

CONTRA COSTA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

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October 24, 2007

The Board of Retirement met in regular session at 9:00 a.m. on Wednesday, October 24, 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, Brian Hast, Paul Katz, Sharon Naramore, William J. Pollacek, Jim Remick, Bob Rey, Jerry Telles, Maria Theresa Viramontes and Clifton Wedington.

Staff: Marilyn Leedom, Retirement Chief Executive Officer; Cary Hally, Retirement Chief Investment Officer; Rick Koehler, Retirement Accounting Manager; Toni Warren, Retirement Administration Manager.

Outside Professional Support: Representing:
Ashley Dunning Steefel, Levitt & Weiss
Bob Helliesen Milliman, USA
Tim Price Milliman, USA

Other Attendees:

Luz Casas	Contra Costa County Employees' Retirement Association (CCCERA) Staff
Terry Buck	Contra Costa County Consolidated Fire Department
Daniel Sido	Harris Investment Management, Inc.
Don Jackson	Harris Investment Management, Inc.
Peter Schmole	Harris Investment Management, Inc.
Jan Bratteberg	Barclays Global Investors (BGI)
Paul Sauer	BGI
Jim Bickert	Deputy Sheriffs Association (DSA)

1. Public Comment

No members of the public offered comment.

2. Approval of Minutes

It was **M/S/C** to approve the minutes of the October 10, 2007 meeting. (Yes: Cabral, Gaynor Hast, Katz, Naramore, Pollacek, Rey, Viramontes and Wedington)

3. Educational Session on 130/30 Investment Strategies

Helliesen introduced the educational panels from Harris Investment Management and Barclays Global Investors (BGI).

Harris Investment Management, Inc. - Daniel Sido, Don Jackson, Peter Schmole
Jackson began the presentation with an explanation of 130/30, noting the strategy is to allow moderate shorting to better reflect negative views on stocks that are expected to

underperform and use the short proceeds to further overweight stocks that are expected to *outperform*.

Their goal is a portfolio that still provides 100% market exposure (Beta=1) but with a more efficient alpha generation and hence, a better information ratio.

Telles was present for subsequent discussion and voting.

Jackson described the 130/30 portfolio exposure, how the strategy adds/detracts value and the advantages. They discussed the mechanics of how a 130/30 strategy is implemented, and discussed the importance of the relationship with the prime broker. He concluded their presentation with definitions of a successful 130/30 fund.

Barclays Global Investors (BGI) - Jan Bratteberg, Paul Sauer

Bratteberg began by describing the evolution of the 130/30 strategy. He reviewed answers to questions from asset owners, and expected alpha and risk from an asset owner perspective.

Bratteberg summarized by noting there is improved manager efficiency and advised keeping one foot on familiar ground. He noted there has been significant growth since 2005 and future growth is expected to be rapid. He also emphasized the importance of establishing a prime broker relationship. Some investors establish this relationship directly with separate accounts, while other investors establish this relationship indirectly by investing in commingled vehicles. The fees are typically higher with 130/30 strategies, and there are added costs with shorting stocks. He stated the expected value added after the higher fees and expenses is in the neighborhood of 100 basis points.

Panel Discussion

Jackson and Bratteberg then participated in a panel discussion ending with a question and answer session.

4. Possible Action on 130/30 Investment Strategy

There was discussion on directing staff to investigate this strategy further to determine if this investment makes sense in CCCERA's portfolio. It was suggested that staff contact other Retirement systems to determine the success of this type of investment.

Some expressed appreciation for the excellent opportunity and educational benefit involved with the presentation.

There was a great deal of discussion on the funds and possible loss of assets involved. There was continued discussion on how losses and gains are realized with this investment.

It was **M/S/C** to direct staff to investigate alternatives to invest in a 130/30 strategy and to agendize discussion on this issue at a future meeting. (Yes: Cabral, Gaynor Hast, Katz, Pollacek, Rey, Telles, Viramontes and Wedington)

Helliesen noted from discussion at today's meeting, he will research and report on the effect of using this strategy with three scenarios of the market moving in different directions.

5. Semi Finalists for International REIT Manager

Helliesen and Price reviewed their report on Global ex-US (International) Real Estate Securities Manager Search, Semi-Finalist Report. There was discussion on the three-year history of return rule. It was noted that there won't be a long history of returns for this product, since the international product is so new.

After discussion, it was **M/S/C** to invite four firms back for presentations: Citi Alternative Investors, European Investors, ING Clarion and INVESCO. (Yes: Cabral, Gaynor Hast, Katz, Pollacek, Rey, Telles, Viramontes and Wedington)

A meeting was scheduled for December 5, 2007 for finalist presentations.

6. Investment Policy and Guidelines

Hally reviewed changes to the Investment Guidelines. There was discussion on adding Global REITs to the guidelines now. Hally noted he preferred to wait until the search is further along before adding Global REITs to the policy. Changes need to be made at this meeting in order to implement Lazard's mandate.

After a few minor amendments, it was **M/S/C** to adopt the Investment Guidelines including the investment manager benchmarks, and the changes made by the Investment Consultant and CIO. (Yes: Cabral, Gaynor Hast, Katz, Pollacek, Rey, Telles, Viramontes and Wedington)

7. PIMCO's StockPlus Portfolio Request

Hally reviewed his memo regarding PIMCO StockPlus portfolio guidelines.

It was **M/S/C** to accept the recommendation of staff to adopt PIMCO's request to use modest amounts of emerging market debt and foreign currency in managing the StockPlus portfolio for CCCERA. (Yes: Cabral, Gaynor Hast, Katz, Pollacek, Rey, Telles, Viramontes and Wedington)

8. Miscellaneous

- (a) Staff Report - Leedom noted the office will be expanding across the hall from the reception area. Numbers for this will be in next year's budget. This will be a

short-term fix for office space. Hally and Leedom will return to the Board with a long-term office space solution.

The evaluations for outside consultants have been distributed to all board members and input, changes or recommendations can be directed to Leedom. Rodeo Sanitary District and CC Mosquito are requesting information on termination from CCCERA.

Leedom received a letter from the Deputy Sheriffs Association (DSA) requesting costs for enhance benefits DSA General Members. Until Leedom receives a request from both the union and the County, she is unable to proceed.

When asked about the Board's receipt of the preliminary Market Stabilization Account report, Leedom noted the preliminary report was requested by one Board member and provided to all. The final report will be on the agenda for the November meeting.

Hally - noted Paladin's contract has been finalized and should be sent out today. He has been in contact with Dennis Henry from Colliers International and is in the process of updating the appraisal on Willows Office Park. He should receive the results in the next few weeks.

Hally asked for the availability of up to four Board members on November 9th for a one-day on-site visit to Western Asset Management. Hally will confirm the date with Western.

- (b) Outside Professionals' Report - Dunning - nothing further to report.

Helliesen is working on fair market value, something that came up at Paladin's meeting. He noted marking to Fair Market is rather ambiguous for Adams Street, Pathway, Nogales, etc. Questionnaires have been sent out; noting the accounting rules have changed and market value is needed.

- (c) Trustees' Comments - Telles just returned from the California Retired County Employees Association (CRCEA) Fall Conference in Stockton. Telles discussed material presented at the conference regarding retiree health care issues, and expressed overall satisfaction with the conference.

Viramontes - thanked Gaynor for voting in her absence during her surgery and recovery period.

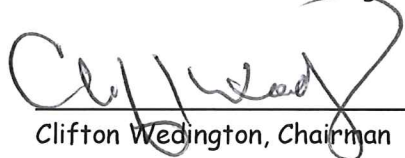
Rey reported the results of the interview session to fill the vacant General Counsel position - no suitable candidate with all skills was found. Leedom noted the recruitment remains open until filled.

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



Clifton Wedington, Chairman



William J. Pollacek, Secretary