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November 21, 2011

Ms. Marilyn Leedom
CEO
Contra Costa Employees' Retirement Association
1355 Willow Way, Suite 221
Concord, CA 94520

MEETING DATE

NOV 30 2011

AGENDA ITEM

#4

Dear Marilyn:

Milliman greatly values our relationship with the Contra Costa County Employees' Retirement Association and we are proud to have played a role in the growth of the Association over the past twenty-five years. As a result of this growth in the Association's assets, the number of asset classes and managers have increased considerably, as has the level of due diligence conducted by Milliman in collaboration with the staff and Board. Milliman last adjusted our fee arrangement with CCCERA in October 2002, and it is now time to revisit this fee arrangement to reflect the expanded role that Milliman has in providing comprehensive investment consulting services to CCCERA.

Expansion of Investment Consulting Role

Milliman's fees were last adjusted in October 2002, more than nine years ago. As of October 1, 2002, Milliman fees were set at \$218,000 per year (plus any out-of-pocket travel costs) for all services provided. Nine years later, our fees have continued at this level.

Over this period, the CCCERA total assets have increased 124%. This growth in assets has allowed CCCERA to move into several new asset classes and to diversify across many additional managers. As of September 30, 2002, CCCERA had 30 investment managers (separate accounts or commingled funds excluding real estate funds nearing termination and not including Willows). As of today, CCCERA has 42 investment managers, an increase of 40%. Monitoring more investment managers directly requires more work on our part.

In 2002, CCCERA did not have a due diligence policy that Board, Staff and Investment Consultant conduct on-site visits to investment managers before hiring them. It has such a policy now. Milliman has participated in six due diligence visits on behalf of CCCERA in the past year including three to New York and two to southern California. We estimate that these trips took 10 work days including travel.

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Fee Adjustment

To reflect the expanded scope of Milliman's role, we propose the following fee structure:

1. Milliman's base retainer fee will be set at \$310,000 per year. The base retainer fee will increase annually by the San Francisco CPI-U measure, up to a maximum of 2.5% per year. The first increase would take effect January 1, 2013. This fee will cover the following services:
 - Quarterly performance measurement and evaluation, including presentation of our reports in person to the Board
 - Quarterly transaction cost analysis
 - Manager searches as required
 - Asset allocation studies to be conducted every three years
 - Board education on investment topics as required
 - General investment consulting services
 - Special projects of a reasonable scope
 - Attendance at other Board meetings as required
2. On-site due diligence travel will be billed at a rate of \$2,125 per day (including travel time) plus travel expenses. This represents a discount of 15% from our standard rate to reflect our valued relationship with CCCERA.

We believe this fee proposal represents an appropriate adjustment from our 2002 fee to fairly compensate Milliman for the services provided to CCCERA.

We greatly value our long-term relationship with CCCERA and hope to continue our relationship for many years. Thanks again for your business.

Bob

