

CONTRA COSTA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

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October 22, 2009

The Board of Retirement met in special session at 9:00 a.m. on Thursday, October 22, 2009 in the Conference Room of the Contra Costa County Employees' Retirement Association, 1355 Willow Way, Suite 221, Concord, CA.

Present: Terry Buck, Richard Cabral, Dave Gaynor, Brian Hast, Jerry Holcombe, William J. Pollacek, and Jim Remick.

Staff: Marilyn Leedom, Retirement Chief Executive Officer; Silvina Leroux, Retirement Deputy Chief Executive Officer; Cary Hally, Retirement Chief Investment Officer; Karen Levy, Counsel; Toni Warren, Retirement Administration Manager.

Outside Professional Support: Representing:
Bob Helliesen Milliman

Other Attendees:

Luz Casas	Contra Costa County Employees' Retirement Association (CCCERA) Staff
Chih-Chi Chu	CCCERA Staff
Tony Dote	Lazard Asset Management
Yvette Klevan	Lazard Asset Management
Kristin Harper	Lord Abbett
Robert Lee	Lord Abbett
Michael Swell	Goldman Sachs
Stephanie Ivy	Goldman Sachs
Chang Suh	AFL-CIO Housing Investment Trust
Elizabeth Diamond	AFL-CIO Housing Investment Trust
Stephanie King	PIMCO
John M. Miller	PIMCO

1. Pledge of Allegiance

Buck led all in the *Pledge of Allegiance*.

2. Public Comment

No members of the public offered comment.

3. Discussion with Investment Consultant

Helliesen reviewed recent manager performance, noting no concerns on fund managers presenting at today's meeting. However, it was noted Lazard's CEO, Bruce Wasserstein, recently passed away.

He noted AFL-CIO Housing Investment Trust underperformed slightly in the most recent period, but has performed solid over longer period. PIMCO Stocks Plus has outperformed in the last period, but is still lagging long-term.

Helliesen distributed a Flash Report, discussing various managers' performance. There was some discussion about CCCERA remaining in the first or second quartile of public funds in both an up and down market.

4. Manager Presentations

Global Fixed Income

Lazard Asset Management - Yvette Klevan, Tony Dote

Dote began by noting Lazard has survived the market upheaval and done well. He noted they are a conservative, security driven firm. He discussed assets under management and new money that has recently been added.

Dote reported the death of CEO, Bruce Wasserstein that occurred during the past week. He discussed the effect and possible changes to be made at Lazard going forward.

He noted the distinguishing features of Lazard Global Fixed Income, stating they were hired two years ago for their global strategy. Dote then reviewed the Global Fixed Income Team.

Klevan discussed Lazard's investment philosophy and objectives, adding there were no derivatives used in the portfolio, except to manage currency exposures. She concluded by reviewing CCCERA's performance for Global Core Plus Fixed Income; noting the portfolio has bounced back strongly. They are optimistic going forward with this asset class and believe this asset class will be an increasing part of everyone's portfolio. Year-to-date, Lazard is ahead of the benchmark by 370 basis points.

Domestic Fixed Income

Lord Abbett - Robert Lee, Kristin Harper

Harper began by assuring that nothing has changed at Lord Abbett during this difficult time, including no cutbacks in staffing. She reviewed the team, noting they have independent ownership.

Lee stated they have \$84.8 billion in assets under management as of September 30, 2009; total fixed income assets are \$39.6 billion. He discussed the rates of return since inception and then reviewed the last year, current position in the portfolio and what the future position might be.

Lee noted that the present environment is completely different from an economic point of view than last year. The worst case scenario of a complete collapse of the infrastructure is now off the table, noting the current environment looks much better.

He discussed the future and how he thinks the sector allocation may change, noting the portfolio's over-weight and under-weight positions as opposed to Barclay's Universal Index.

Lee noted the reason Lord Abbett is conservative in their portfolio positioning was the worry of a double dip recession and discussed the reasons why he believes consumers have adjusted their behavior and savings rates have gone up.

He noted commercial real estate is still a major issue, inflation is a risk and deflation is an even greater risk. He reviewed sector allocation and discussed asset backed and commercial mortgage backed securities. He concluded with risks associated with the Middle East.

Goldman Sachs Asset Management - Michael Swell, Stephanie Ivy

Ivy began with a quick review of Goldman Sachs Asset Management which has \$708.7 billion in assets under management, with 1,456 professionals based in 25 locations around the world.

Swell provided a market review with yield curve and sector excess returns as of September 2009. He noted the amount of US debt will have a significant effect on the dollar.

He stated the US economy is still weak, but is showing signs of improvement; noting consumer spending on goods and services has increased and unemployment is growing at a slower rate. The manufacturing sector is expanding and business cycle indicators suggest that the recession may be bottoming out and that economic activity will likely begin to recover in the near term. He believes the next six months will see a significant recovery, but it will take several years before a full recovery.

Swell provided a performance summary of the core plus portfolio and performance attribution year to date as of September 30, 2009.

Swell concluded by providing a performance summary of the former Western Asset Management portfolio; noting it will take twelve to eighteen months to liquidate as they are looking for opportunities other than just trying to liquidate. Full liquidation will depend upon how soon the credit market heals.

AFL-CIO Housing Investment Trust - Elizabeth Diamond, Chang Suh

Suh began by noting they have had over 40 years of successful socially responsible investing with \$3.7 billion net assets under management and 351 participant-investors. They have an active portfolio management that is internally managed, and monthly liquidity with no investment or withdrawal costs.

He discussed AFL-CIO investment objectives, strategy and risk characteristics. He then reviewed fixed income and allocation sectors as of September 30, 2009.

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Suh provided a benchmark comparison with average annual total returns as of September 30, 2009 and the average annual total returns as of year-end. He noted, over the past ten years, the Housing Investment Trust (HIT) has provided a positive return.

Cabral was not present for subsequent discussion and voting.

PIMCO (StocksPlus and Total Return) - Stephanie King, John M. Miller

King began by noting positive portfolio performance. She provided a brief update on their firm, commenting they are operating from a positive strength, while many firms have reduced their work force; PIMCO has hired 250 employees in 2008 and have continued hiring through 2009

King noted in 2009, Government programs brought liquidity back to the banking industry, benefiting financials and other spread sectors. Although spreads have returned to levels similar to those prior to Lehman's collapse, they remain elevated relative to pre-crisis levels.

She reviewed performance as of September 30, 2009, noting there was an extremely unusual period of underperformance, followed by an unusual period of outperformance.

Miller discussed the "Old Normal" that peaked 2004 through 2007, which was fueled by leverage in globalization and a relaxed regulation environment. He feels the outlook for StocksPlus is especially attractive over the near and longer term.

Miller concluded by noting the outlook for 2009 is for positive growth from stimulus and inventory restructuring, while the global stimulus also provided boosts in Europe, Japan and Emerging Markets. The Fed will retain low rates although over-leveraged consumers may be reluctant to borrow. The global reliance on exports to the U.S. will create growth headwinds. Key considerations are high debt levels, leading to increased propensity to save; lower business investment given excess capacity; stubbornly high unemployment, along with lower wages, lower consumption; and cyclical disinflation, yet with the expectations of secular inflation.

5. Miscellaneous

- (a) Staff Report - Leedom noted a recent CALPERS and CALSTRS lawsuit against State Street. Staff is investigating and will provide an update to the Board.

Levy - noted her office has moved across the hall.

- (b) Outside Professionals' Report - Nothing further.

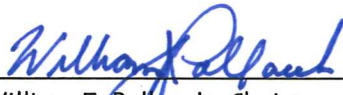
- (c) Trustees' Comments - None

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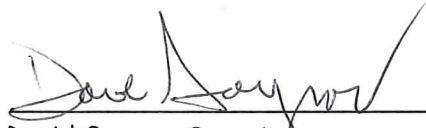
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It was *M/S/C* to adjourn (Yes: Buck, Gaynor, Hast, Holcombe, Pollacek, and Remick)



William J. Pollacek, Chairman



David Gaynor, Secretary