The Board of Retirement met in regular session at 9:00 a.m. on Wednesday, May 24, 2006 in the Conference Room of the Contra Costa County Employees' Retirement Association, 1355 Willow Way, Suite 221, Concord, CA.

Present: Dave Gaynor, Brian Hast, Paul Katz, Louis Kroll, Sharon Naramore, William J. Pollacek, Bob Rey, Jerry Telles, Maria Theresa Viramontes and Clifton Wedington.

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

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

Other Attendees:

Luz Casas	Contra Costa County Employees' Retirement Association (CCCERA) Staff
Omar Aguilar	ING Investment Management
Leonard Oremland	ING Investment Management
Russell Bjorkman	INTECH
John Vojvoda	Self
Kim. Aspenleider	Delaware Investments
Jeff Van Harte	Delaware Investments
Janet Trombley	Delaware Investments
Mark Donovan	Boston Partners
David Pyle	Boston Partners
Carolyn Margiotti	Boston Partners
Bob Starke	Boston Partners

1. **Public Comment**

No members of the public offered comment.

2. **Review of Total Portfolio Performance**

Milliman USA - Bob Helliesen
Helliesen provided a summary of the total portfolio performance for the period ending March 31, 2006.

SUMMARY
The domestic equity markets were positive in the first quarter of 2006, with the S&P 500 returning 4.2%. Small capitalization stocks out-performed larger capitalization issues, with the Russell 2000 returning 13.9%. The median equity manager returned 5.4% and the broad market, represented by the Russell 3000, returned 5.3%. International equity markets had stronger results, with the MSCI EAFE Index returning 9.5% and the median international equity manager returning 9.4%. Emerging markets posted even stronger results, with the MSCI Emerging Markets Index

returning 12.1%. The U.S. bond market was slightly negative in the quarter with the Lehman Aggregate Index returning -0.6% and the median fixed income manager returning -0.2%. Hedged international bonds performed slightly worse, with the Citigroup Hedged Index returning -0.9%. Real estate returns were positive, with the NAREIT Equity Index of publicly traded real estate investment trust securities returning 14.7% and the NCREIF Property Index returning 3.6%. The median real estate manager returned 3.7%.

CCCERA's first quarter return of 5.5% exceeded both the median total fund and the median public fund. CCCERA has out-performed both medians over all trailing time periods.

CCCERA total domestic equities returned 6.1% for the quarter, above the 4.2% return of the S&P 500 and the 5.4% return of the median manager. Of CCCERA's active equity managers, Emerald had the strongest performance with a return of 16.5%, well above the 14.4% return of the Russell 2000 Growth Index. Progress returned 15.9%, better than the 13.9% return of the Russell 2000. Rothschild returned 11.7% versus 10.5% for the Russell 2500 Value. Boston Partners returned 5.6%, above the S&P 500 but slightly below the Russell 1000 Value Index. Intech returned 4.7%, above the S&P 500 return of 4.2%. ING returned 4.5%, also better than the S&P 500. Delaware returned 4.1%, above the Russell 1000 Growth return of 3.1%. PIMCO returned 4.0%, slightly trailing the S&P 500. Finally, Wentworth returned 2.2%, trailing the S&P 500.

CCCERA international equities returned 10.6%, above the 9.5% return of the Morgan Stanley Capital International Europe, Australia, Far East Index and the 9.4% return of the median international manager. The GMO Intrinsic Value portfolio returned 10.6%, above the MSCI EAFE, EAFE Value and the median international equity manager. Capital Guardian's developed and emerging market portfolios were liquidated during the quarter and McKinley Capital was funded as the new international growth equity manager.

CCCERA total domestic fixed income returned 0.1% for the first quarter, above -0.6% for the Lehman Aggregate and -0.2% for the median fixed income manager. AFL-CIO's return of -0.3% was better than the Lehman Aggregate but slightly trailed the Citigroup Mortgage Index and the median fixed income manager. PIMCO returned -.4%, slightly better than the Lehman Aggregate but also trailing the median. Western Asset returned -0.6%, matching the Lehman Aggregate but trailing the median. ING Clarion returned 7.0%, well above the fixed income median. Nicholas Applegate returned 2.1% versus 2.8% for the Citigroup High Yield Index and 2.6% for the Merrill Lynch BB/B Index.

The Fischer Francis Trees & Watts international hedged fixed income portfolio returned -1.1% for the first quarter, slightly below the -0.9% return of the Salomon Non US Government Hedged Index.

CCCERA total alternative investments returned 5.3% in the first quarter. Pathway returned 7.6%, Adams Street Partners reported a return of 7.2%, Nogales had a return of 7.0% for the quarter, the Bay Area Equity Fund returned 5.5%, Energy Investor Fund reported a return of 3.2% and PT Timber Fund reported a return of -0.3% for the first quarter

The median real estate manager returned 3.7% for the quarter while CCCERA's total real estate returned 13.1%. DLJ's RECP II returned 17.6%; Adelante Capital's REIT portfolio returned 16.4%; Invesco returned 14.3%; BlackRock Realty returned 9.9%; Prudential SPF-II returned 7.6%; Fidelity returned 6.8%; US Realty returned 4.5%; FFCA returned 3.3%; Willows Office property returned 2.3%; DLJ's RECP I returned -2.1%; and RECP III returned -5.4%.

Asset Allocation - the CCCERA fund at March 31, 2006 was over-weighted in domestic equity at 46% versus the target of 43%, and under-weight in alternatives at 3% versus the target of 5% and commodities at 0% versus the target of 2%. Other classes were near targets.

Securities lending income for the quarter totaled $149,416 from CCCERA's custodian, State Street Bank.

Discussion followed on alternative investments and the best ways to fund alternatives towards the target allocation of 5%. Hally noted that EIF I & II have recently drawn down more funds and will be largely committed by the end of this year.

Discussion followed on whether CCCERA should focus on fund-of-funds. Hally noted the goal is to attain the 5% target with alternatives, and the challenge is in accomplishing this with proceeds from the investments returned to the fund. He cautioned against investing all the funds right away, noting investments should be spread across vintage years for private equity. Adams Street will be here on June 14th to discuss the concerns involved with their investment. If these issues aren't resolved, the Board will need to determine other methods of investing in alternatives.

There was discussion on other funds that could be used for investing in alternatives and hiring another consultant for alternatives. Helliesen noted CCCERA hired consultants for alternatives when they hired Pathway and Adams Street.

When asked about concerns with CCCERA's portfolio, Helliesen noted the REIT allocation is above target and suggested the funds should remain in real estate, with more closed-end funds. Helliesen and Hally were directed to discuss the REIT situation. Hally noted this issue has been discussed and is one of three top things on their list of tasks: REITS, Benchmark/Objectives and Alternatives/Adams Street.

There was continued discussion on a possible search for a new Real Estate investment manager, commodities training in July, and reviewing PIMCO and Progress allocations.

It was M/S/C to further evaluate Progress, perform an on-site visit and to review investment allocation after six months. (Yes: Hast, Katz, Kroll, Pollacek, Rey, Telles, Viramontes, and Wedington)

There was continued discussion on Western Asset Management's performance, AFL-CIO's benchmark, and FFTW's performance.

It was M/S/C to place Western Asset Management on Watch for performance. (Yes: Hast, Katz, Kroll, Pollacek, Rey, Telles, Viramontes, and Wedington)

3. Manager Presentations

ING Investment Management - Len Oremland, Omar Aguilar
The presentation began with a review of their quantitative equity. The ING Enhanced Core Equity has five portfolio managers, eight quantitative analysts, three portfolio specialists and 172 clients. Total assets invested in quantitative strategies are $16,261 million. There was a review of the different strategies and the amount invested in each area.

Aguilar reviewed the quantitative research and portfolio management teams. He reviewed their investment philosophy and process. He reviewed the portfolio construction process, noting all stocks are scored, ranked and categorized into "deciles". Security positions are limited relative to each stock's weight in the Index. Broad diversification helps keeps tracking error low.

Hally asked how often they change their factor weightings. Aguilar responded they review weightings every quarter, and are changed infrequently, only if there is a perceived risk.

Aguilar concluded by noting their worst period was in 2003 when low quality companies under-performed, and that performance has improved since that period.

INTECH Bjorkman presented an overview of INTECH Enhanced Plus that included the strategy, objective, benchmark, initial funding date and amount.

He then reviewed the Enhanced Plus philosophy and process, noting it was very benchmark (S&P 500) specific. INTECH adjusts the cap weights of an index portfolio to potentially more efficient combinations. Risk management is at the heart of INTECH's investment process. A structured process results in virtually no style drift.

Bjorkman concluded by reviewing historical relative performance over various time horizons, historical excess returns, trading process and implementation efficiency.

Delaware - Kimberly Aspenleider, Jeff Van Harte, Janet Trombley
Trombley began by providing an overview of the firm, noting Van Harte's team joined in 2005. She noted Delaware is organized into five independently managed asset groups: Growth, Value, Core, Fixed Income and International.

Van Harte expressed his appreciation of the Board's support during the transition over the last year. He noted Delaware's philosophy, and that they are growth investors. They believe that superior returns can be realized through holding a concentrated portfolio of companies with superior business models and opportunities to generate consistent, long-term growth of intrinsic business value.

He concluded by reviewing the focus growth equity team, research process, and the portfolio holdings.

- LUNCH BREAK -

Rey was not present for subsequent discussion and voting.

Boston Partners - Mark Donovan, David Pyle, Carolyn Margiotti, Bob Starke
Donovan began by noting CCCERA's portfolio posted positive returns for the first quarter of 2006 at 5.57%. The portfolio outperformed the S&P 500 Index but trailed the Russell 1000 Value Index. The portfolio has outperformed both the S&P 500 and Russell 1000 Value Indices over longer time periods.

He then summarized performance with market cycle periods through March 31, 2006, noting they struggled the most with the "Tech Bubble", January 1998-February 2000. He noted the portfolio was over-weight in energy relative to the Russell 1000. They had positive stock selection in 10 out of 13 of the sectors and the bulk of their out performance came from stock selection.

In response to a question regarding personnel departures, Pyle noted the most recent departure was not a key decision maker and may be replaced later. When asked about the four large cap value accounts lost, the response was that most were related to plan structure and allocation changes.

Summary Discussion by Board
There was discussion on the three strategies: PIMCO Stocks Plus, ING and INTECH, and if CCCERA is in too many strategies of the same type, and if ING and INTECH are complementary. Helliesen commented there is more diversification if CCCERA remains in both ING and INTECH. After discussion on researching other products, it was the consensus of the Board to table this item.

4. **Conference Seminar Attendance**

(a) It was M/S/C to authorize the attendance of Gaynor at the Pension Fund and Investment Management, Wharton, June 19-23, 2006. (Yes: Hast, Katz, Kroll, Pollacek, Telles, Viramontes, and Wedington)

5. **Miscellaneous**

(a) Staff Report - Leedom reported Assemblyman Keith Richman's office has made a Public Records request regarding retiree information, and CCCERA will be providing public documents as included in our agenda packets. This document includes name, employee number and type of retirement. Dunning noted our approach is similar to other systems.

Leedom noted the Imaging upgrade was completed last week and all went smoothly. She offered, and the Board accepted, to have the pension software people, Tier, come to a future meeting to discuss the software project. The Segal Company will discuss contribution rates the first meeting in July.

She noted the office may be closed on July 3rd in order to install network upgrade over the long weekend.

Hally distributed a study from RV Kuhns similar to the study circulated at the Fall SACRS Conference.

(b) Outside Professional Report - None

(c) Trustees' Comments – Viramontes noted she is taking a course, sponsored by the City of Richmond, from the Wharton School on audits.

Pollacek commented that he was approached by a columnist for the Contra Costa Times to discuss investments. He would like to include Wedington and Hally and incorporate the information in the Kuhns Report.

Kroll – stated CCCERA has a press policy that discloses the contact for press. Leedom should be delegating.

Katz noted all public plans have been doing better than private plans and this should be in the news. He mentioned several months ago that he requested increasing the contingency reserve to 3%. He requested discussion on this item on the agenda for July when Segal is present. It was decided to discuss the Excess Earnings Policy in July and debate the 3% contingency reserve when Segal can be present.

Gaynor noted he enjoyed CALAPRS @ Stanford.

It was M/S/C to adjourn. (Yes: Hast, Katz, Kroll, Pollacek, Telles, Viramontes, and Wedington)

Clifton Wedington, Chairman

William J. Pollacek, Secretary