

**CONTRA COSTA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION**

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May 23, 2012

The Board of Retirement met in regular session at 9:00 a.m. on Wednesday, May 23, 2012 in the Conference Room of the Contra Costa County Employees' Retirement Association, 1355 Willow Way, Suite 221, Concord, CA.

Present: Terry Buck, Richard Cabral, John Gioia, Brian Hast, Jerry Holcombe, John Phillips, Jerry Telles and Russell Watts

Absent: Debora Allen, Sharon Naramore and Maria Theresa Viramontes

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

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
Christina Dunn	CCCERA Staff
Justine Oylar	CCCERA Staff
Mike Sloan	CCCERA & RSG
Todd Smithey	Central Contra Costa Sanitary District
Kris Hunt	Contra Costa County Taxpayers' Association
Wendy Lack	Contra Costa County Taxpayers' Association
Seyonne Kang	Commonfund

**1. Pledge of Allegiance**

Hast led all in the *Pledge of Allegiance*.

**2. Public Comment**

No members of the public offered comment.

**3. Approval of Minutes**

It was *M/S/C* to approve the minutes of the April 19, 2012 meeting. (Yes: Buck, Cabral, Gioia, Hast, Phillips, Telles and Watts)

The minutes of the May 2, 2012 meeting were held for approval at a future meeting.

**4. Review of total portfolio performance - Bob Helliesen, Jeff Youngman**

Helliesen reported on the first quarter total portfolio performance. He distributed a Flash

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Report for the period ending April 30, 2012 and a Net of Fee Performance Comparison of the Adelante Capital REIT fund to the Vanguard REIT Index fund.

CCCERA's first quarter return of 8.1% was better than the median total fund and the median public fund at 7.2% and 7.7%, respectively. Performance has been strong through the past four years. CCCERA performed near the medians over the past five years. CCCERA has outperformed both medians over trailing time periods longer than five years.

CCCERA total domestic equities returned 14.9% for the quarter, exceeding the 12.9% return of the Russell 3000® and the 12.6% return of the median manager. Of CCCERA's domestic equity managers, Emerald had the best absolute result with a 21.0% return, significantly above the Russell 2000® Growth Index return of 13.3%. Robeco returned 15.0%, exceeding the 11.1% return of the Russell 1000® Value Index. Wentworth Hauser returned 16.1%, exceeding the 12.6% return of the S&P 500. PIMCO returned 14.2%, also exceeding the S&P 500. Intech Enhanced Plus returned 10.9%, trailing the S&P 500. Intech Large Cap Core returned 10.2%, also trailing the S&P 500 Index. Delaware returned 16.3% return, better than the Russell 1000® Growth Index return of 14.7%. In its first full quarter with CCCERA, Ceredex returned 12.1%, better than the 11.6% return of the Russell 2000 Value.

CCCERA international equities returned 10.9%, near the 11.0% return of the MSCI EAFE Index and trailing the 11.9% return of the median international manager. The GMO Intrinsic Value Extended portfolio returned 7.3%, trailing the 8.9% return of the Blended Benchmark (100% MSCI EAFE Value Index from inception to February 29, 2012, 100% MSCI ACWI ex-US Value from March 1, 2012 to present). The William Blair portfolio returned 14.4%, better than the MSCI ACWI ex-US Growth Index return of 11.9%.

CCCERA global equities returned 8.5%, trailing the 12.1% return of the MSCI ACWI benchmark and the 11.4% return of the median global equity manager. The J.P. Morgan portfolio returned 13.7%, exceeding the 12.1% return of the MSCI ACWI Index. The First Eagle portfolio returned 9.1%, trailing the MSCI ACWI Index return of 12.1%. Finally, Tradewinds returned 2.4%, significantly trailing the ACWI return of 12.1%. Tradewinds was terminated in April 2012. The assets are invested with a transition manager.

CCCERA total domestic fixed income returned 2.6% for the first quarter, better than the 0.9% return of the Barclays Universal Index and the 1.3% return of the median fixed income manager.

Allianz Global returned 4.9%, which trailed the 5.2% return of the ML High Yield II Index and the 5.3% return of the median high yield manager. The Torchlight Fund III returned 6.3% in the first quarter, better than the Merrill Lynch High Yield II Index return of 5.2%. The Torchlight II fund returned 4.6%, trailing the ML High Yield II Index and the high yield fixed income median. Lord Abbett returned 2.1%, exceeding the 0.3% return of the Barclays U.S. Aggregate as well as the median fixed income manager. PIMCO returned 1.9%, exceeding the Barclays U.S. Aggregate and the median. AFL-CIO returned 0.3% which matched the Barclays U.S. Aggregate return of 0.3% but was below the median fixed income manager. Goldman Sachs returned 1.5%, exceeding the Barclays U.S. Aggregate Index and the median fixed income manager. The workout portfolio returned 2.5%, better than the Barclays Aggregate.

The opportunistic allocation (almost entirely Oaktree) returned 3.8% in the first quarter.

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Lazard Asset Management returned 1.8% in the first quarter, which exceeded the Barclays Global Aggregate return of 0.9%, but trailed the median global fixed income manager return of 2.4% and ranked in the 63<sup>rd</sup> percentile of global fixed income portfolios.

CCCERA total alternative investments returned 4.7% in the first quarter. Nogales returned 2.0%, Paladin III returned 0.7%, Energy Investor Fund II returned -3.3%, Carpenter Community Bancfund returned 12.0%, Energy Investor Fund returned -10.3%, Adams Street returned 4.2%, Pathway returned 4.8%, Energy Investor Fund III returned 11.5% and Bay Area Equity Fund returned 20.9%. (Due to timing constraints, all alternative portfolio returns are for the quarter ending December 31, 2011.)

The median real estate manager returned 3.3% for the quarter while CCCERA's total real estate returned 6.0%. Adelante Capital REIT returned 10.9%, Long Wharf III returned 0.9%, Invesco Fund II returned 0.6%, DLJ's RECP IV returned -1.1%, Invesco Fund I returned 1.2%, DLJ RECP III returned 3.4%, Invesco International REIT returned 15.2%, Long Wharf II returned 1.5%, Willows Office Property returned 2.3%, and DLJ's RECP II returned 7.0%. (Due to timing constraints, the DLJ portfolio returns are for the quarter ending December 31, 2011.)

It was **M/S/C** to accept the Quarterly Report presented by Milliman. (Yes: Buck, Cabral, Gioia, Hast, Phillips, Telles and Watts)

**a. Consideration of any managers already under review or to be placed under review.**

Helliesen reported on the performance of the managers on the watch list. Helliesen recommended adding Long Wharf (formerly Fidelity) US Growth Fund II and Long Wharf (formerly Fidelity) US Growth Fund III to the watch list based on the performance at the fund level and organizational concerns at the firm level.

It was **M/S/C** to put Long Wharf US Growth Fund II and Long Wharf US Growth Fund III on the watch list based on the performance at the fund level and organizational concerns at the firm level and to schedule an onsite visit as recommended by Milliman. (Yes: Buck, Cabral, Gioia, Hast, Phillips, Telles and Watts).

**b. Consideration of any changes in allocations to managers.**

There were no changes in allocations to managers.

**5. Consider and take possible action on staff recommendation for property management and leasing services for The Willows Office Park**

Leedom gave an update on the status of the property management contract and lease brokerage contract for the Willows Office Park with Grubb & Ellis noting Grubb & Ellis filed for bankruptcy and they no longer have the resources to manage the building as of May 11, 2012. She reported the entire leasing and property management team have transitioned to Transwestern. Leedom met with Transwestern and they have agreed to assume the building management and leasing duties for the Willows Office Park with the same terms and costs as negotiated in the original contract with Grubb & Ellis.

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Leedom requested the Board's authorization to execute a Property Management Contract and Lease Brokerage Contract with Transwestern, subject to successful due diligence and legal review of the contracts.

It was **M/S/C** to execute a Property Management Contract and Lease Brokerage Contract with Transwestern effective May 11, 2012, subject to successful due diligence and legal review of the contracts. (Yes: Buck, Cabral, Gioia, Hast, Phillips, Telles and Watts).

It was the consensus of the Board to move to item 8.

**8. Miscellaneous**

(a) Staff Report -

Leedom reported the following positions are open at the Retirement Office: Counselor, Accounting Technician, Senior Member Services Data Specialist, Member Services Technician, Benefits Manager, Information Systems Programmer/Analyst, Office Specialist and Accountant.

Leedom has an ongoing public records request from The Bay Citizen for Board and staff travel costs.

Brown and Armstrong will present the Independent Auditor's Report and Financial Statements for the year ended December 31, 2011 at the second meeting in June.

Leedom reported an educational presentation on Optional Settlement assumptions is targeted for the June 13, 2012 meeting.

Leedom also reported there have been fewer than expected retirement applications submitted for June.

Price reported Tradewinds is fully liquidated.

Price reported Goldman Sachs has one remaining security to be closed out.

Pathway announced Albert Clerc's retirement but he does not recommend placing them on the watch list at this time.

Price reported the onsite visit to Torchlight Fund IV was successful. He will be attending the Adams Street Conference and visiting William Blair next week.

(b) Outside Professionals' Report -

Leiderman reported Russell Crosby, Executive Director, announced his retirement from the City of San Jose Retirement System.

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Helliesen reported they received 14 responses to the RFP for a high conviction Global Equity investment manager. Youngman will provide an updated list to the Board.

(c) Trustees' Comments -

Gioia reported he is unable to attend meetings on the first and third Wednesday of the month due to other obligations and requested the Board use a different day of the week when moving or adding meeting dates.

Cabral reported he attended the onsite visit to Torchlight with Buck, Price and Helliesen and felt it was a very good meeting.

Phillips reported he attended a SACRS session where there was a discussion on overseas global investments noting concerns that overseas custodians do not have the same protections as U.S. investments.

Telles reported he attended a SACRS session where there was a discussion on the advantages and disadvantages of oversea investments.

Buck reported he attended the Trustee Educational Seminar (TEDS) at the NCPERS conference. The seminar reviewed asset allocation and policies that should be in place. He felt confident CCCERA has the recommended policies in place.

It was the consensus of the Board to move to item 7.

**CLOSED SESSION**

The Board moved into closed session pursuant to Govt. Code Section 54956.9(a) and Govt. Code Section 549569(c).

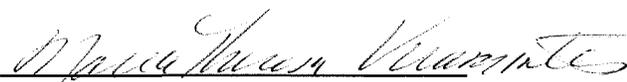
Gioia recused himself on this matter. Levy and Schneider recused themselves from this discussion.

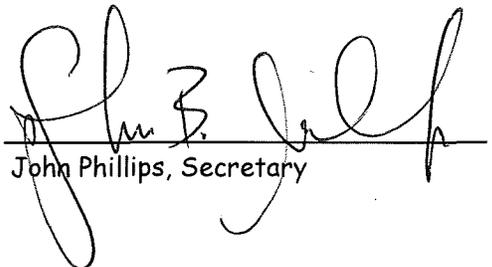
The Board moved into open session.

7. There was no reportable action related to Govt. Code Section 54956.9(c).

6. There was no reportable action related to Govt. Code Section 54956.9(a).

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

  
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Maria Theresa Viramontes, Chairman

  
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John Phillips, Secretary