

CONTRA COSTA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

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February 24, 2010

The Board of Retirement met in regular session at 9:00 a.m. on Wednesday, February 24, 2010 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, Paul Katz, Sharon Naramore, William J. Pollacek, Jim Remick, Jerry Telles, and Maria Theresa Viramontes.

Staff: Marilyn Leedom, Retirement Chief Executive Officer; Silvina Leroux, Retirement Deputy Chief Executive Officer; Cary Hally, Retirement Chief Investment Officer; Karen Levy, Counsel; Sean Jara, Retirement Administrative/HR Coordinator.

Outside Professional Support:	Representing:
Bob Helliessen	Milliman
Tim Price	Milliman

Other Attendees:

Margie Breen	Contra Costa County Employees' Retirement Association (CCCERA) Staff
Luz Casas	CCCERA Staff
Chih-Chi Chu	CCCERA Staff
Joelle Luhn	CCCERA Staff
Vicky DeYoung	Cornish & Cary Building Leasing Agent
Lorna Thomson	Self
David Rolley	Central Contra Costa Sanitary District/Local 1
Peter Borkon	Hagens, Berman, Sobol, Shapiro
Yana Skorobogatov	Hagens, Berman, Sobol, Shapiro
Bob Rey	Self

1. Pledge of Allegiance

Hast lead all in the *Pledge of Allegiance*.

Leedom introduced Sean Jara as new Retirement Administrative/HR Coordinator.

2. Public Comment

David Rolley, Central Contra Costa Sanitary District/Local 1, feels the Board need not take action on the terminal pay issue, but says the Board has already taken action by depooling. He reviewed a report comparing CCCERA to CalPers and is considering recommending a withdrawal from CCCERA system. Rolley also stated a copy of this report is available through Central Contra Costa Sanitary District.

Peter Borkon - from Hagens, Berman, Sobol, and Shapiro noted his office provides securities monitoring service for public funds.

3. Approval of Minutes

It was *M/S/C* to approve the minutes of the January 11, 2010 meeting. (Yes: Buck, Cabral, Gaynor, Hast, Holcombe, Katz, Pollacek, Telles, and Viramontes)

It was *M/S/C* to approve the minutes of the February 10, 2010 meeting with corrections. (Yes: Buck, Cabral, Gaynor, Hast, Holcombe, Katz, Pollacek, Telles, and Viramontes)

4. Review of Total Portfolio Performance

Milliman - Bob Helliesen, Tim Price

Helliesen reviewed the total portfolio performance report and highlighted the following:

Domestic Equity Markets

Domestic equities continued to climb off their lows of March 2009 during the fourth quarter of 2009. The S&P 500 was up 6.0% to end the year up 26.5%. Small cap stocks also advanced as the Russell 2000® Index returned 3.9% in the quarter and ended the year up 27.2%.

Nine of the ten S&P 500 sectors had positive returns during the quarter. Information Technology led (up 10.8%), followed by Telecom Services (9.8%), Consumer Discretionary (8.9%), Health Care (8.7%), Materials (7.3%), Utilities (7.3%), Energy (5.6%), Industrials (5.4%) and Consumer Staples (5.0%). Only the Financials sector had a negative return at -3.2%.

In the quarter, Value stocks trailed Growth-oriented securities in both the large cap and small cap market segments. In the domestic large capitalization area, the Russell 1000® Value Index returned 4.2%, compared to the Russell 1000® Growth Index return of 7.9%. In the small cap arena, the Russell 2000® Value Index returned 3.6% while the Growth Index returned 4.1%.

International Equity Markets

International equity markets were up during the quarter, with the MSCI EAFE Index returning 2.2%. The MSCI EAFE return prior to translation into US\$ was 3.4%. The Europe portion of EAFE had a return of 3.3%, out-pacing the MSCI Asia Index return of 1.2% in US\$.

Domestic Bond Markets

The Barclays Capital Aggregate Index returned a modest 0.2% during the quarter. In a reversal of last quarter, longer-duration bonds trailed shorter-duration bonds. The Barclays Capital Long Government/Credit Index returned -2.6% while the shorter Barclays Capital 1-3 Year Government/ Credit Index returned 0.4%. Credit issues again led Government issues in the quarter as investors continued to reverse their flight to safety that had been the dominant theme from autumn 2008 through early March 2009. The Barclays Capital Credit Index returned 1.0% compared to -1.3% for the Barclays Capital Treasury Index. The agency bond market sector returned -0.1%. High yield continued its strong recovery with the Merrill Lynch High Yield Master II Index returning 6.0%.

Real Estate

The domestic real estate market, as measured by the NCREIF ODCE Index, returned -3.4% for the fourth quarter of 2009. Leveraged funds performed worse. Real estate markets are soft and property prices are falling. We expect further difficult real estate returns in the months ahead. The FTSE NAREIT Equity Index, which measures the domestic public REIT market, was up 9.4% (following its third quarter return of 33.3%). Global real estate securities, as measured by the FTSE EPRA/NAREIT Global Developed Markets Index, returned 4.4%.

Managers under review or placed under review - There was discussion on Adelante's performance while on watch. It was recommended that CCCERA schedule a due diligence visit to Adelante and not remove them from the watch list.

It was **M/S/C** to remove Delaware from the watch list. (Yes: Buck, Cabral, Gaynor, Hast, Holcombe, Katz, Pollacek, Telles, and Viramontes)

It was the Consultant's recommendation to perform a due diligence visit to Emerald Advisors and keep them on watch.

It was **M/S/C** to terminate McKinley Capital and direct Milliman to issue an RFP for an International Growth Manager. (Yes: Buck, Cabral, Gaynor, Hast, Holcombe, Katz, Pollacek, Telles, and Viramontes). The Board directed Milliman to return with options for the transition of this portfolio.

It was **M/S** to terminate PIMCO Stock Plus. (Yes: Cabral and Viramontes; No: Buck, Gaynor, Hast, Holcombe, Katz, Pollacek, and Telles) Motion failed.

Discussion followed on the potential for favorable returns from PIMCO due to the upward sloping yield curve.

It was **M/S** to terminate Progress Investment. (Yes: Cabral; No: Buck, Gaynor, Hast, Holcombe, Katz, Pollacek, Telles, and Viramontes). Motion failed and Progress will remain on watch for performance.

It was **M/S** to put GMO on watch for performance. After a short discussion on GMO's performance, a substitute motion was made; it was **M/S** to Terminate GMO. (Yes: Cabral and Viramontes; No: Buck, Gaynor, Hast, Holcombe, Katz, Pollacek, and Telles). Motion Failed.

It was **M/S/C** on the original motion to put GMO on watch for performance. (Yes: Buck, Cabral, Gaynor, Hast, Holcombe, Katz, Pollacek, Telles, and Viramontes)

It was **M/S/C** to put INVESCO on watch for performance. (Yes: Buck, Cabral, Gaynor, Hast, Holcombe, Katz, Pollacek, Telles, and Viramontes). Staff was directed to set up an onsite visit to INVESCO.

Cabral not present for subsequent discussion and voting.

5. Update on Willows Office Building

Vicki DeYoung from Cornish & Carey provided a statistical overview of the market with lease comparables. She provided the Board with an update on the Willows leases, potential for new leases and comparison to other buildings available in the local market. She noted the significant reduction in leasing rates in the North 680 corridor, along with a comparison of vacancy rates for the local market. It was noted this building is considered a high level class B building, and is marketed with that in mind.

6. Update on semi-annual rebalancing of assets

Hally reviewed the report on the semi-annual rebalancing of assets. It was noted the transition from State Street Global Market to JP Morgan Global Opportunities was completed in January 2010, so this portfolio was not rebalanced since the rebalancing was as of December 31, 2009.

It was *M/S/C* to accept the semi-annual rebalancing report submitted by staff. (Yes: Buck, Gaynor, Hast, Holcombe, Katz, Pollacek, Remick, Telles, and Viramontes)

7. Conference Seminar Attendance

- (a) It was *M/S/C* to authorize the attendance of Hast, Remick and one staff at the 10<sup>th</sup> Annual Investment Conference, ING Clarion, April 19-20, 2010, New York, NY. (Yes: Buck, Gaynor, Hast, Holcombe, Katz, Pollacek, Remick, Telles, and Viramontes)

8. Miscellaneous

- (a) Staff Report - Leedom distributed a copy of the report provided to Kris Hunt of the Contra Costa County Taxpayers' Association in response to the Association's public records request on 2009 Board travel costs.

Levy advised that Assembly Bill 1987 was introduced last week and if it is enacted it would certainly impact CCCERA. AB 1987 provides that terminal pay shall be excluded from the calculation of compensation earnable, limits the inclusion of cash conversions of accrued benefits such as vacation to amounts both earned and payable during a pay period, and also requires a separation of service of at least 6 months for re-employed retirees. AB 1987 would be applicable to all active and future members of state and local systems commencing on July 1, 2011.

Hally noted the contract with Oaktree was finalized and the first capital call has been completed.

- (b) Trustees' Comments - Holcombe attended the Oaktree onsite visit and was very impressed their staff. It was noted Oaktree staff was very focused on their strategies.

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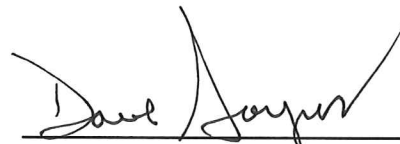
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Buck also noted it was a good trip that was very informative.

Cabral was present for subsequent discussion and voting.

It was *M/S/C* to adjourn the meeting. (Yes: Buck, Cabral, Gaynor, Hast, Holcombe, Katz, Pollacek, Telles, and Viramontes)

  
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William J. Pollacek, Chairman

  
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David Gaynor, Secretary