

CONTRA COSTA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

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March 31, 2010

The Board of Retirement met in regular session at 9:00 a.m. on Wednesday, March 31, 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, Sharon Naramore, William J. Pollacek, Jim Remick, Jerry Telles, and Maria Theresa Viramontes.

Staff: Marilyn Leedom, Retirement Chief Executive Officer; Silvina Leroux, Deputy Retirement Chief Executive Officer; Cary Hally, Retirement Chief Investment Officer; Karen Levy, Counsel; Rick Koehler, Retirement Accounting Manager.

Outside Professional Support: Representing:
Harvey Leiderman Reed Smith LLP
Tim Price Milliman
Beth Zawde Milliman

Other Attendees:

Sean Jara	Contra Costa County Employees' Retirement Association (CCCERA) Staff
Margie Breen	CCCERA Staff
Luz Casas	CCCERA Staff
Chih-Chi Chu	CCCERA Staff
Mary Lou Williams	Contra Costa County Retirees' Association (CCCERA)
Max Swango	Invesco
Jay Hurley	Invesco
Lorna Thompson	Self

1. Pledge of Allegiance

Viramontes led all in the *Pledge of Allegiance*.

2. Public Comment

No members of the public offered comment.

3. Approve minutes from the March 10, 2010 meeting

It was M/S to accept the minutes of the March 10, 2010 meeting. This item was tabled for a future meeting pending changes to the minutes.

4. Presentation by Invesco regarding IREF I and II - Jay Hurley, Max Swango, Invesco

Swango reviewed Invesco's current position. He provided an update on commercial real estate. He noted the drop in unleveraged commercial real estate of approximately 31%, noting we may be getting close to a bottom. He reviewed CCCERA's portfolio, noting the

allocation to apartments, and how this positions the portfolio for potential returns following a recession.

Hurley reviewed IREF I, noting the portfolio is weighted 62% to multi-family. Discussion followed on refinancing issues, the possible extension of the life of the fund, restructuring and projections for the final exit of the Fund.

Discussion followed on the level of CMBS in IREF I in the past and the effect on total return.

Hurley reviewed IREF II, the expected net IRR, noting that the leverage of this fund had a detrimental effect on returns. They noted they expect to continue to be overweight to multi-family investments. The good thing about IREF II is that there are still a lot of unfunded commitments which can be used to make further investments.

Pollacek requested Invesco include portfolio property holdings with IREF I & II presentations in the future. He also recommended that Invesco return in twelve to eighteen months for an update. Discussion continued regarding Invesco's exit strategy, CMBS investments, and performance of funds.

5. Update from Milliman on manager searches -Tim Price, Beth Zawde, Milliman

Price provided an update on the RFPs currently in progress for International Growth Equity, Global Equity High Conviction Concentrated Strategy, and the Global Low Absolute Volatility Strategy. Milliman identified 11 qualified firms and has issued questionnaires to those firms. The RFPs are due back to Milliman by March 29, 2010.

As part of the build-out of CCCERA's global equity program, Milliman was instructed to conduct searches for two strategies to complement the initial global allocation to J.P. Morgan's Global Opportunities strategy. Milliman presented two options for diversifying the global equity program at the January 29, 2010 meeting: either by adding both growth and value mandates or by selecting both a high conviction concentrated strategy and a low absolute volatility strategy. The Board opted to pursue the latter option. Milliman identified a group of 14 High Conviction managers and a group of eight Low Volatility strategies. They sent questionnaires to these firms on March 19, 2010. The responses are due back to Milliman by April 5, 2010.

6. Consider and take possible action on update regarding McKinley transition

Hally recommended the Board contract with State Street Global Markets (SSGA) to transition the McKinley portfolio until a manager is hired to manage the international growth equity mandate. CCCERA has used SSGA in this capacity multiple times over the years, and has always had successful, seamless transitions.

Staff recommended the 100 basis point scenario as discussed in the Overview portion of the report. While the transaction costs with this scenario are somewhat higher, the

tracking error is favorable. Given the size of the portfolio and the expected timeframe to hire a new manager, they believe the higher transaction costs are a good trade off for the lower tracking error.

It was *M/S* to approve the 200 basis point scenario for the McKinley transition. Motion was withdrawn.

It was *M/S/C* to accept staff's recommendation and utilize the transition services of State Street Global Market (SSGA) using the 100 basis point scenario for the McKinley transition. (Yes: Buck, Cabral, Gaynor, Hast, Holcombe, Pollacek, Telles, and Viramontes)

7. Consider payment of Phase 3 of SACRS CERL Review

It was *M/S/C* to accept staff's recommendation for payment of Phase 2 of SACRS CERL Review. (Yes: Buck, Cabral, Gaynor, Hast, Holcombe, Pollacek, Telles, and Viramontes).

8. Review 2009 Budgeted versus Actual expenditures

Leroux presented the 12/31/09 Actual expenditures versus Budget, showing a 75% expense ratio for 2009. There was discussion regarding line items and titles that were clarified by staff.

It was *M/S/C* to approve 2009 Budgeted versus Actual expenditures. (Yes: Buck, Cabral, Gaynor, Hast, Holcombe, Pollacek, Telles, and Viramontes).

9. Consider and take possible action on contract with Small World Solutions

Leedom provided a memorandum regarding the current death audit reporting services, lag time, and delay in transitioning to being web-based. She noted the increase in reporting capabilities with Small World Solutions as well as a favorable track record with other '37 Act systems.

It was *M/S/C* to approve staff's recommendation to contract with Small World Solutions, subject to legal review of contract in the amount of \$1,400 per year. (Yes: Buck, Cabral, Gaynor, Hast, Holcombe, Pollacek, Telles, and Viramontes).

10. Conference Seminar Attendance

- (a) It was *M/S/C* to authorize the attendance of two Board members and one staff at the 21st Annual Meeting, EIF, May 4-6, 2010, Kiawah Island, SC. (Yes: Buck, Cabral, Gaynor, Hast, Holcombe, Pollacek, Telles, and Viramontes).
- (b) No one was able to attend the Certificate of Achievement in Public Plan Policy, IFEBP, April 17-18, 2010, Phoenix, AZ.

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- (c) It was *M/S/C* to authorize the attendance of four Board members and one staff at the 2010 Client Conference, Adams Street Partners, June 9-10, 2010, Chicago, IL. (Yes: Buck, Cabral, Gaynor, Hast, Holcombe, Pollacek, Telles, and Viramontes).

11. Miscellaneous

- (a) Staff Report - Leedom congratulated Hast, Naramore and Telles on an unopposed re-election for another term on the Board.

She discussed issues with County Human Resources pertaining to titling of new CCCERA positions and Human Resources' refusal to allow the new job titles as approved by the Board of Retirement.

Discussion followed on setting a Special Board meeting to discuss the depooling issues. The meeting was tentatively set for April 15th 1 pm, if Segal is available.

Leedom requested Board members let Luz know if they plan to attendance SACRS in May.

Hally advised there is a PIMCO on site meeting set for Tuesday, May 11, 2010 in Newport Beach.

Hally reviewed the EIR on site visit, also attended by Gaynor and Buck. He reviewed Nicholas Applegate, whose parent company Allianz is creating a new organization with Nicholas Applegate and Oppenheimer, titled Global Investor Capital. Hally may recommend adding Nicholas Applegate to the watch list due to the ownership structural change.

- (b) Outside Professionals' Report - Harvey gave the Board a brief update on AB 1743 regarding the use of placement agents.
- (c) Trustees' Comments - Naramore requested the Spring CRCEA conference be added to a future agenda.

Viramontes congratulated Naramore, Telles and Hast on another term without opposition.

Cabral discussed additional issues regarding terminal pay and asked the Board to revisit all pay items included in retirement.

Leedom noted she will discuss with counsel and follow up at a future Board meeting.

Gaynor requested full review of pay items considered toward retirement.

Remick noted his attendance at the Klausner conference, and felt it was beneficial.

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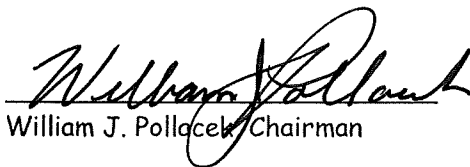
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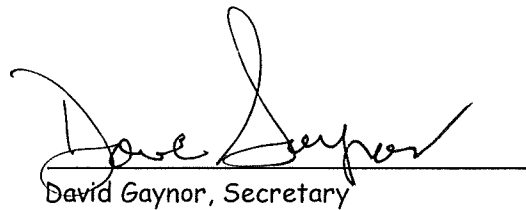
Cabral noted an item of interest from the Klausner conference regarding liability insurance coverage in investment contracts and asked if our contracts included clauses to settle issues locally.

The Board discussed Robert Palmer's comments as quoted in a recent Contra Costa Times article. Discussion followed on responding to Palmer's comments in written format.

Holcombe noted his attendance at the SACRS Trustee Training at Stanford.

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


William J. Pollacek, Chairman


David Gaynor, Secretary