

CONTRA COSTA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

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April 25, 2007

The Board of Retirement met in regular session at 9:00 a.m. on Wednesday, April 25, 2007 in the Conference Room of the Contra Costa County Employees' Retirement Association, 1355 Willow Way, Suite 221, Concord, CA.

Present: Richard Cabral, Dave Gaynor, John Gioia, Brian Hast, Paul Katz, Sharon Naramore, William J. Pollacek, Jim Remick, Bob Rey, and Maria Theresa Viramontes.

Staff: Marilyn Leedom, Retirement Chief Executive Officer; Cary Hally, Retirement Chief Investment Officer; Rick Koehler, Retirement Accounting Manager; Toni Warren, Retirement Administration Manager.

Outside Professional Support: Representing:
Ashley Dunning Steefel, Levitt & Weiss
Bob Helliesen Milliman, USA
Tim Price Milliman, USA

Other Attendees:

Luz Casas Contra Costa County Employees' Retirement Association (CCCERA) Staff
Margie Breen CCCERA Staff
Sheila Wendler CCCERA Staff
Mary Lou Williams Retirees' Association

1. Sheila Wendler, Retirement

Hast acting as Chairman thanked and congratulated Sheila Wendler on the occasion of her retirement from CCCERA after nearly 11 years of service.

Viramontes was present for subsequent discussion and voting.

2. Public Comment

Mary Lou Williams congratulated Sheila Wendler on her retirement noting she began attending meetings as a representative of the Retirees' Association around the same time that Wendler began at CCCERA.

She asked two questions:

1. Does CCCERA have investments in green industries? Hast noted he is not specifically aware of any. Helliesen noted there are still restrictions on tobacco.
2. Williams commented on the recent press on retiree health insurance, noting other counties loss of stipend allowances for healthcare. In the past, the Retirement Board had provided help through excess earnings for retiree healthcare. A new Memorandum of Understanding will be considered in 2008 and she is concerned retiree healthcare may become an issue at that time. The newspaper articles discussed deficiencies; Williams requested information to determine if the figures

noted are accurate. Pollacek noted he has the actuarial information given to the Board of Supervisors regarding retiree health insurance. He will e-mail a copy of the information to Williams.

Gioia was present for subsequent discussion and voting.

3. Approval of Minutes

It was **M/S/C** to approve the minutes of the March 28, 2007 meeting. (Yes: Cabral, Gaynor, Gioia, Hast, Katz, Naramore, Pollacek, Rey, Viramontes)

After amending page 2, item 8, first motion to: *"It was **M/S/C** to accept the recommendation of the Ad Hoc Committee, given the Retirement CEO's successful performance evaluation, for the Board to ratify the provision to the Retirement CEO of the benefits listed in item numbers 1-12 of the Ad Hoc committee memo discussing Resolution No. 2006/743"*, it was **M/S/C** to approve the April 4, 2007 meeting minutes as amended. (Yes: Cabral, Gaynor, Gioia, Hast, Katz, Naramore, Pollacek, Rey, Viramontes)

4. Market Stabilization Account

Koehler reviewed the preliminary Market Stabilization Account as of December 31, 2006. Comparisons were made between the final Market Stabilization Account of June 30, 2006 and the preliminary December 31, 2006 report.

Some members of the Board expressed concern with the lack of a statutory reserve. There was discussion on the Contra Tracking Account, retaining the same established procedures for consistency and the ramifications of frequent policy changes. Dunning noted that Section 31592.2 provides that earnings of the fund shall remain in the fund as a reserve against deficiencies in interest earnings in other years, losses on investments and other contingencies, but that the Section does not specifically require that a 1% reserve be maintained by CCCERA. Rather, Section 31592.2 provides that surplus earnings of the retirement system may only be used as set forth in that and certain other Sections of the 1937 Act if CCCERA maintains 1% of the system's total assets in the statutory reserve. It was noted the Market Stabilization Account is an unrealized gain and can change overnight. It was the consensus of the Board to agendize for a future meeting a discussion of the Market Stabilization Account for educational purposes. It was **M/S/C** to receive the report. (Yes: Cabral, Gaynor, Gioia, Hast, Katz, Naramore, Pollacek, Rey, Viramontes)

5. Global Bond Semi-Finalist

Helliesen reviewed the Semi-Finalist Report for the Global Fixed Income Manager Search. There was discussion on all fourteen semi-finalist candidates to determine which managers to invite for a presentation on Global Fixed Income. It was **M/S/C** to invite Capital Guardian, FFTW, Lazard Asset Management, Loomis Sayles, and UBS

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Global to a final presentation on June 20, 2006. (Yes: Cabral, Gaynor, Gioia, Hast, Katz, Naramore, Pollacek, Rey, Viramontes)

Cabral was not present for subsequent discussion and voting.

6. Investment Policy and Guidelines

Helliesen and Hally reviewed changes to the Investment Policy and Guidelines. After several more changes for clarification, it was **M/S/C** to adopt the Investment Guidelines as amended. (Yes: Gaynor, Gioia, Hast, Katz, Naramore, Pollacek, Rey, Viramontes)

Cabral was present for subsequent discussion and voting.

7. Conference Seminar Attendance

- (a) It was M/S/C to authorize the attendance of Viramontes, Rey, Hast, Leedom, Cabral, and Hally at the Client Conference, Adams Street Partners, June 6 - 7, 2007, Chicago, IL. (Yes: Cabral, Gaynor, Gioia, Hast, Katz, Naramore, Pollacek, Rey, Viramontes)

8. Miscellaneous

- (a) Staff Report - Leedom reported a settlement agreement has been finalized for Ms. Harryman.

Leedom commended the Benefits Division on the successful implementation of the 2007 retiree cola on the new Tier system.

- (b) Outside Professionals' Report - Nothing further to report.

- (c) Trustees' Comments - Gioia noted he reviewed the minutes with the recommendation from the Ad Hoc Committee regarding the CEO's contract. The recommendation approved the one-time payment of \$1500 as outlined in the Board of Supervisor's Resolution. He noted the \$1500 was for those that did not receive a cost-of-living raise during fiscal year 2005 and 2006. It was noted that CCCERA employees receive the same COLAs as other County employees and the CEOs raise in 2006 was not a COLA, but an equity adjustment. Gioia then discussed separating CCCERA employees from the County's human resources (HR) merit system, because CCCERA classifications affect other County classifications

Dunning noted the '37 Act requires CCCERA employees to be included in the salary ordinance and changes could not be made without legislation.

Leedom commented that CCCERA does not have staff to administer all HR functions. Many classifications are unique to retirement and all classifications have Retirement in their title.

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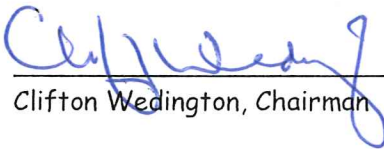
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Cabral commented he believes that CCCERA employees keep all rights and privileges of county employees, including seniority and transfer rights. He noted CCCERA senior management staff also received an equity adjustment, not a COLA, and therefore were entitled to the one-time \$1500 payment. The equity adjustments came from a salary survey for the Chief Executive Officer and Division Managers.

Viramontes noted she has completed and filed the necessary paperwork for reappointment to the Retirement Board. Gioia commented he recommended reappointment for Viramontes; however the process is for the Internal Operations (IO) Committee to advertise for the open seat on the Board. The IO Committee will then make their recommendation to the Board of Supervisors after any necessary interviews are completed.

It was M/S/C to adjourn. (Yes: Cabral, Gaynor, Gioia, Hast, Katz, Naramore, Pollacek, Rey, Viramontes)


Clifton Wedington, Chairman


William J. Pollacek, Secretary