

CONTRA COSTA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

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January 10, 2007

The Board of Retirement met in regular session at 9:00 a.m. on Wednesday, January 10, 2007, in the Conference Room of the Contra Costa County Employees' Retirement Association, 1355 Willow Way, Suite 221, Concord, CA.

Present: Richard Cabral, Dave Gaynor, John Gioia, Brian Hast, Paul Katz, William J. Pollacek, Bob Rey, Jerry Telles, Maria Theresa Viramontes and Clifton Wedington.

Staff: Marilyn Leedom, Retirement Chief Executive Officer; Cary Hally, Retirement Chief Investment Officer; Kathy Somsen, Retirement Benefits Manager; Toni Warren, Retirement Administration Manager.

Outside Professional Support: Representing:
Michael Toumanoff Steefel, Levitt and Weiss
Rebecca Byrnes County Counsel

Other Attendees:

Tracy Kroll	Contra Costa County Employees' Retirement Association (CCCERA) Staff
Joelle Luhn	CCCERA Staff
Luz Casas	CCCERA Staff
Karen Davis	CCCERA Staff
James Lee	Patrick Hubert Partners
Mary Lou Williams	Retirees' Association
Satomi Cadena	Local #1, Retirees' Association

1. Luz Casas, 10 Year Service Award

Wedington congratulated CCCERA employee Luz Casas on the occasion of her 10th Anniversary and thanked her for her years of dedicated service to the Retirement Association.

2. Public Comment

Mary Lou Williams wished all a Happy New Year and introduced Satomi Cadena the new Executive Director for retirees for Local One.

3. Approval of Minutes

After noting an attendee, Ed Irwin, represented the Retirees' Support Group and not the Retirees' Association; it was M/S/C to approve the minutes of the December 13, 2006 meeting as amended. (Yes: Cabral, Gaynor, Gioia, Hast, Katz, Pollacek, Rey, Telles, and Wedington)

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4. Routine Items

It was M/S/C to approve the routine items of the January 10, 2007 meeting. (Yes: Cabral, Gaynor, Gioia, Hast, Katz, Pollacek, Rey, Telles, and Wedington)

The Board moved into closed session pursuant to Govt. Code Section 54957 to consider the Medical Advisor and or staff's recommendation regarding a disability retirement application.

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 benefits:

(a) Timothy Tye Service Connected (Yes: Cabral, Gaynor, Gioia, Hast, Katz, Pollacek, Rey, Telles and Wedington)

Viramontes was present for subsequent discussion and voting.

6. SACRS Voting Proxy

Toumanoff first noted that appointed and retiree Board Members may participate in voting on the proposal from Santa Barbara and Orange Counties to increase the compensation for attendance at meetings by appointed and retiree Board members without violating the Political Reform Act, because the FPPC has orally advised that Board members may so participate under the "employee" exception to those conflict of interest rules.

It was M/S/C to designate Gaynor as voting proxy and Wedington as alternate voting proxy for the SACRS Extra Ordinary Session of the Voting Membership. (Yes: Cabral, Gioia, Hast, Katz, Pollacek, Rey, Telles, Viramontes and Wedington)

7. SACRS 2006 Legislative Proposals

Vision Care Plan Proposal. After discussion on the first SACRS Legislative proposal, it was M/S/C to support the vision care program at retiree cost. (Yes: Cabral, Gioia, Hast, Katz, Pollacek, Rey, Telles, Viramontes and Wedington)

Orange County/Santa Barbara Proposal. There was a **motion** to support the proposal for an increase in compensation per meeting for appointed and retired trustees that serve on their respective 1937 Act Boards. Pollacek noted the SACRS legislative committee voted not to support this proposal at this time; Legislative consultants concurred. There was discussion that there has been no change in board member compensation or inflation adjustment since 1970 and clearly the commitment of being on a board has increased. It was noted with the time commitment the wages are well below minimum wage. There was continued discussion on the compensation lost for Board Trustees working in the private sector when trustees must take time off their regular job for Retirement Board Meetings and educational meetings.

There was debate on including CALPERS and CALSTRS Board trustees in the legislation. Serving on a Board, it was noted, may become cost prohibitive at some point and Retirement Boards may not be able to get qualified trustees. Discussion followed on the timing of introducing this issue.

On the motion, it was **M/S** to support the proposal for an increase in compensation per meeting for appointed and retired trustees that serve on their respective 1937 Act Boards. (Yes: Cabral, Rey, Telles, Wedington; No: Katz, Pollacek; Abs: Gioia, Hast, Viramontes) **The motion failed.**

It was **M/S/C** to remain neutral on the Orange County/Santa Barbara proposal to increase compensation per meeting for appointed and retired trustees and to request that officials from SACRS meet with officials from CALPRS and CALSTRS to join in legislation for an increase for all Board trustees. (Yes: Cabral, Gioia, Hast, Katz, Pollacek, Rey, Telles, Viramontes and Wedington)

Counsel was directed to review the law for clarity to insure that CCCERA's alternate Board members may receive the same payments for meeting attendance and other such benefits as the Board members for whom they sit receive.

8. Resolution 2006/743 for the Retirement Chief Executive Officer (CEO) Position

There was a **motion** to accept the recommendation to amend the Retirement CEO's contract to include the compensation and benefits authorized for County elected and appointed department heads in Resolution 2006/743 as an amendment to the CCCERA Board and Retirement CEO Agreement, dated September 1, 2004.

Toumanoff commented that under certain provisions, as in this circumstance, the CEO has the ability to participate in negotiating her own contract and this is not considered a conflict of interest.

It was noted this process will bring the CEO's contract up to date to provide comparable benefits as provided to appointed County department heads and that Leedom was directed to bring issues to the Board to maintain this equity.

There was discussion on the inclusion of various items, noting only certain items apply to the Retirement CEO. Counsel recommended setting up an ad hoc committee to make recommendations on which items to accept as part of the Retirement CEO's contract. There was further discussion on obtaining a legal opinion on Item # 11, which provides a 2% salary differential for an appointed department head or key executive employee who gives at least 12 months advance written notice of his or her separation from County employment.

A substitute motion was offered, it was **M/S/C** to create an ad hoc committee to review the amendments with counsel and to return with a recommendation to adopt some or all changes, and for counsel to opine if Item 11 is considered "spiking"; any changes will be

retroactive to January 1, 2007. (Yes: Cabral, Gioia, Hast, Katz, Pollacek, Rey, Telles, Viramontes and Wedington)

9. Ice Miller Primary Counsel for Tax Issues

There was a **motion** to accept staff's recommendation to retain Ice Miller for primary counsel for tax related matters. Some expressed their opposition and feel a Request for Proposal (RFP) is needed. Leedom noted Steefel recommended working with Ice Miller for tax related issues. The motion was amended to retain Ice Miller for issues with the Pension Protection Act and then perform an RFP. Some felt using Ice Miller for the Pension Protection Act was too broad. The most urgent issue pending at this time is the definition of "normal retirement age". **The motion was withdrawn.**

It was **M/S/C** to retain Ice Miller in regards to the definition of normal retirement age within the Pension Protection Act, to issue an RFP for counsel for tax related issues, and allow Ice Miller to participate in the RFP process. (Yes: Cabral, Gioia, Hast, Katz, Pollacek, Rey, Telles, Viramontes and Wedington)

10. Proxy Voting Guidelines

It was **M/S/C** to accept staff's recommendation to incorporate the ISS guidelines of when to withhold a vote from directors into CCCERA's proxy voting guidelines. (Yes: Cabral, Gioia, Hast, Katz, Pollacek, Rey, Telles, Viramontes and Wedington)

11. Money Manager Presentation Schedule for 2007

There was a **motion** to accept staff's first recommended schedule to have special Board meetings dedicated to investment managers' annual reviews. The motion was amended to allow the CIO the flexibility to schedule up to five or six investment managers to special board meetings and to return with recommended dates. The motion was **M/S/C** as amended. (Yes: Cabral, Gioia, Hast, Katz, Pollacek, Rey, Telles, Viramontes and Wedington)

Because of the large amount of items already on the February 28, 2007 meeting, staff was directed to cancel investment managers already scheduled to present and reschedule for a future meeting.

12. Conference Seminar Attendance

- (a) It was **M/S/C** to authorize the attendance of Koehler at the 101st Annual Conference, GFOA, June 10 - 13, 2007, Anaheim, CA (Yes: Cabral, Gioia, Hast, Katz, Pollacek, Rey, Telles, Viramontes and Wedington)
- (b) It was **M/S/C** to authorize the attendance of all Board and appropriate staff at the 2007 General Assembly, CALAPRS, March 10 - 13, 2007, Monterey, CA (Yes: Cabral, Gioia, Hast, Katz, Pollacek, Rey, Telles, Viramontes and Wedington)

Gioia and Viramontes were not present for subsequent discussion and voting.

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- (c) It was M/S/C to authorize the attendance of Wedington, Naramore, Leedom, and Gaynor at the SACRS Extra Ordinary Session of the Voting Membership, February 5 - 6, 2007, Universal City, CA (Yes: Cabral, Gaynor, Hast, Katz, Pollacek, Rey, Telles, and Wedington)
- (d) It was M/S/C to authorize the attendance of Hast and Cabral at the 2007 Limited Partners Conference, Credit Suisse (DLJ), February 26 - 28, 2007, Miami, FL. (Yes: Cabral, Gaynor, Hast, Katz, Pollacek, Rey, Telles, and Wedington)
- (e) It was M/S/C to authorize the attendance of Hally at the Global Real Estate Securities Institutional Investor Educational Summit, URDANG, January 25 - 26, 2007, Las Vegas, NV. (Yes: Cabral, Gaynor, Hast, Katz, Pollacek, Rey, Telles, and Wedington)
- (f) No one was able to attend the Certificate of Achievement in Public Plan Policy, Part I, International Foundation of Employee Benefit Plans, March 3 - 5, 2007, San Diego, CA.

13. Miscellaneous

- (a) Staff Report - Hally reported US Realty has sold their remaining property. He noted he is in the process of setting up an on-site visit with Wentworth, Hauser and Violich on January 30, 2007. He would like no more than three to four trustees to attend. Telles and Gaynor volunteered.

Wedington noted CCCERA has again received the annual Certificate of Achievement for Excellence in Financial Reporting. He congratulated staff for this achievement.

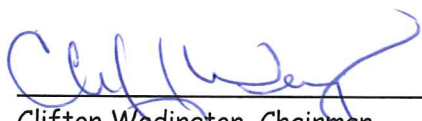
- (b) Outside Professionals' Report - nothing further

- (c) Trustees' Comments - Cabral, noted he hasn't read the entire plan as yet, but wonders how the Governor's healthcare plan that affects uncovered adults will apply to some CCCERA retirees.

Katz - noted several months ago he discussed disinvesting in Sudan. He commented Leedom had told him she would have staff research to determine what other systems are doing on this issue and she will bring this matter back to the Board.

Cabral noted staff may want to expand this research to other state systems.

It was M/S/C to adjourn (Yes: Cabral, Gaynor, Hast, Katz, Pollacek, Rey, Telles, and Wedington)


Clifton Wedington, Chairman


William J. Pollacek, Secretary