MEETING DATE
NOV 09 2011
AGENDA ITEM
#3

The Board of Retirement met in special session at 9:00 a.m. on Thursday, October 20, 2011 in the Conference Room of the Contra Costa County Employees' Retirement Association, 1355 Willow Way, Suite 221, Concord, CA.

Present: Debora Allen, Terry Buck, Brian Hast, Jerry Holcombe, Sharon Naramore, John Phillips, Jerry Telles, Maria Theresa Viramontes and Russell Watts

Staff: Marilyn Leedom, Retirement Chief Executive Officer; Karen Levy, General Counsel; and Vickie Kaplan, Retirement Accounting Manager

Outside Professional Support:	Representing:
Tim Price	Milliman

Other Attendees:

Luz Casas	Contra Costa County Employees' Retirement Association (CCCERA) Staff
Christina Dunn	CCCERA Staff
Chih-Chi Chu	CCCERA Staff
Justine Oyler	CCCERA Staff
Bill Pollacek	Retired Treasurer-Tax Collector
Gary Fencik	Adams Street Partners
Vincent Dee	Pathway Capital Management
Kristin Harper	Lord Abbett
Patricia Lynn	Lord Abbett
Stephanie Ivy	GSAM
Ronald Arons	GSAM
Richard Fulford	PIMCO
Michael Chandra	PIMCO

1. Pledge of Allegiance

Viramontes led all in the *Pledge of Allegiance.*

2. Public Comment

No members of the public offered comment.

3. Manager Presentations:

Introduction and overview by Milliman

Price distributed a Flash Report and reviewed the performance of the managers scheduled for presentations. He noted that to date all are slightly lagging the benchmark.

<u>Alternative Investments</u>

<u>Adams Street Partners</u> - Gary Fencik

Fencik waived the confidentiality disclaimer on the presentation material.

Fencik gave an overview of the firm noting it is 100% employee-owned. He reviewed the investment team stating it has been very stable with no significant changes.

He reviewed their investment philosophy and strategic diversification of investments. He reviewed commitments and percentages of US vs. Non-US investments by year.

He gave an update on CCCERA's portfolio noting $209 million has been invested since inception. He reviewed the internal rate of return (IRR) compared to the benchmark noting the IRR since inception is 14.3% gross of fees.

<u>Pathway Capital Management</u> - Vincent Dee

Dee waived the confidentiality disclaimer on the presentation material.

Dee gave an overview of the firm noting there has not been any turnover on the investment team. They are 100% employee-owned and have over $26 billion in assets under management.

He reported credit spreads have increased significantly since the end of the second quarter of 2011. He also reported private equity fundraising slightly increased from 2009 and the long term outlook remains positive.

He gave an overview of CCCERA's commitments with Pathway, including $125 million to PPEF I, a single-investor fund of funds; $30 million to PPEF 2008, a multi-investor fund of funds; and $40 million to PPEF I-6, a multi-investor fund of funds. He also gave an update on the year-over-year portfolio performance.

<u>Domestic Fixed Income</u>

<u>Lord Abbett</u> - Kristin Harper, Patricia Lynn

Harper gave an overview of the firm noting they are privately owned and have added five new partners in the past year. They have $102.5 billion in assets under management.

Lynn reviewed the Core Plus investment team noting they are divided into three functions, credit research, portfolio management and trading. There have not been any departures from the team and they continue to add new resources. She also reviewed their investment philosophy.

Harper reported they use a top down bottom up approach in their investment process. She reviewed CCCERA's portfolio performance and sector allocations as of the end of the 3rd quarter.

GSAM - Stephanie Ivey, Ronald Arons

Ivey waived the confidentiality disclaimer on the presentation material.

Arons gave an overview of the market noting there is a flattening of the yield curve. He reviewed "Operation Twist," a Federal Reserve stimulus. He also reviewed how the sector spreads have changed in the market. He discussed rates and GSAM's prediction of future rates.

He reviewed CCCERA's portfolio performance as of September 30, 2011 noting that underperformance was driven by the portfolio's exposure to corporate credit risk and non-agency mortgages.

PIMCO - Rick Fulford, Michael Chandra

Fulford gave an overview of the firm.

He reported performance for the past 12 months has been challenging but the long term numbers remain strong. He also reported a fall in interest rates, the credit spread, and the appreciation of the dollar, all led to the recent underperformance.

He reviewed sector allocations noting we are underweight in government bonds. He also noted the StockPlus portfolio has started to recover.

Fulford reported uncertainty is driving volatility in the market.

Chandra reviewed PIMCO's cyclical framework for growth in the developed world. He closed by stating he feels confident that performance will be stronger going forward.

4. Miscellaneous

(a) Staff Report -

Leedom reported staff worked with Segal to conduct a termination study for Bethel Island Municipal District.

Staff continues to discuss options with The City of Pittsburg regarding an amendment to their termination agreement.

ReedSmith is working on a draft Memorandum of Understanding between CCCERA and San Diego Retirement Association regarding an agreement for disaster recovery services.

An RFP for a new accounting auditing firm was issued with response deadline of Friday, October 28, 2011. The responses will be mailed to the Audit Committee on October 28, 2011.

(b) Outside Professionals' Report – None

(c) Trustees' Comments -

Naramore reported she attended the 21st Annual Northern California Public Retirement Seminar in Sacramento noting all of the speaker's reports are online.

Watts reported Brice Bins will be in attendance at the next meeting.

Telles reported he received an email regarding a legislative change for filling vacant elected positions on retirement systems boards. He contacted the sender to inquire if the legislation applies to the vacant alternate safety seat on CCCERA's Board.

Hast reported he attended the III Roundtable for Consultants and felt it was very interesting. He noted CCCERA is fortunate to have Milliman as an investment consultant.

It was **M/S/C** to adjourn the meeting. (Yes: Allen, Buck, Hast, Holcombe, Phillips, Telles, Viramontes and Watts)

Maria Theresa Viramontes, Chairman John Phillips, Secretary

MEETING DATE
NOV 09 2011
AGENDA ITEM
#3

The Board of Retirement met in regular session at 9:00 a.m. on Wednesday, October 26, 2011 in the Conference Room of the Contra Costa County Employees' Retirement Association, 1355 Willow Way, Suite 221, Concord, CA.

Present: Debora Allen, Brice Bins, Terry Buck, Richard Cabral, Brian Hast, Jerry Holcombe, Sharon Naramore, John Phillips, Jerry Telles and Maria Theresa Viramontes

Staff: Marilyn Leedom, Retirement Chief Executive Officer; Cary Hally, Retirement Chief Investment Officer; Karen Levy, General Counsel; Debbie Carmel, Retirement Benefits Manager; and Vickie Kaplan, Retirement Accounting Manager

Outside Professional Support:	Representing:
Harvey Leiderman	Reed Smith LLP
Bob Helliesen	Milliman
Tim Price	Milliman

Other Attendees:	
Luz Casas	Contra Costa County Employees' Retirement Association (CCCERA) Staff
Chih-Chi Chu	CCCERA Staff
Christina Dunn	CCCERA Staff
Tracy Kroll	CCCERA Staff
Justine Oyler	CCCERA Staff
Rick Koehler	CCCERA Staff
Randall Musgraves	Central Contra Costa Sanitary District

1. <u>Pledge of Allegiance</u>

Viramontes led all in the *Pledge of Allegiance.*

2. <u>Public Comment</u>

No members of the public offered comment.

3. <u>Approval of Minutes</u>

It was **M/S** to approve the minutes of the October 12, 2011 meeting. After discussion, an amended motion was **M/S/C** to approve the minutes of the October 12, 2011 meeting with two corrections. One to item 10, the vote to support 1937 ACT Trustee Continuing Education, by removing Jerry Telles name as voting yes. He abstained from the vote. The other correction to item 2 (a), 2nd paragraph, changing the sentence to read "Leedom gave an update on the Deputy CEO position, noting the recruitment is currently on hold." (Yes: Allen, Bins, Buck, Cabral, Hast, Holcombe, Phillips, Telles and Viramontes)

4. <u>Value Added and Opportunistic Real Estate semi-finalist list</u>

Helliesen waived the confidentiality disclaimer on the semi-finalist report.

Helliesen reviewed the background leading to the decision to commit up to $300 million to value added and opportunistic real estate funds. He noted the review was conducted on an expedited basis because several strong real estate funds will be closing at the end of the year.

He reviewed the search process and the list of qualifications used in the search. He reported the candidates fell into two categories: value added and opportunistic/special situation. Milliman is recommending the Board select one value added fund and up to three opportunistic/special situation funds.

The Board discussed the lack of recommended candidates for the value added fund. Price noted that if the Board is not comfortable with any of the candidates they do not have to choose any of the firms suggested.

It was **M/S/C** to approve interviewing the opportunistic/specialized candidates as recommended by Milliman and begin the legal review of contracts before December. (Yes: Allen, Bins, Buck, Cabral, Hast, Holcombe, Phillips, Telles and Viramontes)

The Board discussed interviewing the value added firms.

It was **M/S/C** to approve interviewing the two value added firms as recommended by Milliman. (Yes: Allen, Bins, Buck, Hast, Holcombe, Phillips, Telles and Viramontes. No: Cabral)

5. **Special Board meeting date for Value Added and Opportunistic Real Estate finalist interviews**

It was **M/S/C** to schedule a Special Board meeting on Tuesday, November 22, 2011, for the Value Added and Opportunistic Real Estate finalist interviews. (Yes: Allen, Bins, Buck, Cabral, Hast, Holcombe, Phillips, Telles and Viramontes)

It was **M/S/C** to move the Quarterly Meeting from Tuesday, November 22, 2011 to Wednesday, November 30, 2011. (Yes: Allen, Bins, Buck, Cabral, Hast, Holcombe, Phillips, Telles and Viramontes)

6. **Cash Flow report through June 30, 2011**

Kaplan provided a revised Schedule of Investment Manager/Consultant/Attorney Fees for 2011 spreadsheet.

Kaplan reviewed the Cash Flow Report noting the large sum in February is due to investment rebalancing through State Street. She also noted prepayments from employers are received in July so they are not included in the 6-month cash flow.

She reviewed the Administrative and Investment Expenses as a percentage of Actuarial Value of Assets on an accrual basis for the years 2004-2008. She also reviewed the expenses as a percentage of market value of assets on a cash basis for the year ending December 31, 2011.

It was **M/S/C** to accept the Cash Flow report through June 30, 2011. (Yes: Allen, Bins, Buck, Cabral, Hast, Holcombe, Phillips, Telles and Viramontes)

CLOSED SESSION

The Board moved into closed session pursuant to Govt. Code Section 54957 and Govt. Code Section 54956.9(c).

The Board moved into open session.

7. Disability Retirements

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

Viramontes recused herself from item 7 (a) and was not present for subsequent discussion and voting.

a. Paul Rangel – Service Connected (Yes: Allen, Bins, Buck, Cabral, Hast, Holcombe, Phillips and Telles)

Viramontes was present for subsequent discussion and voting.

b. Roger Breeding – Service Connected (Yes: Allen, Bins, Buck, Cabral, Hast, Holcombe, Phillips, Telles and Viramontes)
c. Stephen Rodgers – Service Connected (Yes: Allen, Bins, Buck, Cabral, Hast, Holcombe, Phillips, Telles and Viramontes)

8. There was no reportable action related to Govt. Code Section 54956.9(c).

9. Conference Seminar Attendance

(a) It was **M/S/C** to authorize the attendance of 1 Board member and 1 staff member at the Public Fund Boards Forum, IRR, December 11-13, 2011, New Orleans, LA. (Yes: Allen, Bins, Buck, Cabral, Hast, Holcombe, Phillips, Telles and Viramontes)
(b) It was **M/S/C** to authorize the attendance of 3 Board members and 1 staff member at the Public Funds Summit, Opal Financial, January 10-12, 2012, Scottsdale, AZ. (Yes: Allen, Bins, Buck, Cabral, Hast, Holcombe, Phillips, Telles and Viramontes)

An amended motion was **M/S/C** to authorize the attendance of 4 Board members and 1 staff member at the Public Funds Summit, Opal Financial, January 10-12, 2012, Scottsdale, AZ. (Yes: Allen, Bins, Buck, Cabral, Hast, Holcombe, Phillips, Telles and Viramontes)

10. Miscellaneous

(a) Staff Report –

Leedom reported tomorrow is the last day in the office for Kathy Somsen, retiring Benefits Manager.

Hally reported the transition of money to Ceredex Value Advisors is approximately 85% complete as of close of business Tuesday.

Levy reported the legislation that Telles mentioned the last meeting is Senate Bill 203, which will be effective on January 1, 2012. Regarding filling a vacancy of the alternate seventh (safety) member position, it provides that the Retirement Board "shall cause an election to fill the vacancy to be held at the earliest possible date."

(b) Outside Professionals' Report -

Leiderman reported that the economic pressures being faced by plan sponsors statewide has resulted in political pressure being brought to bear on both appointed and elected pension board members, threatening to compromise the important independent judgment of the boards. He noted that this may lead to fewer qualified people being willing to take the job of pension trustees.

(c) Trustees' Comments -

Telles reported he attended the CRCEA 2011 Fall Conference. The insurance commissioner spoke on AB 52, which would give the commissioner the ability to monitor not only auto and fire insurance but health insurance as well. The bill didn't pass but it is still being worked on. CRCEA has developed a committee to research alternatives to current defined benefit plans. He has a copy of the white paper showing why 401Ks and 457 plans are not as beneficial as defined benefit plans.

Holcombe and Phillips reported on the on-site visit with Adelante Capital Management.

Cabral asked that the meeting be adjourned in honor of Kathy Somsen for her years of dedicated service to CCCERA.

It was **M/S/C** to adjourn the meeting in honor of Kathy Somsen for her years of dedicated service to CCCERA. (Yes: Allen, Bins, Buck, Cabral, Hast, Holcombe, Phillips, Telles and Viramontes)

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Maria Theresa Viramontes, Chairman John Phillips, Secretary