



AGENDA

RETIREMENT BOARD MEETING

SECOND MONTHLY MEETING
January 24, 2018
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.
3. Approve minutes from the December 13, 2017 meeting.

CLOSED SESSION

4. The Board will go into closed session pursuant to Govt. Code Section 54956.9(d)(1) to confer with legal counsel regarding pending litigation:
 - a. *Marianne Irvin v. CCCERA, et al.*, Contra Costa County Superior Court, Case No. CIV MSN15-1024

OPEN SESSION

5. Consider and take possible action to adopt a cost-of-living increase for retirees as of April 1, 2018.
6. Educational Presentation on Asset Allocation.
7. Report from Audit Committee Chair on December 13, 2017 Audit Committee meeting.
8. Consider authorizing the attendance of Board:
 - a. CALAPRS Trustees' Round Table, February 2, 2018, Glendale, CA.
9. 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
1/24/18
Agenda Item
#3

MINUTES

RETIREMENT BOARD MEETING MINUTES

REGULAR MEETING
December 13, 2017
9:00 a.m.

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

Present: Candace Andersen, Scott Gordon, Jerry Holcombe, Louie Kroll, Jay Kwon, David MacDonald, John Phillips, William Pigeon, Gabe Rodrigues, Todd Smithey, Jerry Telles and Rusty Watts

Absent: None

Staff: Gail Strohl, Chief Executive Officer; Christina Dunn, Deputy Chief Executive Officer; Timothy Price, Chief Investment Officer; Karen Levy, General Counsel; Wrally Dutkiewicz, Compliance Officer; Anne Sommers, Administrative/HR Manager; Henry Gudino, Accounting Manager; Tim Hoppe, Retirement Services Manager; and Colin Bishop, Member Services Manager

Outside Professional Support:
Susan Hastings

Representing:
Laughlin, Falbo, Levy & Moresi, LLP

1. Pledge of Allegiance

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

2. Recognition of Liz Walker for 20 years of service

Smithey recognized and congratulated Liz Walker for her 20 years of service.

3. Accept comments from the public

No member of the public offered comment.

MacDonald was present for subsequent discussion and voting.

4. Approval of Minutes

It was M/S/C to approve the minutes from the October 11 and October 25, 2017 meetings. (Yes: Andersen, Gordon, Holcombe, MacDonald, Phillips, Rodrigues, Smithey, Telles and Watts)

5. Routine Items

It was M/S/C to approve the routine items of the December 13, 2017 meeting. (Yes: Andersen, Gordon, Holcombe, MacDonald, Phillips, Rodrigues, Smithey, Telles and Watts)

Pigeon was present for subsequent discussion and voting.

CLOSED SESSION

The Board moved into closed session pursuant to Govt. Code Section 54957 and 54956.9(d)(1).

The Board moved into open session.

6.

- a. It was **M/S/C** to accept the Medical Advisor's recommendation and grant Service Connected disability benefits to Mark Alexander. (Yes: Andersen, Gordon, Holcombe, MacDonald, Phillips, Pigeon, Smithey, Telles and Watts)
- b. It was **M/S/C** to accept the Medical Advisor's recommendation and grant Service Connected disability benefits to Rodney Conyers. (Yes: Andersen, Gordon, Holcombe, MacDonald, Phillips, Rodrigues, Smithey, Telles and Watts)
- c. It was **M/S/C** to accept the Medical Advisor's recommendation and grant Non-Service Connected disability benefits to April Miller. (Yes: Andersen, Gordon, Holcombe, MacDonald, Phillips, Pigeon, Smithey, Telles and Watts)
- d. Bernell Snell – It was **M/S/C** to refer this item back to the Medical Advisor with specific questions to be answered. (Yes: Andersen, Gordon, Holcombe, MacDonald, Phillips, Pigeon, Smithey, Telles and Watts)
- e. It was **M/S/C** to accept the Medical Advisor's recommendation and grant Service Connected disability benefits to Paul Totten. (Yes: Andersen, Gordon, Holcombe, MacDonald, Phillips, Pigeon, Smithey, Telles and Watts)

7. It was **M/S/C** to refer the matter back to the Hearing Officer for further proceedings with instructions. (Yes: Holcombe, MacDonald, Pigeon, Telles and Watts. No: Andersen, Gordon, Phillips and Smithey)

8. It was **M/S/C** to deny the service-connected disability retirement application for Jay Redler. (Yes: Andersen, Gordon, Holcombe, MacDonald, Phillips, Pigeon, Smithey, Telles and Watts)

9. a. There was no reportable action related to Govt. Code Section 54956.9(d)(1).

b. There was no reportable action related to Govt. Code Section 54956.(d)(1). (MacDonald recused himself from this item and was not present for discussion and voting.)

10. Consider and take possible action to adopt the 2018 CCCERA Budget

Gudino presented the proposed 2018 CCCERA Budget noting the 2018 proposed budget includes columns for the 2017 budget versus the actual expenses through November 2017.

He reported the total 2018 proposed budget is \$13.5 million which is an overall increase of \$0.1 million compared to the 2017 budget. The increases are attributed to Board and staff training and education, professional fees for audit and investment legal, and IT systems expenses. The decreases are attributed to non-administrative investment salaries and benefits due to a staggered recruitment of investment officer positions in 2018.

There was a discussion on the OPEB Retiree Health expense. Strohl reported Milliman will be at a future Board meeting and will review the OPEB funding expense options of either paying as we go or setting up a trust.

It was **M/S/C** to adopt the 2018 CCCERA Budget as presented. (Yes: Andersen, Gordon, Holcombe, MacDonald, Phillips, Pigeon, Smithey, Telles and Watts)

11. Legislative Update

Levy reviewed her legislative update memorandum and gave a summary of legislation that has been enacted this year: AB 168 which prohibits an employer from asking salary history information from job applicants; SB 112 which provides for an exception to the limitation on post-retirement services for elected officials; and SB 671 which increases the cap on the amount of advance payments made to the retirement fund by participating employers. She also gave an update on SACRS sponsored legislation which would define surviving spouse to include only a spouse who is legally married to a member, is neither divorced nor legally separated from the member, and who meets all other requirements of CERL pertaining to the length of the marriage and the spouse's age at the time of the member's death.

Gordon was no longer present for subsequent discussion and voting.

12. Consider and take possible action to adopt the CCCERA pay schedules for classifications represented by AFSCME, Local 2700, effective January 1, 2018

Sommers reported Section 5 of the MOU between CCCERA and AFSCME Local 2700, for the period of January 1, 2017 through December 31, 2018, provides for a 2% base pay increase for all bargaining unit employees. Government Code Section 7522.34 requires a publicly available pay schedule be approved and adopted by the Board.

It was M/S/C to adopt the CCCERA publicly available pay schedules for all CCCERA classifications effective January 1, 2018. (Yes: Andersen, Holcombe, Kwon, MacDonald, Phillips, Pigeon, Smithey, Telles and Watts)

13. Presentation on customer service standards

Dunn reported staff is constantly looking for ways to improve customer service.

Hoppe reported that this past year we have held several customer service trainings for staff on how to handle difficult situations and how to improve response time.

Gordon was present for subsequent discussion and voting.

Telles was no longer present for subsequent discussion and voting.

There was a discussion on the average processing times for retirement applications and disability applications. Customer service tracking software, group counseling, and surveys were also discussed. Dunn noted that members can use the info@cccera.org link on the CCCERA website to provide feedback.

Dunn reported the next steps are to continue ongoing customer service training, expand telephone coverage hours, increase follow-up during the application process, provide additional training for staff on the disability application process, create additional member surveys, and conduct semiannual informational sessions for participating employers.

Pigeon was no longer present for subsequent discussion and voting.

Dunn distributed a new welcome letter that is sent to new members and a new congratulations letter that is sent to new retirees.

14. Presentation of the alternative investment fees and expense report

Price reported that effective January 1, 2017, Government Code Section 7514.7 requires California public pension plans to obtain and annually disclose to the Board in an open meeting fee and expense information on an annual basis. The intent of the requirement is to increase transparency of the cost of private investment vehicles that are used by public funds.

He reviewed the contents of the fees report for the calendar year 2016 including the types of investments, funding commitments, values to date, management fees, carried interest and other expenses.

He reported a similar report will be issued in 2018 when the complete data for 2017 is available.

15. Consider authorizing the attendance of Board:

- a. There was no action taken on this item.
- b. There was no action taken on this item.
- c. It was M/S/C to authorize the attendance of 4 Board members at the 36th Annual Sit Investment Associates Client Workshop, Sit Investment Associates, February 15-18, 2018, Dana Point, CA. (Yes: Andersen, Gordon, Holcombe, Kroll, MacDonald, Phillips, Rodrigues, Smithey and Watts)
- d. It was M/S/C to authorize the attendance of 1 Board member at The Pension Bridge Annual, Pension Bridge, April 10-11, 2018, San Francisco, CA. (Yes: Andersen, Gordon, Holcombe, Kroll, MacDonald, Phillips, Rodrigues, Smithey and Watts)

16. Miscellaneous

(a) Staff Report –

Strohl introduced Roxie Mendoza, the new Admin/HR Supervisor. She reported there was an issue with the Contra Costa County healthcare deduction file received by CCCERA for the December 1, 2017 retiree payroll. She acknowledged CCCERA employees and thanked them for their dedication and hard work this year.

Price gave an update on personnel changes at Angelo Gordon noting the changes are part of their internal succession plan and have no effect on CCCERA.

(b) Outside Professionals' Report -

None

(c) Trustees' comments –

Phillips reported on the California Institutional Investor Forum that he, MacDonald, Rodrigues and Smithey attended.

Smithey reported the Audit Committee will be meeting after the Board meeting and the agenda with the attachments are in Dropbox. He stated he was very appreciative of staff's hard work during the year.

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



Meeting Date
1/24/18
Agenda Item
#5

MEMORANDUM

Date: January 24, 2018

To: CCCERA Board of Retirement

From: Christina Dunn, Deputy Chief Executive Officer

Subject: Consider and Take Possible Action to Adopt a Cost-of-Living Increase for Retirees as of April 1, 2018.

In accordance with Government Code §§31870, 31870.1 and 31870.3, the Board must determine the annual cost-of-living adjustments (COLAs) to be effective April 1, 2018.

Determination of COLA

Based on the statutes noted above, the increase or decrease of the retiree allowances must “approximate to the nearest one-half of 1 percent, the percentage of annual increase or decrease in the cost of living as of January 1st of each year as shown by the then current Bureau of Labor Statistics Consumer Price Index for All Urban Consumers for the area in which the county seat is situated.” The only difference in the three COLA statutes that apply to CCCERA members is that the annual maximum adjustment is either 2%, 3%, or 4% depending on which section is applicable.

The consumer price index values used by CCCERA are the December values from the San Francisco-Oakland-San Jose, California table. The increase in the index from December 2016 to December 2017 was 2.94%. In accordance with the statute described above, this is rounded to 3%. The actual cost-of-living adjustment is dependent on the tier of the retiree.

When this value is greater than the annual allowable maximum increase, the excess above the allowance increase is accumulated or “banked”. When the value is less than the annual allowable maximum increase, retirees with sufficient bank will receive the maximum allowable increase and have their banks reduces accordingly.

The attached Segal letter shows the determination of the consumer price index increase and the annual adjustment retirees will receive depending on Tier and bank. The letter also shows the adjustments to the banks.

Recommendation

Consider and take possible action to adopt a cost-of-living increase for retirees as of April 1, 2018.



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John W. Monroe, ASA, MAAA, EA
Vice President & Actuary
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January 16, 2018

Ms. Gail Strohl
Chief Executive Officer
Contra Costa County Employees' Retirement Association
1355 Willow Way, Suite 221
Concord, CA 94520

**Re: Contra Costa County Employees' Retirement Association
Cost-of-Living Adjustments (COLA) as of April 1, 2018**

Dear Gail:

We have determined the cost-of-living adjustments for the Association in accordance with Sections 31870.1, 31870.3 and 31870, as provided in the enclosed exhibits.

The cost-of-living factor to be used by the Association on April 1, 2018 is determined by comparing the December CPI for the San Francisco-Oakland-San Jose Area (with 1982-84 as the base period) in each of the past two years. The ratio of the past two December indices, 277.414 in 2017 and 269.483 in 2016, is 1.0294. The County Law sections cited above indicate that the resulting percentage change of 2.94% should be rounded to the nearest one-half percent, which is 3.0%.

Please note the above cost-of-living adjustments calculated using established procedures for CCCERA may result in adjustments different from those calculated using alternative procedures by other systems.

The actual cost-of-living adjustment is dependent on tier. The CPI adjustment to be applied on April 1, 2018 is provided in Column (4) of the enclosed exhibits. The COLA bank on April 1, 2018 is provided in Column (5).

Please give us a call if you have any questions.

Sincerely,

John Monroe

MAM/hy
Enclosures

5522338v3/05337.013

Contra Costa County Employees' Retirement Association
 Cost-Of-Living Adjustment
 As of April 1, 2018

	(1)	(2)	(3)	(4)	(5)
Retirement Date	April 1, 2017 Accumulated Carry-over	CPI Change*	CPI Rounded**	CPI Used***	April 1, 2018 Accumulated Carry-over****
Tier 1, Tier 3 (service retirement only), Tier 4 (3% COLA), Tier 5 (3%/4% COLA and service retirement only), Safety Tier A and Safety Tier D Section 31870.1					
Maximum Annual COLA	3.0%				
On or Before 3/31/1982	9.500%	2.94%	3.0%	3.0%	9.500%
04/01/1982 to 03/31/1983	3.027%	2.94%	3.0%	3.0%	3.027%
04/01/1983 to 03/31/2017	0.500%	2.94%	3.0%	3.0%	0.500%
04/01/2017 to 03/31/2018		2.94%	3.0%	3.0%	0.000%

* Based on ratio of December 2017 CPI to December 2016 CPI for the San Francisco - Oakland - San Jose Area.

** Based on CPI change rounded to nearest one-half percent.

*** These are the cost-of-living adjustment factors to be applied on April 1, 2018.

**** These are the carry-over of the cost-of-living adjustments that have not been used on April 1, 2018.

Contra Costa County Employees' Retirement Association
 Cost-Of-Living Adjustment
 As of April 1, 2018

Retirement Date	April 1, 2017 Accumulated Carry-over	CPI Change*	CPI Rounded**	CPI Used****	April 1, 2018 Accumulated Carry-over****	
Tier 2, Tier 3 (disability retirement only) and Tier 5 (3%/4% COLA and disability retirement only)						
Section 31870.3						
<u>Maximum Annual COLA</u> 4.0%						
04/01/1984	to	03/31/2017	0.0%	2.94%	3.0%	3.0%
04/01/2017	to	03/31/2018		2.94%	3.0%	3.0%

- * Based on ratio of December 2017 CPI to December 2016 CPI for the San Francisco - Oakland - San Jose Area.
- ** Based on CPI change rounded to nearest one-half percent.
- *** These are the cost-of-living adjustment factors to be applied on April 1, 2018.
- **** These are the carry-over of the cost-of-living adjustments that have not been used on April 1, 2018.

Contra Costa County Employees' Retirement Association
 Cost-Of-Living Adjustment
 As of April 1, 2018

			(1)	(2)	(3)	(4)	(5)
Retirement Date			April 1, 2017 Accumulated Carry-over	CPI Change*	CPI Rounded**	CPI Used***	April 1, 2018 Accumulated Carry-over****
Tier 4 (2% COLA), Tier 5 (2% COLA), Safety Tier C and Safety Tier E Section 31870							
Maximum Annual COLA			2.0%				
04/01/2007	to	03/31/2012	4.5%	2.94%	3.0%	2.0%	5.5%
04/01/2012	to	03/31/2014	3.5%	2.94%	3.0%	2.0%	4.5%
04/01/2014	to	03/31/2015	3.0%	2.94%	3.0%	2.0%	4.0%
04/01/2015	to	03/31/2016	2.5%	2.94%	3.0%	2.0%	3.5%
04/01/2016	to	03/31/2017	1.5%	2.94%	3.0%	2.0%	2.5%
04/01/2017	to	03/31/2018		2.94%	3.0%	2.0%	1.0%

* Based on ratio of December 2017 CPI to December 2016 CPI for the San Francisco - Oakland - San Jose Area.

** Based on CPI change rounded to nearest one-half percent.

*** These are the cost-of-living adjustment factors to be applied on April 1, 2018.

**** These are the carry-over of the cost-of-living adjustments that have not been used on April 1, 2018.



CCCERA Asset Allocation Review

Meeting Date
1/24/18
Agenda Item
#6

Timothy Price, CFA
Chief Investment Officer



Asset Allocation Review

1. The Functionally Focused Portfolio approach to managing CCERA's assets is a tailored approach to investing which should allow CCERA to meet future benefit needs with high certainty while still providing long term growth.
2. The dedicated liquidity program insulates CCERA from market stresses.
3. The total fund should be expected to rise less in rising markets and fall less in falling markets.



FFP Summary

The Functionally Focused Portfolio approach to managing CCERA's assets is a tailored approach to investing which should allow CCERA to meet future benefit needs with high certainty and visibility.

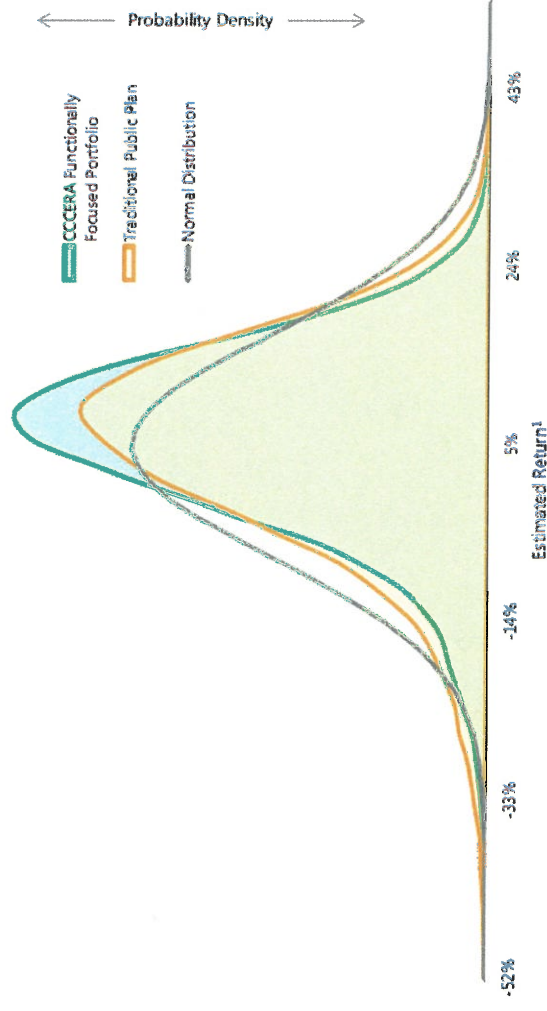


Performance Expectations

Investing CCCERA's assets in a tailored manner should allow CCCERA to grow assets while avoiding the largest market drops.

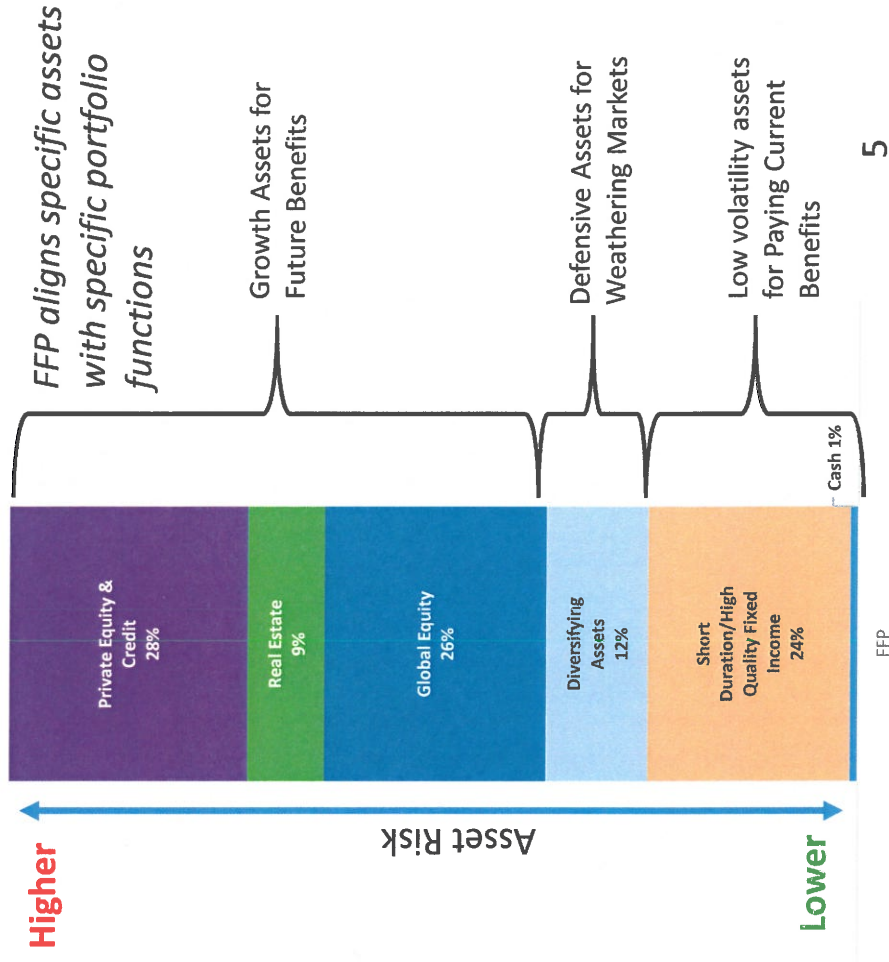
Additionally, CCCERA will generally not participate in the largest market peaks.

By missing the largest drops and peaks, CCCERA's Total Fund return should be smoother and more consistent than a typical 60/40 asset allocation.



Capital Allocation

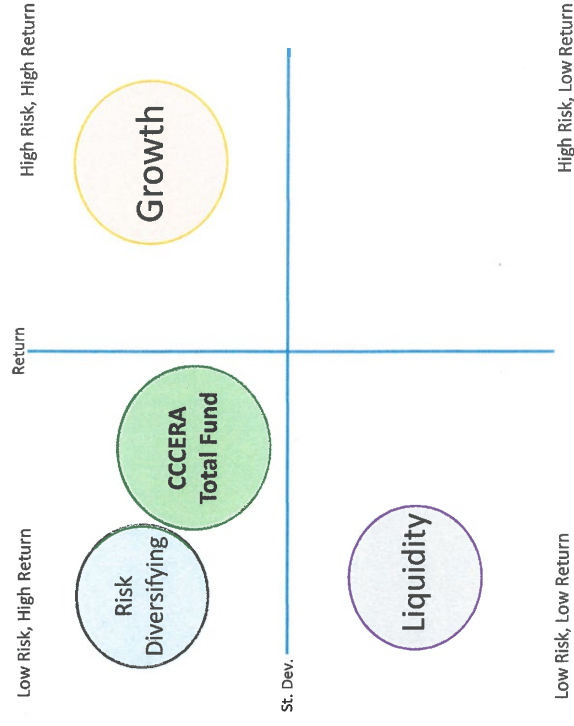
Using a more tailored approach to asset allocation **does not** exclude higher risk/higher return potential investments, but rather allocates the risk to where it is better suited for CCCERA.



Portfolio	Allocation	Function	Performance Impact
Liquidity	27%	Store and disburse benefit payments	Reduces total fund return in rising markets
Growth	61%	Grow assets for future benefit payments	Maintains value in flat & falling markets Increases total fund returns in rising markets
Risk Diversifying	12%	Assets that can provide a hedge against a broad market decline while not losing value in rising markets	Reduces total fund returns in falling markets Neutral impact on total fund returns
Total Fund	100%		The total fund should rise less in rising markets, and fall less in falling markets

The Total Fund

- CCCERA's Total Fund is performing well when the underlying functions are achieving their unique objectives
- If the Liquidity, Growth, and Risk Diversifying sub-portfolios are achieving their objectives, CCCERA's Total Fund should exhibit a low volatility, moderate return profile over long time periods





Measures of Success

- Targeting the underlying functions of the liquidity, growth, and risk diversifying sub-portfolios is the overall goal of the Functionally Focused Portfolio
- A smooth and consistent Total Fund Return pattern is the expected outcome of the sub-portfolios being fully implemented, and able to execute on their unique objectives
- CCCERA Investment Staff has developed materials to provide Board oversight of the portfolio from both a functional and performance oriented perspective.

	Liquidity	Growth	Risk Diversifying	Total Fund
Objective	Match 4 years of benefit payments with high certainty Produce cash flow to match monthly benefit payment	Growth of plan assets for future (years 5+) benefit payments High risk adjusted returns Avoid permanent impairment of capital	Offset volatility in growth sub-portfolio Positive returns in non-stressed markets Provide liquidity for opportunistic re-balancing in market stress events	Provide a structure to pay current benefits, and grow assets for future benefits while sustaining value in adverse market conditions
Measures of Success	Program size vs liabilities Quality ratings Duration Portfolio cash flow	Absolute returns Benchmark relative returns Sharpe Ratios	Low correlation to growth markets Positive real returns High liquidity	Moderate returns with lower volatility over long time periods

2018 Expectations

Investment Operations	Investment Performance
<p>Additional commitments to private equity, private credit, and private real estate.</p>	<p>If equity markets continue to rise, CCCERA will produce a lower return compared to peers. This is due to</p>
<p>Completion of risk diversifying allocation, with 1-3 new managers hired.</p>	<p>CCCERA having a large allocation to short duration fixed income and less equity risk.</p>
<p>Reductions in domestic equity managers, with some possible terminations.</p>	<p>If markets flatten or decline, CCCERA should outperform peers with higher equity allocations.</p>

CALAPRS

EDUCATION • COMMUNICATION • NETWORKING

Program Announcement

Meeting Date
1/24/18
Agenda Item
#8a.

Trustees' Round Table

Friday, February 2, 2018
8:30 a.m - 3:30 p.m.

Hilton Los Angeles North/Glendale
100 West Glenoaks Blvd, Glendale, CA 91202

What would you like to discuss?

Your meeting chair will be [Russell Baldwin](#) of Orange County Employees' Retirement System. Please contact him with your suggestions for presentations or discussion topics to be added to the agenda.

The agenda will be emailed to you and posted on the CALAPRS website as soon as it is available. The program will begin at 8:30 a.m. and end by 3:30 p.m. Breakfast and lunch are provided.

[Register for the Event on the CALAPRS Website](#)

Book Your Hotel Room by January 12

CALAPRS has secured a discounted room block at the Hilton Los Angeles North/Glendale at the rate of \$149/night + tax. Make your reservation [online](#) or by calling 1-800-445-8667 and using the group code "CALA2".

Quick Links

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