

CONTRA COSTA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

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March 11, 2009

The Board of Retirement met in regular session at 9:00 a.m. on Wednesday, March 11, 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, Paul Katz, Sharon Naramore, William J. Pollacek, Jim Remick, 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; Toni Warren, Retirement Administration Manager; Karen Levy, Counsel

Outside Professional Support: Representing:
Harvey Leiderman Reed Smith LLP

Other Attendees:

Luz Casas	Contra Costa County Employees' Retirement Association (CCCERA) Staff
Tracy Kroll	CCCERA Staff
Joelle Luhn	CCCERA Staff
Margie Breen	CCCERA Staff
Chi-Chi Chu	CCCERA Staff
Karen Davis	CCCERA Staff
Lori Barron	CCCERA Staff
Yolanda Valenzuela	CCCERA Staff
Mary Lou Williams	Contra Costa County Retired Employees' Association (CCCREA)
Charles Fischer	Self
Robert Manning	Retiree
Satomi Cadena	CCCREA

1. Pledge of Allegiance

Remick led all in the *Pledge of Allegiance*.

2. Lori Barron, 20 Year Service Award

Hast congratulated CCCERA employee Lori Barron on the occasion of her 20th Anniversary and thanked her for her years of dedicated service to the Retirement Association.

3. Public Comment

Robert Manning, a Contra Costa County retiree, commented on a newspaper article regarding the losses two retirement systems, Kern and Sacramento County Employees' Retirement, experienced. He noted his concern regarding fraudulent investment firms and wanted to know how this Association chooses investment firms. He asked how CCCERA keeps fraudulent firms from becoming involved in this Retirement system. Mr.

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Manning will be sending a written request to have an agenda item on next month's agenda to discuss this issue.

4. Approval of Minutes

It was **M/S/C** to approve the minutes of the February 25, 2009 meeting. (Yes: Buck, Cabral, Gaynor, Hast, Holcombe, Katz, Pollacek, and Telles)

5. Routine Items

It was **M/S/C** to approve the routine items of the March 11, 2009 meeting. (Yes: Buck, Cabral, Gaynor, Hast, Holcombe, Katz, Pollacek, and Telles)

It was the consensus of the Board to advance to Item 10 before moving into closed session.

10. Cost of Living (COL) for Retirees, Effective April 1, 2009

It was **M/S/C** to accept the recommendation of the actuary for cost-of-living increases for retirees: current retirees retired as of April 2, 2008 to April 1, 2009, all Tier II and III disability retirees, will receive 0% COLA; and those with a previous balance in their COLA bank will receive from 1% -3% COLA. (Yes: Buck, Cabral, Gaynor, Hast, Holcombe, Katz, Pollacek, and Telles)

The Board moved into closed session pursuant to Govt. Code Section 54957 to consider the Medical Advisor and or staff's recommendation regarding disability retirement applications.

The Board moved into open session.

6. Disability Retirements

It was **M/S/C** to accept the Medical Advisor's recommendation and grant the following disability benefits:

- (a) Marilena Knutson Non-Service Connected (Yes: Buck, Cabral, Gaynor, Hast, Holcombe, Katz, Pollacek, and Telles)
- (b) David Stochl Service Connected (Yes: Buck, Cabral, Gaynor, Hast, Holcombe, Katz, Pollacek, and Telles)
- (c) David Morton Service Connected (Yes: Buck, Cabral, Gaynor, Hast, Holcombe, Katz, Pollacek, and Telles)
- (d) John James Service Connected (Yes: Buck, Cabral, Gaynor, Hast, Holcombe, Katz, Pollacek, and Telles)
- (e) William Moe Service Connected (Yes: Buck, Cabral, Gaynor, Hast, Holcombe, Katz, Pollacek, and Telles)
- (f) Senaido Lopez Service Connected (Yes: Buck, Cabral, Gaynor, Hast, Holcombe, Katz, Pollacek, and Telles)
- (g) Charles Fischer Service Connected (Yes: Buck, Cabral, Gaynor, Hast, Holcombe, Katz, Pollacek, and Telles)
- (h) Kevin Morrow Service Connected (Yes: Buck, Cabral, Gaynor, Hast, Holcombe, Katz, Pollacek, and Telles)
- (i) Craig Bowen Service Connected (Yes: Buck, Cabral, Gaynor, Hast, Holcombe, Katz, Pollacek, and Telles)

7. Cash Flow Report through 12/31/08

Koehler presented the 2008 Cash Flow Report. He discussed several line items in-depth, including funds for capitals calls.

It was **M/S/C** to accept the 2008 Cash Flow Report. (Yes: Buck, Cabral, Gaynor, Hast, Holcombe, Katz, Pollacek, and Telles)

8. 2008 Budget versus Actual Expenditures

Leedom reviewed the Budget vs. Actual expenditures, noting CCCERA finished the year under budget for 2008. Leedom noted she will e-mail the detailed budget to all Board members for their review.

It was **M/S/C** to accept the 2008 Budget vs Actual expenditures. (Yes: Buck, Cabral, Gaynor, Hast, Holcombe, Katz, Pollacek, and Telles)

9. Conflict of Interest Code

Levy reviewed changes made to the Conflict of Interest Code, including Exhibit A, "Position Categories". After discussion, it was **M/S/C** to adopt Contra Costa County Employees' Retirement Association Conflict of Interest Code. (Yes: Buck, Cabral, Gaynor, Hast, Holcombe, Katz, Pollacek, and Telles)

11. Conference Seminar Attendance

- (a) It was **M/S/C** to authorize the attendance of all Board and appropriate staff at the SACRS Symposium, SACRS, March 20, 2009, Sacramento, CA (Yes: Buck, Cabral, Gaynor, Hast, Holcombe, Katz, Pollacek, and Telles)
- (b) It was **M/S/C** to authorize the attendance of two Board and one staff member at the Client Conference, ING Clarion, April 29 -30, 2009, New York, NY (Yes: Buck, Cabral, Gaynor, Hast, Holcombe, Katz, Pollacek, and Telles)
- (c) It was **M/S/C** to authorize the attendance of Naramore and Telles at the Annual Spring Conference, CRCEA, April 20 -22, 2009, Ventura, CA (Yes: Buck, Cabral, Gaynor, Hast, Holcombe, Katz, Pollacek, and Telles)
- (d) No one was able to attend the Certificate of Achievement in Public Plan Policy Part I and Part II, International Foundation, June 9 -12, 2009, Chicago, IL
- (e) It was **M/S/C** to authorize the attendance of Cabral and Remick at the Spring Conference, Council of Institutional Investors, April 5 - 7, 2009, Washington, D.C. (Yes: Buck, Cabral, Gaynor, Hast, Holcombe, Katz, Pollacek, and Telles)
- (f) It was **M/S/C** to authorize the attendance of two Board and three staff members at the Annual Client Conference, Energy Investors Fund, May 3- 5, 2009, Half Moon Bay, CA (Yes: Buck, Cabral, Gaynor, Hast, Holcombe, Katz, Pollacek, and Telles)
- (g) It was **M/S/C** to authorize the attendance of Hast, and one staff member at the Institutional Conference, Goldman Sachs, April 22 - 23, 2009, New York, NY (Yes: Buck, Cabral, Gaynor, Hast, Holcombe, Katz, Pollacek, and Telles)

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- (h) It was *M/S/C* to authorize the attendance of all Board and appropriate staff at the Spring Conference, SACRS, May 12 - 15, 2009, San Francisco, CA (Yes: Buck, Cabral, Gaynor, Hast, Holcombe, Katz, Pollacek, and Telles)

12. Miscellaneous

- (a) Staff Report - Leedom distributed trustee reports from the Credit Suisse Private Equity Limited Partners Meeting and the NCPERS Corporate Governance Roundup discussed during previous meetings.

Leedom noted, because of the market situation, onsite visits will be increased this year. She also noted staff may ask additional managers to meet with the Board this year in addition to those already scheduled for a particular meeting.

The next Board Meeting, March 25, 2009, will be a "Y'all Come Meeting" with discussion on asset smoothing and amortization. Leedom noted she has met with one employee group representative and Central Sanitary District to discuss the issue. Leiderman noted that input of employers and members can be taken into consideration; however, Board members have a prudent responsibility for the health of the fund based on actuarial funding, cash flow, etc.

The slate of officers for SACRS has not been finalized and nominations are still allowed.

Leedom noted David Deutsch, Chief Investment Officer of San Diego County, has resigned.

Hally noted he is in the process of setting up a date for an on-site visit to Progress, and will perform due diligence visits with Pathway and the Carpenter Fund next week.

There was a discussion on what more could be done to prevent fraudulent managers, and whether to increase due diligence reviews of managers. Most agreed that despite all the due diligence, there is always a risk and it is very difficult in advance to catch someone who is acting fraudulently. Some investments need a higher degree of scrutiny than others. Leiderman commented that we could have all the written rules in the book, but sometimes it's the good instincts of your seasoned professionals that make the due diligence process effective. He noted the CIO's attention to the troubles at Morgan Stanley Real Estate Fund VII Global, L.P. (MSREFVII) as an example of this.

- (b) Outside Professionals' Report - None
- (c) Trustees' Comments - Remick discussed the Credit Suisse Conference, noting they provided a very somber message about the real estate market. He also discussed

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the Intech onsite visit he attended, noting they described and took all attendees through the methodology used for investments.

Gaynor asked if there was an update on Fidelity. Hally discussed the information he received from a handful of investors, noting most were inclined to continue with the investment.

Cabral discussed his attendance at the Credit Suisse Conference and Intech onsite visit. He feels strongly that every CCCERA attendee needs to add something to the on-site visit reports.

Telles noted the Orange County DSA won and is allowed to keep the retroactive 3% @ 50 benefits. He discussed the Orange County retiree healthcare case, noting the case has been handed to the Federal judge and the issues are still being weighed. There should be a decision on this by the end of the month.

Pollacek discussed his attendance at the CALAPRS Conference including a presentation from Girard Miller. He requested that a copy of the presentation materials be sent out to members of the Board.

Katz noted, due to his limited mobility, he is unable to attend conferences, so he appreciates the reports from conferences and thanked all.



Brian Hast, Chairman



Jerry Telles, Secretary