

CONTRA COSTA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

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September 7, 2011

The Board of Retirement met in special session at 9:00 a.m. on Wednesday, September 7, 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, John Phillips, Jerry Telles, Maria Theresa Viramontes and Russell Watts

Staff: Marilyn Leedom, Retirement Chief Executive Officer; Cary Hally, Retirement Chief Investment Officer; Karen Levy, General Counsel; Debbie Carmel, Retirement Benefits Manager; and Vickie Kaplan, Retirement Accounting Manager

Outside Professional Support: Tim Price
Representing: Milliman

Other Attendees:

Luz Casas	Contra Costa County Employees' Retirement Association (CCCERA) Staff
Christina Dunn	CCCERA Staff
Justine Oyler	CCCERA Staff
Mike Sloan	Contra Costa County Retired Employees' Association/Retiree Support Group
Bill Pollacek	Retired Treasurer-Tax Collector
Randy Musgraves	Central Contra Costa Sanitary District

1. Pledge of Allegiance

Cabral led all in the *Pledge of Allegiance*.

2. Public Comment

No members of the public offered comment.

Leedom introduced Vickie Kaplan, the new Accounting Manager, and Debbie Carmel, the new Benefits Manager.

3. Approval of Minutes

It was **M/S/C** to approve the minutes of the August 10, 2011 meeting with the following corrections: Item 6, first paragraph, last line, change the word "tiem" to "time"; Item 8, last paragraph, first line, change the word "seminal" to "seminar", Item 13, capitalize the word "Opportunity" in the title. (Yes: Allen, Buck, Cabral, Hast, Holcombe, Phillips and Watts).

It was **M/S/C** to approve the minutes of the August 17, 2011 meeting with a correction to Item 7 (a), second paragraph, last sentence, to read "changing the legal form of the holding to a Limited Liability Company (LLC)." (Yes: Allen, Buck, Cabral, Hast, Holcombe, Phillips and Watts).

Viramontes was present for future discussion and voting.

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4. Review of total portfolio performance - Tim Price

Price reported on the second quarter total portfolio performance. He described the Total Fund Policy Benchmark.

CCCERA's second quarter return of 1.8% was above the median total fund and the median public fund. Performance was strong over the past year. CCCERA slightly trailed the median public fund over the past three and four-year periods. CCCERA has out-performed both medians over trailing time periods longer than five years.

CCCERA total domestic equities returned 0.2% for the quarter, better than the 0.0% return of the Russell 3000® and the 0.0% return of the median manager. Of CCCERA's domestic equity managers, Intech Large Cap Core had the best absolute return at 2.0%, above the 0.1% return of the S&P 500 Index. Delaware returned 1.9%, better than the Russell 1000® Growth Index return of 0.8%. Intech Enhanced Plus returned 1.5%, better than the S&P 500 Index return of 0.1%. PIMCO returned 0.1%, matching the S&P 500. Robeco returned -0.1%, better than the -0.5% return of the Russell 1000® Value Index. Emerald returned -0.2%, better than the -0.6% return of the Russell 2000® Growth Index. Wentworth Hauser returned -0.4%, trailing the S&P 500 of 0.1%. Finally, State Street (former Rothschild) returned -2.7%, matching the Russell 2000® Value return of -2.7%.

CCCERA international equities returned 2.9%, exceeding the 1.8% return of the MSCI EAFE Index and the 1.1% return of the median international manager. The GMO Intrinsic Value portfolio returned 3.3%, better than the 1.0% return of the MSCI EAFE Value Index. The William Blair portfolio returned 2.4%, better than the MSCI ACWI ex-US Growth Index return of 0.9%.

CCCERA global equities returned 0.9%, exceeding the 0.4% return of the MSCI ACWI benchmark and the 0.6% return of the median international manager. The J.P. Morgan portfolio returned 1.3%, better than the 0.4% return of the MSCI EAFE Value Index. The First Eagle portfolio returned 2.0%, significantly better than the MSCI ACWI Index return of 0.4%. Finally, Tradewinds returned -1.3%, lagging the ACWI return of 0.4%.

CCCERA total domestic fixed income returned 1.8% for the second quarter, trailing the 2.2% return of the Barclays Universal Index and the 2.0% return of the median fixed income manager. Lord Abbett returned 2.3%, matching the Barclays U.S. Aggregate and slightly exceeding the median fixed income manager. Goldman Sachs also returned 2.3%, matching the Barclays U.S. Aggregate Index and slightly better than the median fixed income manager. AFL-CIO returned 2.2% which slightly trailed the Barclays U.S. Aggregate but was better than the median fixed income manager. PIMCO returned 1.9%, trailing the Barclays U.S. Aggregate and the median. The Torchlight Fund III returned 1.2% in the second quarter, better than the Merrill Lynch High Yield II Index return of 1.0%. The workout portfolio returned 1.0%, trailing the Barclays Aggregate return of 2.3%. Allianz Global returned 0.9%, which nearly matched the 1.0% return of the ML High Yield II Index and exceeded the 0.6% return of the median high yield manager. The Torchlight II fund returned -0.3%, trailing the ML High Yield II Index and the high yield fixed income median.

Lazard Asset Management returned 2.2% in the second quarter, which trailed the Barclays Global Aggregate return of 3.1% and ranked in the 57th percentile of global fixed income portfolios.

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CCCERA total alternative investments returned 5.3% in the second quarter. Pathway returned 9.9%, Paladin III returned 9.5%, Adams Street Partners returned 6.4%, Energy Investor Fund II returned 1.3%, Energy Investor Fund III returned 0.5%, Bay Area Equity Fund returned 0.2%, Energy Investor Fund returned 0.2%, Carpenter Community Bancfund returned 0.1%, and Nogales returned -0.2%. (Due to timing constraints, all alternative portfolio returns are for the quarter ending March 31, 2011.)

The median real estate manager returned 3.7% for the quarter while CCCERA's total real estate returned 4.2%. Invesco Fund I returned 17.6%, Invesco Fund II returned 7.9%, Fidelity II returned 4.0%, Adelante Capital REIT returned 3.7%, Invesco International REIT returned 3.1%, DLJ's RECP IV returned 2.7%, Willows Office Property returned 2.3%, Fidelity III returned 1.6%, DLJ RECP III returned 0.4%, BlackRock Realty returned -1.2%, DLJ's RECP II returned and -2.1%. (Due to timing constraints, the DLJ portfolio returns are for the quarter ending March 31, 2011.) Also, please refer to the internal rate of return (IRR) table for closed-end funds on page 15, which is the preferred measurement for the individual closed-end debt, real estate and private equity funds.

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

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

Price reported on the performance of the managers on the watch list stating he recommends an on-site visit to Adelante.

b. Consideration of any changes in allocations to managers.

There were no changes in allocations to managers.

5. Staff recommendation regarding Real Estate allocation

Hally discussed the real estate allocation target and the amount available to commit to real estate investment vehicles. Staff's recommendations are to direct Milliman and staff to begin an expedited search process for value added and opportunistic real estate funds currently offered in the marketplace, avoid offerings which are focused on specific geographic regions or property types and include Long Wharf and Invesco in the process.

It was **M/S/C** to approve staff's recommendation to begin an expedited search process for value added and opportunistic real estate funds currently offered in the marketplace. (Yes: Allen, Buck, Cabral, Hast, Holcombe, Phillips, Viramontes and Watts)

6. Administrative Budget vs. Actual through June 30, 2011

Leedom distributed a detailed Administrative Budget vs. Actual through June 30, 2011 noting we are under budget. It was noted that Legal Fees, Investments, IT hardware/software expenses and Disaster Recovery are not included in the Administrative Budget.

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The Board requested a future report which includes all costs to operate the fund. Leedom noted that this item should be included on the semi-annual cash flow report.

Telles was present for subsequent discussion and voting.

CLOSED SESSION

7. The Board did not move into closed session.

8. Conference Seminar Attendance

- (a) It was **M/S/C** to authorize the attendance of 2 Board members at the Fall Conference, CRCEA, October 24-26, 2011, Santa Rosa, CA. (Yes: Allen, Buck, Cabral, Hast, Holcombe, Phillips, Telles, Viramontes and Watts)
- (b) It was **M/S/C** to authorize the attendance of 3 Board members and 1 Staff member at the Investor Conference, Paladin, October 5, 2011, Washington D.C. (Yes: Allen, Buck, Cabral, Hast, Holcombe, Phillips, Telles, Viramontes and Watts)
- (c) It was **M/S/C** to authorize the attendance of 3 Board members and 2 Staff members at the Investor Conference, Carpenter Community BancFunds, November 3-4, 2011, Laguna Beach, CA. (Yes: Allen, Buck, Cabral, Hast, Holcombe, Phillips, Telles, Viramontes and Watts)
- (d) It was **M/S/C** to authorize the attendance of all Board members and appropriate Staff at the Fall Conference, SACRS, November 15-18, 2011, Costa Mesa, CA. (Yes: Allen, Buck, Cabral, Hast, Holcombe, Phillips, Telles, Viramontes and Watts)
- (e) It was **M/S/C** to authorize the attendance of 2 Board members and 1 Staff member at the Annual Partners Meeting, Fidelity Real Estate, October 26-27, 2011, Chicago, IL. (Yes: Allen, Buck, Cabral, Hast, Holcombe, Phillips, Telles, Viramontes and Watts)
- (f) It was **M/S/C** to authorize the attendance of 1 Board member and 1 Staff member at the Client Conference, Invesco, November 8-10, 2011, La Jolla, CA. (Yes: Allen, Buck, Cabral, Hast, Holcombe, Phillips, Telles, Viramontes and Watts)

9. Miscellaneous

(a) Staff Report

Leedom gave an update on the recruitment for the Deputy CEO position.

Hally gave an update on Ceredex noting we are in the process of legal review of the contract. An on-site meeting is scheduled for September 20, 2011. During negotiations staff was able to negotiate an additional 5% discount with Ceredex bringing the total management fee discount to 15%.

He reported we are in the process of liquidating the GSAM credit portfolio and will be investing the proceeds in the high yield portfolio managed by Allianz.

Levy reported the update to the CCCERA Law Book is complete. The Law Book is on CCCERA's website and hard copies are available through the administration staff.

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(b) Outside Professionals' Report

Price reported he and Helliesen met with the new CEO of GMO, Brad Hilsabeck, and are comfortable with the personnel change.

(c) Trustees' Comments

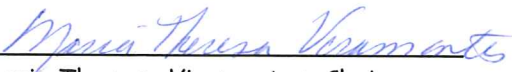
Viramontes was contacted by potential candidates regarding our real estate allocation search and she referred them to CCCERA staff.

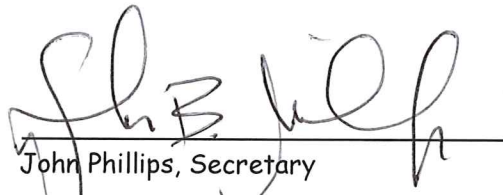
Telles complimented Leedom on the expenses versus budget.

Cabral complimented staffs' response to the sudden death of an active member.

He also stated he felt the hiring process for the Small Cap Value Equity Manager during last meeting was excellent.

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


Maria Theresa Viramontes, Chairman


John Phillips, Secretary