

CONTRA COSTA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

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April 19, 2012

Meeting Date 05/23/12 Agenda Item #3

The Board of Retirement met in special session at 9:00 a.m. on Thursday, April 19, 2012 in the Conference Room of the Contra Costa County Employees' Retirement Association, 1355 Willow Way, Suite 221, Concord, CA.

Present: Debora Allen, Terry Buck, Richard Cabral, Brian Hast, Jerry Holcombe, Sharon Naramore, John Phillips, Jerry Telles and Russell Watts

Absent: John Gioia and Maria Theresa Viramontes

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

Outside Professional Support:	Representing:
Harvey Leiderman	Reed Smith, LLP
Bob Helliesen	Milliman
Jeff Youngman	Milliman

Other Attendees:

Luz Casas	Contra Costa County Employees' Retirement Association (CCCERA) Staff
Chih-Chi Chu	CCCERA Staff
Karen Davis	CCCERA Staff
Christina Dunn	CCCERA Staff
Jessica Huffman	CCCERA Staff
Justine Oyler	CCCERA Staff
Greg Cassano	First Eagle
Joel Damon	J.P. Morgan
Nigel Emmett	J.P. Morgan
Max Swango	Invesco
Jay Hurley	Invesco
Delia Roges	Invesco
Joe Rodriguez	Invesco
Michael Torres	Adelante
Bonnie Miller	Adelante

1. Pledge of Allegiance

Hast led all in the *Pledge of Allegiance*.

2. Public Comment

No members of the public offered comment.

3. Discussion with consultant regarding managers scheduled to present

Helliesen introduced Jeff Youngman an additional contact with Milliman.

Helliesen distributed a Flash Report for the quarter ended March 31, 2012 and reviewed the performance of the managers scheduled for presentations.

4. Manager Presentations:

Global Equity

First Eagle - Greg Cassano

Cassano gave an update on the firm noting there were only minor changes to the team. He gave an overview of the strategy, stating as of March 31st they have \$67 billion in assets under management.

He reviewed CCCERA's portfolio exposure by sector, country and asset class. He also reviewed CCCERA's portfolio performance noting the portfolio has the ability to own non-equity securities which include gold, fixed income and cash. Currently 70% is invested in equities and 9% is invested in gold. He reviewed the top 5 and bottom 5 contributors. He discussed the investment relationship between gold bullion and gold commodities.

Discussion followed on the amount of cash currently held in the portfolio. Milliman will follow up with an analysis on the total amount of cash in the portfolio.

J.P. Morgan - Nigel Emmett, Joel Damon

Emmett gave an overview of the firm, noting they are designed and managed as a core global equity strategy. He stated they have 60 full time research analysts around the world with an average experience of the analyst team members of 16 years.

Emmett reviewed the valuation approach applied by all analysts, noting the methods of ranking within quartiles, including global sectors.

He reviewed the market environment and performance as well as CCCERA's portfolio performance by sector and regional attributions for the quarter ending 3/31/12. He also reviewed the top contributors and top detractors noting most of the top contributors are in the European market. He reviewed the top 10 overweight and top 10 underweight positions.

Real Estate (REITs and Partnerships)

Adelante - Michael Torres, Bonnie Miller

Miller gave an overview of Adelante's long term relationship with CCCERA. She provided an update on the firm noting this is their 5-year anniversary of global REIT strategy, although CCCERA is invested in the domestic REIT portfolio. She reported \$2.2 billion in assets under management.

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Torres reviewed CCCERA's portfolio performance, noting our account value is \$283 million as of March 31, 2012. He reviewed the firm's philosophy regarding the focus on net asset value (NAV). He also reviewed the 10 largest portfolio holdings and relative exposure to the 10 largest index constituents.

Torres also gave an overview of the expectation for dividend increases in 2012 and Wall Street's return expectations, stating the REIT sector should benefit from these increases.

Allen was not present for subsequent discussion and voting.

Invesco - Max Swango, Jay Hurley, Joe Rodriguez, Delia Roges

Swango introduced the team noting Delia Roges has been with Invesco for 6 months and performs client service duties for the west coast.

Swango gave an overview of the firm stating they are publicly traded on the NYSE and a money management company only. He reported they have \$48.3 billion of assets under management with 16 offices worldwide. He also reported Invesco continued to grow and add employees to their company during the recent economic downturn.

Hurley provided an update on Invesco's Real Estate Fund I (IREF I), noting they are in the process of selling 4 of the 6 remaining assets this year. He reported by the end of 2013 the investment should be fully realized, and reviewed the trailing year returns. He also reported on the fund's performance since inception as well as the performance outlook of the fund. He stated that, since their last presentation, the fund has performed well and the trend has been positive.

Hurley also provided an update of Invesco's Real Estate Fund II (IREF II) noting a strong performance over the last two years.

Rodriguez gave an overview of the Global REIT team and the investment process, describing how companies are rated. He reviewed portfolio characteristics of country weights vs. current benchmark guidelines noting the overweights and underweights are close in range to the benchmark. He reported that since inception, CCCERA's performance is slightly above the benchmark.

Swango reported that highly leveraged companies ended up outperforming in the global crisis. Invesco invests in long term low leverage companies and they are sticking to their discipline.

Cabral was not present for subsequent discussion and voting.

5. Consider and take possible action on request from members for Optional Settlement 4

Schneider reviewed the optional settlement 4, noting it is the only payment option that allows for multiple beneficiaries. The final payment allowances are reviewed by CCCERA's actuary to determine the optional settlement will not put an additional burden on the system.

Cabral was present for subsequent discussion and voting.

Schneider discussed the current process to administer Optional Settlement 4 designations noting that each request must be presented to the Board for approval.

Discussion followed regarding the need for an administrative policy authorizing staff to process Optional Settlement 4 designations without the need for the Board to review each individual case.

It was **M/S** to grant the request of Optional Settlement 4 for Remedios Bernardo, based on the actuarial equivalence of the benefit payments there is not an additional burden on the retirement system.

After discussion, an amended motion was **M/S/C** to grant the request of Optional Settlement 4 for Remedios Bernardo, based on the actuarial equivalence of the benefit payments verified by Segal Company, there is no additional burden on the retirement system. CCCERA will pay the cost to Segal for this request. At a future meeting there will be discussion regarding who should bear the cost of Optional Settlement 4 final calculation verifications. (Yes: Buck, Cabral, Hast, Holcombe, Phillips, Telles and Watts. Abs. Phillips).

It was **M/S/C** to grant the request of Optional Settlement 4 for Dana Slauson, based on the actuarial equivalence of the benefit payments confirmed by Segal Company noting there is no additional burden on the retirement system. CCCERA will pay the cost to Segal for this request. At a future meeting there will be discussion regarding who should bear the cost of Optional Settlement 4 requests. (Yes: Buck, Cabral, Hast, Holcombe, Phillips, Telles and Watts. Abs. Phillips).

The Board directed staff to return at a future Board meeting with a draft Option Settlement 4 Policy.

6. Miscellaneous

(a) Staff Report -

Leedom reported she received notification from Allianz regarding a reorganization. Clifton Wellington and Yasmin Serton are no longer with the firm.

Tim Price will begin his position as CCCERA Chief Investment Officer on Monday, April 30.

Leedom noted a recent letter from the external auditor, Brown Armstrong, to Board members created questions. She will address the issue with Brown Armstrong.

An on-site visit with Torchlight is scheduled for May 17, 2012.

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She is working on the Tradewinds transition. The cash will go to a transitional account at State Street until a new money manager is hired.

Leedom received a public records request for a list of retiree's receiving over \$100,000 after the implementation of the recent COLA.

Leedom reminded the Board there will not be a meeting on April 25, 2012.

(b) Outside Professionals' Report -

Helliesen reported Ceredex recently had a soft close, but they are still accepting funds.

The \$16 million from INTECH's Enhanced Plus account will move to INTECH's Global Low Volatility strategy account in May.

He reported Oaktree had an unsuccessful initial public offering.

Helliesen wished Tim Price well as the new CIO of CCCERA.

Youngman reported Goldman Sach's opportunistic portfolio is effectively complete; remaining assets will be moved into the core portfolio.

(c) Trustees' Comments -

Cabral reported CII has posted Meg Whitman's speech on their website.

Telles reported he attended the CRCEA conference in Visalia and felt it was very interesting. He noted CRCEA is campaigning, providing information on the downside of 401k plans, and why they may not work for the public sector.

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

Maria Theresa Viramontes, Chairman

John Phillips, Secretary

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May 2, 2012

The Board of Retirement met in regular session at 9:00 a.m. on Wednesday, May 2, 2012 in the Conference Room of the Contra Costa County Employees' Retirement Association, 1355 Willow Way, Suite 221, Concord, CA.

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

Absent: John Gioia and John Phillips

Staff: Marilyn Leedom, Retirement Chief Executive Officer; Kurt Schneider, Retirement Deputy Chief Executive Officer; Tim Price, Retirement Chief Investment Officer and Karen Levy, General Counsel

Outside Professional Support: Harvey Leiderman
Representing: Reed Smith LLP

Other Attendees:

Luz Casas	Contra Costa County Employees' Retirement Association (CCCERA) Staff
Karen Davis	CCCERA Staff
Christina Dunn	CCCERA Staff
Jessica Huffman	CCCERA Staff
Joelle Luhn	CCCERA Staff
Justine Oyler	CCCERA Staff
Mike Sloan	CCCERA & RSG
James Lee	Self

1. Pledge of Allegiance

Buck led all in the *Pledge of Allegiance*.

2. Public Comment

Leedom congratulated Cabral for his more than 33 years of service to the Retirement Board.

Hast congratulated Marilyn Leedom for 10 years of service.

3. Approval of Minutes

It was *M/S/C* to approve the minutes of the April 11, 2012 Board meeting. (Yes: Allen, Buck, Cabral, Hast, Holcombe, Naramore and Watts)

Viramontes was present for subsequent discussion and voting.

4. Routine Items

It was *M/S/C* to approve the routine items of the May 2, 2012 meeting. (Yes: Allen, Buck, Cabral, Hast, Holcombe, Naramore, Viramontes and Watts)

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CLOSED SESSION

5. This item was removed from the agenda.
6. Board policy for Optional Settlement 4 (Govt. Code Section 31764).

Levy gave an overview of Optional Settlement 4 noting at the April 11, 2012 meeting the Board directed staff to return with a policy. Two alternative policies were presented, one that charges the cost of Segal's actuarial calculations services to the member and one that does not charge the member the additional cost.

Telles was present for subsequent discussion and voting.

After a discussion on whether or not the cost of Segal's calculations is a burden on the system, it was **M/S** to adopt the Optional Settlement 4 Policy (Draft Policy 2) and to charge a fee for the initial calculation.

The Board discussed the option of adopting a policy to not allow multiple beneficiaries. Levy noted that CERL Section 31764 allows the designation of more than one person, so long as the designation does not, in the opinion of the board and the actuary, place any additional burden upon the retirement system.

After discussion of the original motion, the question was called.

A motion was made to call for the question. The motion died for a lack of a second.

A substitute motion was **M/S** to adopt Optional Settlement 4 Policy (Draft Policy 1) with no fee for the initial calculation but charging the members a fee for subsequent calculations.

The Board discussed different scenarios of when fees would need to be charged. They also discussed the election process of optional settlements and at what point in the process the fee would be charged.

After discussion the question was called.

It was **M/S** to call for the question. **Motion failed.** (Yes: Allen, Holcombe, Telles, Viramontes and Watts. No: Buck, Cabral and Hast).

The Board further discussed approving requests for Optional Settlement 4 on a case by case basis or as a routine item.

An amended motion was **M/S/C** to not charge members a fee for the one time final election calculation but to charge for any subsequent outside actuary calculations needed, unless the need for subsequent calculations are due to CCCERA's error or if there is a death of a proposed beneficiary before the final election period. The motion noted that it is the board's opinion that so long as Segal simply verifies the system's internal calculations, the cost of Segal's services for

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members' one time final options election would not place additional burden upon the retirement system (Yes: Allen, Hast, Holcombe, Viramontes and Watts. No: Buck, Cabral and Telles).

It was **M/S/C** to adopt Optional Settlement 4 Policy (Draft Policy 1) with the amendments listed above and a review of the Optional Settlement 4 elections in 6 months. (Yes: Buck, Cabral, Hast, Holcombe, Telles, Viramontes and Watts. No: Allen).

Telles was not present for subsequent discussion and voting.

7. Request from Kimberly Colunga for an Optional Settlement 4

The Board noted that Segal's determination of the actuarial equivalency of Optional Settlement 4 and the member's unmodified allowance assumes a 0% COLA.

The Board discussed having Segal attend the next meeting with a recommendation regarding the use of a COLA assumption greater than zero in the actuarial assumptions for optional settlements.

It was **M/S** to grant the request of Optional Settlement 4 for Kimberly Colunga, based on the actuary's finding that it is actuarially equivalent to the member's unmodified allowance, and based on the board's finding that the designation does not place any additional burden on the retirement system.

The Board noted the member, Kimberly Colunga, should not have been listed or voted on as a routine item in Agenda Item 4, since the request had to be considered under Agenda Item 7.

It was **M/S/C** to reconsider Item 4. (Yes: Allen, Hast, Holcombe, Naramore, Viramontes and Watts. No: Cabral. Abs: Buck).

It was **M/S/C** to approve Item 4 with the exception of Kimberly Colunga. (Yes: Allen, Hast, Holcombe, Naramore, Viramontes and Watts. No: Cabral. Abs: Buck)

It was **M/S/C** to approve Item 7 as recommended by staff noting the election was made prior to this meeting and prior to the board's adoption of the Optional Settlement 4 Policy today. (Yes: Buck, Cabral, Hast, Holcombe, Naramore and Viramontes. No: Allen. Abs: Watts).

The Board directed staff to schedule a special meeting on June 6, 2012, with a study session on the COLA assumption used for optional settlement calculations and the impact of changing the COLA assumption. The Board requested additional information regarding other '37 Act systems and the use of COLA in the calculation of optional settlements.

8. Conference Seminar Attendance

- (a) It was **M/S/C** to authorize the attendance of 1 staff member at the Investment Fundamentals, PIMCO, June 7 - 8, 2012, Newport Beach, CA. (Yes: Allen, Buck, Cabral, Hast, Holcombe, Naramore, Viramontes and Watts)

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- (b) It was **M/S/C** to authorize the attendance of 1 staff member at the Investing for a New Era, PIMCO, June 11 - 15, 2012, Newport Beach, CA. (Yes: Allen, Buck, Cabral, Hast, Holcombe, Naramore, Viramontes and Watts)
- (c) It was **M/S/C** to authorize the attendance of 2 Board members at the Trustees' Roundtable, CALAPRS, June 8, 2012, San Jose, CA. (Yes: Allen, Buck, Cabral, Hast, Holcombe, Naramore, Viramontes and Watts)

9. Miscellaneous

(a) Staff Report -

Leedom reported she received an amended termination agreement from the City of Pittsburg.

She reported there is a delay in signing the MOU with San Diego County for disaster recovery due to additional questions regarding HIPAA and potential CCCERA liability.

Leedom reported we will be converting from email software Groupwise to Microsoft Outlook at the end of the month.

CCCERA has received public records requests regarding Board and Staff travel, along with a request for investment information.

Leedom reported a draft policy on errors correction will be presented at a future meeting.

Price reported the Tradewinds liquidation is in process. He distributed an update on the High Conviction Global Equity Search for the replacement manager. The update contained a list of firms that received RFPs.

(b) Outside Professionals' Report -

Leiderman gave an update on his testimony on pension reform in Chino, California for the joint committee on AB 340 noting the bill includes a section on the Board auditing the employers' pay practices.

(c) Trustees' Comments -

Cabral reported he is troubled by the disclaimer on the benefits statements that just came out. He feels we have an obligation to provide correct information to members.

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

Maria Theresa Viramontes, Chairman

John Phillips, Secretary