



**AGENDA**

**RETIREMENT BOARD MEETING**

SECOND MEETING  
March 25, 2015  
9:00 a.m.

Retirement Board Conference Room  
The Willows Office Park  
1355 Willow Way, Suite 221  
Concord, California

THE RETIREMENT BOARD MAY DISCUSS AND TAKE ACTION ON THE FOLLOWING:

1. Pledge of Allegiance.
2. Accept comments from the public.

*CLOSED SESSION*

3. CONFERENCE WITH LABOR NEGOTIATORS  
(Government Code Section 54957.6)

Agency designated representatives:  
Gail Strohl, Retirement Chief Executive Officer  
Christina Dunn, Retirement Administration Manager  
Joe Wiley, CCCERA's Chief Negotiator

Employee Organization: AFSCME Local 2700  
Unrepresented Employees: All CCCERA unrepresented positions

4. The Board will continue in closed session under Gov. Code Section 54957 to evaluate the performance of the following public employee:  
Title: Chief Executive Officer

*OPEN SESSION*

5. Consider and take possible action to adopt the CCCERA Employer/Employee Relations Policy.
6. Presentation from staff and Wastewater Capital Management regarding Wastewater Opportunity Fund.
7. Consider and take possible action regarding potential commitment to Wastewater Opportunity Fund.

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.

8. 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  
**03/25/15**  
Agenda Item  
**#5**

## ***MEMORANDUM***

Date: March 25, 2015  
To: CCCERA Board of Retirement  
From: Christina Dunn, Retirement Administration Manager  
Subject: Adoption of the CCCERA Employer/Employee Relations Policy

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### ***Background***

On January 1, 2015 the Contra Costa County Employees' Retirement Association ("CCCERA") became an independent employer separate from Contra Costa County ("County") creating the need to implement CCCERA personnel governing documents.

On January 28, 2015 the Board adopted Resolution 2015-1 which outlined the salary and benefits for CCCERA unrepresented employees. In order to provide documentation of the salary and benefits provided to CCCERA represented staff members a Memorandum of Understanding ("MOU") will be established between CCCERA and AFSCME, Local 2700. The attached Employer/Employee Relations Policy provides Employer-Employee Labor Relations Rules pursuant to Government Code section 3507, et seq. The Employer-Employee Labor Relations Rules provide orderly procedures for administering employer-employee relations within CCCERA and communications guidelines between employees, employee organizations and CCCERA.

CCCERA representatives have met with AFSCME, Local 2700 representatives and have reached an agreement on the language of the CCCERA Employer/Employee Relations Policy.

### ***Recommendation***

Consider and take possible action to adopt the CCCERA Employer/Employee Relations Policy.

CONTRA COSTA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION BOARD  
OF RETIREMENT

EMPLOYER/EMPLOYEE  
RELATIONS POLICY

Adopted: xx/xx/xxxx

- 1.0 Statement of Purpose
- 2.0 Definitions
- 3.0 Managerial & Confidential Employees
- 4.0 Professional Employees
- 5.0 Petitions for Recognition
- 6.0 Filing of Recognition Petition
- 7.0 Bargaining Units
- 8.0 Employee Rights
- 9.0 CCCERA Rights
- 10.0 Exclusively Recognized Employee Organization Rights
- 11.0 Elections
- 12.0 Unit Modifications
- 13.0 Assignment of Classification
- 14.0 Petition for Decertification
- 15.0 Meeting and Confering
- 16.0 Impasse Resolution Procedures
- 17.0 Concerted Action
- 18.0 Use of CCCERA Facilities
- 19.0 Communications During Meet and Confer Process
- 20.0 Construction of Rules
- 21.0 Amendments to the Rules
- 22.0 Effective Date
- 23.0 Exhibit A: Represented Clerical, Technical & Specialized Employees
- 24.0 Exhibit B: Confidential Employees
- 25.0 Exhibit C: Managerial Employees
- 26.0 Exhibit D: Professional Employees

**1.0 Statement of Purpose**

The purpose of this Policy is to adopt Employer-Employee Labor Relations Rules ("Rules") pursuant Government Code section 3507, et seq. and thereby provide orderly procedures for administering employer-employee relations and promoting full communication between CCCERA and its employee organization(s). This policy also provides for the improvement of personnel management and employer-employee relations within CCCERA by providing a uniform basis for recognizing the right of the employees to join, or to refrain from joining, organizations of their choice and be represented, or not be represented, by such organizations in their employment relationship.

It is the purpose of this Policy to provide reasonable rules and regulations for determining bargaining units, selection of bargaining unit representatives, procedures for use should a bargaining impasse occur, and generally administering the various aspects of CCCERA's employee relations structure. Nothing herein shall be construed to restrict any legal or inherent exclusive CCCERA rights with respect to matters of general legislative, management, administrative and policy setting decisions.

Nothing contained in this policy shall be deemed to supersede the provisions of State law,



which establish, regulate, and provide for other methods of administering employer-employee relations. These rules are intended to strengthen all other methods of administering employer-employee relations through the establishment of uniform and orderly communications between employees, employee organizations, and CCCERA.

## 2.0 Definitions

As used in these Rules, the following terms are defined as:

- A. **“Appropriate unit”** means a unit of employee classes or positions established or modified pursuant to this policy.
- B. **“Confidential employee”** means any employee who, in the course of his/her work, has access to or is privy to decisions of CCCERA management affecting employer-employee relations or who stands in a confidential relationship with CCCERA management. Those classifications that are confidential are listed on Exhibit A.
- C. **“CCCERA”** means the Contra Costa County Employees’ Retirement Association.
- D. **“Day”** means a calendar day unless expressly stated otherwise.
- E. **“Decertification”** means the process and the outcome of a decertification petition whereby CCCERA formally withdraws the exclusively recognized representation status of an employee organization. .
- F. **“Employee”** means any person employed by CCCERA, except those persons elected or appointed to office.
- G. **“Employer-Employee Relations”** means the relationship between CCCERA and its employees on matters of employment.
- H. **“Employee organization”** means: 1) Any organization that includes employees of CCCERA and that has as one of its primary purposes representing those employees in their relations with CCCERA; OR 2) Any organization that seeks to represent employees of CCCERA in their relations with CCCERA.
- I. **Subject to the Meyers-Milias-Brown Act, “Exclusively Recognized Employee Organization”** means an employee organization which has been formally acknowledged by CCCERA as an organization certified to represent a majority of the employees in an appropriate unit pursuant to the requirements of Government Code section 31522.9(g) and/or the election procedures set forth at Section 11 of these Rules, as applicable. The recognized employee organization is the only employee organization entitled to meet and confer in good faith on matters within the scope of representation for the employees.
- J. **“Impasse”** means that CCCERA and a recognized employee organization have reached a point in their meeting and conferring in good faith where their differences on matters to be included in a Memorandum of Understanding and/or other matters within the scope of representation about which they are required to meet and confer, remain so substantial and prolonged that further meeting and conferring would be futile.
- K. **“Limited-term employee”** means any employee hired for a special employment

period.

- L. **“Management representative”** shall mean that the Chief Executive Officer or any person(s) duly designated by the Chief Executive Officer to act as a representative of CCCERA for employer/employee relations.
- M. **“Managerial employee”** means any employee with responsibility to administer or formulate CCCERA policy or programs and/or the authority to hire, evaluate, assign work to, promote, reward, fire, suspend, transfer, or discipline other employees or responsibly direct their work or to adjust grievances or to effectively recommend such action. Those classifications that are considered managerial are listed at Exhibit B.
- N. **“Mediation”** means effort by an impartial third party to assist in reconciling a dispute regarding wages, hours, and other terms and conditions of employment between representatives of the public agency and the recognized employees organization or recognized employees organizations through interpretation, suggest, and advice.
- O. **“Meet and confer in good faith”** means that CCCERA and the exclusively recognized employee organization(s) have the mutual obligation personally to meet and confer promptly upon request by either party and continue for a reasonable period of time in order to exchange freely information, opinions, and proposals, and to endeavor to reach agreement on matters within the scope or representation prior to the adoption by the public agency of its final budget for the ensuing year.
- P. **“Memorandum of Understanding (MOU)”** means a written agreement between CCCERA and the exclusively recognized employee organization(s) regarding wages, benefits, hours and other terms or conditions of employment within the scope of representation. MOU – including any labor agreement or part thereof purporting to create an economic obligation on CCCERA – shall not be valid or enforceable until adopted by the Board of Retirement.
- Q. **“Professional employees”** shall have the same meaning as that set forth in Government Code section 3507.3, as amended. Those classifications that are professional are listed at Exhibit C.
- R. **“Proof of Employee Support”** means (1) an authorization card recently signed and personally dated by an employee, or (2) a verified authorization petition or petitions recently signed and personally dated by an employee, or (3) an employee's membership dues deduction authorization voluntarily given and maintained, using the payroll register for the period immediately prior to the date a petition is filed hereunder. "Recently signed" shall mean within six months prior to the filing of a petition.
- S. **“Regular full-time employee”** means those employees working 40 or more hours per week.
- T. **“Regular part-time employee”** means those employees working 20 or fewer hours per week.
- U. **“Scope of representation”** shall have the meaning as that set forth in Government Code section 3504, as amended.
- V. **“Unit Modification”** means to add positions to or subtract positions from an

established bargaining unit in order to clarify or reflect a more appropriate unit composition.

### **3.0 Managerial and Confidential Employees**

Managerial and confidential employees shall be designated by CCCERA based upon the definitions set forth in section 2 of these Rules. Such employees may not represent any employee organization that represents other employees of CCCERA on matters within the scope of representation.

### **4.0 Professional Employees**

Professional employees shall be designated by CCCERA based on the definition set forth in section 2 of these Rules. Professional employees shall have the right to be represented separately from nonprofessional employees by a professional employee organization consisting of those professional employees.

### **5.0 Petitions for Recognition**

#### **A. Submission of Petition**

A new employee organization seeking certification as a recognized employee organization of employees in an appropriate unit shall file a petition with the Chief Executive Officer containing information identified in Section 6 under subsections (1) and (2) that follow.

### **6.0 Filing of Recognition Petition**

An employee organization seeking to be formally recognized as the exclusive employee organization representing the employees in an appropriate unit shall file a petition with the Chief Executive Officer containing the following information and documentation:

#### **1. Background Information**

- a. Name and address of the employee organization;
- b. Names and titles of its officers and representatives who are authorized to speak on behalf of the employee organization;
- c. A statement that the employee organization has, as one of its primary purposes, the representation of employees in their employment relations with CCCERA;
- d. A statement that the employee organization's membership includes CCCERA employees;
- e. A statement as to whether the employee organization is a local entity or chapter of any international, national, state or regional organization, and, if so, the name(s) and address(es) of those entities;
- f. A certified copy of the employee organization's constitution and bylaws and those of any organization with which it is affiliated;
- g. The names and addresses of one or two persons to whom notice sent by regular United States mail will be deemed sufficient notice to the employee organization for any purpose.

h. A statement that the employee organization has no restriction on membership based on race, color, creed, religion, national origin, citizenship, sex, pregnancy, age, mental or physical disability, marital status, sexual orientation, or veterans status;

i. A statement that the employee organization will abide by these Rules.

## 2. Unit Description and Showing of Interest

a) A statement that the employee organization wishes to be certified as the exclusive representative of the employees in the unit claimed to be appropriate;

b) A description, by job titles, of the unit claimed to be appropriate and the approximate number of employees therein;

c) A showing of interest, personally signed and dated by at least thirty percent (30%) of the employees in the unit claimed to be appropriate, stating that the employees desire the named organization to represent them in matters falling within the scope of the representation. Any signatures and dates more than six months prior to the date the petition is filed will not be counted. The signatures of temporary or limited-term employees may not be used to support the petition.

## 3. Processing of Petition

a. The Chief Executive Officer or his/her designee shall review all petitions to determine if the criteria noted in Section 6(1) have been met. Within 21 days of receipt of the petition, the Chief Executive Officer or his or her designee shall inform the petitioning employee organization and any other interested employee organization, by United States mail, as to whether the criteria have been met. If the criteria have been met, the Chief Executive Officer or his/her designee shall also post a notice informing employees in the proposed unit of the petition and of any other information that the Chief Executive Officer or his/her designee deems relevant. Elections shall be conducted as set forth in Section 11 of these Rules.

b. In the event that the Chief Executive Officer or his/her designee determines that the petitioned-for unit is not appropriate based on the criteria set forth in section 6 of these Rules, the petitioner shall be so notified and given 10 days to amend its petition.

c. In the event that the petitioner disagrees with the Chief Executive Officer's or his/her designee's determination regarding the appropriateness of the bargaining unit, the petitioner may request either mediation or a nonbinding recommendation from the California State Mediation and Conciliation Service. Such request must be made in writing within 10 days of the notification from CCCERA responding to the appropriateness of the bargaining unit.

## 4. Intervention

Within 10 days from the date any notice to employees under subsection 3(a) has been posted, any other employee organization may file a competing petition seeking recognition as the exclusive representative of employees in the same unit. The competing petition must contain the same information as set forth in subsection 6(1) except a thirty percent (30%) showing of interest is required.

## **7.0 Bargaining Units**

A. In the event of a dispute between an employee organization and the Chief Executive Officer or his/her designee as to the appropriateness of any unit, the dispute shall be submitted to Public Employment Relations Board (PERB) for a binding decision.

B. The criteria for determining the appropriateness of bargaining units shall include: the community of interest among employees; the history of employee representation in the unit; the extent to which employees have common knowledge, skill and abilities, working conditions, job duties or similar educational requirements; the need to avoid undue fragmentation of bargaining units; the wishes of the affected employees; and any impact on CCCERA's ability to effectively and efficiently deliver services. In determining the appropriateness of any bargaining unit, consideration shall be given to avoiding undue proliferation of bargaining units. Nevertheless, managerial and confidential employees shall not be included in any bargaining unit that contains non-managerial or non-confidential employees. No unit shall be defined solely on the basis of the extent to which employees have previously been organized.

## **8.0 Employee Rights**

Subject to the provisions of this policy, employees have the right to form, join, and participate in the activities of employee organizations of their own choosing for the purpose of representation on all matters of employer-employee relations. Employees also have the right to refuse to join or participate in the activities of employees organizations and shall have the right to represent themselves individually in their employment relations with CCCERA. No employee shall be interfered with, intimidated, restrained, coerced, or discriminated against because of the exercise of these rights.

## **9.0 CCCERA Rights**

Nothing in this policy shall be construed to restrict any legal or inherent exclusive CCCERA rights with respect to matters of general legislative or managerial policy, which include, among others, the exclusive right to determine the methods, means, and personnel by which the CCCERA operations are to be conducted. CCCERA also retains the right to determine the mission, function, and necessity of all or part of each of its constituent departments and to take all necessary action to carry out its mission and functions, as well as set standards of service to the public.

CCCERA also retains those rights as listed below:

1. The right to administer the CCCERA Personnel Policies, to classify, reclassify, add, or delete positions or classes to or from the CCCERA budget.
2. The right to establish standards for employment and the selection and promotion of employees.
3. The right to direct its employees, establish policies, take disciplinary action, to establish work schedules and work assignments, and to relieve its employees from duty for lack of work or other legitimate reasons.
4. The right to manage and control its employees' location(s) of work and facilities.
5. The right to review and inspect, without notice, all CCCERA-owned equipment including laptops, desktop computers, work areas and desks, e-mails, computer storage drives, voicemail systems and filing cabinets and systems.

6. The right to be the sole judge of the qualification and competence of its officers and employees.

7. The right to change or introduce different, new or improved operations, technologies, methods or means regarding any CCCERA work, and to contract out for work or to discontinue work for economic or operational reasons.

8. The right to take whatever action may be necessary in an emergency. However, a recognized employee organization affected by the action shall be notified promptly of any such emergency that affects matters within the scope of representation.

9. The right to require fitness for duty evaluations upon any reasonable cause and/or require employees to submit to drug and/or alcohol testing upon reasonable suspicion.

10. The right to designate positions as management, supervision or confidential.

11. The right to establish and modify bargaining units consistent with 12.0 Unit Modifications.

## **10.0 Exclusively Recognized Employee Organization Rights**

Upon request, a recognized employee organization shall have the right to meet and confer in good faith to negotiate matters within the scope of representation with the appropriate level of management.

If the representatives of CCCERA and a recognized employee organization reach agreement, the agreement shall be jointly presented to the CCCERA Board of Retirement for its consideration and ratification as a written memorandum of understanding.

CCCERA may adopt reasonable rules and regulations concerning the administration of employer-employee relations under this policy after consulting in good faith with representatives of the recognized employee organizations.

CCCERA shall give reasonable written notice to the recognized employee organization of any ordinance, rule, resolution, or regulation directly relating to matters within the scope of representation proposed to be adopted by CCCERA.

## **11.0 Elections**

A. In the event that the Chief Executive Officer or his/her designee receives a petition that conforms with the requirements of section 6 of these Rules, a secret-ballot election shall be conducted by the California State Mediation and Conciliation Service or other neutral third party selected by the parties to the election.

B. All regular full-time and regular part-time employees within classifications in the unit who were employed during the payroll period immediately preceding the notice of election and who are in employee status on the date of the election shall be eligible to vote.

C. The entity that is conducting the election shall consult with the parties participating in the election to set an election date. A pre-election conference shall be scheduled before the election to review the voter eligibility list and the voting sites.

D. The eligible voters shall be given a choice on the ballot to vote for representation by the petitioning employee organization(s) and no representation. If the parties do not agree on placement of each choice on the ballot, the placement will be determined by coin toss.

E. CCCERA and each participating employee organization will be allowed to have an equal number of observers at each polling place, but in no event shall the number of observers exceed two per party.

F. The entity that is conducting the election must challenge anyone whose name is not on the eligibility list. Any observer has the right to make other challenges and can also challenge anyone whose name is not on the eligibility list. The entity that is conducting the election shall make a final decision on all challenged ballots.

G. The entity that is conducting the election either shall certify that no organization has received a majority of valid votes cast or shall certify the choice receiving a majority of the valid votes cast as the recognized employee organization.

H. When three or more choices are on the ballot and none of the choices receives a majority of the valid votes cast, a runoff election shall be held, using the procedures set forth in this section, between the two choices receiving the highest number of votes. The choice receiving a majority of the valid votes cast shall then be certified. The parties shall endeavor to hold this runoff election within 15 calendar days after the date of the original election.

I. As to each bargaining unit, there shall be no more than one election under these Rules in any 12-month period.

J. The cost of conducting an election, if any, shall be borne equally by all parties to the election.

## **12.0 Unit Modification**

### **A. Criteria**

A petition for modification of an existing unit may be filed by a recognized employee organization representing employees in the unit(s) affected by the proposed modification or by the Chief Executive Officer or his/her designee.

Petitions for unit modification are timely only if filed between 90 to 120 days prior to the expiration of any Memorandum of Understanding (MOU) covering the bargaining unit or at any time after the expiration date of the MOU.

### **B. Contents of Petition**

The petition shall contain the following information:

1. The name of the petitioner;
2. A description of the current unit;
3. A description of the proposed modification;
4. The job classifications of employees affected by the proposed modification;

5. A statement setting forth the reasons why the petitioner desires the modification; and

6. Any other relevant information.

### C. Processing of Petition

1. The Chief Executive Officer or his or her designee shall review all petitions seeking modification filed by recognized employee organizations to determine if the criteria noted in subsections A and B have been met. Within 15 days of receipt of the petition, the Chief Executive Officer or his/her designee shall inform the petitioning employee organization and any other interested employee organization, by United States mail, as to whether the criteria have been met. If the criteria have been met, the executive officer or his/her designee shall determine whether to grant the petition for modification. The criteria set forth in section 7 of these Rules regarding appropriate bargaining units shall be applicable to determine whether the requested modification is appropriate. In the event that the employee organization disagrees with the unit modification it may request mediation through PERB.

2. The Chief Executive Officer or his/her designee may file a petition to modify an established bargaining unit. This petition must be served upon the recognized employee organization that represents the bargaining unit setting forth the modification desired as well as the rationale supporting the modification. The criteria set forth in section 7 of these Rules regarding appropriate bargaining units shall be applicable to determine whether the requested modification is appropriate. In the event that the employee organization disagrees with the unit modification, it may request mediation through PERB.

## **13.0 Assignment of Classifications**

The Chief Executive Officer or his/her designee shall, where appropriate, allocate new positions/classifications and delete positions/classifications that no longer exist, consistent with the criteria set forth in section 7 of these Rules regarding appropriate bargaining units. If the Union disagrees with the CCCERA allocation of the new classification, the union may appeal the matter to PERB.

## **14.0 Petition for Decertification**

### A. Criteria

A decertification petition alleging that the incumbent Exclusively Recognized Employee Organization no longer represents a majority of the employees in an established appropriate unit may be filed with the Chief Executive Officer or his or her designee during the period of 90 to 120 days prior to the expiration date of any existing MOU, or any time after the expiration date of the MOU. No MOU shall bar a decertification election for more than three years. A decertification petition may be filed by two or more bargaining unit employees or their representative or an employee organization and shall contain the following information and documentation declared by the duly authorized signatory under penalty of perjury to be true, correct and complete.

### B. Contents of Petition

The petition shall contain the following information:

1. The name of the petitioner;



2. A description of the current unit;

3. A showing which was personally signed and dated by at least 30 percent of the employees in the unit, that the currently certified employee organization no longer represents the employees in the unit. Signatures must have been obtained no more than six months prior to the date the petition for decertification is filed. The signature of temporary or limited-term employees may not be used to support the petition.

4. The number of employees in the current unit; and

5. Any other relevant information.

### C. Processing of Petition

The Chief Executive Officer or his/her designee shall review all decertification petitions filed by employees or by employee organizations to determine whether the criteria noted in Section 14 subsections A and B have been met. Within 15 days of receipt of the petition, the Chief Executive Officer or his/her designee shall inform the petitioning employee organization and any other interested employee organization, by United States mail, as to whether the criteria have been met.

If the Chief Executive Officer or his/her designee's determination is in the negative, the Chief Executive Officer or his/her designee shall offer to consult thereon with the representative(s) of such petitioning employees or employee organization and if such determination thereafter remains unchanged, shall return such Petition to the employees or employee organization with a statement of the reasons in writing. The petitioning employees or employee organization may appeal such determination in accordance with Section 16. If the determination of the Chief Executive Officer or his or her designee is in the affirmative, or if the negative determination is reversed, written notice of the Decertification of Recognition documentation shall be given to the incumbent exclusively recognized employee organization and to unit employees. The Chief Executive Officer or his/her designee shall arrange for a secret ballot election to be held on or about fifteen (15) days after such notice to determine the wishes of unit employees as to the question of decertification. Such election shall be conducted in conformance with this policy.

If the criteria set forth in Section 14, subsections A and B have been met, a secret-ballot election, as set forth in Section 11 of these Rules, shall be held.

### D. Disclaimer of Interest

A recognized employee organization may disclaim interest in further representation of employees in the unit by filing a statement to that effect with the Chief Executive Officer or his/her designee.

## **15.0 Meeting and Conferring**

A. CCCERA's obligation to meet and confer under Government Code section 3500 et seq., shall apply only to the employee organization(s) recognized by CCCERA as representing a majority of employees in an appropriate bargaining unit.

B. Upon written request of either committee, the negotiating committees shall meet and confer in good faith on matters within the scope of representation, as defined in Government Code section 3504.

C. Once agreement is reached by the negotiating committees, they shall jointly prepare a written memorandum of understanding, and present it to the CCCERA Board of

Retirement for determination but said agreement shall not be in effect or binding on the parties until formally approved by the CCCERA Board of Retirement.

## **16.0 Impasse Resolution Procedures**

If, after a reasonable period of time, the negotiating committees fail to reach agreement and either party provides a written notice of a declaration of impasse, CCCERA shall participate in those impasse resolution procedures required by the Meyers-Miliias-Brown Act, California Government Code section 3500, et seq. To the full extent allowed by law, CCCERA retains discretion to determine whether to participate in any non-mandatory impasse resolution procedures.

## **17.0 Concerted Action**

Nothing in this policy shall be construed as making the provisions of California Labor Code section 923 applicable to CCCERA employees or employee organizations, or of giving employees or employee organizations the right to participate in, support, cooperate or encourage, directly or indirectly, any strike, sick-out or other total or partial stoppage or slowdown of work. In the event employees engage in such actions in violation of an agreement, they shall be subject to possible disciplinary action up to and including termination.

## **18.0 Use of CCCERA Facilities**

A. Exclusively recognized employee organizations shall be allowed to use specific meeting areas at CCCERA facilities for official business of the employee organizations. Such use shall not occur during regular business hours, shall not result in additional cost to CCCERA, and shall not interfere with CCCERA operations. An exclusively recognized employee organization desiring to use CCCERA's facilities shall apply for such use on a form approved by the Chief Executive Officer or his/her designee at least one business day prior to the date of the requested use. This provision does not limit the employee organization from using CCCERA's facility for day-to-day meetings with employees to investigate or enforce provisions of the MOU or Personnel Policies, or to meet with employees to update them regarding bargaining status.

B. Exclusively recognized employee organizations may use designated bulletin board space to post official business of the employee organization. Inappropriate or offensive material will not be permitted. Material that is deemed inappropriate shall be removed from the bulletin board, and the recognized employee organization shall be immediately notified. CCCERA agrees to discuss with the recognized employee organization the reason(s) that the material was inappropriate. CCCERA shall not act unreasonably in deciding if material is appropriate.

C. The authorized representative of an exclusively recognized employee organization shall have the right to come onto CCCERA's premises to ensure that the terms of the MOU are being followed. The authorized representative shall notify the Chief Executive Officer or his/her designee at the time he or she comes onto CCCERA's premises for the purpose of ensuring that the terms of the MOU are being followed. The authorized representative shall not meet with or otherwise disrupt employees during their work time without the approval of the Chief Executive Officer or his/her designee.

D. Nothing in this section shall be interpreted as permitting any employee organization or any unit employee to use CCCERA's internal mail system, its facsimile machines, or CCCERA's voice or electronic mail systems for any purpose other than the normal business of CCCERA.

## **19.0 Communications During Meet and Confer Process**

Members of the CCCERA Board of Retirement shall not communicate on an individual basis with anyone except the Retirement Chief Executive Officer and her designated staff regarding issues that are the subject of the Meet and Confer Process.

## **20.0 Construction of Rules**

This policy shall be administered and construed as follows:

If any provision of this policy or the application of such provision to any person, organization, employee, or circumstance shall be held to be invalid, the remainder of this policy or application of such provision to persons, organizations, employees, or circumstances, other than those held invalid, shall not be affected thereby.

## **21.0 Amendments to the Rules**

It is recognized that the provisions of these Rules may require amendments from time to time. The Chief Executive Officer or his or her designee shall consult in good faith with recognized employee organization(s) prior to implementing any such amendments. Any amendments shall be in writing.

## **22.0 Effective Date:**

The effective date of this Policy is \_\_\_\_\_, 2015.

So adopted this \_\_\_ day of \_\_\_\_\_, 2015, by the Contra Costa County Employees' Retirement Association,

\_\_\_\_\_  
**Gail Strohl, Retirement Chief Executive Officer**  
Contra Costa County Employees' Retirement Association

## **23.0 Exhibit A: Represented Clerical, Technical & Specialized Employees**

97WA RETIREMENT ACCOUNTING SPEC I

97VB RETIREMENT ACCOUNTING SPEC II

97TA RETIREMENT ACCOUNTING SPEC III

977A RETIREMENT ACCOUNTING TECH

97TC RETIREMENT ADMINISTRATIVE ASST

97WB RETIREMENT COUNSELOR I

97VC RETIREMENT COUNSELOR II

97TB RETIREMENT COUNSELOR III

97VD RETIREMENT MBR SVS DATA SP

97VA RETIREMENT MEMBER SERV TECH

97TD RETIREMENT OFFICE SPECIALIST

97T1 RETIREMENT OFFICE SPECIALIST – P

97TE RETIREMENT SR MBR SVS DATA SP

## **24.0 Exhibit B: Confidential Employees**

None

## 25.0 Exhibit C: Managerial Employees

<b>Retirement Administrative/HR Coordinator</b>
<b>Retirement Benefits Program Coordinator</b>
<b>Retirement Information Technology Coordinator II</b>
<b>Retirement Communications Coordinator</b>
<b>Retirement Administration Manager</b>
<b>Retirement Information Technology Manager</b>
<b>Retirement Investment Analyst</b>
<b>Retirement Accounting Manager</b>
<b>Retirement Benefits Manager</b>
<b>Retirement Compliance Officer</b>

## 26.0 Exhibit D: Professional Employees

<b>Retirement Accountant</b>
<b>Retirement Information Technology Coordinator I</b>
<b>Retirement Information System Programmer/Analyst</b>
<b>Retirement Supervising Accountant</b>



Meeting Date  
**03/25/15**  
Agenda Item  
**#6**

## **MEMORANDUM**

**Date:** March 25, 2015

**To:** CCCERA Board of Retirement

**From:** Timothy Price, Chief Investment Officer  
Chih-chi Chu, Investment Analyst

**Subject:** Wastewater Opportunity Fund

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### **Recommendation**

We recommend the Board make a capital commitment of \$25 million to the Wastewater Opportunity Fund (WOF) sponsored by Equilibrium Capital, subject to:

- 1) CCCERA's satisfactory on-site visit and legal review,
- 2) WOF raising \$100 million or more excluding CCCERA's commitment.

This commitment will establish CCCERA's exposure to waste and water strategy that is currently missing in the real asset category. Our entry to the waste and water space is consistent to the deployment strategy laid out in the private real asset commitment schedule presented to the Board in November, 2014.

### **Fund Introduction**

The Wastewater Opportunity Fund is a waste management fund that capitalizes on the requirements surrounding the disposal of organic waste laden effluent from food and agricultural processors and the simultaneous requirement for utilities to purchase renewable energy (methane in this case).

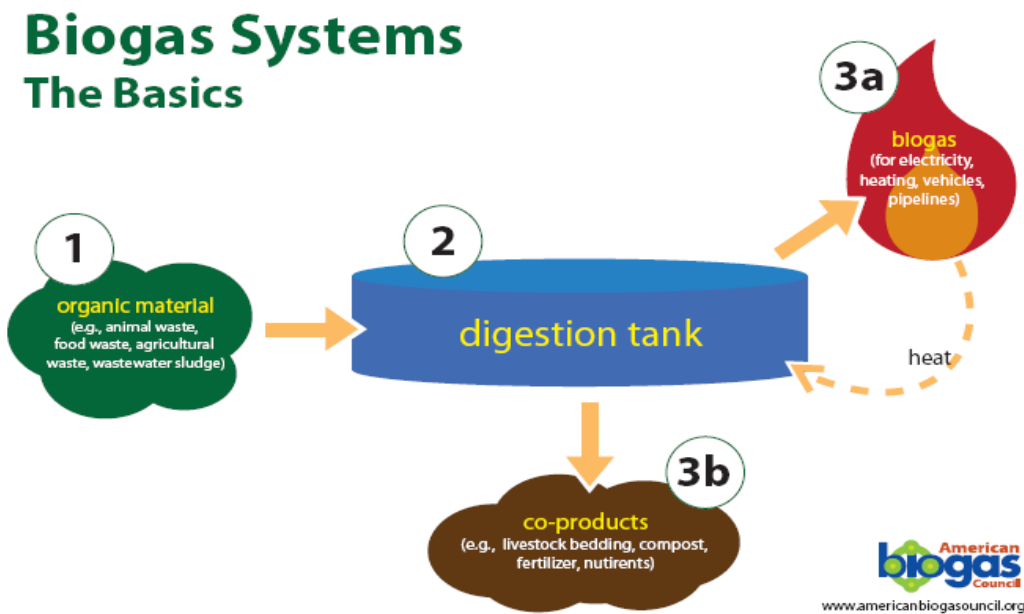
WOF will invest in anaerobic digester projects that take in three types of feedstock: 1) agricultural waste, 2) food waste, and 3) municipal wastewater, and turn them into renewable energy (electricity, biogas, or biofuel), compost, and water, through a fermentation process.

The waste streams from food and agricultural processors often cannot be readily commingled with typical municipal wastewater streams because of the nature of the organic content. These processors typically pay a premium disposal fee ("tipping fee") to the municipal wastewater



treatment facility. WOF will build its processing facilities in strategically selected locations that are within reach of food or agricultural waste generators. By partnering with WOF, these producers can lower their disposal costs due to less costly disposal, though WOF still receives a tipping fee.

Below is an illustration of the anaerobic digesting process:



*Note: Water is also a byproduct generated from the process but is not shown here as a monetized output.*

The anaerobic digester breaks down and/or precipitates out the excess material from the waste stream. The byproducts of this process are primarily methane from the digestion process and solid materials. While both outputs can be sold, methane is the key driver of investment returns in this stage.

The ready market for methane stems from its classification as a renewable resource. As such, power producers are able to use the methane interchangeably with their pre-existing natural gas powered generation and count the methane used towards their renewable energy credits.

WOF is one of the seven funds sponsored by Equilibrium Capital Group (Equilibrium). The fund has a target size between \$150 and \$250 million, and is expecting the first close of \$60 million in April, 2015. CCCERA currently has an investment in Equilibrium's ACM Permanent Crops Fund through Aether, one of CCCERA's two private real asset managers.

The target return of WOF is 16%-18% net IRR, including a current income component of 8%, a benefit from the cash flow-producing nature of the fund's target investments. The fund's preferred return is 8% for investors.

## WOF Investment Strategy

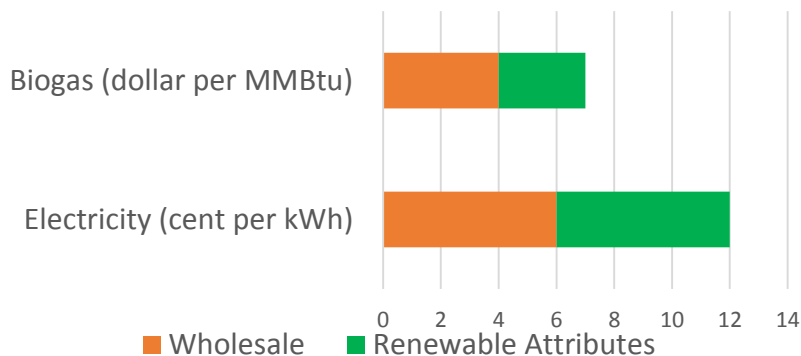
Using the chart above to illustrate how WOF generates revenues, WOF will:

- charge tipping fees from step 1 (30% of revenues),
- sell the electricity and gas output to utility companies from step 3a (25%), and/or
- refuel the waste-hauling trucks or other fleet from step 3a (25%), and sell the nutrients from step 3b (10%).

WOF's business model is to lock in two-thirds of the revenue through contracts with revenue sources such as truck fleet or utility companies, before the fund breaks ground on every project. WOF facilities also have the flexibility to interchange the energy outputs (electricity, biogas, or biofuel) to tailor to the most lucrative contracts they can sign before the construction of the digester projects.

These pre-signed contracts are typically long-term (as long as 20 years) and include inflation escalators. New regulations are requiring utility companies to take electricity from "qualified facilities" such as WOF's at "avoided cost rate," which is the opportunity cost, or next-best alternative rate, periodically updated by the large regulated utilities and approved by the Public Utility Commission. WOF will only build plants in ten targeted states located on the populated coasts where the avoided cost rates reflect the renewable energy values (see breakdown chart below), the feedstock supplies are plentiful, and the demand for plants' outputs is high.

### Renewable Energy Value Breakdown



Source: WOF

Furthermore, within the targeted states, WOF's strategy is to build a cluster of assets in the key markets to lock in feedstock and contracts, so the barrier for other potential entrants will be high. This type of cluster strategy has been successful in commercial real estate.

## **Exit Strategy**

Although there are few known market comparisons to access the sale price of anaerobic digester plants in the U.S., among the fund's listed exit strategies, three of them are commonly seen in the energy industry:

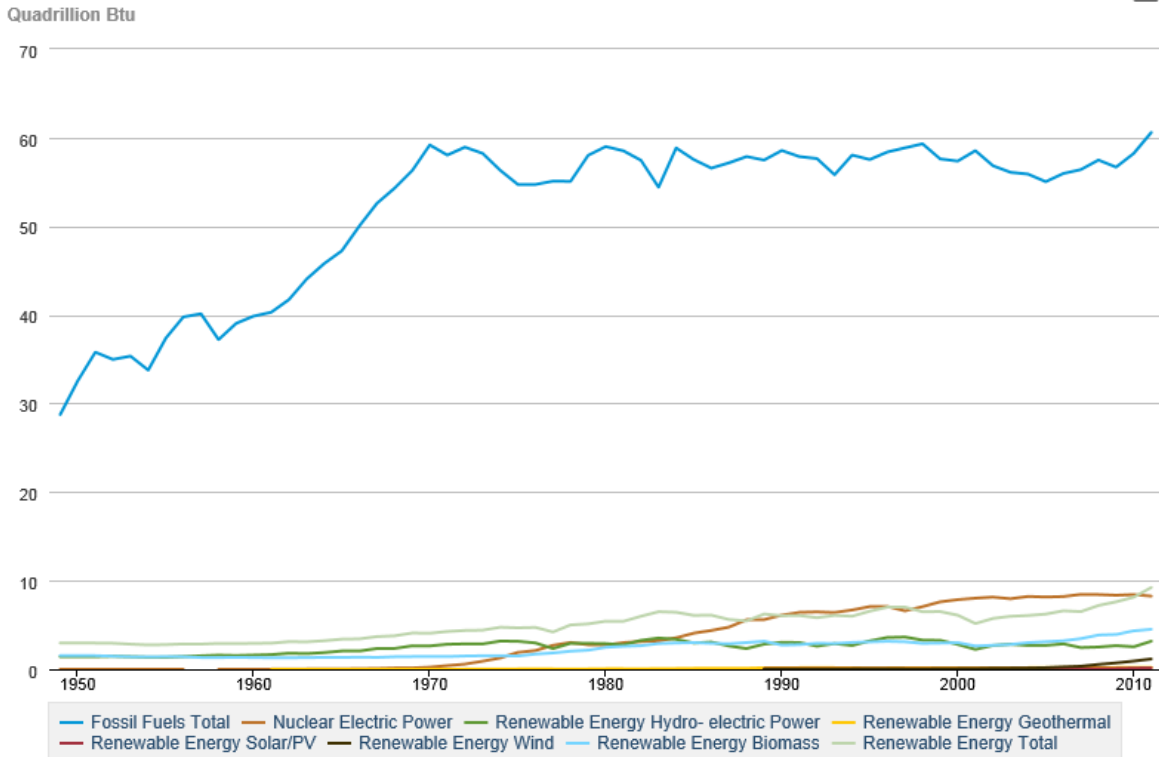
- Exit through re-financing: as the plants stabilize their cash flows, WOF can refinance the debts on the plants with new loans and use the proceeds to pay back investors. EIF, CCCERA's current manager who builds power plants, has been successful in this strategy through banks who are generally attracted to the low risk cash flow of power generating business. WOF estimates the average project debt ratio for the fund is 50%. Staff also verified with a third party lender on this type of project finance ratio to be in the range from 50 to 80%.
- Exit through sale to tax credit investors (such as wealthy individuals): the scale of these transactions particularly fit into the bite size of wealthy individuals. These private transactions usually base the purchase price on discounted free cash flows.
- Exit through public listing: for example, a MLP is a master limited partnership that is publicly traded on a securities exchange. It combines the tax benefits of a limited partnership with the liquidity of publicly traded securities. Most energy investments that established predictable cash flows choose to exit through MLP listing.

## Market Opportunity

Anaerobic digester projects are more prevalent in Europe where the carbon cost is steeper than in the U.S. For example, in 2012, there were less than 200 agriculture anaerobic digester systems in the U.S., compared to over 7,500 in Germany.

Renewable energy overall accounted for about 13% of domestically produced electricity in 2013, surpassing nuclear power in 2011 for the first time since 1997 (See the chart below):

**Table 1.2 Primary Energy Production by Source, 1949-2011**



eia Source: U.S. Energy Information Administration

WOF's facilities also have the potential to store gas inexpensively and generate electricity at peak hours, which cannot be done currently with wind or solar.

WOF estimates the potential capital requirements of anaerobic digester projects could reach close to \$40 billion in the U.S. for the next five years due to the needs to improve operating efficiency of outdated wastewater facilities, the environmental concerns to remain in compliance, and the renewable energy mandates. WOF has identified over \$400 million of potential investment opportunities through its existing contacts in the industry.

## **Overview of Firm and Investment Staff**

Equilibrium Group was founded in Portland, Oregon by David Chen, a prior venture capitalist with a focus on the hardware business. He left the business after the fashion shifted to software and internet. At first Dave was helping state officials in Washington and Oregon to come up with viable economic development plans for the states, which led to the idea of sustainability-driven economic activities. After that he secured a small research grant from a private foundation that led to his launch of Equilibrium Capital.

Today Equilibrium has assets under management of \$1 billion and has sponsored seven investment funds:

- ACM Permanent Crop Fund (a \$250 million oversubscribed fund in which CCCERA invested through Aether Real Assets Fund III)
- Green Cities Fund I
- Green Cities Fund II
- Bio-logical Capital
- Australian Pastoral Fund
- Multi-strategy Real Asset Fund
- Wastewater Opportunity Fund

Dave has served board or leadership positions in many for-profit and non-profit organizations. He is considered a leader in the sustainable economic space. He teaches at the Kellogg Business School (Northwestern University) and Stanford's Graduate School of Business, on the topics of sustainability and finance.

WOF's key portfolio managers include Jay Pierrepont, Ben Vitale, and Damon Yuzon:

- Jay Pierrepont is a founding member of Equilibrium Capital. He has been spending his time on WOF strategy and fund-raising activities since 2012. He will be responsible for the portfolio management of WOF.
- Ben Vitale will be leading the contracting of WOF's energy production and environmental credit generation. He has 25 years of experience in carbon financing, asset management, regulation, and forming developer/operator team for energy assets.
- Damon Yuzon will be leading the sourcing, structuring, and underwriting of WOF's investment projects. Damon has over 18 years of experience in commercial real estate and renewable energy investments.

## Track Record Review

Prior to launching WOF, Equilibrium Capital seeded some investments to test out the key operating and economic assumptions of the fund. In December 2011 Equilibrium committed general partner capital to form Revolution Energy Solutions (RES), a Washington D.C.-based company focused on generating renewable energy through U.S.-based dairy and swine wastewater facilities, followed by BioEnergy Capital Pilot (BEC) in March 2013. Below is the summary of the performance of five (5) projects under RES (3) and BEC Pilot (2):

Group	Type	Feedstock	State	Invested Equity	Current Est. Equity	System Size	Avg EBITDA	Cash Yield	Net IRR (proj.)
RES	Agri	Dairy Manure	OR	\$3.1 M	\$6.7M	750 KW	\$530 K	14%	15.5%
BEC	Agri	Swine Manure	NC	\$1.15 M	\$2.3M	1.3 MW	\$1.4 M	13%	16%

*Note some of the add-on projects in the RES portfolio may be considered by WOF.*

In addition, there are 11 wastewater-related projects Ben Vitale committed and managed at a previous role as President of The Climate Trust. All of them are currently operating and cash flow positive. Below is a summary of the 11 projects:

State	# of Project	Type	System Size	Project Cost
OR	5	Food & Dairy Waste, Landfill Gas	5 MW	\$24 M
WA	4	Industrial Food Waste, Compost, Food & Dairy Waste	2.5 MW	\$29 M
CA	2	Municipal Wastewater, Dairy Waste	5.25 MW	\$47 M

## CCCERA Real Asset

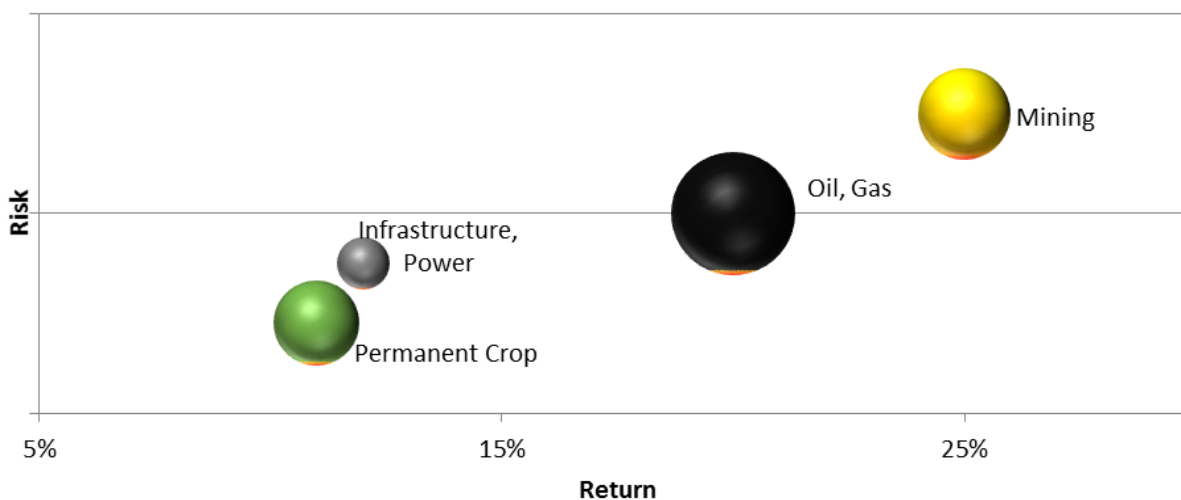
From the Private Real Asset Commitment Schedule memo presented to the board last November, CCCERA will over-commit to private real asset by 75% in order to compensate the deployment pace of private real asset investments. With this over-commitment and CCCERA's total asset value as of January 31, 2015, the availability for CCCERA to commit to private real asset is approximately \$180 million, illustrated by the schedule below:

	<u>Value (Millions)</u>		<u>Value (Millions)</u>
<b>CCCERA Total Fund</b>	<b>\$7,010</b>	<b>Closed End Target</b>	<b>\$175</b>
<i>as of 1/31/2015</i>		less Closed End Investments	\$29
Real Asset @ 5%	\$351	less Commitments	\$98
less Public Target @ 2.5%	<u>\$175</u>	Available to Commit	<u>\$48</u>
=Private R.E. Funds @ 2.5%	\$175	plus 75% Over-Commitment	<u>\$131</u>
		<b>Estimated Available to Commit</b>	<b>\$180</b>

As laid out in the Private Real Asset Commitment Schedule memo last November, CCCERA can commit \$25 million to WOF, leaving more than \$150 million to be committed in two other opportunities: a private real asset separate account, and a potential re-up with EIF. For those two opportunities, staff has made great progress on separate account with an existing manager, and EIF is in the process of formally launching its next fund.

For CCCERA's current (based on projected total commitment) exposure in private real assets, below is the chart that summarizes the sub-asset class positions combined from Aether and Commonfund:

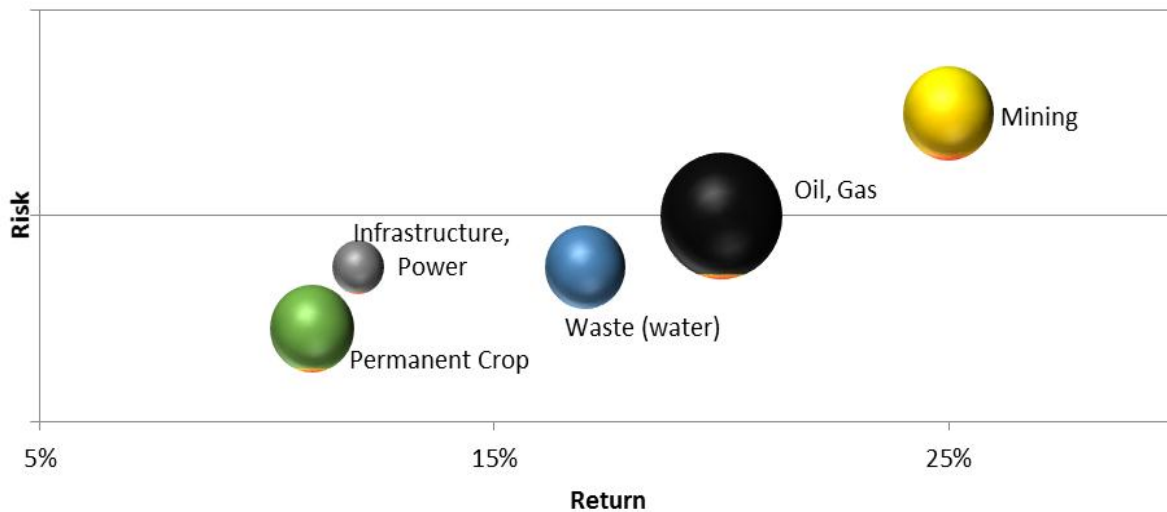
## CCCERA Current Private Real Asset Profile



On this chart, oil and gas is the leading class, accounting for 45% of CCCERA's total private real asset exposure, followed by 25% in mining, 22% in permanent crop, and 8% in infrastructure.

Post WOF commitment of \$25 million, oil and gas exposure will be reduced to 38% of CCCERA's total private real asset exposure, followed by 21% in mining, 18% in permanent crop, 16% in wastewater, and 7% in infrastructure, illustrated below:

## CCCERA Post-WOF Private Real Asset Profile



### Risk Factors

Outlined below are several relevant risks to this investment. Please note that this is not an exhaustive list of all possible risks, but are identified as significant to this particular investment.

- The fund does not close with adequate capital to be able to build a portfolio of assets with meaningful total output: this scenario may adversely affect the eventual desirability of the portfolio for sale;
- If the exit market for these assets turns out to be extremely limited investors will end up holding these assets longer than anticipated;
- Industrial accidents happen on site: Gas may cause fire or explosion. Without proper insurance coverage, industrial accidents on-site may cause investment loss and liabilities;
- A significant rise in interest rates would impact the ability of WOF to profitably refinance-to-exit its projects, one of the listed exit strategies;
- The outputs of the digesters are commodities therefore subject to price risk which would be locked in in long term contracts;
- If banks are concerned about a drawdown in energy prices, they may be less willing to finance the initial stages of anaerobic digester projects.



## Summary of Preliminary Terms of Wastewater Opportunity Fund

Target Return:	16%-18% net IRR to Limited Partners
Expected Size:	\$200 million
Management Commitment:	1% of total LP commitments
Final Close:	12 months after the initial closing, extended by management for up to six months
Investment Period:	2 years after the final closing subject to one year extension
Maturity:	Seven years after the final closing, with three additional 1-year extensions at management's discretion
Management Fee:	2% (on committed capital during investment period then on invested capital after that)
Preferred Return:	8%
General Partner Profits Interest:	20% with catch-up

### CCCERA's Pro forma Fee Schedule on a \$25 million commitment

Staff asked WOF to forecast CCCERA's fee to be paid to the management and other fund economics based on a base case and a downside case, which are defined below:

Base Case scenario assumes WOF achieving its targeted net IRR return of 17.6% with fund duration at the midpoint of the expected term, 8.5 years. Downside Case assumes a 12% net IRR with fund duration at the end of the expected term, 10 years. Both cases assume a total fund size of \$200 million with CCCERA's commitment of \$25 million (12.5% of the fund). The main Net IRR drivers to decide base and downside scenarios include revenue/cost achievement rate, exit multiples, sales delay, investment horizon, etc.

Below is a summary of the forecast:

	<i>Base Case</i>	<i>Downside Case</i>
<b>Net IRR</b>	17.6%	12%
<b>Net Multiple</b>	1.99X	1.74X
<b>Money Back Net of fee</b>	\$49,849,171	\$43,593,834
<b>Total Management fee paid</b>	\$3,618,748	\$4,300,692
<b>Duration of Management fee period</b>	8.5 Years	10 Years
<b>Average annual management fee as % of committed capital</b>	1.61%	1.72%



Wastewater Capital Management

*An Equilibrium Capital Asset Manager*

WASTEWATER  
OPPORTUNITY FUND, LLC  
MAXIMIZING VALUE FROM WASTEWATER



CONTRA COSTA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

VERSION: 3-2015



# Executive Summary: Wastewater Opportunity Fund

**Strategy:** Portfolio of facilities that process food, beverage, agricultural and municipal wastewater

- Long-term revenue contracts locked-in prior to investment
  - Waste processing fees
  - Energy (electricity or vehicle fuel) – Not reliant on tax credits
- Stable cash flows provide multiple exit opportunities
- First mover advantage with large market opportunity to solve wastewater disposal issues in the U.S.
- Lower cost and more efficient disposal method for organic waste, now mandated in several states

**Targeted Returns:** 8% current income and 16-18% net return to investors



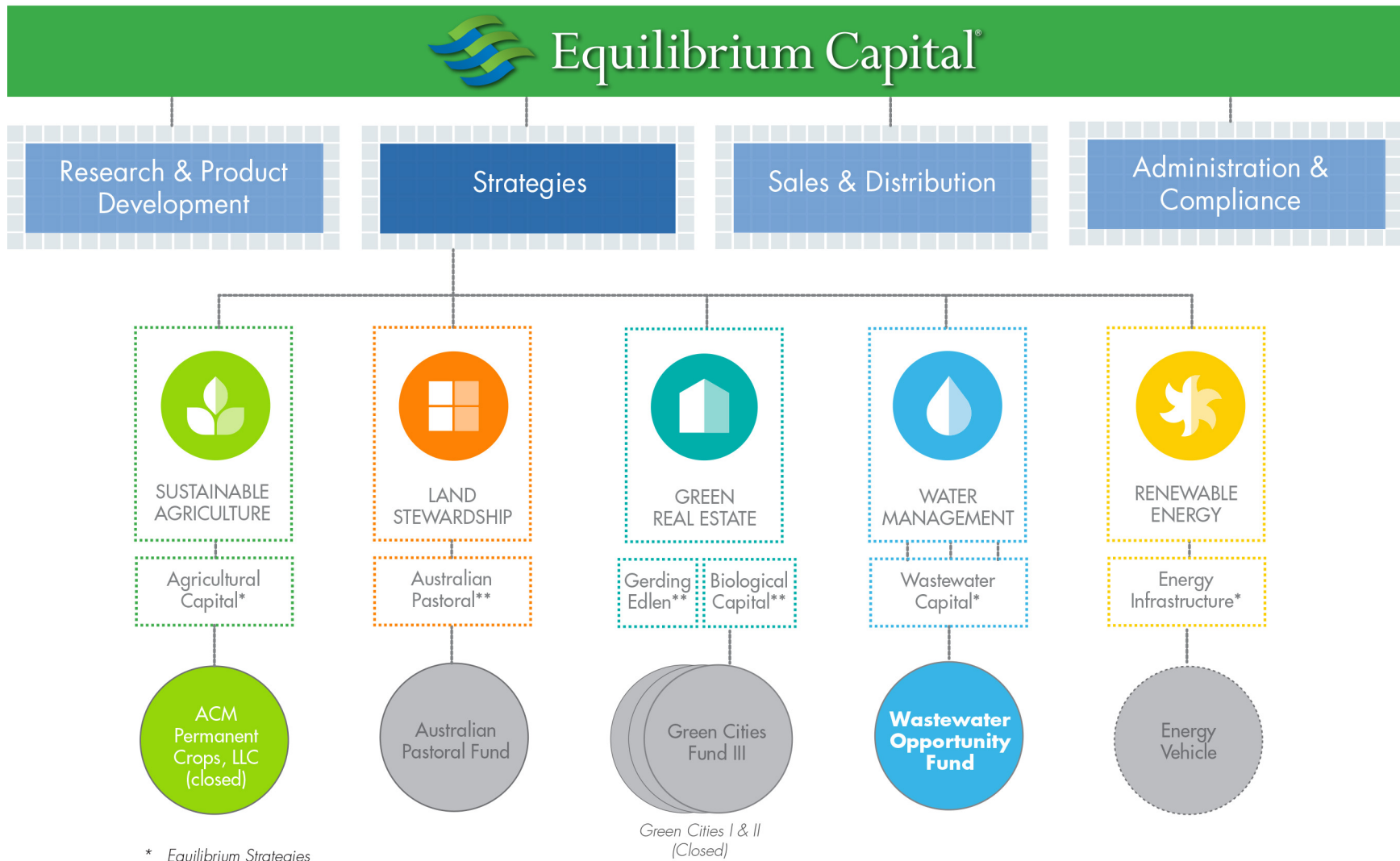
*Food Waste Based AD Facility in Sacramento, CA*



*Agriculture Based AD Facility in Dayton, OR*

# The Equilibrium Capital Platform

BOARD OF DIRECTORS



\* Equilibrium Strategies

\*\* Equilibrium Affiliate



# Solving Challenges of Wastewater Disposal

- High and increasing costs of wastewater disposal for industrial, commercial, agricultural and municipal clients
- Lower cost and more sustainable disposal method for organic waste, now mandated in several states - only 5% of food waste material is recycled\*
- \$39.6 billion growth opportunity within mature and stable industries\*\*

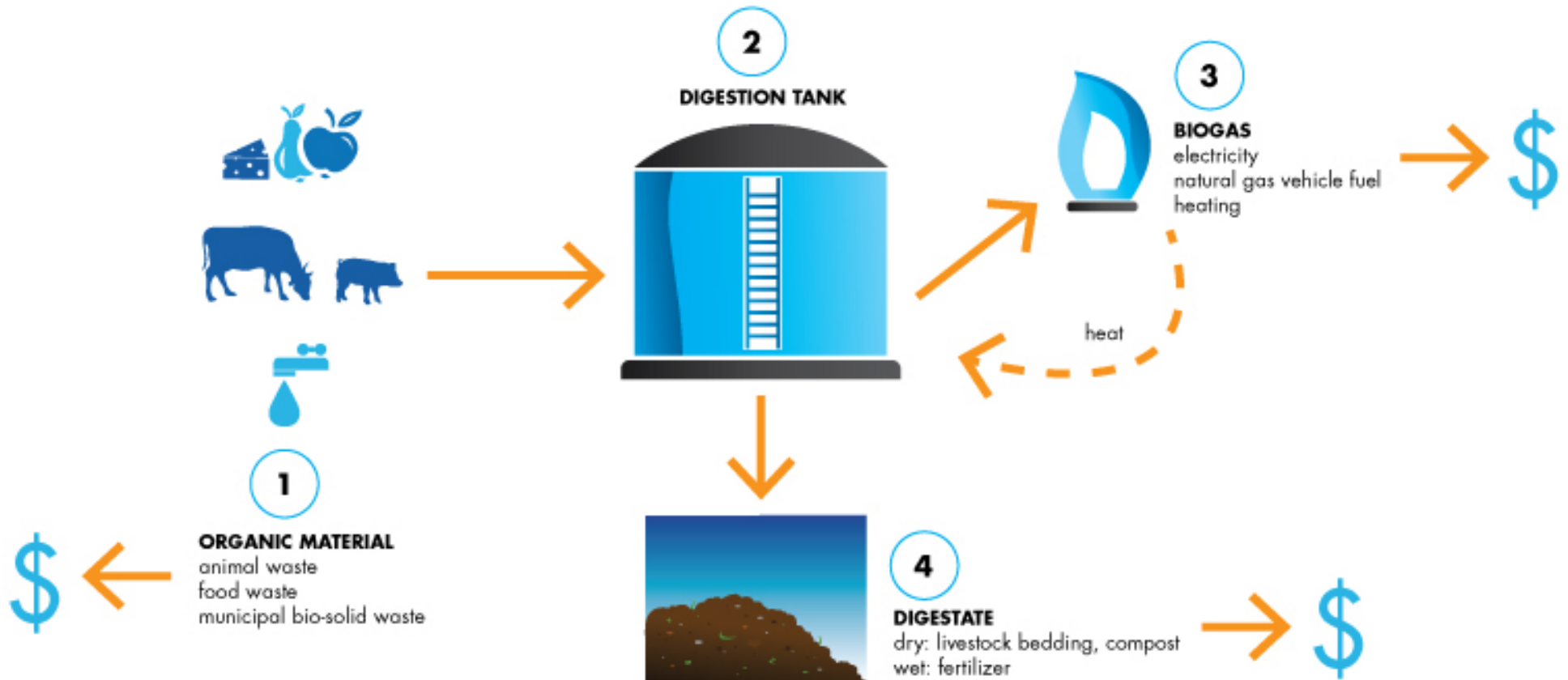
FOOD WASTE	AGRICULTURAL WASTE	MUNICIPAL WASTEWATER
		
<b>1,550</b> POTENTIAL INVESTMENTS	<b>2,550</b> POTENTIAL INVESTMENTS	<b>1,050</b> POTENTIAL INVESTMENTS

\*Source: EPA office of R&D

\*\*Source: Equilibrium



# Long-Term Revenue Contracts from Diverse Revenues Streams



# Primary Return Drivers: Long-Term Revenue Contracts

Primary  
Return  
Driver #1

WASTE  
PROCESSING

Primary  
Return  
Driver #2

ENERGY

Secondary/  
Upside  
Return  
Driver

NUTRIENTS

Fixed rate contracts (up to 20 years) in place prior to the fund's investment

Processing fees paid by waste haulers, industrial and commercial food/beverage processors

Sale of renewable energy with inflation escalators:

- *Large electric utilities* - Consistent (24/7) electricity connected to the grid with peak pricing potential
- *Major oil/gas companies* - Profitable at \$1.50/gallon

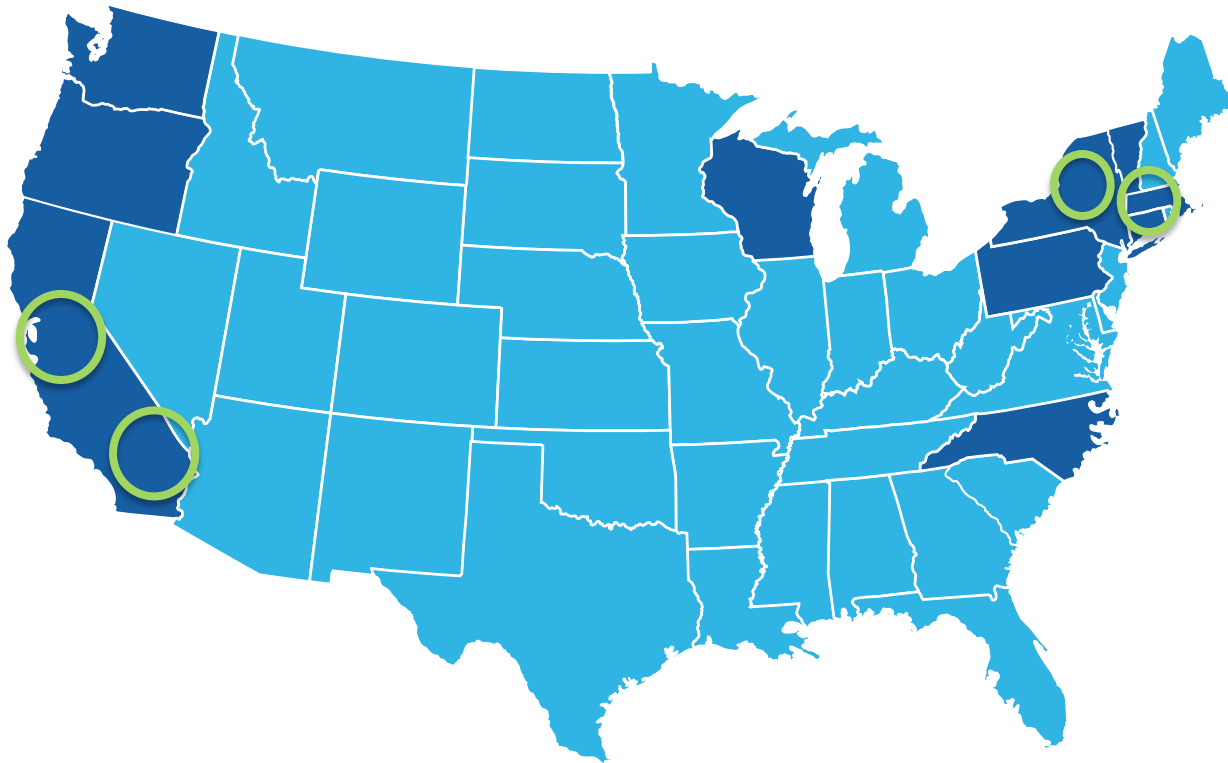
Contracted during operations to commercial and retail markets

- *Organic liquid and solid fertilizers*

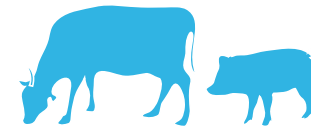




# Focus on Ten Core States



- ~40% of wastewater resources
- Best energy prices and organic waste diversion mandates
- Replicate regional clusters with partners to scale



**52%**  
OF U.S.  
DAIRY COWS

**16%**  
OF U.S.  
CATTLE

**16%**  
OF U.S.  
SWINE



**40%**  
OF U.S.  
FOOD  
PROCESSING



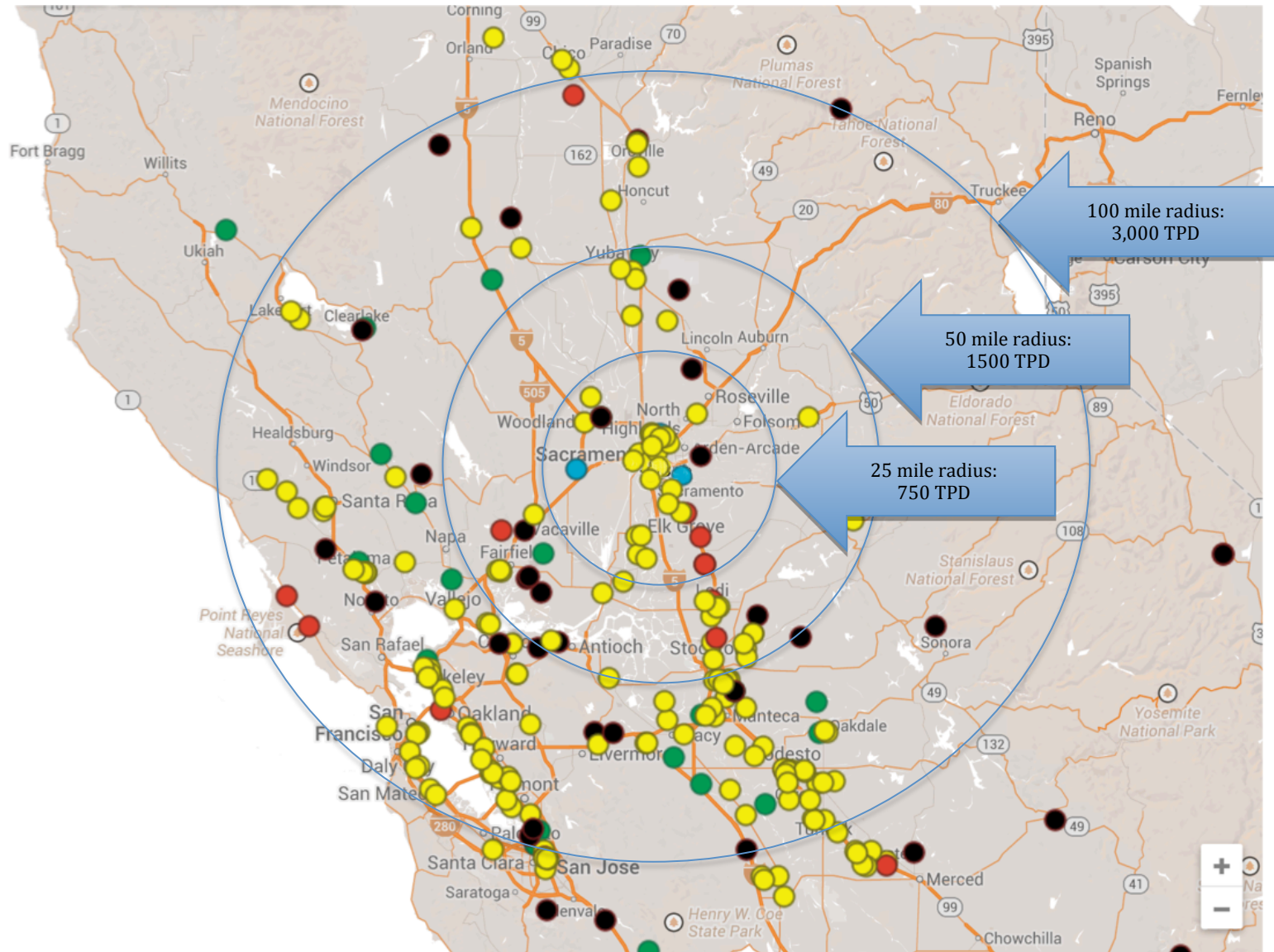
**30%**  
OF U.S.  
WWTPs  
>1MGD

**33%**  
OF U.S.  
WWTPs  
>5MGD

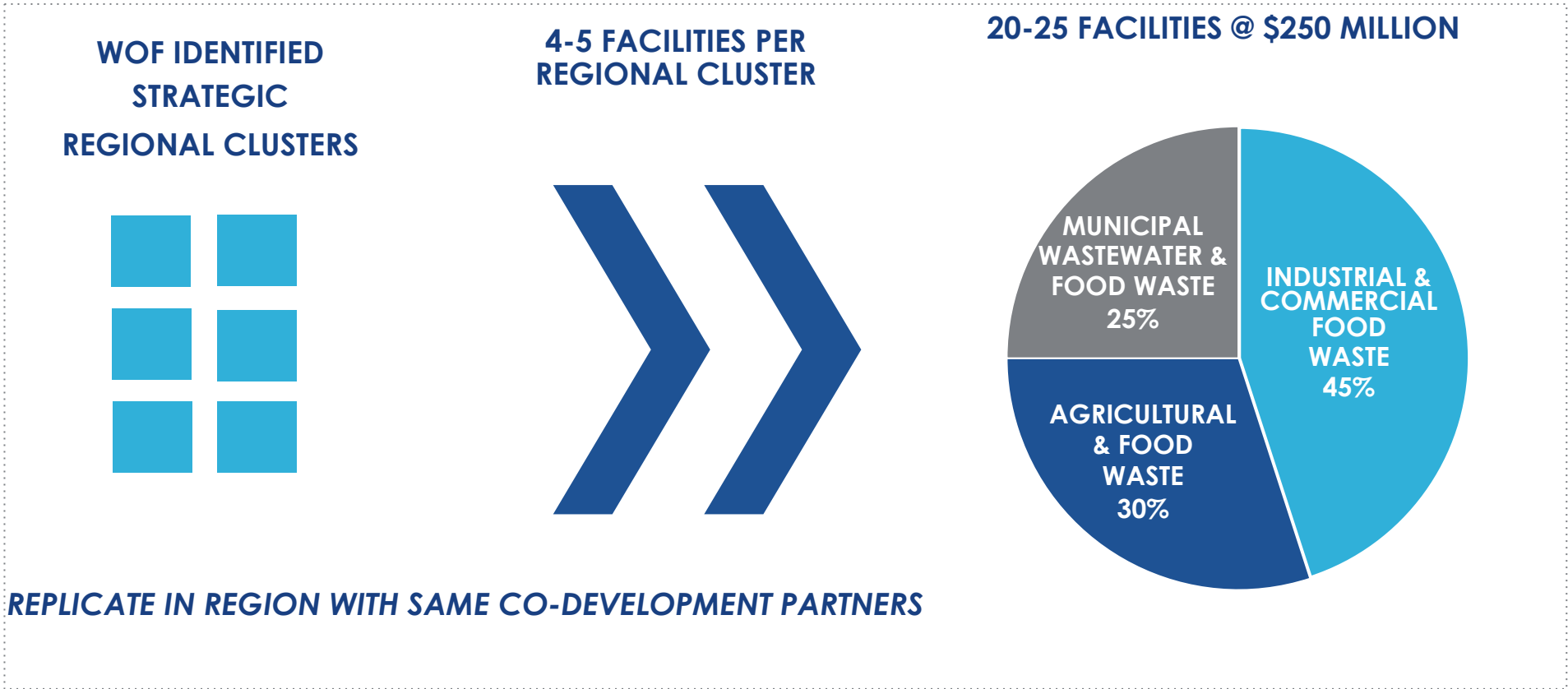
Source: U.S. Census Bureau



# Proprietary Feedstock Analysis: Northern California Cluster



# Over \$400 Million Diversified Investment Pipeline



# WOF Transaction Process Overview

## INVESTMENT ORIGINATION

Project identification through existing, proprietary relationships and repeat partners



## INITIAL DUE DILIGENCE + UNDERWRITING

High-level analysis to determine whether a project is a potential candidate for investment



## PRELIMINARY INVESTMENT REVIEW

WOF's Investment Committee provides authority to proceed with full due diligence, underwriting and structuring



## FULL DUE DILIGENCE + UNDERWRITING + STRUCTURING

Involves gathering and analyzing all required documentation, engaging extended WCM team and negotiating investment terms



## INVESTMENT APPROVAL AND TRANSACTION CLOSING

Requires final approval from WOF Investment Committee and completion of transaction legal documentation



## POST-CLOSING

Ongoing asset management, including system performance monitoring, portfolio optimization, refinancing and liquidation



# Risk Management



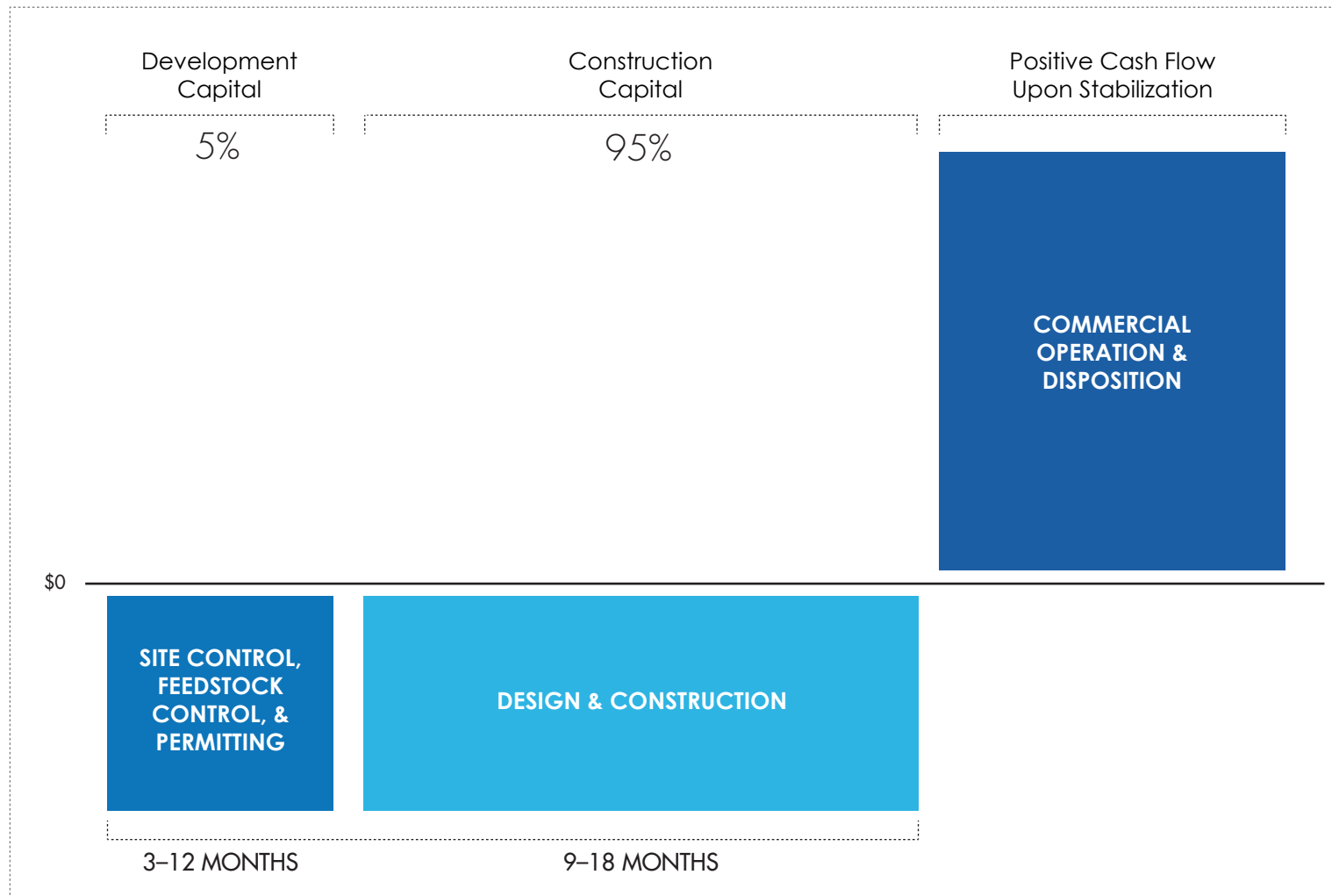
## Key Risks

- Feedstock/Host
- Partners
- Construction
- Liquidity

## Risk Management Strategies

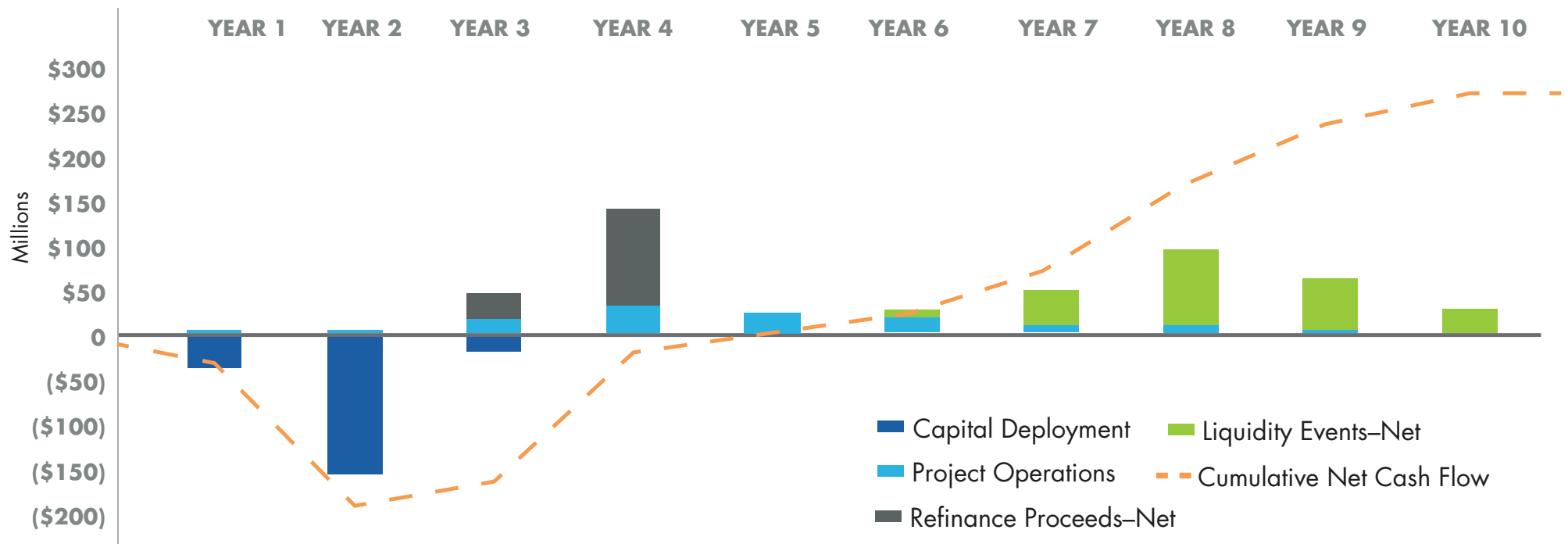
- Establish longer-term agreements with multiple suppliers, regional clusters act as entry barrier
- Align relationships with strong co-development partners and secure revenue counterparties
- Require milestone payments and guaranteed maximum price contracts
- Pursue a variety of liquidity options based on stable cash flows

# Short Construction to Revenue Generation Timeline



Multi-year contracts (as long as 20 years) secured prior to capital commitment

# Accelerated Investor Returns Driven by Stable Cash Flows

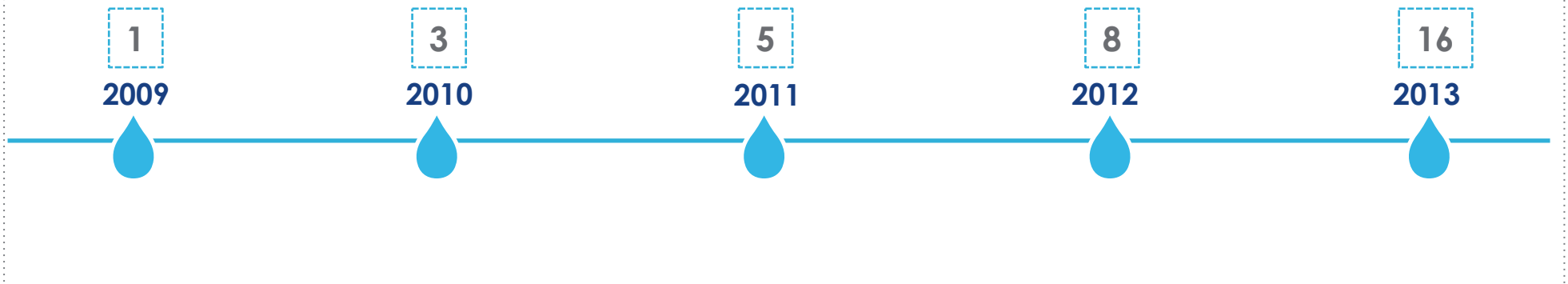


- Alignment to return invested capital within 5 years after deployment
- Multiple Exit Options
  - Strategic Buyers (Industrial Food/Beverage Processors/Municipal Hosts, Waste haulers)
  - Financial Buyers (Utilities/Energy or 'Core' yield-seeking Infrastructure Funds)

# Leaders in Distributed Wastewater

- Diversified wastewater facility track record in all 3 sectors with 16 operating facilities in 5 core states
- Extensive combined track record in renewable energy and real estate development
  - >\$4B in greenfield construction
  - >\$3.5B of realized asset disposition

## WASTEWATER FACILITY TRACK RECORD:





# Fund Terms

**FUND SIZE:** Up to \$250 million

**TERM:** 7 years from close with three 1-year extensions

**PREFERRED RETURN:** 8%

**MANAGEMENT FEE:** 2.0% (Committed Capital then Total Invested Cost Basis after Investment Period)

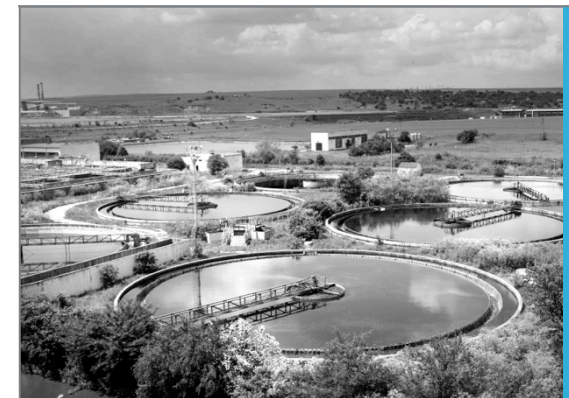
**CARRIED INTEREST:** 20% with catch-up (on a 60/40 basis)

**LIQUIDITY:** Cash flow from operations, refinancing, and sale of individual or group of facility-level interests

**CO-INVESTMENT:** Opportunities for co-investment on a case-by-case basis

# Investment Summary

- First mover advantage with large market opportunity to solve wastewater disposal issues in the U.S.
- Long-term revenue contracts locked-in prior to investment
- Stable cash flows provide multiple exit opportunities
- Track record since 2009 and team possesses expertise and proprietary investment relationships



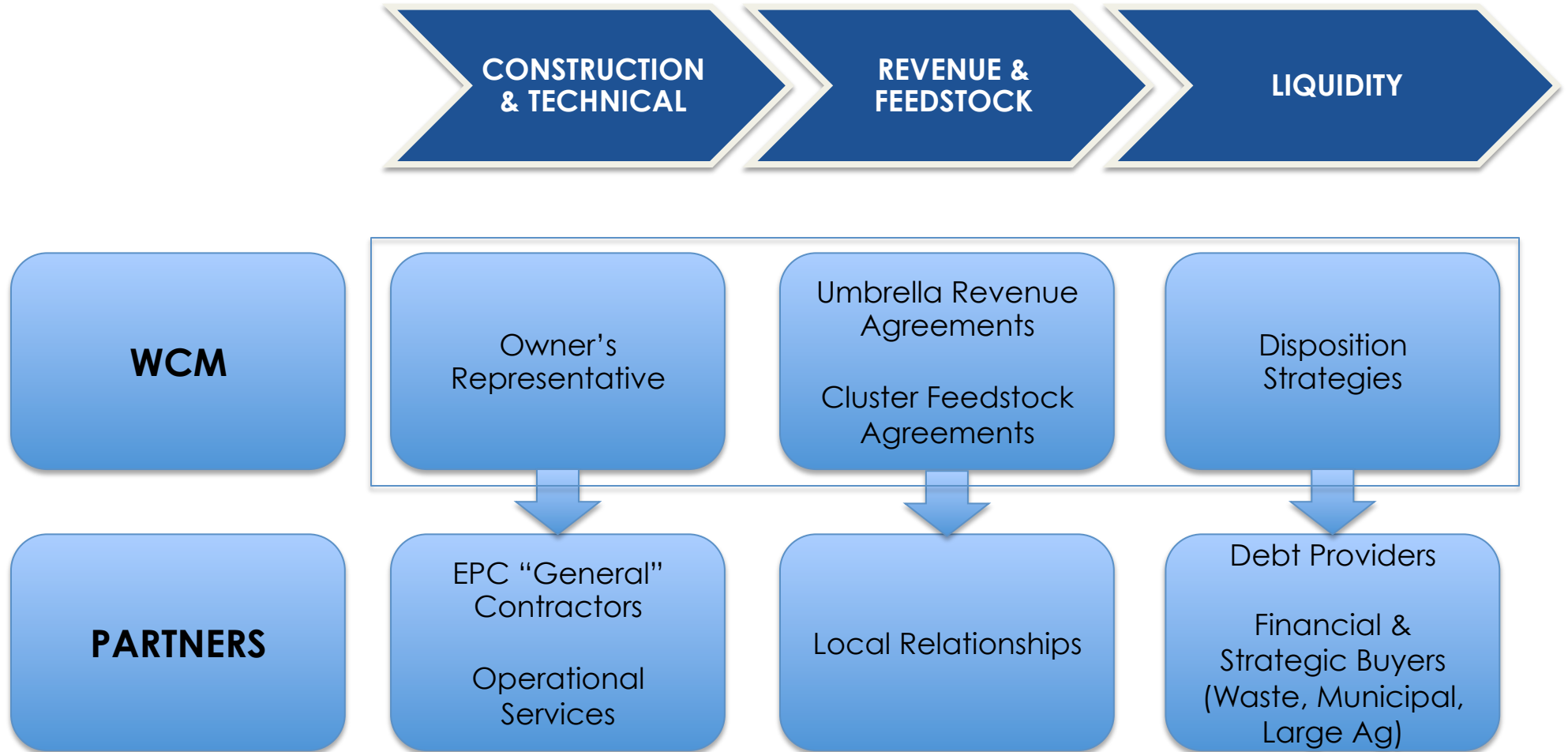
# Disclosure

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SOME FORWARD-LOOKING STATEMENTS ARE MADE IN THIS PRESENTATION SUCH AS “ANTICIPATE,” “PLAN,” “CONTINUE,” “ESTIMATE,” “EXPECT,” “MAY,” “WILL,” “BELIEVE,” “PREDICT,” “POTENTIAL,” “PROJECT” OR OTHER SIMILAR WORDS. THE FORWARD-LOOKING STATEMENTS INVOLVE CERTAIN RISKS AND UNCERTAINTIES. THERE ARE MANY FACTORS THAT MAY CAUSE ACTUAL RESULTS TO DIFFER MATERIALLY FROM THOSE EXPECTED, CONTEMPLATED, PROJECTED, FORECASTED, ESTIMATED, OR BUDGETED IN THE FORWARD-LOOKING STATEMENTS.

WE DO NOT PROVIDE TAX, ACCOUNTING, OR LEGAL ADVICE, AND ALL INVESTORS ARE ADVISED TO CONSULT WITH THEIR TAX, ACCOUNTING, OR LEGAL ADVISERS REGARDING ANY POTENTIAL INVESTMENT. THE INFORMATION AND ANY OPINIONS CONTAINED IN THIS PRESENTATION FROM OUTSIDE SOURCES HAVE BEEN OBTAINED FROM SOURCES THAT WE CONSIDER RELIABLE, BUT WE DO NOT REPRESENT SUCH INFORMATION AND OPINIONS TO BE ACCURATE OR COMPLETE, AND THUS SUCH SHOULD NOT BE RELIED UPON AS SUCH.

# Appendix: WCM and Co-Development Partner Roles





# Appendix: Management Biographies



**Jay Pierrepont**  
Principal & Management Committee

- Former Pantheon Managing Partner and Executive Committee member
- Launched 13 innovative real asset/private equity fund of funds amassing a \$23 billion track record
- Expertise in portfolio-level design, risk assessment, management and disposition of investments
- MBA - Northwestern University (Kellogg), B.S. in Agricultural Economics - Cornell University



**Raimund Grube**  
Investment Committee & Senior Advisor

- U.S. renewable energy leader
- Equilibrium Capital Principal, formerly President of Element Power
- Over 15 years of development, finance and marketing experience in solar, wind, and natural gas-fired energy generation
- Responsible for over 1.5 gigawatts of energy generation capacity currently in operation totaling over \$3 billion in investment capital



**Damon Yuzon, CFA**  
Principal & Management Committee

- 19 year track record of investing, developing and liquidating real estate and renewable energy assets
- Over \$2 billion in greenfield construction spanning 20 major projects
- Expertise in EPC contractor evaluation, incentive alignment, risk management and project oversight
- MBA - Purdue University (Krannert), B.S. in Finance - University of Oregon



**Dr. Anton Daubner**  
Senior Advisor

- Biogas leader with extensive technical and operational expertise
- Formerly CEO of Agri.Capital, Europe's largest biogas company
- Over 80 biogas facilities in Europe with over 70 megawatts of installed capacity with a targeted pipeline of over 300 megawatts



**Ben Vitale**  
Principal & Management Committee

- 26 years of experience in engineering and technical management, including investment committee leadership for environmental real asset portfolios
- Completed 35 successful environmental credit transactions with facilities requiring in excess of \$200 million
- Pioneer in renewable energy, agriculture and climate-friendly policies to grow the wastewater sector
- MBA - Northwestern University (Kellogg), B.S. in Computer & Electrical Engineering - Purdue University



**Nathan Kennedy**  
Senior Consultant

- 10 year investing and underwriting track record in the renewable energy, real estate and technology sectors
- Over \$2 billion of structured finance experience spanning 35 greenfield projects
- Specialized expertise in complex tax equity financing, due diligence and transaction management
- B.S. in Economics - University of Pennsylvania's Wharton School

# Appendix: State Profile - California

California's Wastewater Opportunity	
	<ul style="list-style-type: none"><li>1.8 million dairy cows generate &gt; <u>260 million</u> pounds of wastewater daily</li></ul>
	<ul style="list-style-type: none"><li>Over 3,400 food processing facilities generate significant wastewater</li><li>Leading waste diversion policies (AB 1826) and water regulations</li></ul>
	<ul style="list-style-type: none"><li>232 municipal WWTPs over 1 million gallons per day flush &gt; <u>3.4 billion gallons daily</u></li></ul>
	<ul style="list-style-type: none"><li>RPS of <u>33% by 2020</u>; current unmet capacity of 61,622 MW</li><li>Feed in tariff; 250 MW bioenergy carve-out; Low Carbon Fuel Standard</li><li>15,000 government and fleet vehicles converting to renewable fuels</li></ul>
	<ul style="list-style-type: none"><li>Over 600 distributed wastewater projects could generate &gt;300 MW of capacity and would require <u>\$4.3 billion of capital</u></li></ul>

Sources: WCM Proprietary Research.



Meeting Date  
**03/25/15**  
Agenda Item  
**Misc.**

## MEMORANDUM

Date: March 25, 2015  
To: CCCERA Board of Retirement  
From: Kurt Schneider, Deputy Retirement Chief Executive Officer  
Subject: Amended Actuarial Funding Policy

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On August 13, 2014, the Board took action to amend the Actuarial Funding Policy regarding employer/member cost sharing of the terminal pay assumption. The following motion carried:

Establish as Board policy that with respect to the valuations, leave cashouts shall be included in the member rates effective for the 2014 valuation and thereafter.

The attached Actuarial Funding Policy reflects that action. The first paragraph on Page 5 under Employer/Member Cost Sharing has been edited as follows:

The Cost Impact of ~~Leave Cashouts-Terminal Pay~~

CCCERA's Basic and COLA member rates for members with membership dates before January 1, 2013 are ~~not~~ increased to anticipate **leave cashouts in the final year of employment using the same leave cashout assumptions adopted by the Board for the actuarial valuation for projecting benefit payments.** ~~terminal pay while COLA member rates are increased to anticipate terminal pay using the 50:50 sharing of COLA costs between the employer and the member (Government Code Section 31873).~~

## CONTRA COSTA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

### ACTUARIAL FUNDING POLICY

Adopted: 2/26/2014

Amended: 8/13/2014

#### **INTRODUCTION:**

The purpose of this Actuarial Funding Policy is to record the funding objectives and policies set by the Board of Retirement (Board) for the Contra Costa County Employees' Retirement Association (CCCERA). The Board establishes this Actuarial Funding Policy to help ensure the systematic funding of future benefit payments for members of CCCERA. In addition, this document records certain guidelines established by the Board to assist in administering CCCERA in a consistent and efficient manner.

This Actuarial Funding Policy supersedes any previous Actuarial Funding Policies. It is a working document and may be modified as the Board deems necessary.

#### **GOALS OF ACTUARIAL FUNDING POLICY:**

1. To determine future contributions that, together with current plan assets, are expected to be sufficient to provide for all benefits provided by CCCERA;
2. To seek reasonable and equitable allocation of the cost of benefits over time including the goal that annual contributions should, to the extent reasonably possible, maintain a close relationship to both the expected cost of each year of service and to variations around that expected cost;
3. To manage and control future contribution volatility to the extent reasonably possible, consistent with other policy goals; and,
4. To support the general public policy goals of accountability and transparency by being clear as to both intent and effect, allowing for an assessment of whether, how and when the plan sponsors will meet the funding requirements of the plan.

#### **FUNDING REQUIREMENT AND POLICY COMPONENTS:**

CCCERA annual funding requirement is comprised of a payment of the Normal Cost and a payment on the Unfunded Actuarial Accrued Liability (UAAL). The Normal Cost and the amount of payment on UAAL are determined by the following three components of this funding policy:

- I. Actuarial Cost Method: Allocates the total present value of future benefits to each year (Normal Cost), including all past years (Actuarial Accrued Liability or AAL);
- II. Asset Smoothing Method: Spreads the recognition of investment gains or losses over a period of time for the purposes of determining the Actuarial Value of Assets used in the



actuarial valuation process. This reduces the effect of short-term market volatility while still tracking the overall movement of the market value of plan assets; and,

- III. Amortization Policy: Determines the length of time and the structure of the increase or decrease in contributions required to systemically (1) fund any Unfunded Actuarial Accrued Liability or UAAL, or (2) recognize any surplus, i.e., any assets in excess of the AAL.

#### **I. Actuarial Cost Method:**

The Entry Age method shall be applied to the projected benefits in determining the Normal Cost and the AAL. The Normal Cost shall be determined on an individual basis for each active member.

#### **II. Asset Smoothing Method:**

The investment gains or losses of each valuation period, as a result of comparing the actual market return to the expected market return, shall be recognized in level amounts over 5 years in calculating the Actuarial Value of Assets.

This policy anticipates that future circumstances may warrant adjustments to change the pattern of the recognition of the net deferred investment gains or losses after a period of significant market change followed by a period of market correction, upon receiving an analysis from CCCERA's actuary. Such adjustments would be appropriate when the net deferred investment gains or losses are relatively small (i.e., the actuarial and market values are very close together) and the following conditions are met:

- The net deferred investment gains or losses are unchanged as of the date of the adjustment; and,
- The period over which the net deferred investment gains and losses are fully recognized is unchanged as of the date of the adjustment.

#### **III. Amortization Policy:**

- The UAAL (i.e., the difference between the AAL and the Valuation Value of Assets) as of December 31, 2012 shall continue to be amortized over separate amortization layers based on the valuations during which each separate layer was previously established.
- Any new UAAL as a result of actuarial gains or losses identified in the annual valuation as of December 31 will be amortized over a period of 18 years.
- Any new UAAL as a result of change in actuarial assumptions or methods will be amortized over a period of 18 years.

- Unless the Board adopts an alternative amortization period after receiving an actuarial analysis<sup>1</sup>:
  - a. with the exception noted in b., below, the increase in UAAL as a result of any plan amendments will be amortized over a period of 10 years;
  - b. the entire increase in UAAL resulting from a temporary retirement incentive will be funded in full upon adoption of the incentive. If the increase in UAAL is due to the impact of benefits resulting from additional service permitted in Section 31641.04 of the 1937 CERL (Golden Handshake), the entire increase in UAAL will be funded in full upon adoption of the Golden Handshake.
- UAAL shall be amortized over “closed” amortization periods so that the amortization period for each layer decreases by one year with each actuarial valuation.
- UAAL shall be amortized as a level percentage of payroll so that the amortization amount in each year during the amortization period shall be expected to be a level percentage of covered payroll, taking into consideration the current assumption for general payroll increase.
- If an overfunding or “surplus” exists (i.e., the Valuation Value of Assets exceeds the AAL, so that the total of all UAAL amortization layers become negative), any prior UAAL amortization layers will be considered fully amortized, and any subsequent UAAL will be amortized as the first of a new series of amortization layers, using the above amortization periods.

If the surplus exceeds 20% of the AAL per Section 7522.52 of the Government Code, then the amount of such surplus in excess of 20% of the AAL (and any subsequent surpluses in excess of that amount) will be amortized over an “open” amortization period of 30 years, but only if the other conditions of Section 7522.52 have also been met. If those conditions are not met, then the surplus will not be amortized and the full Normal Cost will be contributed.

- These amortization policy components will generally apply separately to each of CCCERA’s UAAL cost groups with the exception that the conditions of Section 7522.32 apply to the total plan.

## **OTHER POLICY CONSIDERATIONS:**

### Adjustment for 18-Month Delay in Rate Implementation

In order to allow employers to more accurately budget for pension contributions and other practical considerations, the contribution rates determined in each valuation (as of December 31)

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<sup>1</sup> In particular, the Board may want to incorporate into the amortization period demographic matching specific to the plan amendment. This could entail using the remaining active future service for plan changes that affect actives. For plan changes that affect retirees, this could entail using the remaining life expectancy for retirees or the period over which the increased cash flow to retirees is expected to be paid.

will apply to the 12-month period beginning 18 months after the valuation date. Any shortfall or excess contributions as a result of the implementation lag will be amortized as part of CCCERA's UAAL in the following valuation.

#### Implementation of Contribution Rate Change Due to Plan Amendment

Any change in contribution rate requirement that results from a plan amendment is generally implemented on the effective date of the plan amendment or as soon as administratively feasible.

#### Cost Sharing Arrangements

Starting with the December 31, 2009 Actuarial Valuation, the Board took action to depool CCCERA's assets, liabilities and Normal Cost by employer when determining employer contribution rates. The Board action included a review of experience back to December 31, 2002. This did not involve recalculation of any employer rates prior to December 31, 2009. However, it did involve establishing the depooled assets so as to reflect the separate experience of the employers in each individual cost group from December 31, 2002 through December 31, 2009. In addition, the Board took action to discontinue certain cost sharing adjustments for both member and employer contribution rates for General Tier 1 and Safety Tier A.

Even under the depooling structure, there are a few remaining cost sharing arrangements. Here is a summary of the ongoing cost sharing arrangements:

- Smaller employers (less than 50 active members) were pooled with the applicable County tier. Safety members from the East Contra Costa Fire Protection District were pooled with Safety members of the Contra Costa County Fire Protection District.
- Due to a statutory requirement, the Superior Court is pooled with the County regardless of how many members the Court has.
- UAAL costs are pooled between Cost Group 1 and Cost Group 2 which represent General County and Small Districts for Tiers 1 and 3. UAAL costs are also pooled for Cost Groups 7 and 9 which are Safety County Tiers A and C.

This was done because Cost Group 1 and Cost Group 7 had active members but were generally closed to new members. If the UAAL for these two cost groups is not pooled with another cost group that is open to new active members then the UAAL rate for these generally closed cost groups would increase substantially in future years. This is due to the fact that the UAAL for CCCERA is amortized as a level percent of payroll and the payroll growth for the generally closed cost group would be less than the payroll growth assumption (currently 4.00%). This will help stabilize the employer contribution rates for the mostly closed Cost Group 1 and Cost Group 7. Normal Cost rates for those cost groups are not pooled.

There are some substantial differences between the Safety Tier A Enhanced and Safety Tier C Enhanced benefits, such as the period over which final average salaries are determined

and the COLA. However, since the County is the only employer in these two cost groups, they will be the only employer affected by this particular pooling.

## Employer/Member Cost Sharing

### The Cost Impact of Leave Cashouts

CCCERA's Basic and COLA member rates for members with membership dates before January 1, 2013 are increased to anticipate leave cashouts in the final year of employment using the same leave cashout assumptions adopted by the Board for the actuarial valuation for projecting benefit payments.

### The Cost Impact of Service from Unused Sick Leave Conversion

Pursuant to Government Code Section 31641.01, for members with membership dates before January 1, 2013, the cost of this benefit will be charged only to employers and will not affect member contribution rates.

Employer/Member cost sharing arrangements are subject to modification under Government Code Section 31631.5, and any such modifications would be incorporated into the determination of the employer and member contribution rates.

## Additional Employer UAAL Payments

Absent any specific action by the Board, any additional employer payments towards the UAAL (including those from Pension Obligation Bonds (POBs)) will be accepted by CCCERA in exchange for a corresponding reduction in the employer's UAAL contribution rate over period(s) and in a manner consistent with that employer's outstanding UAAL amortization layers and payments.

The outstanding balance of the additional UAAL payment is tracked separately in a manner consistent with the procedure used to track the UAAL amortization layers. It will be credited with earnings at CCCERA's investment return assumption in effect at each valuation date and reduced by the dollar amount of the annual reduction in the employer's UAAL contributions due to the prepayment.

Unless otherwise directed by the Board, the dollar amount of the annual reduction in the employer's UAAL contributions due to the additional UAAL payment will be based on amortizing (as a level percentage of payroll) the outstanding balance of the additional UAAL payment amount over the same period as used for actuarial gains and losses, using CCCERA's investment return and payroll growth assumptions in effect at each valuation date.

The reduction in the UAAL contribution rate will then equal the dollar amount of reduction in the employer's UAAL contributions divided by the employer's expected payroll for the year following the valuation date. Rate reductions will apply starting on July 1 following receipt of the payment. The additional UAAL payment amount will be discounted back to the valuation date for which the contribution rates from that valuation become effective on that July 1.

The separate tracking of the outstanding balance applies only to employers that are in a cost group with more than one employer. For employers that are in their own cost group, the additional UAAL payment amount is directly added to the assets of their cost group. Separate tracking of the outstanding balance of the additional UAAL payment is not needed in this situation as the additional UAAL payment will automatically reduce the employer's UAAL contributions.

**GLOSSARY OF FUNDING POLICY TERMS:**

- **Present Value of Benefits (PVB) or total cost:** the “value” at a particular point in time of all projected future benefit payments for current plan members. The “future benefit payments” and the “value” of those payments are determined using actuarial assumptions as to future events. Examples of these assumptions are estimates of retirement patterns, salary increases, investment returns, etc. Another way to think of the PVB is that if the plan has assets equal to the PVB and all actuarial assumptions are met, then no future contributions would be needed to provide all future service benefits for all members, including future service and salary increases for active members.
- **Actuarial Cost Method:** allocates a portion of the total cost (PVB) to each year of service, both past service and future service.
- **Normal Cost (NC):** the cost allocated under the Actuarial Cost Method to each year of active member service.
- **Entry Age Actuarial Cost Method:** A funding method that calculates the Normal Cost as a level percentage of pay over the expected working lifetime of the plan’s members.
- **Actuarial Accrued Liability (AAL):** the value at a particular point in time of all past Normal Costs. This is the amount of assets the plan would have today if the current plan provisions, actuarial assumptions and participant data had always been in effect, contributions equal to the Normal Cost had been made and all actuarial assumptions came true. Note that for inactive members the AAL equals the entire PVB.
- **Market Value of Assets:** the fair value of assets of the plan as reported in the plan’s audited financial statements.
- **Actuarial Value of Assets (AVA) or smoothed value:** a market-related value of the plan assets for determining contribution requirements. The AVA tracks the market value of assets over time, smoothes out short term fluctuations in market values and produces a smoother pattern of UAALs and contributions than would result from using market value.
- **Valuation Value of Assets (VVA):** the value of assets used in the actuarial valuation to determine contribution rate requirements. It is equal to the Actuarial Value of Assets reduced by the value of any non-valuation reserves.
- **Unfunded Actuarial Accrued Liability (UAAL):** the positive difference, if any, between the AAL and the VVA.
- **Surplus:** the positive difference, if any, between the VVA and the AAL.
- **Actuarial Value Funded Ratio:** the ratio of the VVA to the AAL.
- **Market Value Funded Ratio:** the ratio of the MVA to the AAL.

- **Actuarial Gains and Losses:** changes in UAAL or surplus due to actual experience different from what is assumed in the actuarial valuation. For example, if during a given year the assets earn more than the investment return assumption, the amount of earnings above the assumption will cause an unexpected reduction in UAAL, or “actuarial gain” as of the next valuation. These include contribution gains and losses that result from actual contributions made being greater or less than the level determined under the policy.
- **Valuation Date:** December 31 of every year.