	10,037	100.2%
Average Age	46.2	46.2	100.0%
Average Service	9.9	9.8	98.9%
Projected Compensation	\$896,390,768	\$897,085,767	100.1%
Average Compensation	\$89,451	\$89,378	99.9%
Account Balances	\$1,104,621,126	\$1,103,659,963	99.9%
Service Retirees			
Total Number	7,214	7,173	99.4%
Average Age	70.5	70.6	100.1%
Average Monthly Benefit	\$4,147	\$4,146	100.0%
Disabled Retirees			
Total Number	908	914	100.7%
Average Age	66.3	66.1	99.6%
Average Monthly Benefit	\$4,818	\$4,713	97.8%
Beneficiaries			
Total Number	1,425	1,392	97.7%
Average Age	72.6	73.0	100.6%
Average Monthly Benefit	\$2,645	\$2,618	99.0%
Vested Terminated Members			
Total Number	3,477	3,410	98.1%
Average Age	46.5	46.5	100.0%

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SECTION II – REVIEW OF ACTUARIAL VALUATION RESULTS

Plan Provisions

We compared the summary of plan provisions shown in Section 4, Exhibit III of Segal's December 31, 2018 Valuation Report to the benefits in the County Employees' Retirement Law of 1937 (CERL). In general, the plan provisions shown in Segal's exhibit match what is in the CERL, and based on our close match of the Segal liabilities as part of our parallel valuation, we conclude that Segal has appropriately reflected these provisions in the actuarial valuation.

We have one comment regarding how Segal has coded their valuation system compared to how the Plan is administered. In reviewing information on CCCERA's website and the recent CAFRs, we deduced that since benefit payments are paid at the beginning of the month, the asset value on the valuation date (December 31) includes a liability for "retirement allowances payable" for the December benefit payments. Therefore, the next payments that will be deducted from Plan assets will not occur until approximately one month after the valuation date.

As a result, we would generally code our valuation system to assume that benefit payments will be made at the end of each month. However, we have confirmed with Segal that their valuation system is coded to assume that benefit payments will be paid from plan assets at the beginning of each month, which results in a slightly conservative estimate of the liabilities (by approximately 1/12 of a year of interest, or about 0.58%). If Segal were to adopt an end of month payment assumption, it would lower the employer contribution rates by approximately 0.6% of pay in aggregate.

We also note that in Segal's original draft of the Actuarial Valuation Report dated September 13, 2019, we did not match the calculation of the average employee contribution rate for Cost Group #12 (the Rodeo-Hercules Fire Protection District). Upon further investigation, we determined that the cause of the discrepancy was because Segal was anticipating that the non-enhanced members of this group would continue to make member contributions after reaching 30 years of service.

This did not match our understanding of the CERL provisions governing members under this benefit provision (Section 31664), which states "Contributions shall not be made by safety members having credit for 30 years of continuous service." We brought our concerns to Staff, who researched the issue and found that contributions should in fact cease for these members. CCCERA provided instructions to Segal to revise the valuation results to no longer assume contributions would be made after 30 years of service for these members, at which point our calculations of the average employee rate for this group fell within the desired tolerance level.

ACTUARIAL AUDIT REPORT OF THE
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SECTION III – CONTENTS OF REPORT

Contents of the Reports

We find the actuarial valuation report to be in compliance with Actuarial Standards of Practice.

Projections

We commend Segal for including projections of the outstanding balance of the Unfunded Actuarial Liability (UAL) and UAL payment projections, if all assumptions are met in future years. However, we believe that the report would be significantly improved and more useful to readers if it contained projections of future Employer contributions, employee contributions, Plan assets, and Plan liabilities. At a minimum, these projections should be based on all assumptions being met. A pension fund is a long-term proposition, and focusing the valuation results primarily on what changed from the prior year to the current year is, in our opinion, not reflective of best practices.

Under CCCERA's asset smoothing method there are gains and losses to be realized over the next four years, if the investment returns actually achieve the target 7.00%. Also, the gradual interplay of the new PEPRA Tiers in slowly reducing the normal costs is normally of interest to stakeholders. These dynamics and their impact on the projected contribution rate and funded status are essential to the communication of the valuation results.

The new Actuarial Standard of Practice on risk (ASOP 51) requires that *“the actuary should assess the risks identified... including the potential effects of the identified risks on the plan's future financial condition. The assessment should take into account circumstances specific to the plan (for example, funding policy...)”* (Section 3.3). The methods for assessing risk (Section 3.4) include the scenario testing suggested in the above paragraph.

We note that on page 8 of the valuation Segal states *“A more detailed assessment of the risks tailored to specific interests or concerns of the Board would provide the Board with a better understanding of the inherent risks and is recommended.”* If the projections we recommended be included in the valuation report become part of a risk report, we still maintain that those baseline projections be included in the valuation report. This would enable a reader of the valuation to have complete information about future expectations without having the review a second report.

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**APPENDIX A – COMPARISON OF EMPLOYER RATES BY RATE GROUP
(18 YEAR AMORTIZATION OF UAL DIFFERENCE)**

Employer Contribution Rate Comparison by Rate Group - General			Segal	Cheiron	Ratio
Cost Group 1	Rate Group 1	County General Tier 1 w/ Courts	27.98%	27.11%	97%
Cost Group 1	Rate Group 2	District General Tier 1 w/o POB	37.08%	36.04%	97%
Cost Group 1	Rate Group 3	District General Tier 1 w/ POB (Moraga)	25.93%	24.88%	96%
Cost Group 1	Rate Group 4	District General Tier 1 w/ UAAL PrePmt (First Five)	28.61%	27.77%	97%
Cost Group 1	Rate Group 5	District General Tier 1 w/ UAAL PrePmt (LAFCO)	36.05%	35.02%	97%
Cost Group 1	Rate Group 6	County General Tier 4 (3% COLA) w/Courts	24.79%	24.18%	98%
Cost Group 1	Rate Group 7	District General Tier 4 (3% COLA) w/o POB	33.89%	33.12%	98%
Cost Group 1	Rate Group 8	District General Tier 4 (3% COLA) w/ POB (Moraga)	22.74%	21.96%	97%
Cost Group 1	Rate Group 9	District General Tier 4 (3% COLA) w/ UAAL PrePmt (First Five)	25.42%	24.85%	98%
Cost Group 1	Rate Group 10	District General Tier 4 (3% COLA) w/ UAAL PrePmt (LAFCO)	32.86%	32.09%	98%
Cost Group 1	Rate Group 11	County General Tier 4 (2% COLA) w/ Courts	23.70%	23.07%	97%
Cost Group 2	Rate Group 12	County General Tier 3 w/ Courts	28.21%	27.63%	98%
Cost Group 2	Rate Group 13	District General Tier 3 w/o POB	37.31%	36.57%	98%
Cost Group 2	Rate Group 14	County General Tier 5 (3/4% COLA) w/ Courts	24.18%	23.79%	98%
Cost Group 2	Rate Group 15	District General Tier 5 (3/4% COLA) w/o POB	33.28%	32.72%	98%
Cost Group 2	Rate Group 16	County General Tier 5 (2% COLA) w/ Courts	23.03%	22.54%	98%
Cost Group 3	Rate Group 17	District General Tier 5 (2% COLA) w/o POB	32.13%	31.48%	98%
Cost Group 3	Rate Group 18	CCCSA General Tier 1	50.84%	50.39%	99%
Cost Group 3	Rate Group 19	CCCSA General Tier 4 (3% COLA)	45.87%	45.27%	99%
Cost Group 4	Rate Group 20	Contra Costa Housing Authority General Tier 1	43.43%	42.49%	98%
Cost Group 4	Rate Group 21	Contra Costa Housing Authority General Tier 4 (3% COLA)	38.99%	38.42%	99%
Cost Group 5	Rate Group 22	CCCFPD General Tier 1	33.66%	33.39%	99%
Cost Group 5	Rate Group 23	CCCFPD General Tier 4 (3% COLA)	33.63%	33.19%	99%
Cost Group 5	Rate Group 24	CCCFPD General Tier 4 (2% COLA)	30.80%	30.23%	98%
Cost Group 6	Rate Group 25	Non-Enhanced District General Tier 1	16.58%	16.47%	99%
Cost Group 6	Rate Group 26	Non-Enhanced District General Tier 4 (3% COLA)	12.76%	12.93%	101%
Employer Contribution Rate Comparison by Rate Group - Safety			Segal	Cheiron	Ratio
Cost Group 7	Rate Group 27	County Safety Tier A	70.90%	72.19%	102%
Cost Group 7	Rate Group 28	County Safety Tier D	61.52%	61.12%	99%
Cost Group 8	Rate Group 29	CCCFPD Safety Tier A	67.38%	68.44%	102%
Cost Group 8	Rate Group 30	East CCCFPD Safety Tier A	113.06%	113.68%	101%
Cost Group 8	Rate Group 31	CCCFPD Safety Tier D	56.84%	57.44%	101%
Cost Group 8	Rate Group 32	East CCCFPD Safety Tier D	102.52%	102.68%	100%
Cost Group 8	Rate Group 33	CCCFPD Safety Tier E	53.85%	53.72%	100%
Cost Group 9	Rate Group 34	County Safety Tier C	66.34%	66.20%	100%
Cost Group 9	Rate Group 35	County Safety Tier E	58.22%	58.10%	100%
Cost Group 10	Rate Group 36	Moraga-Orinda FD Safety Tier A	72.57%	72.28%	100%
Cost Group 10	Rate Group 37	Moraga-Orinda FD Safety Tier D	63.39%	62.63%	99%
Cost Group 11	Rate Group 38	San Ramon Safety Tier A	78.23%	78.87%	101%
Cost Group 11	Rate Group 39	San Ramon Safety Tier D	65.82%	66.29%	101%
Cost Group 12	Rate Group 40	NE Rodeo-Hercules FPD Safety Tier A	86.58%	86.38%	100%
Cost Group 12	Rate Group 41	NE Rodeo-Hercules FPD Safety Tier D	80.76%	80.22%	99%

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APPENDIX B – GLOSSARY OF TERMS

1. Actuarial Assumptions

Estimates of future experience with respect to rates of mortality, disability, turnover, retirement, investment income, and salary increases. Demographic assumptions (rates of mortality, disability, turnover, and retirement) are generally based on past experience, often modified for projected changes in conditions. Economic assumptions (salary increases and investment income) consist of an underlying rate in an inflation-free environment plus a provision for a long-term average rate of inflation.

2. Actuarial Gain (Loss)

The difference between actual experience and actuarial assumption anticipated experience during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial funding method.

3. Actuarial Liability

The Actuarial Liability is the present value of all benefits accrued as of the valuation date using the methods and assumptions of the valuation. It is also referred to by some actuaries as the “accrued liability” or “actuarial accrued liability.”

4. Actuarial Present Value

The amount of funds currently required to provide a payment or series of payments in the future. It is determined by discounting future payments at predetermined rates of interest, and by probabilities of payment.

5. Actuarial Value of Assets

The Actuarial Value of Assets equals the Market Value of Assets adjusted according to the smoothing method. The smoothing method is intended to smooth out the short-term volatility of investment returns in order to stabilize contribution rates and the funded status.

6. Actuarial Cost Method

A mathematical budgeting procedure for allocating the dollar amount of the “actuarial present value of future plan benefits” between the actuarial present value of future normal costs and the Actuarial Liability. It is sometimes referred to as the “actuarial funding method.”

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APPENDIX B – GLOSSARY OF TERMS

7. Funded Status

The Actuarial Value of Assets divided by the Actuarial Liability. The funded status can also be calculated using the Market Value of Assets.

8. Governmental Accounting Standards Board

The Governmental Accounting Standards Board (GASB) defines the accounting and financial reporting requirements for governmental entities. GASB Statement No. 67 defines the plan accounting and financial reporting for governmental pension plans, and GASB Statement No. 68 defines the employer accounting and financial reporting for participating in a governmental pension plan.

9. Market Value of Assets

The fair value of the Plan's assets assuming that all holdings are liquidated on the measurement date.

10. Normal Cost

The annual cost assigned, under the actuarial funding method, to current and subsequent plan years. It is sometimes referred to as "current service cost." Any payment toward the Unfunded Actuarial Liability is not part of the normal cost.

11. Present Value of Projected Benefits

The estimated amount of assets needed today to pay for all benefits promised in the future to current members of the Plan, assuming all actuarial assumptions are met.

12. Present Value of Future Normal Costs

The actuarial present value of retirement association benefits allocated to future years of service.

13. Unfunded Actuarial Liability (UAL)

The difference between the Actuarial Liability and the Actuarial Value of Assets. This is sometimes referred to as the "unfunded accrued liability."



Classic Values, Innovative Advice



<i>Meeting Date</i> 11/06/19 <i>Agenda Item</i> #8

MEMORANDUM

Date: November 6, 2019
To: CCCERA Board of Retirement
From: Karen Levy, General Counsel
Subject: State Association of County Retirement Systems 2019 Legislative Proposals

Background

The State Association of County Retirement Systems (SACRS) Legislative Committee is recommending two legislative proposals for SACRS sponsorship for 2019. The proposals will be voted on by the SACRS member systems at the Business Meeting of the SACRS Fall Conference, Friday, November 15, 2019. SACRS member systems may vote to support, oppose, or take no position on the legislative proposals. SACRS has advised that it has already filed a “shell” bill, SB 783, which can be amended in January 2020 to include the legislative proposals for consideration during the 2020 legislative session.

SACRS Legislative Proposals

On October 14, 2019, CCCERA received the legislative proposals to be considered for SACRS sponsorship in 2019. A copy is enclosed. The proposals are as follows:

- I. SACRS Omnibus Bill SB 783 – this proposal contains a number of legislative changes that range from clean up to more substantive changes:
 - a. Clean up legislation:
 - i. Removal of incorrect cross references in the County Employees Retirement Law of 1937 (CERL), Government Code Sections 31465, 31627.1, 31627.2, 31631.5, 31641.45. (Leg. Proposal, Page 1-2.)
 - ii. Clarification of age requirement for PEPRA members in 31835.1. (Leg. Proposal, Page 3.)

- iii. Streamlining of military service credit provisions and align state law with federal law, specifically, the Uniformed Services Employment and Reemployment Act of 1994 (USERRA). (Leg. Proposal, Pages 4-5.)
 - iv. Clarification of age requirement for survivor benefits to be paid up to a child's 22nd birthday. Currently, the wording of the statutes is: "through the age of 21." The proposed wording is: "up to the 22nd birthday of the children." The proposed change would amend the following CERL sections: 31760.1, 31760.2, 31765, 31765.1, 31781.1, 31781.2, 31785, 31785.1, 31786, 31786.1, 31787, and 31787.5. (Leg. Proposal, Page 8.)
- b. Substantive changes:
- i. Employer Liabilities. Currently, applicable law authorizes the retirement boards to exercise plenary authority when it comes to the actuarial soundness of the system, including the authority to collect contributions. The proposal would specify that it is within the board's plenary authority to recommend adjustments to county and district contributions as necessary to ensure the appropriate funding of the system. It would add a reference affirming the ruling in *Mijares v. Orange County Employees Retirement System* (2019) 32 Cal.App.5th 316 which held as such. (Leg. Proposal, Page 2.)
 - ii. Service Credit Purchases For Parental Leave. Currently, the CERL allows service credit purchases for uncompensated leave of absence due to an illness. The proposal would add the authority for counties to allow the purchase of service credit for parental leave. The proposal would amend Government Code Section 31646. (Leg. Proposal, Page 4.)
 - iii. Board Approval of Service Retirements/Delegation to Staff. Currently, the CERL provides that service retirements "shall be made by the board." (Sections 31670 and 31662.2.) The proposal would add the authority for the board to delegate to the retirement administrator or other personnel the power to retire members and require staff to report service retirements to the board at the next public meeting of the board. (Leg. Proposal, Pages 5-6.)

- iv. 60-Day Retirement Application Window; Provides Option For Longer Period. Currently, the CERL prohibits members from submitting applications more than 60 days before retirement. (Section 31672.) The proposal would keep the 60-day window for filing a retirement application as the default, but also allow each system to set an application window based on its business needs and ability. (Leg. Proposal, Pages 6-8.)
 - v. Reinstatement to Prior Benefit Level. Currently, the CERL does not address the reinstatement of a retiree pursuant to an administrative or judicial proceeding. The proposal would set forth that a member who retired following an involuntary termination of their employment, and who is subsequently reinstated to that employment pursuant to a final administrative or judicial proceeding, must be reinstated into their prior membership tier. The member would be required to repay the retirement allowance received by them. (Leg. Proposal, Pages 6-7.)
 - vi. Minimum Age Distributions; Timing and Lump-Sum Options. Currently, for members who have terminated employment and are in deferred status (i.e., they have chosen to leave their accrued contributions and interest with CCCERA), if the members reach the age of 70 ½ without taking a refund or a retirement, CCCERA is required to begin paying the members a mandatory distribution allowance. (Section 31706.) The legislative proposal would add the flexibility for the retirement system to pay a lump sum distribution instead of an allowance. The legislative committee has explained that this is to address situations in which a deferred member who may have worked many years ago may have a small amount of contributions on file, and it becomes cumbersome and inefficient to provide an annual pension on what may amount to a few dollars, instead of providing a lump sum distribution. (Leg. Proposal, pages 7-8.)
- II. Proposal from the Los Angeles County Employees Retirement Association (LACERA) regarding nonservice-connected disability retirement and intemperate use of alcoholic liquor or drugs:

Currently, the CERL limits a member's nonservice-connected disability retirement allowance to an annuity that is the actuarial equivalent of their accumulated contributions if the member's disability is due to intemperate (i.e., excessive) use of alcoholic liquor or drugs, willful misconduct, or violation of law on the member's part. (Sections 31726 and 31726.5.) LACERA proposes to remove that limitation to provide the member with a higher benefit. LACERA has provided the following explanation:

Views on alcohol and drug use have evolved from a legal and moral perspective to a medical, scientific, and public health perspective—from temperance and prohibition to treatment, recovery, and counseling. The public policy underlying the limitation on nonservice connected disability retirement allowances due to intemperate use of alcoholic liquor or drugs may no longer reflect contemporary views of alcohol and drug use. If alcohol and drug use were viewed from a disease perspective rather than a moral failure, the benefit limitation as a consequence would be financially punitive and discriminatory for members.

LACERA has noted that its proposed legislation would be a substantive change to the benefit structure of a nonservice-connected disability retirement allowance, and therefore, other SACRS systems may not be amenable to this proposal.

Recommendation

Consider and take possible action to direct the CCCERA Board voting delegate to vote to support, oppose, or take no position on the two legislative proposals at the November 2019 SACRS Conference.

LEGISLATIVE PROPOSAL I

SACRS Omnibus Bill SB 783



2020 CERL Clean-Up/Omnibus Bill

August 28, 2019

Dear SACRS Board of Directors:

At its August 16, 2019 meeting, the Legislative Committee approved bill language for a CERL Omnibus Bill and recommended approval by the SACRS Board of Directors.

A “shell” bill – SB 783 – has been filed on behalf of SACRS by the Senate Committee on Labor, Public Employment and Retirement. If approved by the SACRS membership at the Fall Conference, SB 783 can be amended in January 2020 for consideration during the 2020 legislative session.

The enclosed language reflects the work of Legislative Committee members, in collaboration with system administrators, over the past six months to develop non-controversial, technical, and clarifying amendments to the CERL. The proposed amendments will help the 1937 Act systems administer benefits in accordance with changes in federal law and recent appellate court rulings, provide more flexibility to Retirement Boards, and add parity to the CERL by aligning certain statutes with CalPERS and CalSTRS laws. Specifically, the amendments:

- Consolidate the military service-credit statutes to better conform to federal law and ensure members who are called to duty are made whole for their time away.
- Affirm the recent *Mijares v. OCERS* appellate case regarding an employer’s liability and obligation to make contributions for pension benefits.
- Allow counties to authorize members to purchase parental leave service credit, aligning with CalPERS and CalSTRS statutes and evolving law about family leave.
- Clarify existing law regarding which benefit tier a member rejoins when reinstated to active service after an involuntary separation is overturned.
- Allow Boards to delegate to staff the authority to finalize retirement applications and put retirees on payroll, in compliance with the *Wilmot vs CCCERA* ruling.
- Provide flexibility to Retirement Boards to accept retirement applications earlier than the current 60-day limit.
- Allow for the lump-sum distribution of contributions when a member reaches mandatory distribution age instead of requiring a pension benefit that may be only a few dollars.
- Update incorrect statutory references, and make other technical changes.

The bill language and a summary matrix are enclosed.

Respectfully,

Dave Nelsen and Eric Stern
Legislative Committee Co-Chairs

Amendments to SB 783

VERSION 5

As Adopted by SACRS Legislative Committee
August 16, 2019

Additional Member Contributions; Removes Incorrect Cross Reference

Amend Section 31465:

“Additional contributions” means contributions made by members in addition to normal contributions under ~~Sections 31504 and~~ Section 31627.

Additional Member Contributions; Removes Incorrect Cross Reference

Amend Section 31627.1:

A member who has additional contributions under Section 31627 of the Government Code, ~~or under Section 31504 of the Government Code,~~ Code may, within 30 days prior to retirement, elect in writing to have all or any part of ~~his~~ the member's accumulated additional contributions returned to ~~him~~. the member. The portion returned shall not be included in the calculation of the member's annuity.

Additional Member Contributions; Removes Incorrect Cross Reference

Amend Section 31627.2:

In any county in which the provisions of Section 31676.1 apply, any member who has additional contributions under ~~Section 31504 of the Government Code, or under Section~~ 31627 of the Government Code, Code may elect in writing to have all or any part of ~~his~~ the member's accumulated additional contributions returned to ~~him~~. the member. The portion returned shall not be included in the calculation of the member's annuity. The board may order payment in whole or in part withheld for a period not to exceed 90 days after receipt of such written election.

Amend Section 31631.5:

Member Contributions; Removes Incorrect Cross Reference

(a) (1) Notwithstanding any other provision of this chapter, a board of supervisors or the governing body of a district may require that members pay 50 percent of the normal cost of benefits. However, that contribution shall be no more than 14 percent above the

applicable normal rate of contribution of members established pursuant to this article for local general members, no more than 33 percent above the applicable normal rate of contribution of members established pursuant to Article 6.8 (commencing with Section ~~21639~~ **31639**) for local police officers, local firefighters, county peace officers, and no more than 37 percent above the applicable normal rate of contribution of members established pursuant to Article 6.8 (commencing with Section 31639) for all local safety members other than police officers, firefighters, and county peace officers.

(2) Before implementing any change pursuant to this subdivision for any represented employees, the public employer shall complete the good faith bargaining process as required by law, including any impasse procedures requiring mediation and factfinding. This subdivision shall become operative on January 1, 2018. This subdivision shall not apply to any bargaining unit when the members of that unit are paying at least 50 percent of the normal cost of their pension benefit or are subject to an agreement reached pursuant to paragraph (1). Applicable normal rate of contribution of members means the statutorily authorized rate applicable to the member group as the statutes read on December 31, 2012.

(b) Nothing in this section shall modify a board of supervisors' or the governing body of a district's authority under law as it existed on December 31, 2012, including any restrictions on that authority, to change the amount of member contributions.

Employer Liabilities; Affirming the Mijares vs OCERS Ruling

Amend Section 31453:

(a) An actuarial valuation shall be made within one year after the date on which any system established under this chapter becomes effective, and thereafter at intervals not to exceed three years. The valuation shall be conducted under the supervision of an actuary and shall cover the mortality, service, and compensation experience of the members and beneficiaries, and shall evaluate the assets and liabilities of the retirement fund. Upon the basis of the investigation, valuation, and recommendation of the actuary, the board shall, at least 45 days prior to the beginning of the succeeding fiscal year, recommend to the board of supervisors the changes in the rates of interest, in the rates of contributions of members, and in county and district appropriations as are necessary. With respect to the rates of interest to be credited to members and to the county or district, the board may, in its sound discretion, recommend a rate which is higher or lower than the interest assumption rate established by the actuarial survey. No adjustment shall be included in the new rates for time prior to the effective date of the revision. (b)(1) Upon the basis of the investigation, valuation, and recommendation of the actuary, the board shall, at least 45 days prior to the beginning of the succeeding fiscal year, recommend to the governing body of a district within the county system that is not governed by the board of supervisors the changes in the rates of contributions of district members and in district appropriations as are necessary. (2) This subdivision shall not be operative in any county until the board of supervisors, by resolution adopted by majority vote, makes the provisions applicable in that county.

(c) The legislature affirms the ruling of *Mijares v. Orange County Employees Retirement System* (2019) 32 Cal.App.5th 316 with respect to the board's plenary authority to recommend adjustments to county and district contributions as necessary to ensure the appropriate funding of the system, and with respect to the mandate of Section 31454 that the county and districts adjust the rates of contributions of members and appropriations in accordance with the board's recommendations. Under all circumstances, the county and districts shall each remain liable to the retirement system for their respective share of any unfunded actuarial liability of the system, as determined by the board.

Member Refunds; Removes Incorrect Cross Reference

Amend Section 31641.45:

Whenever a member is entitled to redeposit funds previously withdrawn from a retirement system and thereby becomes eligible to receive a pension or retirement allowance for the service for which he was granted public service credit as authorized in Section 31641.1, regardless of whether or not the member elects to exercise such entitlement, the member shall be refunded the amount deposited by him in accordance with Section 31641.2 plus interest which has been credited to such amount and shall receive no credit in the system for such service.

This section applies only to a member who would be eligible to receive the benefit of Section 31835 or ~~20023.4~~**20638** on making the redeposit.

Concurrent Retirement; Clarifies Age Requirement for PEPPRA members

Amend Section 31835.1 to read:

Notwithstanding the provisions of Sections 31835 and 31836, a member of a retirement system established under this chapter who is eligible to retire at age 50 pursuant to Section 31672 **or Section 7522.25, or at age 52 pursuant to Section 7522.20**, or who is required to retire because of age while a member of the Public Employees' Retirement System, a retirement system established under this chapter in another county, the State Teachers' Retirement System, or a retirement system of any other public agency of the state that has established reciprocity with the Public Employees' Retirement System subject to the conditions of Section 31840.2, but who cannot retire concurrently from the Public Employees' Retirement System, a retirement system established under this chapter in another county, the State Teachers' Retirement System, or a retirement system of any other public agency of the state that has established reciprocity with the Public Employees' Retirement System subject to the conditions of Section 31840.2, shall be entitled to have his final compensation and service determined under Sections 31835 and 31836 as if he had retired concurrently under such other system.

Service Credit Purchases for Parental Leave

Amend 31646:

- (a) A member who returns to active service following an uncompensated leave of absence on account of illness may receive service credit for the period of such absence upon the payment of the contributions that the member would have paid during such period, together with the interest that such contributions would have earned had they been on deposit, if the member was not absent. The contributions may be paid in a lump sum or may be paid on a monthly basis for a period of not more than the length of the period for which service credit is claimed. Credit may not be received for any period of such absence in excess of 12 consecutive months.
- (b) (1) A member who returns to active service following an uncompensated leave of absence on account of parental leave, may receive service credit for the period of such absence upon the payment of the contributions that the member and the employer would have paid during such period, together with the interest that such contributions would have earned had they been on deposit, if the member was not absent. For purposes of this subsection, parental leave is defined as any time, up to one year, during which a member is granted an approved maternity or paternity leave and returns to employment at the end of the approved leave for a period of time at least equal to that leave. The contributions may be paid in a lump sum or may be paid on a monthly basis for a period of not more than the length of the period for which service credit is claimed. Credit may not be received for any period of such absence in excess of 12 consecutive months.**
- (2) This subsection shall not be operative until the board of supervisors, by resolution adopted by majority vote, makes the provisions applicable to that county, and applies to parental leave that commences after the adoption by the board of supervisors.**

Military Leave; Streamlines Military Service Credit Provisions

Government Code section 31649 should be amended to read:

- ~~(a) Any member who resigns to enter and does enter the Armed Forces of the United States on a voluntary or involuntary basis, and within 90 days after the termination of that service under honorable conditions, reenters county service, or~~
- ~~(b) Any member who obtains a leave of absence to enter and does enter the Armed Forces of the United States on a voluntary or involuntary basis, and within one year after the termination under honorable conditions of~~

~~leave of absence reenters county service, if he or she has not contributed to the retirement fund the total percentage of his or her compensation earnable due pursuant to Section 31461 or pensionable compensation as defined in Section 7522.34, whichever is applicable, due under this chapter for the entire period during which he or she was out of county service and in military service, may, not more than 90 days after his or her reentrance into county service, file with the board his or her election that no further contributions be deducted from his or her compensation except contributions due because of current service.~~

~~(c) A member who reenters county service under either (a) or (b) above may be allowed up to five years credit for vesting in the system~~

(a) This chapter shall comply with the Uniformed Services Employment and Reemployment Act of 1994 (USERRA) (38 U.S.C. § 4301 et. seq.) as amended from time to time. Any member who was absent from county or district employment for military service and is eligible for reemployment benefits pursuant to USERRA, may, as provided in USERRA, make contributions and receive service credit for the time absent.

(b) Any member who does not qualify for reemployment benefits under (a) due to the length of the military service and who returns to county or district employment within one year of being honorably discharged from the Armed Forces of the United States, shall receive credit for service for all or any part of his or her military service, if, before retirement from the county or district, he or she contributes what he or she would have paid to the fund based on his or her compensation earnable as defined by section 31461 or pensionable compensation as defined in section 7522.34, whichever is applicable, at the time of the beginning of the absence together with regular interest thereon.

(c) Nothing in this section shall affect any arrangement to pay contributions pursuant to section 31653.

Sections 31649.5, 31649.6, 31650, and 31651 should be repealed.

Board Approval/Notification of Retirement Applications; Delegation to Staff

Amend Section 31670:

(a) Retirement of a member who has met the requirements for age and service shall be made by the board pursuant to this article or pursuant to the California Public Employees' Pension Reform Act of 2013, whichever is applicable.

(b) The board may authorize the administrator or other personnel to exercise the board's power and perform its duty to retire members under this section. The administrator or other personnel shall report service

retirements to the board at the next public meeting of the board after the retirement.

Amend Section 31662.2:

- (a) Retirement of a safety member in a county subject to the provisions of 31676.1, or of Section 31695.1, if applicable, who has met the requirements for age and service shall be made by the board pursuant to this article or pursuant to the California Public Employees' Pension Reform Act of 2013, whichever is applicable.
- (b) **The board may authorize the administrator or other personnel to exercise the board's power and perform its duty to retire members under this section. The administrator or other personnel shall report service retirements to the board at the next public meeting of the board after the retirement.**

60-Day Application Window; Provides Option for Longer Period

Amend Sections 31672, 31672.1, 31672.2, 31672.3 et al:

...may be retired upon filing with the board a written application, setting forth the date upon which he or she desires his or her retirement to become effective ~~not earlier than the date the application is filed with the board and not more than 60 days after the date of filing the application.~~ **That effective retirement date shall not be:**

- (a) **earlier than the date the application is filed with the board, and**
- (b) **more than 60 days after the date of filing the application, or such number of days as approved by the Board.**

Reinstatement to Prior Benefit Level

Add Section 31680.10:

- (a) **A person who has been retired under this chapter for service following an involuntary termination of his or her employment, and who is subsequently reinstated to that employment pursuant to an administrative or judicial proceeding that is final and not subject to appeal, shall be reinstated from retirement as if there were no intervening period of retirement. Except as provided in subdivision (b), the requirements of Sections 31680.4, 31680.5, and 31680.7 shall not apply to that reinstatement.**
- (b) **The allowance received by the person during retirement shall be repaid by him or her to the retirement system from which he or she retired in accordance with the retirement system's repayment policy. Contributions shall be made for any period for which salary is awarded in the administrative or judicial proceedings in the amount that would have contributed had the member's employment not been terminated, and he or**

she shall receive credit for the period for which salary is awarded. If the person fails to repay the allowance received during retirement, then his or her contributions and allowance upon retirement subsequent to reinstatement shall be calculated under Sections 31680.5 or 31680.7, as applicable.

- (c) **As used in this section, “administrative proceeding” means the process for appeal of an involuntary termination established by county or district ordinance or charter.**
- (d) **This section shall only apply to persons reinstated to such employment by final action on or after the effective date of this section pursuant to an administrative or judicial proceeding.**

Minimum Age Distributions; Timing and Lump-Sum Option

Amend Section 31706:

Any member who has left county service and has elected to leave accumulated contributions in the retirement fund or who is deemed to have elected a deferred retirement pursuant to subdivision (b) of Section 31700 and has attained age 70 but has not yet applied for a deferred retirement allowance and who is not a reciprocal member of a retirement system established pursuant to this chapter or the Public Employees' Retirement Law shall be notified in writing by the treasurer, or other entity authorized by the board, that the member is eligible to apply for and shall begin receiving **either**; a deferred retirement allowance by April 1 of the year following the year in which the member attains age 70 ½, **or, a one-time distribution of all accumulated contributions and interest.** The notification shall be made at the time the deferred member attains age 70 and shall be sent by certified mail to the member's last known address, or to the member's last known employer, as shown by the records of the retirement system. If the member can be located but does not make proper application for a deferred retirement allowance with retirement to be effective by April 1 of the year **following the year** in which the member attains age 70 ½, the retirement system shall commence paying **either** an unmodified allowance to the member **if the member was eligible to begin receiving a deferred retirement allowance under the provisions of 31485.22, or, a one-time distribution of all accumulated contributions and interest if the member is otherwise ineligible for a deferred retirement allowance.** If the member cannot be located by April 1 of the year following the year in which the member attains age 70 ½, all of the member's accumulated contributions and interest thereon shall be deposited in, and become a part of, the current pension reserve fund of the retirement system. The board may at any time after transfer of proceeds to the reserve fund upon receipt of proper information satisfactory to it, redeposit the proceeds to the credit of the claimant, to be administered in the manner provided under this law. This section shall not apply to a member while the member is actively employed past mandatory retirement age in a retirement system established under the provisions of this chapter or the Public Employees' Retirement Law.

Optional Retirement Allowances and Survivor Benefits; Clarifies Age for Children

Amend sections 31760.1, 31760.2, 31765, 31765.1, 31781.1, 31781.2, 31785, 31785.1, 31786, 31786.1, 31787, and 31787.5:

...Notwithstanding any other provisions of this section, the benefits otherwise payable to the children of the member shall be paid to ~~such children through the age of 21~~**those children up to the 22nd birthday of the children** if such children remain unmarried and are regularly enrolled as full-time students in and accredited school as determined by the board.

And, amend section 31855.3 (c) to read:

(c) ~~Between 18 and 22 years of age,~~ **Over age 18 but under age 22,** and enrolled as a full-time student in an accredited school, as determined by the board.

SB 783 -- 1937 Act Omnibus Bill

Gov Code	Topic	Issue/Justification
31465	Additional member contributions	Removes incorrect reference to GC 31504, which was repealed
31627.1	Additional member contributions, refunds	Removes incorrect cross reference to GC 31504; adds gender neutral language
31627.2	Additional member contributions, refunds	Removes incorrect cross reference to GC 31504; adds gender neutral language
31631.5	Member contributions, normal cost-sharing	Fixes incorrect cross reference to GC 31639 (currently 21639)
31453	Withdrawn Employer Liabilities	Affirms <i>Mijares vs. OCERS</i> ruling to emphasize Board's authority to set contributions for employers (even if they no longer have active members) to ensure sustainability of the fund.
31641.45	Refunds	Removes incorrect cross reference to 20023.1, which was repealed in 1995.
31646	Service Purchase for Uncompensated Illness	Allows members to purchase parental leave time, similar to CalPERS (GC 21013) and CalSTRS (EC 22803). Current statute does not permit purchases for unpaid absences other than for illness. This amendment adds parity for county retirement systems in an area of law and practice that has been evolving regarding parental leave. Unlike current statute that requires only member contributions for service purchases related to unpaid medical leave, this amendment requires the member to pay ALL contributions (employee and employer). This provision also require BOS approval, and applies prospectively to future parental leave to ensure compliance with PEPRAs ban on retroactive benefit increases.
31649 31649.5, 31649.5, 31649.6, 31650, and 31651	Military Leave	Consolidates military service credit statutes to conform to federal laws to ensure members who have been called to duty and return to work can be made whole for retirement purposes due to their leave of absence. These amendments do not contain policy changes, but add clarity and remove potential conflict with federal law regarding the treatment of military service purchases.

31662.2 31670	Board Approval of Retirements	Delegates authority to the system administrator or other personnel to accept and process service retirement applications, approve effective retirement dates, and pay members, and directs staff to notify Board at the next public meeting. The recent Willmot v. CCCERA appellate ruling raised a question as to when a member officially retires. The court, citing section 31670, held that a member was not retired until the Board formally approved the member's retirement application. There are various approaches that retirement boards currently use to approve, ratify, or review service retirement applications. By formally delegating the authority to staff to process service retirements, current practices can be codified to comply with section 31670 to ensure members can be paid in a timely manner.
31672, 31672.1, 31672.2, 31672.3	60-Day Advance Application Window	Allows each system to set an application window based on business needs/ability. Statute currently prohibits members from submitting applications more than 60 days before retirement, which will remain the default unless proactively changed by the Board. The 60-day rule is arbitrary and likely reflected the constraints on a manual processes. Technology solutions today can accommodate applications filed earlier, which can help facilitate retirement planning for the individual and succession planning for the employer.
31680	Reinstatement from Retirement	Reinstates to prior status members who had involuntarily termination overturned by administrative or judicial proceeding. This amendment clarifies what Tier the member should return to, if the member was separated from service during the appeal that may have stretched for long periods. Similar to CalPERS (GC 21198)
31706	Minimum Age Distribution	Conforms to IRC regulations the timing of notice for mandatory distribution by clarifying that member deadline to retire/take action is April 1 of year following the year in which the member attains age 70 ½. Adds language for flexibility for lump sum distribution of contributions instead of an "allowance." There are frequent situations in which a deferred member who worked for the county many years ago may have a small amount of member contributions on file. It is cumbersome and inefficient to provide an annual pension on what may amount to a few dollars, instead of providing a lump sum distribution.

<p>31760.1, 31760.2, 31765, 31765.1, 31781.1, 31782.2, 31785, 31785.1, 31787, 31787.5, 31853.3</p>	<p>Optional Retirement Allowances and Death Benefits: Age 21</p>	<p>Amends CERL sections to clarify survivor benefit are to be paid up to the child's 22nd birthday as long as the child remains unmarried and enrolled full time. CERL provides for a benefit to be paid to a child over the age of 18 who is regularly enrolled as a full-time student in an accredited school. The benefit is to be paid "through the age of 21." "Through the age of 21" could mean up to the date that the child turns 21 because as of that date the child is 21 plus one day. On the other hand, it could mean up to the child's 22nd birthday. This amendment reflects the majority interpretation and practice.</p>
<p>31835.1</p>	<p>Concurrent Retirement: PEPRAs members</p>	<p>Adds clarifying language regarding early retirement for PEPRAs members who also have legacy status in another system. This section deals with concurrent retirement for reciprocal members who can retire in one system at age 50 but aren't eligible to retire in the reciprocal system until after age 50, and ensures reciprocity is maintained if they retire in the earlier eligible system. There could be a situation where a member is a Legacy member in the first system, and leaves for more than 180 days and enters the second system as a PEPRAs member. If the Legacy system has not passed a resolution to lower age 55 to age 50, then the member could be subject to an age 55 requirement in one system, and an age 50 or 52 requirement in the other system. This amendment adds PEPRAs reference to age 52.</p>

LEGISLATIVE PROPOSAL II

LACERA's Proposal

#1

COMPLETE

Collector: Web Link 1 (Web Link)
Started: Wednesday, September 04, 2019 4:23:53 PM
Last Modified: Wednesday, September 04, 2019 4:49:26 PM
Time Spent: 00:25:33
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Page 1

Q1 Title of Issue:

Nonservice-connected Disability Retirement and Intemperate Use of Alcoholic Liquor or Drugs

Q2 Retirement Association/System:

Los Angeles County Employees Retirement Association

Q3 Contact Person:

Barry Lew, Legislative Affairs Officer

Q4 Contact e-mail:

blew@lacara.com

Q5 Contact Phone #:

626-564-2370

Q6 Description of issue:

Government Code Sections 31726 and 31726.5 were added to CERL in 1937 and 1951, respectively. These sections limit a member's nonservice-connected disability retirement allowance to an annuity that is the actuarial equivalent of his accumulated contributions if the member's disability is due to intemperate use of alcoholic liquor or drugs, willful misconduct, or violation of law on the member's part. In the successive decades since 1937 and 1951, views on alcohol and drug use have evolved from a legal and moral perspective to a medical, scientific, and public health perspective—from temperance and prohibition to treatment, recovery, and counseling. The public policy underlying the limitation on nonservice-connected disability retirement allowances due to intemperate use of alcoholic liquor or drugs may no longer reflect contemporary views of alcohol and drug use. If alcohol and drug use were viewed from a disease perspective rather than a moral failure, the benefit limitation as a consequence would be financially punitive and discriminatory for members.

Q7 Recommended solution:

Amend the CERL sections related to nonservice-connected disability retirement to remove the element related to intemperate use of alcoholic liquor or drugs.

Q8 Specific language that you would like changed in, or added to, '37 Act Law, and suggested code section numbers:

Section 31726: Upon retirement for nonservice-connected disability a member who has attained age 65 shall receive his or her service retirement allowance. Every member under age 65 who is retired for nonservice-connected disability and who is not simultaneously retired as a member on deferred retirement of the State Public Employees' Retirement System or a retirement system established under this chapter in another county shall receive a disability retirement allowance which shall be the greater of the following: (a) The sum to which he or she would be entitled as service retirement. (b) A sum which shall consist of any of the following: (1) An annuity which is the actuarial equivalent of his or her accumulated contributions at the time of his or her retirement. (2) If, in the opinion of the board, his or her disability is not due to intemperate use of alcoholic liquor or drugs, willful misconduct, willful misconduct or violation of law on his or her part, a disability retirement pension purchased by contributions of the county or district. (3) If, in the opinion of the board, his or her disability is not due to conviction of a felony or criminal activity which caused or resulted in the member's disability, a disability retirement pension purchased by contributions of the county or district. This paragraph shall only apply to a person who becomes a member of the system on or after January 1, 1988. Section 31726.5: Upon retirement for nonservice-connected disability a safety member who has attained age 55 shall receive his or her service retirement allowance. Every safety member under age 55 who is retired for nonservice-connected disability and who is not simultaneously retired as a member on deferred retirement of the Public Employees' Retirement System or a retirement system established under this chapter in another county shall receive a disability retirement allowance which shall be the greater of: (a) The sum to which he or she would be entitled to as service retirement; or (b) A sum which shall consist of: (1) An annuity which is the actuarial equivalent of his or her accumulated contributions at the time of his or her retirement. (2) If, in the opinion of the board, his or her disability is not due to intemperate use of alcoholic liquor or drugs, willful misconduct, willful misconduct or violation of law on his or her part, a disability retirement pension purchased by contributions of the county or district. (3) If, in the opinion of the board, his or her disability is not due to conviction of a felony or criminal activity which caused or resulted in the member's disability, a disability retirement pension purchased by contributions of the county or district. Paragraph (3) shall only apply to a person who becomes a member of the association on or after January 1, 1988. Section 31728: If, in the opinion of the board, the disability is due to intemperate use of alcoholic liquor or drugs, willful misconduct, willful misconduct or violation of law on the part of the member, and his annuity is less than two hundred forty dollars (\$240) a year, the board may pay the member his accumulated contributions in one lump sum in lieu of his annuity. Section 31838: Every safety member under age 55 years and every other member under age 65 years who is retired for nonservice-connected disability and who is retired simultaneously under a disability retirement allowance from the Public Employees' Retirement System or a retirement system established under this chapter in another county shall receive a retirement allowance equal to the greater of the following amounts: (1) The sum to which he would be entitled as service retirement; or (2) A sum which shall consist of: (a) An annuity which is the actuarial equivalent of his accumulated contributions at the time of his retirement, and (b) If, in the opinion of the board, his disability is not due to intemperate use of alcoholic liquor or drugs, willful misconduct, willful misconduct or violation of law on his part, a disability retirement pension purchased by contributions of the county or district, all computed as provided in Sections 31727 or 31727.2.

Q9 Why should the proposed legislation be sponsored by SACRS rather than by your individual retirement association/system?

The nonservice-connected disability retirement provisions apply to all SACRS systems.

Q10 Do you anticipate that the proposed legislation would create any major problems such as conflicting with Proposition 162 or create a problem with any of the other 19 SACRS retirement associations/systems?

As plan administrators, the other SACRS systems may not be amenable to this proposal that would substantively change the policy underlying the benefit structure for nonservice-connected disability retirements. This proposal may put a plan administrator at odds with its plan sponsor.

Q11 Who will support or oppose this proposed change in the law?

SACRS systems that view the benefit limitation as financially punitive and discriminatory may support this proposal. Plan sponsors may oppose this proposal because it is a substantive change to the benefit structure of a nonservice-connected disability retirement allowance.

Q12 Who will be available from your retirement association/system to testify before the Legislature?

Barry Lew, Legislative Affairs Officer Joe Ackler, Ackler & Associates

SACRS 2020 Legislative Platform Submission Information

- **Title of Issue**
Nonservice-connected Disability Retirement and Intemperate Use of Alcoholic Liquor or Drugs
- **Retirement Association/Name**
Los Angeles County Employees Retirement Association
- **Contact Name**
Barry Lew, Legislative Affairs Officer
- **Contact Phone Number**
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- **Description of Issue**
Government Code Sections 31726 and 31726.5 were added to CERL in 1937 and 1951, respectively. These sections limit a member's nonservice-connected disability retirement allowance to an annuity that is the actuarial equivalent of his accumulated contributions if the member's disability is due to intemperate use of alcoholic liquor or drugs, willful misconduct, or violation of law on the member's part.

In the successive decades since 1937 and 1951, views on alcohol and drug use have evolved from a legal and moral perspective to a medical, scientific, and public health perspective—from temperance and prohibition to treatment, recovery, and counseling. The public policy underlying the limitation on nonservice-connected disability retirement allowances due to intemperate use of alcoholic liquor or drugs may no longer reflect contemporary views of alcohol and drug use. If alcohol and drug use were viewed from a disease perspective rather than a moral failure, the benefit limitation as a consequence would be financially punitive and discriminatory for members.
- **Recommended Solution**
Amend the CERL sections related to nonservice-connected disability retirement to remove the element related to intemperate use of alcoholic liquor or drugs.
- **Specific language changed or added to the 1937 Act and suggested code section number(s)**

Section 31726

Upon retirement for nonservice-connected disability a member who has attained age 65 shall receive his or her service retirement allowance.

Every member under age 65 who is retired for nonservice-connected disability and who is not simultaneously retired as a member on deferred retirement of the ~~State-Public~~ Employees' Retirement System or a retirement system established under this chapter in another county shall receive a disability retirement allowance which shall be the greater of the following:

(a) The sum to which he or she would be entitled as service retirement.

(b) A sum which shall consist of any of the following:

(1) An annuity which is the actuarial equivalent of his or her accumulated contributions at the time of his or her retirement.

(2) If, in the opinion of the board, his or her disability is not due to ~~intemperate use of alcoholic liquor or drugs, willful misconduct, willful misconduct~~ or violation of law on his or her part, a disability retirement pension purchased by contributions of the county or district.

(3) If, in the opinion of the board, his or her disability is not due to conviction of a felony or criminal activity which caused or resulted in the member's disability, a disability retirement pension purchased by contributions of the county or district. This paragraph shall only apply to a person who becomes a member of the system on or after January 1, 1988.

Section 31726.5

Upon retirement for nonservice-connected disability a safety member who has attained age 55 shall receive his or her service retirement allowance. Every safety member under age 55 who is retired for nonservice-connected disability and who is not simultaneously retired as a member on deferred retirement of the Public Employees' Retirement System or a retirement system established under this chapter in another county shall receive a disability retirement allowance which shall be the greater of:

(a) The sum to which he or she would be entitled to as service retirement; or

(b) A sum which shall consist of:

(1) An annuity which is the actuarial equivalent of his or her accumulated contributions at the time of his or her retirement.

(2) If, in the opinion of the board, his or her disability is not due to ~~intemperate use of alcoholic liquor or drugs, willful misconduct, willful misconduct~~ or violation of law on his or her part, a disability retirement pension purchased by contributions of the county or district.

(3) If, in the opinion of the board, his or her disability is not due to conviction of a felony or criminal activity which caused or resulted in the member's disability, a disability retirement pension purchased by contributions of the county or district. Paragraph (3) shall only apply to a person who becomes a member of the association on or after January 1, 1988

Section 31728

If, in the opinion of the board, the disability is due to ~~intemperate use of alcoholic liquor or drugs, willful misconduct, willful misconduct~~ or violation of law on the part of the member, and his annuity is less than two hundred forty dollars (\$240) a year, the board may pay the member his accumulated contributions in one lump sum in lieu of his annuity.

Section 31838

Every safety member under age 55 years and every other member under age 65 years who is retired for nonservice-connected disability and who is retired simultaneously under a disability retirement allowance from the Public Employees' Retirement System or a retirement system established under this chapter in another county shall receive a retirement allowance equal to the greater of the following amounts:

(1) The sum to which he would be entitled as service retirement; or

(2) A sum which shall consist of:

(a) An annuity which is the actuarial equivalent of his accumulated contributions at the time of his retirement, and

(b) If, in the opinion of the board, his disability is not due to ~~intemperate use of alcoholic liquor or drugs, willful misconduct, willful misconduct~~ or violation of law on his part, a disability retirement pension purchased by contributions of the county or district, all computed as provided in Sections 31727 or 31727.2.

- **Why should the proposed legislation be sponsored by SACRS rather than by your individual retirement association/system?**

The nonservice-connected disability retirement provisions apply to all SACRS systems.

- **Do you anticipate the proposed legislation would create any major problems such as conflicting with Proposition 162 or create a problem with any of the other 19 SACRS retirement associations/systems?**

As plan administrators, the other SACRS systems may not be amenable to this proposal that would substantively change the policy underlying the benefit structure for nonservice-connected disability retirements. This proposal may put a plan administrator at odds with its plan sponsor.

- **Who will support or oppose this proposed change in the law?**

SACRS systems that view the benefit limitation as financially punitive and discriminatory may support this proposal. Plan sponsors may oppose this proposal because it is a substantive change to the benefit structure of a nonservice-connected disability retirement allowance.

- **Who will be available from your association/system to testify before the Legislature?**

Barry Lew, Legislative Affairs Officer

Joe Ackler, Ackler & Associates

CALAPRS GENERAL ASSEMBLY

March 7-10, 2020

Rancho Mirage, CA

Meeting Date

11/06/19

Agenda Item

#9a.

General Information

The CALAPRS General Assembly is an educational conference for retirement system trustees, senior staff, and annual sponsors of CALAPRS. Typically held on a Saturday through Tuesday in March, the program includes educational sessions on relevant and timely topics, as well as networking opportunities for participants. The program agenda is developed by a planning committee commissioned by the CALAPRS Board of Directors.

Upcoming Events

General Assembly 2020

March 7-10, 2020

Omni Rancho Mirage Las Palmas Resort & Spa, 41000 Bob Hope Drive, Rancho Mirage, CA 92270

CALAPRS General Assembly registration opens in December 2019. Hotel accommodations: Omni Rancho Las Palmas Resort & Spa: \$239 per night single/double. Cut-off date: Friday, February 7, 2020. Reservations made after 5:00 PM on February 7, 2020 will be accepted on a guest room availability basis at prevailing rates.

Reservations can be made by calling 1-800-THE-OMNI and providing "CALAPRS" group name to receive the discounted room rate. All attendees are responsible for their own room, tax and incidental charges. Resort charge is waived.

ADVANCED PRINCIPLES OF PENSION MANAGEMENT FOR TRUSTEES
March 30-April 1, 2020
Los Angeles, CA



3/30/2020 to 4/1/2020

When: Monday, March 30 - Wednesday, April 1, 2020
5:30 p.m. - 1:30 p.m.

Where: UCLA Meyer and Renee Luskin Conference Center
425 Westwood Plaza
Los Angeles, California 90095
United States

Contact: CALAPRS
register@calaprs.org
415-764-4860

The Advanced Principles is about building a trustee's skills and strengthening board governance. Pension trustees are faced with increased challenges, unprecedented scrutiny, and evolving issues. Moreover, areas such as actuarial assumptions, accounting requirements, and risk management are rapidly changing. To help trustees build and enhance their skills in addressing such issues, participants in this program will hear from and discuss issues with top-level presenters in the areas of board governance, investments, actuarial science, pension law and economics. Over the course of two days, participants will be immersed in a powerful learning process—acquiring the skills they need to lead their organizations effectively. The program's proven, multifaceted educational approach fosters the professional, intellectual, and personal development required to govern at the board level.

Topics covered will include:

- Policy-Based Boards: From Theory to Implementation
- Economics Update and Forecast
- Investments and Board/CIO Relationships
- The Legal Side of Governance
- Advanced Actuarial Principles