

CONTRA COSTA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

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July 29, 2009

The Board of Retirement met in special session at 9:00 a.m. on Wednesday, July 29, 2009 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, Jerry Holcombe, Paul Katz, Sharon Naramore, William J. Pollacek, Jim Remick, Jerry Telles, and Maria Theresa Viramontes.

Staff: Marilyn Leedom, Retirement Chief Executive Officer; Silvina Leroux, Retirement Deputy Chief Executive Officer; Cary Hally, Retirement Chief Investment Officer; Rick Koehler, Retirement Accounting Manager; Kathy Somsen, Retirement Benefits Manager; Toni Warren, Retirement Administration Manager; Karen Levy, Counsel.

Outside Professional Support: Representing:
Tim Price Milliman

Other Attendees:

Luz Casas	Contra Costa County Employees' Retirement Association (CCCERA) Staff
Margie Breen	CCCERA Staff
Chih-Chi Chu	CCCERA Staff
Gayle Cruz	CCCERA Staff
Karen Davis	CCCERA Staff
Joelle Luhn	CCCERA Staff
Sherrina Cole	CCCERA Staff
Gary Wayne	CCCERA Staff
Dan Prislin	Delaware Investments
Jeffrey Van Harte	Delaware Investments
Kevin Brown	Delaware Investments
Kim Aspenleider	Delaware Investments
Jason Trow	INTECH
Carolyn Margiotti	Robeco Boston Partners
David Pyle	Robeco Boston Partners
Jeff Coburn	Wentworth, Hauser and Violich
Reiner Triltsch	Wentworth, Hauser and Violich
Clifton Wedington	Nicholas Applegate
Doug Forsyth	Nicholas Applegate

1. Pledge of Allegiance

Remick led all in the *Pledge of Allegiance*.

2. Sherrina Cole, 10 Year Service Award

Pollacek congratulated CCCERA employee, Sherrina Cole, on the occasion of her 10th Anniversary and thanked her for her years of dedicated service to the Retirement Association.

3. Gary Wayne, 20 Year Service Award

Pollacek congratulated CCCERA employee, Gary Wayne, on the occasion of his 20th Anniversary and thanked him for his years of dedicated service to the Retirement Association.

4. Public Comment

No members of the public offered comment.

5. Approval of Minutes

After amending Item 3 on Page 2, to reflect the vote for Board Reorganization, noting that Telles recused himself and was not present for subsequent discussion and voting for Item 9 and the remainder of the meeting, and replacing Telles' name with Naramore on the motion to adjourn on Page 7, it was **M/S/C** to approve the minutes of the July 8, 2009 meeting as amended (Yes: Buck, Gaynor, Holcombe, Katz, Pollacek, Remick, and Telles).

6. Warranty and Maintenance for Benefits Software

Leedom reviewed staff's recommendation regarding the transfer of contract relationship for pension system maintenance and support from Tier Technologies to CPAS.

It was **M/S/C** to accept staff's recommendation to negotiate and sign, subject to legal review, a comprehensive, cost-effective contract for maintenance and support services of the pension administration system with CPAS; terminate the agreement with Tier Technologies as of the earliest appropriate date; and transfer on-going maintenance, warranty and support from Tier Technologies to CPAS. (Yes: Buck, Gaynor, Holcombe, Katz, Pollacek, Remick and Telles)

7. Manager Presentations

There was discussion on the various presenting managers. Tim Price of Milliman noted he knew of no major problems with any of the presenting managers. There was continued discussion on the questions the Board might want to ask of various managers.

Large Capitalization Domestic Equity

Delaware Investments - Jeffrey Van Harte, Kevin Brown, Kimberly Aspenleider, Dan Prislín Aspenleider provided a quick update of the firm, noting there were no material employee changes since meeting with the Board last year.

Brown reviewed Delaware's philosophy, noting they are growth investors with a concentrated portfolio, a long-term investment horizon and intrinsic value analysis.

Brown reviewed the last twelve months, noting the changes that occurred last summer and the drastic changes in the fourth quarter. He commented Delaware has managed to out-perform in a volatile market. When asked, Brown noted the out performance has continued into July; as of July 28th. CCCERA's fund is 300 basis points ahead of the benchmark year to date.

Brown then discussed the turnover of stocks in the portfolio, noting in 2008 there was a low turnover. So far in 2009, five stock positions have been sold and seven stock positions purchased. He stated it is unusual to have twelve position changes in the portfolio in five months. However, because of the low turnover in 2008, there has been more turnover in 2009.

Van Harte discussed the world-wide bubble bust of 2008. He commented on a speech from Warren Buffet, noting slower growth in the future. He believes we will see positive growth with consumers hunkering down and saving, while, an economic recovery will take several years.

Viramontes was present for subsequent discussion and voting.

Van Harte concluded by discussing the various types of holdings in the portfolio, including those owned for years along with the seven new names in the portfolio and their benefit to the fund.

INTECH - Jason Trow

Trow noted he was filling in for Jennifer Young. He began by providing the firm overview and update, noting INTECH is a global investment management firm with mathematically driven equity investing spanning more than two decades. As of June 30, 2009, INTECH had 82 employees.

He noted changes in personnel: a Senior Investment Officer who will return to academia and the unexpected passing in the second quarter of Russell Bjorkman, Vice President and Investment Specialist. He discussed INTECH's loss, noting before Bjorkman's death they had not lost an investment professional for several years.

Trow discussed INTECH's investment process; noting they do not forecast stock alphas, but use natural stock price volatility and correlation characteristics to attempt to

generate an excess return by capturing some of the stocks' movements relative to one another.

He stated INTECH's investment philosophy and process are based on mathematical principles and specific risk controls. He reviewed INTECH's philosophy, process, organization and performance.

Cabral was present for subsequent discussion and voting.

Trow reviewed an analysis of the Enhanced Plus process and performance, providing simulations of two-stock relative volatility capture and the historical performance of the Enhanced Plus strategy.

He discussed the account and product overview of Large Cap Core noting the current market value was \$178.6 million as of June 30, 2009. He provided the historical performance, investment process and the top ten holdings of Large Cap Core.

Trow concluded by reviewing the historical relative returns of Enhanced Plus and Large Cap Core.

Boston Partners - David Pyle, Carolyn Margiotti

Margiotti began by noting the rally of the portfolio since March 2009; she commented they had added value in both down and up markets. The portfolio outperformed the Russell 1000 Value Index by 7.5 percentage points in a negative market.

Pyle reviewed the investment performance through June 30, 2009. He reviewed criteria for buying and selling stocks. He discussed the largest stock holdings, portfolio construction in an unsettled market, and investment characteristics.

Pyle concluded by reviewing valuation spread extremes and discussing leverage, volatility and the effects of globalization.

Wentworth, Hauser & Violich - Jeff Coburn and Reiner Triltsch

Coburn introduced Triltsch as the new Chief Investment Officer of Wentworth, Hauser & Violich.

Coburn began by reviewing total return, gross of fees through June 30, 2009. He noted stock selection was the main driver and 80% of alpha generated, with sector allocation making up the other 20% of performance. He then provided a synopsis of the portfolio characteristics. After discussion on fees and benchmarks, Coburn was requested to add information showing returns net of fees to Wentworth, Hauser & Violich's charts.

Coburn reviewed their investment philosophy, noting they use a high quality, large capitalization, GARP (Growth-at-a-Reasonable-Price) approach to implement a bottom-up portfolio construction process with a top-down overlay.

Reiner provided a firm overview, noting he has been the new CIO since February. Wentworth, Hauser & Violich is a solid firm, with assets under management of \$9.7 billion as of June 30, 2009.

Triltsch concluded by noting he feels the worse is behind us and we are in a bottoming process; however, given the depth of the recession, he's not sure how long recovery will take. He believes we will turn the corner soon and feels cautiously optimistic.

High Yield Fixed Income

Nicholas Applegate - Clifton Wedington and Doug Forsyth

Wedington began by noting Nicholas Applegate is a diversified global investment firm with more than twenty years of experience with headquartered in San Diego.

Forsyth reviewed the US high yield bond team noting the addition of David Oberto. He noted no investment personnel were lost during the downturn. He discussed the "wild ride" of the last twelve months, noting it was an incredible year to review and at no point in history have we experienced such a significant downturn.

Forsyth provided a performance review with annual returns as of June 30, 2009. He noted, of course, they would like to be above the benchmark and would like to outperform in every market; however, he doesn't think this is possible in the current high yield market. Forsyth provided a second quarter review of high yield markets, with performance versus spreads, default rates, industry weights, and prices.

Forsyth concluded by noting the high yield asset class continues to offer a compelling total return opportunity. Spreads, which have narrowed to 1,050 basis points, are now in line with prior market-cycle highs. The intermediate and long term performance of the asset class will be driven by the realized default rate. As default rate expectations are reduced, the risk appetite increases, resulting in a commensurate drop in spread levels. The high yield market performance in 2003 and the subsequent years began with spread levels that match those of the current market.

It was the consensus of the Board to move to Item 9.

9. Miscellaneous

- (a) Staff Report - Leedom noted she will send Segal's five-year projection of employer contribution rate increase to all when received.

She noted there will be another article in Sunday's Contra Costa Times regarding final pay items used to compute retirement benefits with a list of retirees from San Ramon Valley Fire. All had large salaries, many years of service and large benefits.

There was discussion on providing a guest commentary with the average salary of retirees rather than focusing on the small percentage of retirees with large

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pensions. There was continued discussion that articles were not just in the Contra Costa Times, but across the nation. It was stated that there is no mention of how much the employees pay or that safety members do not receive social security.

Hally noted he will receive pre-payment of contributions of \$137 million from the County. He will provide a rebalancing report in August.

Levy noted as she approaches her one-year anniversary of employment, she wanted to thank the Board.

- (b) Outside Professionals' Report - None
- (c) Trustees' Comments - Katz discussed extending a letter to every retiree explaining changes regarding the release of public information would not be advised. He feels providing information in the regular newsletter would be best and suggested changing the letter sent to retirees regarding the disclosure of public records. He noted it was a waste of the retiree's time and money to try to obtain a restraining order to prevent the release of information and the Board's policy should be changed.

Buck discussed his trip to McKinley Capital, noting he had given a report to Leedom that should be included in a future agenda packet. He felt the information was good and the contacts at McKinley were open and articulate.

Cabral noted that he felt Local One's Retiree Group mailing gave the perception that CCCERA is endorsing the membership. He felt the disclosure wording as outlined in our policy should be changed.

Gaynor felt it was up to Local One Retiree Group to clear up the information through a newsletter.

Pollacek noted the pictures and bios had outdated information on CCCERA's website. Leedom stated, Joelle Luhn, CCCERA's Communication Coordinator, will be at the September 2nd Board Meeting to take individual and group pictures for the website.

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

The Board moved into closed session pursuant to Govt. Code Section 54956.9(a) to consult with counsel regarding *Irwin vs. Contra Costa County Employees' Retirement Association, et al.*

The Board moved into open session.

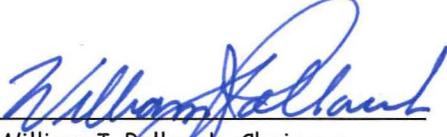
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8. Irwin vs. Contra Costa County Employees' Retirement Association, et al

No reportable action



William J. Pollacek, Chairman



David Gaynor, Secretary