

CONTRA COSTA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

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April 13, 2011

The Board of Retirement met in regular session at 9:00 a.m. on Wednesday, April 13, 2011 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, John Gioia, Brian Hast, Jerry Holcombe, Sharon Naramore, John Phillips, Jerry Telles, Maria Theresa Viramontes and Russell Watts

Staff: Marilyn Leedom, Retirement Chief Executive Officer; Cary Hally, Retirement Chief Investment Officer; Karen Levy, General Counsel; Kathy Somsen, Retirement Benefits Manager; Rick Koehler, Retirement Accounting Manager

Outside Professional Support:	Representing:
Rebecca Byrnes	County Counsel
Paul Angelo	The Segal Company
John Monroe	The Segal Company
Harvey Leiderman	Reed Smith, LLP

Other Attendees:

Luz Casas	Contra Costa County Employees' Retirement Association (CCCERA) Staff
Christina Dunn	CCCERA Staff
Joelle Luhn	CCCERA Staff
Justine Oyler	CCCERA Staff
Bill Cullen	Retiree
Randy Musgraves	Central Contra Costa Sanitary District (CCCSD)
Bill Pollacek	Retired Treasurer-Tax Collector
Colette Curtis-Brown	CCCSD
Ted Cwiek	Contra Costa County Human Resources
Jackie Lorrekovich	Contra Costa County Fire Protection District
Robert Leete	San Ramon Valley Fire District
Wendy Lack	Self
Harjit Nahal	Auditor-Controller Office
Kris Hunt	Contra Costa County Taxpayers Association
Vincent Wells	Local 1230
Rollie Katz	Local 1

1. Pledge of Allegiance

Gaynor led all in the *Pledge of Allegiance*.

2. Public Comment

Bill Cullen, Retiree, expressed his displeasure with the negative press CCCERA has received noting CCCERA's assumption rate has been met with the exception of a few years. He noted when CCCERA had excess earnings employers chose to take the excess earnings and reduce their contribution rates. He stated the CCCERA Board is doing a good job and feels the press should show the positive earnings over the past few years.

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3. Approval of Minutes

It was **M/S/C** to approve the minutes of the March 30, 2011 meeting. (Yes: Buck, Cabral, Gaynor, Gioia, Hast, Holcombe, Telles, Viramontes, Watts)

4. Routine Items

It was **M/S/C** to approve the routine items of the April 13, 2011 meeting. (Yes: Buck, Cabral, Gaynor, Gioia, Hast, Holcombe, Telles, Viramontes, Watts)

5. CCCERA Methodology Choices for the Treatment of Terminal Pay in Actuarial Valuation - Paul Angelo, John Monroe

Angelo reviewed his April 7, 2011 letter requesting direction on the treatment of terminal pay to determine assumptions to be used in the annual actuarial valuation. He stated there are two major methodology choices that need to be made by the Board: 1) For future actuarial valuations, should the current terminal pay assumption structure by tier be continued or should terminal pay assumptions be developed separately for each cost group, and 2) Should CCCERA continue to include the cola portion of terminal pay as a component of the member contribution rates for members with membership dates on or after January 1, 2011.

He reviewed the background on the original and amended policy *Compensation for Retirement Purposes* that determined which pay items are considered compensation in calculating final average salary. He further reviewed data showing a comparison of terminal pay for a three-year period from 2008 through 2010 under the old policy versus the new policy. He stated there are substantial reductions with the new policy.

In public comment, Randy Musgraves, Central Contra Costa Sanitary District (CCCSD), requested clarification on how employer rates will be calculated as it relates to depooling. CCCSD feels the Board should choose to structure terminal pay assumptions separately by each cost group. Musgraves noted that CCCSD allows these pay items for their employees in order to stay competitive in their industry and keep their employees' retirement comparable to the 2.7 percent formula offered by other sanitary districts.

In public comment, Rollie Katz, Local 1, requested clarification on Segal's definition of terminal pay used in the actuarial valuation.

It was **M/S** to develop the current terminal pay assumption by tier for future actuarial valuations.

Further discussion occurred regarding the development of the terminal pay assumption by cost group to be more consistent with depooling.

A substitute motion was **M/S/C** to develop the terminal pay assumption by cost group, beginning with the December 31, 2010 actuarial valuation. (Yes: Gaynor, Gioia, Hast, Holcombe, Telles, Viramontes, Watts. No: Buck. Abs: Cabral)

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The request to determine if the cost of living portion of terminal pay should be included in member contribution rates was tabled for further review.

Gioia was not present for subsequent discussion and voting.

6. Central Contra Costa Sanitary District letter on CCCERA's actions on de-pooling.

It was **M/S/C** to direct the Board Chair, staff and legal counsel to meet with Central Contra Costa Sanitary District to discuss questions presented in the letter dated March 4, 2011. (Yes: Buck, Cabral, Gaynor, Hast, Holcombe, Phillips, Telles, Viramontes, Watts)

7. City of Pittsburg letter on possible amendment to termination agreement.

Leedom reported the City of Pittsburg requested changes to their employer termination agreement to allow the actuarial liability calculation to be prepared on an Actuarial rather than a Market value of assets basis and to create an 18 month lag between valuation date and the date the contribution is due. She stated this is the first request of this nature.

It was **M/S/C** to direct staff to meet with legal counsel and The Segal Co. to discuss the letter and return to the Board with a recommendation at a future meeting. (Yes: Buck, Cabral, Gaynor, Hast, Holcombe, Phillips, Telles, Viramontes, Watts)

8. SACRS Proxy Voting Form.

It was **M/S/C** to designate Telles as the voting delegate and Watts as the alternate voting delegate at the SACRS Spring Conference. (Yes: Buck, Cabral, Gaynor, Hast, Holcombe, Phillips, Telles, Viramontes, Watts)

9. Proposed slate of SACRS officers for 2011-12

It was **M/S/C** to support the Orange County Employees Retirement System (OCERS) recommendation for the 2011-2012 SACRS officers. (Yes: Buck, Cabral, Gaynor, Hast, Holcombe, Phillips, Telles, Viramontes, Watts)

CLOSED SESSION

The Board moved into closed session pursuant to Govt. Code Section 54957.

The Board moved into open session.

Telles recused himself from this item and was not present for subsequent discussion and voting.

10. Disability Retirements

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

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- (a) Teri Lee Major - Service Connected (Yes: Buck, Cabral, Gaynor, Hast, Holcombe, Naramore, Phillips, Viramontes, Watts)

Telles was present for subsequent discussion and voting.

11. It was **M/S/C** to accept staff's recommendation to terminate the system's inquiry with regard to Ms. Battles' permanent incapacity to perform the usual and customary duties of her former position as Deputy Sheriff based on medical evidence and opinion that she would not be cleared to perform most physical duties of a Deputy Sheriff. (Yes: Buck, Cabral, Gaynor, Hast, Holcombe, Phillips, Telles, Viramontes, Watts)
12. It was **M/S/C** to accept the Hearing Officer's recommendation and deny the service-connected disability retirement for Glenda Ellyn Edwards. (Yes: Buck, Cabral, Gaynor, Hast, Holcombe, Phillips, Telles, Viramontes, Watts)

13. Conference Seminar Attendance

- (a) It was **M/S/C** to authorize the attendance of 1 staff member at the User's Group Conference, Multiview, June 15-17, 2011, Charlotte, NC. (Yes: Buck, Cabral, Gaynor, Hast, Holcombe, Phillips, Telles, Viramontes, Watts)
- (b) It was **M/S/C** to authorize the attendance of 3 board and 2 staff members at the Client Conference, Adams Street, June 8-9, 2011, Chicago, IL. (Yes: Buck, Cabral, Gaynor, Hast, Holcombe, Phillips, Telles, Viramontes, Watts)
- (c) It was **M/S/C** to authorize the attendance of 2 staff members at the Market Makers 2011, IFE, June 26-29, 2011, Laguna Beach, CA. (Yes: Buck, Cabral, Gaynor, Hast, Holcombe, Phillips, Telles, Viramontes, Watts)
- (d) No action was taken on the Global Real Assets Conference, J. P. Morgan, April 27-29, 2011, New York, NY.
- (e) It was **M/S/C** to authorize the attendance of 3 board and 1 staff members at the Client Education Seminar, PIMCO, June 9-10, 2011, Newport Beach, CA. (Yes: Buck, Cabral, Gaynor, Hast, Holcombe, Phillips, Telles, Viramontes, Watts)

14. Miscellaneous

- (a) Staff Report

Leedom reported the April 21, 2011 Board Meeting Agenda is available to be picked up.

Leedom received a records request from the Contra Costa Taxpayers' Association for retirees receiving gross retirement allowances over \$100,000 per year.

She also reported she received four responses to the RFI for profession recruiting firms for the Retirement Deputy Chief Executive Officer.

There were 218 retirees in March 2010 compared to a typical March average of 90.

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Levy reported there is only one nominee for the safety seat in the upcoming election. Staff contacted the elections division and requested a one week extension for the application period for the safety seats and was denied.

Hally reported an on-site visit with AFL-CIO in Washington, DC. He will be in New York on April 19, 2011, for on-site visits with Lazard and Lord Abbett. An on-site visit with Pathway is scheduled for April 26, 2011.

(b) Outside Professionals' Report

None

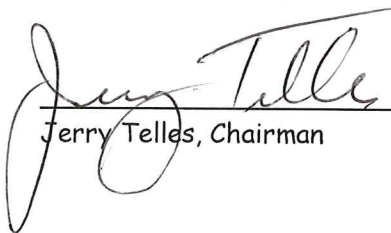
(c) Trustees' Comments

Cabral reported he attended the CII Conference with Leedom and Hally and felt it was very interesting with good speakers. He encouraged board trustees to attend in the future.

Telles and Watts attended a lunch meeting with Wentworth, Hauser and Violich. Telles reported Wentworth, Hauser and Violich were contacted by Milliman and confirmed they did not meet the parameters for the Small Cap Value Equity manager search.

Watts stated he felt the meeting with Wentworth, Hauser and Violich was a good meeting.

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



Jerry Telles, Chairman



Brian Hast, Secretary

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April 21, 2011

The Board of Retirement met in special session at 9:00 a.m. on Thursday, April 21, 2011 in the Conference Room of the Contra Costa County Employees' Retirement Association, 1355 Willow Way, Suite 221, Concord, CA.

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

Staff: Marilyn Leedom, Retirement Chief Executive Officer; Cary Hally, Retirement Chief Investment Officer

Outside Professional Support:	Representing:
Bob Helliesen	Milliman
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
Doug Forsyth	Alliance Global Investors
Yasmin Sexton	Alliance Global Investors
Thomas Hancock	GMO
Wendy Malaspina	GMO
Nigel Emmett	J.P. Morgan
Joel Damon	J.P. Morgan
Kenneth Mertz	Emerald Advisers, Inc.
Joseph Garner	Emerald Advisers, Inc.
Joe Besecker	Emerald Advisers, Inc.
Jeung Hyun	Adelante Capital Management
Michael Torres	Adelante Capital Management

1. Pledge of Allegiance

Naramore 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 distributed a Flash Report and reviewed the performance of the managers scheduled for presentations. He stated on-site visits should be scheduled with Adelante in Oakland and Delaware in San Francisco.

4. Manager presentations:

High Yield Fixed Income

Allianz Global Investors - Doug Forsyth, Yasmin Sexton

Sexton gave an overview of the firm noting they held \$62.1 billion in assets as of March 31, 2011.

Forsyth reviewed the team noting there have not been any changes to the team since the last time they were here. Their team has worked together for at least 10 years. He reviewed their high yield bond philosophy, strategy and style. He gave an update on CCCERA's high yield account profile including portfolio characteristics and performance noting we have \$157 million in assets. He also reviewed the high yield performance relative to yield spreads.

Forsyth summarized the downside protection of high yield bonds, as well as the minimal maturity risk on current issues.

International Equity

GMO - Tom Hancock, Wendy Malaspina

Malaspina gave an overview of the firm and an update on the investment team. GMO currently has over \$100 million in assets under management, and remains a private partnership.

Hancock reviewed the portfolio construction process for the international intrinsic value product. He then discussed the current country and sector allocations relative to the benchmark. He reviewed the top 5 and the bottom 5 performing stock positions noting more exposure to the energy sector. He reviewed the accounts performance, noting CCCERA's account has exceeded the MSCI EAFE Value Index since inception.

He also reviewed CCCERA's portfolio characteristics and performance noting an increase exposure to Japan post-earthquake/tsunami. There was also discussion as to different approaches to consider to include emerging market exposure into the portfolio. Helliesen reported Milliman is currently reviewing this item and will report back as warranted.

Global Equity

J.P. Morgan Asset Management - Nigel Emmett, Joel Damon

Prior to their presentation, J.P. Morgan waived the confidentiality disclaimer on the presentation materials, noting this is a public meeting and any information discussed will be available to the public.

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Emmett gave an overview of the firm stating they are a global equity mandate. He briefly reviewed their global opportunities team noting there have not been any changes. He also reviewed their research analyst team.

Emmett reported the ACWI benchmark is up 21.3% and has performed well. He further stated he expects market volatility to remain uncertain. Emmett also reviewed the top contributors and the top detractors by sector and by region.

Small Cap Domestic Equity

Emerald Advisors - Joe Besecker, Kenneth Mertz, Joseph Garner

Besecker began by stating Emerald Advisors philosophy, style and process has not changed. He also reviewed the portfolio management team. He reported growth stocks outperformed value stocks in recent periods.

Mertz gave a summary of the first quarter 2011 portfolio performance noting Emerald's performance for the quarter outpaced that of the benchmark. He also discussed the primary investment themes driving Emerald's technology overweight.

Besecker noted that they hold over 2,000 company meetings per year. Garner reviewed the level of research and analysis that Emerald exhibits in the companies in which they invest.

Real Estate (REITs)

Adelante Capital Management - Michael Torres, Jeung Hyun

Torres gave an overview of Adelante's history with CCCERA, and provided an update on the firm. He stated commercial real estate has benefited by low rates which have resulted in less foreclosures. He further noted they have 35 companies in their portfolio.

Hyun reported on two recent large mergers that occurred in the portfolio, and the effect on the portfolio value. Discussion followed on the secular movement from home ownership to apartment rentals, and the position of the portfolio in response to this.

5. Consider and take possible action on the April 27, 2011 meeting

Leedom reported there are no agenda items for the April 27, 2011 meeting.

It was **M/S/C** to cancel the April 27, 2011 meeting. (Yes: Buck, Hast, Holcombe, Naramore, Phillips, Viramontes, Watts)

6. Miscellaneous

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(a) Staff Report -

Leedom reported Bruce Lawson of Fox Lawson will be at the May 4th meeting to present the results of the updated compensation and salary study for all unrepresented positions.

Leedom reported that Segal may have the new contribution rates for all members after 1/1/11 ready by the May 4th meeting. The normal cost of the COLA portion of the contribution rate must be split equally between the employer and the employee and will not need to come back to the Board for approval.

The June 8, 2011 meeting may need to be changed due to calendar conflicts.

Leedom will contract with Alliance Resource Consulting, LLC, to recruit and fill the position of the Retirement Deputy Chief Executive Officer.

Bethel Island has expressed interest in withdrawing from CCCERA.

Leedom reminded Board members about the ethics course offered at SACRS. The course can also be taken online.

The Building and Leasing Management for Willows Office Park has changed to Grubb & Ellis.

CCCERA member benefit statements will be mailed by the end of the month.

(b) Outside Professionals' Report -

Helliesen reported they are busy with the asset allocation study and the small cap value search.

Price noted they are on track with the timing of the small cap value search and the asset allocation study.

(c) Trustees' Comments -

Buck reported on an on-site visit with Lazard and Lord Abbott.

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


Jerry Telles, Chairman


Brian Hast, Secretary