

CONTRA COSTA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

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July 13, 2011

The Board of Retirement met in regular session at 9:00 a.m. on Wednesday, July 13, 2011 in the Conference Room of the Contra Costa County Employees' Retirement Association, 1355 Willow Way, Suite 221, Concord, CA.

Present: Debora Allen, Terry Buck, Richard Cabral, Brian Hast, Jerry Holcombe, Sharon Naramore, Jerry Telles, Maria Theresa Viramontes and Belinda Zhu.

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

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| Outside Professional Support: | Representing: |
| Harvey Leiderman | Reed Smith, LLP |
| Bob Helliesen | Milliman |
| Tim Price | Milliman |

Other Attendees:

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| Chih-Chi Chu | Contra Costa County Employees' Retirement Association (CCCERA) Staff |
| Christina Dunn | CCCERA Staff |
| Kelli Ingersoll | CCCERA Staff |
| Tracy Kroll | CCCERA Staff |
| Joelle Luhn | CCCERA Staff |
| Justine Oyler | CCCERA Staff |
| Andrew Paulden | Brown Armstrong |
| Bill Pollacek | Retired Treasurer-Tax Collector |
| Mike Sloan | RSG & CCCREA |
| David Shaw | Self |

Telles introduced Belinda Zhu, substitute for Rusty Watts, and welcomed newly appointed Trustee, Debora Allen.

1. Pledge of Allegiance

Telles led all in the *Pledge of Allegiance*.

2. Public Comment

No members of the public offered comment.

3. Board Reorganization

Viramontes was nominated for Chair; it was **M/S/C** to close the nominations and cast a ballot for Viramontes as Chair. (Yes: Allen, Buck, Cabral, Hast, Holcombe, Telles, Viramontes and Zhu).

Hast was nominated for Vice Chair; it was **M/S/C** to close the nominations and cast a ballot for Hast as Vice Chair. (Yes: Allen, Buck, Cabral, Hast, Holcombe, Telles, Viramontes and Zhu).

Phillips was nominated for Secretary; it was **M/S/C** to close the nominations and cast a ballot for Phillips as Secretary. (Yes: Allen, Buck, Cabral, Hast, Holcombe, Telles, Viramontes and Zhu).

4. Approval of Minutes

It was **M/S/C** to approve the minutes of the June 15, 2011 Board meeting. (Yes: Allen, Buck, Cabral, Hast, Holcombe, Telles, Viramontes and Zhu).

5. Routine Items

It was **M/S/C** to approve the routine items of the July 13, 2011 meeting. (Yes: Allen, Buck, Cabral, Hast, Holcombe, Telles, Viramontes and Zhu).

6. Independent Auditor's Report and Financial Statements for the year ended December 31, 2010

Rick Koehler introduced Andrew Paulden of Brown Armstrong.

Paulden presented the results for the 2010 audit. He began by reviewing the audit process and noted the auditor's responsibility to review the internal controls on financial reporting and render an opinion whether CCCERA is in compliance with Government Auditing Standards. He discussed the main areas reviewed, including investments, contributions and benefit payments.

Paulden stated Brown Armstrong gave CCCERA an unqualified "clean" opinion on financial statements and the organization is to be congratulated. He stated there were no weaknesses of controls or areas of non-compliance. Paulsen also reviewed the financial health of CCCERA during his review of the Comprehensive Annual Financial Report (CAFR). He reported there is a new requirement for derivative financial instruments and there is a detailed footnote in the CAFR on page 38, Note 5.

The Board discussed the changes to the 1937 Act and questioned whether any of the changes affected CCCERA. Staff was directed to research the changes and report back to the Board any possible effect on CCCERA.

It was **M/S/C** to accept the independent auditor's report and Comprehensive Annual Financial Report (CAFR) for the year ended December 31, 2010. (Yes: Allen, Buck, Cabral, Hast, Holcombe, Telles, Viramontes and Zhu).

Leedom complimented staff on the successful outcome of the audit and production of the CAFR noting all of the work is done in-house. She further noted copies will be available on the CCCERA website.

7. Semi-Finalist list for Domestic Small Cap Value Equity Search - Helliesen, Price

Following Board discussion on the managers, it was **M/S/C** to conduct finalists' interviews for Wellington Management and William Blair. (Yes: Allen, Buck, Cabral, Hast, Holcombe, Telles, Viramontes and Zhu).

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It was *M/S/C* to add Brandywine Global and Ceredex to the finalists' interviews previously approved. (Yes: Allen, Buck, Hast, Holcombe, Telles, Viramontes and Zhu. Abs. Cabral).

It was *M/S/C* to hold a Special Board Meeting on August 17, 2011 for the finalists' interviews. (Yes: Allen, Buck, Cabral, Hast, Holcombe, Telles, Viramontes and Zhu).

8. Staff recommendation regarding semi-annual rebalancing

It was *M/S/C* to adopt staff's recommendation on semi-annual rebalancing. (Yes: Allen, Buck, Cabral, Hast, Holcombe, Telles, Viramontes and Zhu).

Zhu was not present for subsequent discussion and voting.

CLOSED SESSION

The Board moved into closed session pursuant to Govt. Code Section 54957 and Govt. Code Section 54956.9(c).

The Board moved into open session.

Cabral and Hast were not present for subsequent discussion and voting.

9. Disability Retirements

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

- a. Terrayne Rounsaville - Service Connected (Yes: Allen, Buck, Cabral, Hast, Holcombe, Telles and Viramontes)
- b. Kenneth Consiglio - Service Connected (Yes: Allen, Buck, Cabral, Hast, Holcombe, Telles and Viramontes)
- c. Dennis Clemens - Service Connected (Yes: Allen, Buck, Cabral, Hast, Holcombe, Telles and Viramontes)
- d. Yolanda Marzette - Non-service Connected (Yes: Allen, Buck, Cabral, Hast, Holcombe, Telles and Viramontes)

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

11. Miscellaneous

(a) Staff Report -

Leedom reported that CCCERA holds the Willows Office Building as an investment asset but the auditors have recommended CCCERA set up a Limited Liability Company (LLC) for the building. She requested Board direction to start the process to set up an LLC. The Board agreed.

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Leedom also reported several areas of the carpet in the building need to be replaced.

Leedom gave an update on staffing in the Benefits Department. There were 149 additional retirements in June.

Leedom may return to the Board with information on a 'blend and extend' lease for CCCERA, with additional space for the Benefits Department included.

Leedom stated there were 13 respondents to the Securities Litigation RFP. Staff has narrowed the list to 5 finalists. Staff will ask these 5 legal firms to visit CCCERA for an informational meeting.

Leedom reported she received an email from Contra Costa County Human Resources Director and Assistant Chief Administration Officer Ted Cwiek verifying vacation buy backs would not be allowed more than once every 13 months, from the month of last sale.

Cabral and Hast were present for subsequent discussion and voting.

Levy reported she prepared a summary of the Ralph M. Brown Act regarding open meetings laws for board members and staff.

Levy gave an update on AB340 noting it was approved by the Senate and is currently back in the Assembly for review. After discussion of the legal costs to be incurred, the Board requested an analysis by Fiduciary Counsel of AB340 to be on the August 10, 2011 agenda.

(b) Outside Professionals' Report -

Leiderman reported on 2 state cases, Minnesota and Colorado, where the State court changed the COLA's for current retirees. The courts found that under their state laws the legislature could change the COLA formula. He stated the laws in these states differ from those in California.

Helliesen reported Beth Sawday is no longer with Milliman.

He also reported Milliman sold Evaluation Associates, an east coast investment service and the sale will not have any effect on CCCERA.

(c) Trustees' Comments -

Viramontes welcomed newly appointed Trustee, Debora Allen.

Cabral stated he looks forward to the overview of AB340 on August 10, 2011.

He reported GASB issued new rules related to unfunded liability and how it is reported. He stated the Board needs to find out how the new rules will impact CCCERA.

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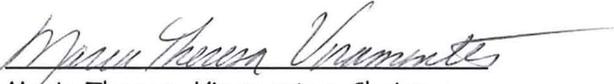
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Cabral reported a concern whereby part time employees that work more than their scheduled hours do not have retirement benefits calculated for the extra hours. The employee is unable to purchase the time worked in excess of their scheduled hours since it is coded as part time overtime.

Cabral reported a concern with the wording of the Board of Supervisors resolution 2011/84 regarding unrepresented employees' sale of vacation. He noted that the wording of the resolution allows employees to sell vacation three times within 12 months. He is concerned this could be a form of retirement spiking.

Telles would like the issue of compensation for appointed members of the board for on-site visits with investment managers placed on an agenda for discussion at a future meeting.

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


Maria Theresa Viramontes, Chairman


John Phillips, Secretary