



Meeting Date
10/02/13
Agenda Item
#11

MEMORANDUM

Date: October 2, 2013
To: CCCERA Board of Retirement
From: Timothy Price, Retirement CIO
Subject: Goldman Sachs "Park" Portfolio Recommendation

Recommendation

Based upon our conversations with the investment team at Goldman Sachs, we recommend that the "Park portfolio" of legacy assets be moved into the main Goldman Sachs account and the Park portfolio be terminated.

Background

When Goldman Sachs was hired by CCCERA to run a core plus fixed income account in early 2009, the funding source was the legacy Western Asset Management portfolio. We were able to move a portion of that portfolio in-kind to Goldman Sachs (and, to a lesser extent, Lord Abbett) as well as liquidate positions on the open market. However, there was a sizeable portion of the portfolio that could not be readily liquidated due to the poor liquidity conditions at the time. The solution was to have Goldman Sachs patiently manage the liquidation of these impaired securities as market conditions improved or the securities matured.

The portfolio began with \$134 million composed primarily of Commercial Mortgage-Backed Securities (CMBS), Residential Mortgage-Backed Securities (RMBS) and commercial debt in February 2009. The portfolio was rather quickly sold down: \$65 million at the end of 2009, \$22 million at the end of 2010, \$11 million at the end of 2011 and \$8 million at the end of 2012. Today, the portfolio has approximately \$1 million in 10 remaining securities coupled with \$7.5 million in cash. In the four year period ending June 30, 2013, this portfolio has generated a 19.0% annualized return, validating the decision patiently liquidate these securities.

Goldman Sachs has indicated that the remaining securities fit the profile of securities that they opportunistically buying in the CCCERA core plus account (see attached letter). Based upon Board approval, staff can direct Goldman Sachs to combine the accounts at the current market value of these securities and terminate the Park portfolio.

September 18, 2013

Mr. Timothy Price, CFA
Chief Investment Officer
Contra Costa County Employees' Retirement Association
1355 Willow Way, Suite 221
Concord, CA 94520

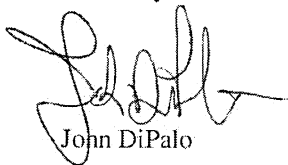
Dear Tim:

We are writing to you in regards to the existing Park (Workout) portfolio holdings. As you know, GSAM took these securities in back in December 2008 as a holding account to be liquidated over time as the team deemed appropriate. Currently there are 10 securities remaining in the account totaling a little over \$1mm. These remaining securities held in the Park portfolio are consistent with the guidelines of the Core Plus portfolio and we do not expect combining these assets with the existing Core Plus account would cause any disruption to that account.

Please confirm back to us by providing a formal directive letter to move the assets from the Park portfolio to the Core Plus portfolio.

Should you have any questions, please feel free to contact us.

Sincerely,



John DiPalo