

CONTRA COSTA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

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February 27, 2008

The Board of Retirement met in regular session at 9:00 a.m. on Wednesday, February 27, 2008 in the Conference Room of the Contra Costa County Employees' Retirement Association, 1355 Willow Way, Suite 221, Concord, CA.

Present: Dave Gaynor, John Gioia, Brian Hast, William J. Pollacek, Jim Remick, Bob Rey, and Jerry Telles.

Staff: Marilyn Leedom, Retirement Chief Executive Officer; Cary Hally, Retirement Chief Investment Officer; Rick Koehler, Retirement Accounting Manager; Kathy Somsen, Retirement Benefits Manager.

Outside Professional Support: Representing:

Ashley Dunning	Manatt, Phelps & Phillips
Bob Helliesen	Milliman, USA
Tim Price	Milliman, USA

Other Attendees:

Luz Casas	Contra Costa County Employees' Retirement Association (CCCERA) Staff
Charice Hester	CCCERA Staff
Arthur Mitsutome	LPL Financial Services
Terry Buck	Local 1230 (Fire)

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 February 13, 2008 meeting. (Yes: Gaynor, Hast, Pollacek, Remick, Rey, and Telles)

Gioia was present for subsequent discussion and voting.

3. Review of Total Portfolio Performance

Milliman USA - Bob Helliesen

Helliesen began by noting, there was continued turmoil in the equity markets during the fourth quarter. Larger capitalization stocks out performed small capitalization securities. Large capitalization stocks, as measured by the S&P 500, returned -3.3% in the fourth quarter while the Russell 2000® Index returned -4.6%. The median equity manager returned -3.3% and the broad market, represented by the Russell 3000® Index, returned -3.4%. International equity markets also had negative results in the fourth quarter, with the MSCI EAFE Index returning -1.7% and the MSCI ACWI ex-US Index returning -0.6%. The U.S. bond market was positive in the fourth quarter of 2007, with the Lehman Universal Index returning 2.7, the Aggregate Index returning

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3.0% and the median fixed income manager returning 2.3%. The domestic private real estate market continued to post positive results in the fourth quarter of 2007, with the NCREIF Index returning 3.2%, while the publicly traded real estate market was down sharply with the Dow Jones Wilshire REIT Index returning -13.5%.

CCCERA's fourth quarter return of -1.2% trailed both the median total fund and the median public fund. CCCERA has out-performed both medians over all trailing time periods one year and longer, ranking in the upper quartile of both universes over the past two through five-year periods.

CCCERA's total domestic equities returned -2.8% for the quarter, better than the -3.4% return of the Russell 3000® and the -3.3% return of the median manager. Of CCCERA's domestic equity managers, Delaware had the strongest performance with a return of 0.1%, better than the -0.8% return of the Russell 1000® Growth Index. Intech Large Cap Core returned -0.3%, better than the S&P 500. Intech Enhanced Plus returned -0.6%, also better than the S&P 500. ING returned -2.3%, better than the S&P 500 and the S&P 500 ex-Tobacco Indexes. Rothschild returned -3.2%, better than the -7.0% return of the Russell 2500® Value Index. PIMCO returned -3.5%, slightly trailing the S&P 500. Boston Partners returned -3.8%, better than the -5.8% return of the Russell 1000® Value Index. Wentworth returned -3.9%, below the -3.3% return of the S&P 500. Progress returned -4.2%, better than the -4.6% return of the Russell 2000® Index. Finally, Emerald returned -8.5%, trailing the -2.1% return of the Russell 2000® Growth Index substantially.

CCCERA's international equities returned -2.2%, trailing the -1.7% return of the MSCI EAFE Index and the -1.1% return of the median international manager. The GMO Intrinsic Value portfolio returned -3.6%, below the S&P Citi PMI EPAC Value Index return of -2.2% and the median international equity manager. McKinley Capital returned -0.9%, below the MSCI ACWI ex-US Growth Index return of 0.6%, but above the median international equity manager.

CCCERA's total domestic fixed income returned 2.1% for the fourth quarter, below the 2.7% return of the Lehman Universal and the 2.3% return of the median fixed income manager. AFL-CIO's return of 3.1% exceeded the Lehman Aggregate and the median fixed income manager. PIMCO returned 3.6%, well above the Lehman Aggregate and the median. Western Asset returned 1.9%, below the Lehman Aggregate and the median. ING Clarion (mostly already liquidated) returned -13.3%, well below the high yield fixed income median of -0.6% and the -1.2% return of the Merrill Lynch High Yield Master II Index. ING Clarion II returned -6.1% in the fourth quarter, also below the ML High Yield II Index and the high yield fixed income median. Nicholas Applegate returned -0.5% versus -1.2% for the ML High Yield II Index and exceeded the high yield median manager.

In December, Lazard Asset Management was hired to manage a global fixed income portfolio, replacing the international fixed income portfolio previously managed by

Fischer Francis Trees & Watts. Helliesen noted he will report on Lazard's performance in the first quarter 2008 report.

CCCERA total alternative investments returned 3.2% in the fourth quarter. The Hancock PT Timber Fund returned 7.6%, Bay Area Equity Fund reported a return of 5.3%, Pathway returned 4.9%, Energy Investor Fund II reported a return of 3.4%, Adams Street Partners reported a return of 1.6%, Nogales had a return of 0.9% for the quarter and Energy Investor Fund reported a return of -12.9%. (Due to timing constraints, all alternative portfolio returns except Hancock PT Timber Fund are for the quarter ending September 30.)

The median real estate manager returned 1.9% for the quarter while CCCERA's total real estate returned -5.3%. The vast bulk of this underperformance is attributable to the overweight to REIT securities, as these were down sharply in the quarter. The Willows Office property returned 41.0% following its appraisal; Prudential SPF-II returned 22.9%; DLJ's RECP III returned 7.9%; DLJ's RECP II returned 9.1%; DLJ's RECP I returned 5.9%; Invesco returned 3.6%; Fidelity II returned 3.4%; BlackRock Realty returned 1.6%; Adelante returned -14.0% and FFCA returned -28.6%.

Helliesen noted that in future reports they would add a column to the performance tables which displays the trailing 10-year return of the total fund.

Changes in Manager's Under Review

It was **M/S/C** to remove ING Investment from the watch list. (Yes: Gaynor, Gioia, Hast, Remick, Rey, Pollacek, and Telles)

Changes in Allocation to Managers

No action taken.

4. Core Plus Fixed Income Search

There was discussion on the different attributes of various managers in the core plus fixed income search semi-finalist list. The Board compared and contrasted several attributes of the semi-finalist firms, including organizational strengths, investment processes, fees, assets under management in the competing products, and trailing performance.

It was **M/S/C** to invite Capital Guardian, Goldman Sachs, Lord Abbett, Pyramis Global, and Western Asset to make presentations at the March 26, 2008 meeting. (Yes: Gioia, Gaynor, Hast, Remick, Rey, Pollacek, and Telles)

5. Triennial Asset Allocation Study

Helliesen reviewed his memo on Asset Class and Index Review for the Asset Allocation Study. He reviewed the full list of asset classes and their corresponding indexes used in the 2005 study.

He then reviewed potential asset classes for the 2008 study, noting the Board could consider combining some of the asset classes into broader global asset classes. Discussion followed on some of the benefits utilizing broader global asset classes instead of the more narrowly defined asset classes historically used. Helliesen noted they would conduct the asset allocation study with both approaches in order to better evaluate the implications of each approach.

Helliesen concluded by noting they will likely return by the end of April with recommendations for the Triennial Asset Study.

6. Miscellaneous

- (a) Staff Report - Leedom reported within the next thirty days CCCERA's phone system will be upgraded from outdated analog to a digital system. This change will involve a telephone number change; however, the current phone number will continue to work for one year so that we have time to notify all members of the change.

She reminded everyone of Wedington's luncheon on February 29th, noting she hoped all would be able to attend.

- (b) Outside Professionals' Report - Dunning noted she will not be able to attend the CCCERA Board meetings in March. Replacement counsel will be provided by Manatt, Phelps and Phillips at both the first and second meetings in March.

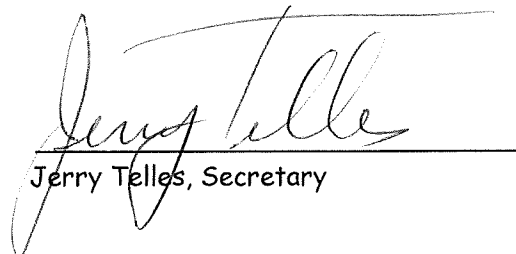
- (c) Trustees' Comments - Telles commented that many World War II veterans are dying each day. He would like to close today's meeting in their honor.

Pollacek thanked Leedom for the newspaper article on the San Jose Board travel expense audit.

It was M/S/C to adjourn in honor of all World War II Veterans. (Yes: Gaynor, Gioia, Hast, Remick, Rey, Pollacek, and Telles)



Brian Hast, Chairman



Jerry Telles, Secretary