



August 13, 2014
Agenda Item 13

AGENDA

RETIREMENT BOARD MEETING

SECOND MONTHLY MEETING
June 25, 2014
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. Presentation by Brown Armstrong on the audit of the December 31, 2013 financial statements.
4. Presentation from PIMCO on StocksPLUS Absolute Return.
5. Consider and take possible action regarding consultant recommendation to change PIMCO StocksPLUS mandate.
6. Consider and take possible action on request from Rodeo-Hercules Fire Protection District to modify the contribution requirement for the 2014/2015 fiscal year.
7. Consider and take possible action on terminal pay assumptions for the December 31, 2013 Actuarial Valuation in light of the pending AB 197 appeal.

CLOSED SESSION

8. The Board will go into closed session pursuant to Govt. Code Section 54956.9(d)(1) to confer with legal counsel regarding existing litigation (one case):
 - a. *Contra Costa County Deputy Sheriffs Association, et al., v. Board of Retirement of Contra Costa County Employees' Retirement Association, et al.*, Court of Appeal, 1st Appellate District, Division Four, Case No. A141913.

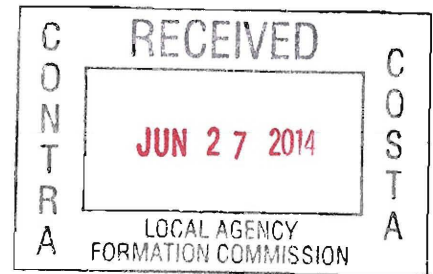
OPEN SESSION

9. Consider and take possible action to schedule additional Board meeting on July 31, 2014.

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.

10. Consider and take possible action regarding the depletion of the "bank" of leave time for "estoppel class" members who use or sell leave between January 1, 2013 and retirement.
11. Consider and take possible action regarding the inclusion of payments for multiple leave sales during a 12-month final average salary period.
12. Consider authorizing the attendance of Board and/or staff:
 - a. 25th Annual Northern California Public Retirement Seminar, The Public Retirement Journal, September 25, 2014, Sacramento, CA.
 - b. Roundtable for Consultants & Institutional Investors, Institutional Investor, October 8-10, 2014, Chicago, IL.
13. Miscellaneous
 - a. Staff Report
 - b. Outside Professionals' Report
 - c. Trustees' comments

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MEMORANDUM

Date: June 26, 2014
To: CCCERA Participating Employers
From: Kurt Schneider, Deputy Retirement Chief Executive Officer
Subject: Treatment of On-call and Standby Pay Following Implementation of AB 197

The purpose of this letter is to update your agency on the May 12, 2014 Ruling in the AB 197 case and provide guidelines for how to report on-call-type compensation to CCCERA for Legacy (pre-PEPRA) members.

In September 2012, the legislature passed and the Governor signed into law AB 197, legislation amending the County Employees Retirement Law of 1937, in particular Government Code §31461 (Compensation Earnable). Under Gov. Code §31461(b)(3), Compensation Earnable does not include, in any case:

Payments for additional services rendered outside of normal working hours, whether paid in a lump sum or otherwise.

On April 10, 2013, the CCCERA Board determined that the new law requires CCCERA to exclude on-call pay and standby pay from compensation for retirement purposes. The Stay Order entered in the AB 197 lawsuit, however, prevented CCCERA from implementing this exclusion for Legacy Members (pre-PEPRA members) or changing its current compensation policy. A final Ruling was entered in the lawsuit on May 12, 2014, and the Stay Order expires July 11, 2014. CCCERA is ordered to implement the final Ruling as to retirements on or after July 12, 2014.

Pursuant to the Ruling, on-call or standby pay is to be included in Compensation Earnable only if it meets the following condition:

[T]he work was required of the Legacy Member to be served during the "final compensation" period and was ordinarily worked by persons in the same grade or class of positions as the Legacy Member, at the same rate of pay, during that period.

On-call or standby pay that does not meet this condition must be excluded from Compensation Earnable.

Although notices to appeal the final ruling have been filed, and a new stay has been requested, no stay has been requested with regard to the treatment of on-call/standby pay. It is very likely that on-call/standby pay will be treated in accordance with the final Ruling, effective July 12, 2014.

Starting with compensation earned on or after July 12, 2014, your agency will need to report as pensionable only the on-call-type pay for work that was:

- Required of the Legacy Member to be served, and
- Ordinarily worked by persons in the same grade or class of positions as the Legacy Member, at the same rate of pay, during that period.

We are aware of positions within CCCERA membership that require standby of everyone in the position and where everyone receives a 5% differential as compensation for this duty. This compensation may be fully included under the final ruling. We also are aware of positions where only some individuals within the grade work on-call duty. This compensation may be fully excluded under the final ruling. There could also be positions that require some on-call duty, but individuals may be allowed to volunteer for additional on-call duty. It may be necessary in these situations to create two pay codes, one for retirement compensable on-call pay and one for non-retirement compensable on-call pay.

In any case, it is the responsibility of the employer to report on-call/standby pay to CCCERA as pensionable only if it meets these requirements.

We note that, notwithstanding the foregoing, the CCCERA Board may exclude any compensation if it determines that the member received it to enhance his or her retirement benefit, pursuant to another part of AB 197, Government Code section 31461, subdivision (b)(1).

Please contact me with any questions.



June 30, 2014

Lou Ann Texeira
Contra Costa County Local Agency Formation Commission
651 Pine Street, 6th Floor
Martinez, CA 94553

Dear Ms. Texeira,

We would like to inform you that the Retirement Board has completed the recruitment for the Retirement Chief Executive Officer, and has appointed Gail Strohl for this valuable position. Ms. Strohl most recently served as the Administrator for the City of Phoenix Employees Retirement System and prior to that was the Accounting Manager for the San Diego County Employees Retirement System. Ms. Strohl's start date with CCCERA will be July 14, 2014.

Sincerely,

Brian Hast
Retirement Board Chair





IMPORTANT MEMBER ALERT!!

Reductions In Retirement Benefits Required Under Assembly Bill 197 Will Go Into Effect On July 12, 2014

(Date: July 1, 2014)

As you may recall from CCCERA's previous updates, a lawsuit was filed in November of 2012 on behalf of all active and deferred members of CCCERA to stop the implementation of Assembly Bill 197. AB 197 would prevent CCCERA from including certain accrued leave payouts (sometimes referred to as "terminal pay") and pay received for services provided after normal working hours (for example, on-call/standby pay) in the calculation of members' retirement allowances. On May 12, 2014, the Superior Court issued a judgment directing CCCERA to proceed to comply with AB 197 for all retirements effective on or after July 12, 2014. The matter was appealed. The Court of Appeal was requested to issue a "stay" of the implementation of AB 197 past July 11th during the pendency of the appeal. On June 30, 2014 the Court of Appeal issued an order denying the request for an additional "stay." CCCERA is therefore required to implement the AB 197 changes in calculating benefits for all retirements with an effective date of July 12, 2014 or later. Retirements with an effective date of July 11, 2014 or before may continue to be calculated under the pre-AB 197 rules.

CCCERA expects to receive a high number of retirement applications for effective dates on or before July 11, 2014 due to the likely reductions in benefits AB 197 mandates. If you are considering retirement, please read the following information carefully:

- 1) Eligibility for retirement for General (non-safety) members is:
Age 50 with 10 or more years of retirement service credit, or
Any age with 30 or more years of retirement service credit, or
Age 70, regardless of service credit.
Those who terminated with at least 5 years of retirement service credit can retire when they would have been eligible had they continued working full time.
- 2) Eligibility for retirement for Safety members is:
Age 50 with 10 or more years of retirement service credit, or
Any age with 20 or more years of retirement service credit, or
Age 70, regardless of service credit.



Those who terminated with at least 5 years of retirement service credit can retire when they would have been eligible had they continued working full time.

- 3) Applications for a retirement date on or before July 11, 2014, must be received and date stamped in the CCCERA office no later than close of business on Friday, July 11, 2014, at 5:00 p.m.
- 4) ***A member can NOT be in a pay status on the date of retirement!*** If you plan to retire effective July 11, 2014, your last day in pay status must be on or before July 10, 2014. If you work on July 11, 2014, your effective date of retirement cannot be before July 12. For example, if you get off duty at 8:00 a.m. on Friday, July 11, 2014, you cannot retire that day since you were in pay status for eight hours.
- 5) If you wait until the final few days to submit your application, CCCERA staff may not have time to thoroughly review your application and may need to contact you later to request additional documents. If a large number of applications are being submitted as July 11, 2014 approaches, staff may only be able to verify the member's signature, the effective date of retirement and the date the application was received.
- 6) Please have your retirement application completed before you come to the CCCERA office.
- 7) Bring copies of the additional documents required. Do not plan to make copies at the office.
- 8) Please check our website daily for possible Group Retirement Application Workshops during the week of July 7, 2014.
- 9) Please read the Frequently Asked Questions and Answers at <http://cccera.org/ImportantNotices.html> for general information about how your benefits will be calculated under AB 197
- 10) Due to the high volume of retirements, your first pension payment may be delayed. It may take 12 to 16 weeks from your date of retirement to receive your first check.

CCCERA is located at 1355 Willow Way, Suite 221, in Concord, CA 94520. The office is open Monday through Friday, 8:00 a.m. to 5:00 p.m. The office is closed daily from 12:00 p.m. to 12:30 p.m.

Please plan ahead.



AGENDA

RETIREMENT BOARD MEETING

FIRST MONTHLY MEETING
July 9, 2014
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. Election of Board officers:
 - a. Election of Chairperson (Hast, incumbent).
 - b. Election of Vice-Chairperson (Phillips, incumbent).
 - c. Election of Secretary (Telles, incumbent).
4. Approve minutes from the June 11, 2014 meeting.
5. Routine items for July 9, 2014.
 - a. Approve certifications of membership.
 - b. Approve service and disability allowances.
 - c. Accept disability applications and authorize subpoenas as required.
 - d. Approve death benefits.
 - e. Accept Asset Allocation Report

CLOSED SESSION

6. The Board will go into closed session under Gov. Code Section 54957 to consider recommendations from the Medical Advisor and/or staff regarding the following disability retirement applications:

	<u>Member</u>	<u>Type Sought</u>	<u>Recommendation</u>
a.	David Poppi	Service Connected	Service Connected

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

7. The Board will continue in closed session pursuant to Govt. Code Section 54956.9(d)(1) to confer with legal counsel regarding pending litigation:
 - a. *Contra Costa County Deputy Sheriffs Association, et al., v. Board of Retirement of Contra Costa County Employees' Retirement Association, et al.*, Court of Appeal, 1st Appellate District, Division Four, Case No. A141913.

OPEN SESSION

8. Consider and take possible action to clarify the Board's June 25, 2014 confirmation that multiple leave sales during the 12-month FAS period are earned and payable in the FAS period and therefore pensionable for Legacy (pre-PEPRA) members so long as they do not exceed the number of leave hours earned in the FAS period.
9. Consider and take possible action regarding proposed statement explaining the Board's intent to review past incidents of unusual compensation increases at end of employment.
10. Consider and take possible action regarding non-service connected disability retirement allowance of deceased member Cheryl Sousa.
11. Consider and take possible action on terminal pay assumptions for the December 31, 2013 Actuarial Valuation in light of the pending AB 197 appeal.
12. Consider and take possible action to place investment manager under review.
13. Consider authorizing the attendance of Board and/or staff:
 - a. Administrators' Institute, CALAPRS, September 24 – 26, 2014, Long Beach, CA. (Staff Conference)
 - b. 2014 Fall Conference, Council of Institutional Investors, September 29 – October 1, 2014, Los Angeles, CA.
 - c. Investment Education Conference, Milliman, October 1 – 3, 2014, Lake Tahoe, CA.
 - d. US Client Conference, Invesco, November 4 – 6, 2014, La Jolla, CA. (Note: conflict with Board meeting)
14. Miscellaneous
 - a. Staff Report
 - b. Outside Professionals' Report
 - c. Trustees' comments

<p>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.</p>
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July 16, 2014

Ms. Lou Ann Texeira
Executive Officer
Contra Costa County Local Agency Formation Commission
651 Pine Street, 6th Floor
Martinez, CA 94553



Re: CCCERA On-Site Employer Reviews

Dear Ms. Texeira,

The purpose of this letter is to advise CCCERA participating employers that CCCERA will begin conducting on-site employer audits. Initial contact with each employer and scheduling of these on-site reviews will begin in August 2014.

CCCERA's audit and compliance review is authorized under the California Public Employees' Pension Reform Act of 2013 (PEPRA) and related County Employees' Retirement Law (CERL) provisions enacted in 2013. CCCERA's goal is to ensure that employee and payroll information used in the calculation of Retiree pension benefits is correct and verifiable. Areas and goals for the audit include:

- Correctness of retirement benefits;
- Reportable compensation;
- Enrollment in, and reinstatement to the system (GC 31543);
- PEPRA Pensionable compensation (GC 7522.31 (c)(1), (c)(11), (c)(12));
- Determine if employees convicted of certain felonies have forfeited benefits earned or accrued from the commission of the felony (GC 7522.72(g) and GC 7522.74(g));
- Evaluate whether MOUs are being complied with (i.e. EE Contribution Rates, Vacation Sales etc.);
- Evaluate whether compensation is paid to enhance a member's retirement benefit (GC 31461(b)(1)).

The onsite-reviews will be conducted by CCCERA staff and will be coordinated with each employer as to the scheduling of on-site dates, requests for documents, follow-up items, and discussion of findings if any. Prior to the commencement of any on-site review, each employer will receive an "On-Site Review Notification Letter" that will request the employer to provide acceptable dates for CCCERA staff to visit and perform the on-site review. In addition, the notification letter will indicate the types of information that may be required both in advance and on the dates of review needed by CCCERA staff. A questionnaire will accompany the letter that is to be completed by the employer providing CCCERA staff

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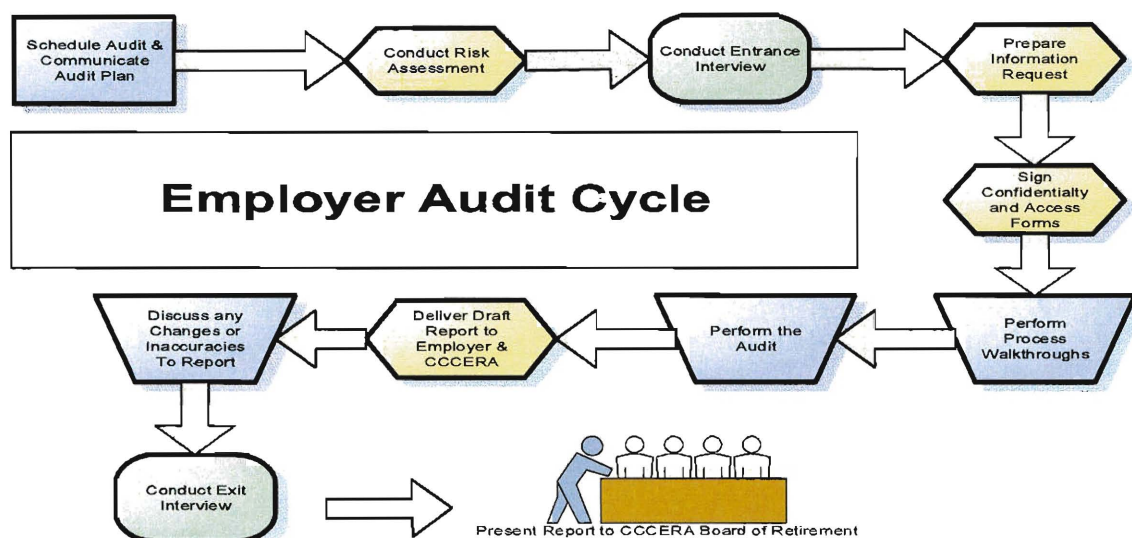
with any additional scheduling, information handling, or administrative items that would need to be coordinated during the on-site review.

The types of information and the number of records that will be requested in connection with these on-site reviews will depend in some part by the size of the employer and the methods by which each employer administers and archives its records. Most information requests will include but will not be limited to the following:

- Payroll data (including sick leave records)
- Employee Schedules (including Shifts & Vacation Schedules)
- Employee Rosters including, Full-Time, Part-Time, Contractors
- Personnel Files
- Salary Schedules
- Employee Handbooks & Administrative Policies
- Financial Statements (if required);
- Contribution Records

The length of the on-site review will also vary depending on the size of the employer. Typically an on-site review may take anywhere from one to three days, but under some circumstances additional days may be required. During the initial notification phase of the review CCCERA staff will work with each employer to determine what the appropriate length of on-site time may be required. Once both CCCERA staff and the employer are in agreement as to acceptable dates for the on-site review to be performed and have determined what the scope of the review will be, CCCERA will provide the employer with an *"On-Site Review Engagement Letter"* confirming the dates and review scope.


The on-site reviews will use the following process:



Upon completion of the review, CCCERA staff will provide the employer with a draft written report of the review results and the observations made by CCCERA staff within four weeks of conclusion of the on-site review. During this time CCCERA staff will continue to dialogue with the employer to ensure that all matters discussed during the exit interview have been vetted and that only outstanding items will be included in CCCERA's on-site final review report. Upon delivery of CCCERA's final on-site review report the employer is requested to provide a response to any findings that might have been noted in the report within four weeks.

CCCERA staff is a valuable resource to use as they have extensive knowledge of reporting procedures and requirements. Through the on-site review process CCCERA will endeavor to work with its participating employers to ensure lasting value and strength for both the employer and the retirement system.

Best Regards,

A handwritten signature in blue ink, appearing to read 'Wally Dutkiewicz', with a long horizontal flourish extending to the right.

Wally Dutkiewicz, CFE
Retirement Compliance Officer



AGENDA

RETIREMENT BOARD MEETING

SPECIAL MEETING

9:00 a.m.

July 31, 2014

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. Discussion with Cortex Applied Research and staff regarding Investment Consultant Request for Proposal.
4. Miscellaneous
 - a. Staff Report
 - b. Outside Professionals' Report
 - c. Trustees' comments

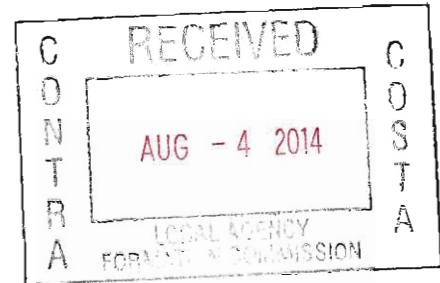
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CONTRA
COSTA
COUNTY
Employees' Retirement Association

CCCERA

July 31, 2014

To: CCCERA Employers
Employee Groups
Retiree Groups



This is to inform you that the Retirement Board for the Contra Costa County Employees' Retirement Association (CCCERA) has provided supplemental direction regarding the review of past incidents of unusual compensation increases at the end of employment. The Board initially voted on May 7, 2014 to begin the review. On July 23, 2014, the Board directed as follows:

1. The Board's intent is to scrutinize apparently intentional acts of pension spiking, through members' receipt of pay items that were not earned as part of their regularly recurring employment compensation during their careers.
2. The review will concentrate on specific, unique items of pay and not on regularly recurring vacation, sick or compensatory leave time.

As previously stated, any proposed adjustments to retirement benefits will occur only after the Board has conducted a thorough examination of all applicable facts and applicable law, and only after affording any affected members the opportunity to appear before, and present their positions to, the Board before any action is taken.

Thank you for your attention to this matter.

Sincerely,

Brian Hast
Retirement Board Chair