

CONTRA COSTA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

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January 23, 2013

The Board of Retirement met in regular session at 9:00 a.m. on Wednesday, January 23, 2013 in the Conference Room of the Contra Costa County Employees' Retirement Association, 1355 Willow Way, Suite 221, Concord, CA.

Present: Debora Allen, Terry Buck, Richard Cabral, John Gioia, Brian Hast, Jerry Holcombe, Sharon Naramore, John Phillips, Gabe Rodrigues, Jerry Telles, Maria Theresa Viramontes and Russell Watts

Absent: None

Staff: Marilyn Leedom, Retirement Chief Executive Officer; Kurt Schneider, Retirement Deputy Chief Executive Officer; Timothy Price, Retirement Chief Investment Officer; and Karen Levy, General Counsel

Outside Professional Support:	Representing:
Bob Helliesen	Milliman
Marty Dirks	Milliman

Other Attendees:

Luz Casas	Contra Costa County Employees' Retirement Association (CCCERA) Staff
Christina Dunn	CCCERA Staff
Tracy Kroll	CCCERA Staff
Justine Rossini	CCCERA Staff
Kenneth Minihan	Paladin Capital Group
Brenda Chia	Paladin Capital Group
Michael Steed	Paladin Capital Group
Peter Cheung	Paladin Capital Group
Todd Smithey	Central Contra Costa Sanitary District

1. Pledge of Allegiance

Holcombe led all in the *Pledge of Allegiance*.

2. Public Comment

No members of the public offered comment.

3. Approval of the November 28, 2012 Minutes

It was *M/S/C* to approve the minutes of the November 28, 2012 meeting. (Yes: Buck, Cabral, Hast, Holcombe, Phillips, Telles, Viramontes and Watts)

4. Presentation from Paladin Capital Group - Peter Cheung, Brenda Chia, Michael Steed, Kenneth Minihan

Helliesen introduced the Paladin Capital Group.

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Cheung thanked the Board for the opportunity to give the presentation and gave a brief background of each member of the team.

Allen was present for subsequent discussion and voting.

Steed reported after the 9/11 attacks Paladin realized the importance of increasing the resiliency of critical infrastructures within the nation. He noted in early 2013, President Obama is expected to issue a comprehensive Executive order on cyber security, data security and privacy that will boost the administration's effort to improve the digital defenses of critical infrastructure.

Minihan defined cyberspace as a global domain consisting of interdependent networks of information technology critical infrastructures, including the internet, telecommunications networks, computer systems, and imbedded processors and controllers. The private sector, government, and the military all share in the responsibility to protect our global infrastructure. He reviewed the hierarchy of cyber threat and the strategic context.

Gioia was present for subsequent discussion and voting.

Minihan reviewed the challenges to global security noting the biggest challenge is to create an atmosphere of trust using cyberspace products, services and technologies. He reviewed the internal costs and external consequences and costs of a cyber-attack, noting it costs more to protect the intellectual property than the cost for an attacker to destroy it. He stated they would like to change this by transforming current cyber infrastructure from its static configuration to a dynamic architecture which will raise the level of difficulty for our adversaries in conducting attacks as well as make the infrastructure more adaptive and resilient.

Steed gave an overview of the IT market noting the cyber security market is expected to see tremendous growth in 2013 and beyond.

Steed reviewed areas they are researching to obtain the technology advantage, including harvesting new technologies from government, industry, national labs and universities. He stated a prudent strategy would be to first establish trusted foundations within cyberspace and then build public and private sector mission capability on top of those enhanced foundations.

It was the consensus of the Board to move to Item 9b.

9. Miscellaneous

(b) Outside Professionals' Report

Milliman gave an update on the Private Real Asset manager search and distributed a list of firms that received RFP questionnaires.

A 4th Quarter Flash Report was distributed.

It was the consensus of the Board to move to Item 5.

CLOSED SESSION

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

The Board moved into open session

5. Disability Retirements

It was *M/S/C* to accept the Medical Advisor's recommendation and grant the following disability benefit:

- a. Marvin Lopez - Service Connected (Yes: Allen, Buck, Cabral, Gioia, Hast, Phillips, Telles, Viramontes and Watts)
- b. Harry Kinney - Service Connected (Yes: Allen, Buck, Cabral, Gioia, Hast, Phillips, Telles, Viramontes and Watts)

Gioia recused himself from Item 6a and was not present for subsequent discussion and voting.

6. a. There was no reportable action related to Govt. Code Section 54956.9(a).

Gioia was present for subsequent discussion and voting.

- b. There was no reportable action related to Govt. Code Section 54956.9(a).

7. Staff recommendation for a new position of Retirement Information Technology Manager

Leedom reported on the increased workload in the IT department and the recent vacancies. The IT department needs have also changed and expanded over the years resulting in the need for a manager position.

The Board discussed the tasks that would be completed by the IT Manager and the reporting level of this position.

It was *M/S/C* to approve a new position of Retirement Information Technology Manager. (Yes: Allen, Buck, Cabral, Gioia, Hast, Phillips, Telles, Viramontes and Watts)

8. Conference Seminar Attendance

- a. It was *M/S/C* to authorize the attendance of 1 Board member at the Principles of Pension Management, CALAPRS, March 26-29, 2013, Stanford, CA. (Yes: Allen, Buck, Cabral, Gioia, Hast, Phillips, Telles, Viramontes and Watts)
- b. It was *M/S/C* to authorize the attendance of 5 Board members at the Annual Conference and Exhibition, NCPERS, May 18-23, 2013, Honolulu, HI. (Yes: Allen, Buck, Cabral, Gioia, Hast, Phillips, Telles, Viramontes and Watts)

9. Miscellaneous

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(a) Staff Report -

Leedom reported an educational presentation on disabilities will be provided to the Board at a future Board meeting.

She reported The Segal Company will present the economic assumptions at the last meeting in February.

She reported 1099R's are being printed and will be sent out next week.

She will be speaking on a small panel regarding PEPRA at Central Contra Costa Sanitary District.

Leedom reported CalPERS's rebuttals to articles recently written by Dan Borenstein were on the CalPERS website.

Price reported concerns with the personnel change at INTECH and will be scheduling an onsite visit at the end of February or beginning of March.

He reported rebalancing will begin at the end of January. He expects shifts from equity portfolios into the debt portfolios.

Schneider reported the Board adopted PEPRA rates at the January 9th meeting which included a 3% COLA. Staff later learned that through negotiations some employee organization groups have adopted MOUs with a 2% COLA. The Segal Company is working on getting rates for these members. He will bring them to the Board once they are available.

Schneider reported the Bay Area Consumer Price Index (CPI) has been released and The Segal Company has calculated the COLA for 2013. The change in the CPI is 2.22%, so the recommendation at the next meeting will be approval of a 2% COLA. The COLA is the change in the CPI rounded to the nearest one-half percent according to government code sections 31870.1, 31870.3 and 31870.

(c) Trustees' Comments -

Viramontes distributed copies of CalPERS's rebuttals to articles written by Dan Borenstein.

Cabral requested the Klausner and Kaufman Client Conference and the Pensions and Capital Stewardship Conference at the Harvard Law School be on the next agenda for approval.

Buck stated he was contacted by an attorney regarding San Ramon Valley Fire District not hiring candidates that have reciprocity and will therefore not be in the lower PEPRA tier. He directed the attorney to Levy and noted this was an employment law issue.

It was **M/S/C** to adjourn the meeting. (Yes: Allen, Buck, Cabral, Gioia, Hast, Phillips, Telles, Viramontes and Watts)

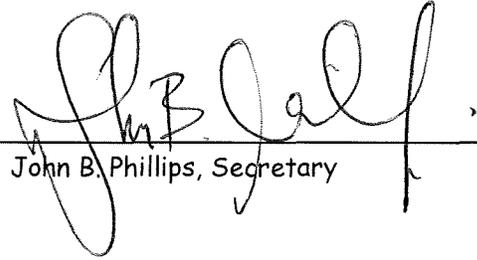
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Maria Theresa Viramontes, Chairman



John B. Phillips, Secretary