

CONTRA COSTA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

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June 27, 2012

The Board of Retirement met in regular session at 9:00 a.m. on Wednesday, June 27, 2012 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, John Gioia, Brian Hast, Jerry Holcombe, John Phillips, Jerry Telles, Maria Theresa Viramontes and Russell Watts

Absent: Sharon Naramore

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

Outside Professional Support:	Representing:
Bob Helliesen	Milliman
Jeffrey Youngman	Milliman
Rosalva Flores	Brown Armstrong

Other Attendees:	
Luz Casas	Contra Costa County Employees' Retirement Association (CCCERA) Staff
Chih-Chi Chu	CCCERA Staff
Christina Dunn	CCCERA Staff
Joelle Luhn	CCCERA Staff
Justine Rossini	CCCERA Staff
Mike Sloan	CCCERA & RSG
Todd Smithy	Central Contra Costa Sanitary District

1. Pledge of Allegiance

Viramontes led all in the *Pledge of Allegiance*.

2. Public Comment

No members of the public offered comment.

3. Independent auditor's report and financial statements for the year ended December 31, 2011.

Vickie Kaplan introduced Rosalva Flores of Brown Armstrong.

Gioia was present for subsequent discussion and voting.

Flores presented the results of the 2011 audit. She began by giving an overview of the audit process, noting it is 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. She also reported on the significant audit areas reviewed, including investments,

contributions, benefit payments and management fees. She noted they also review reports from investment managers.

Flores reported Brown Armstrong gave CCCERA an unqualified "clean" opinion, which is the highest form of opinion, on the financial statements and stated the organization is to be congratulated. She also reported there were no material weaknesses and no issues with internal controls.

In response to the Board's question regarding the adjustment made to the books on page 3, Flores reported the unadjusted audit difference was due to a timing issue of real estate investments.

The Board discussed the Current Year Agreed Upon Conditions and Recommendations noting the Agreed Upon Condition 1 - Incorrect Entry Age, has appeared 3 years in a row. Leedom reported a manual system has been in place and figures were entered by staff. She stated the new CPAS system includes an electronic file from the employer which will help alleviate errors.

Flores reviewed the Management's Summary on pages 20 and 21 of the Comprehensive Annual Financial Report (CAFR) noting the CAFR is a management report and is not opined by the auditors. She pointed out the schedule on page 52 is the actuarial gain/loss for the past 3 years.

After a discussion on the CAFR, it was **M/S/C** to accept the independent auditor's report and the Comprehensive Annual Financial Report (CAFR) for the year ended December 31, 2011. (Yes: Allen, Buck, Cabral, Gioia, Hast, Phillips, Telles, Viramontes and Watts)

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

Watts was not present for subsequent discussion and voting.

4. Global High Conviction Manager Search - Bob Helliesen, Jeffrey Youngman

Price explained the Global High Conviction Manager search is for a replacement for the portfolio previously managed by Tradewinds and complimented Milliman on the quick turnaround in presenting a list of candidates.

Helliesen reviewed the search process and list of qualifications used in the search noting 14 candidates were identified using the eVestment Alliance Database and were sent RFP's.

Gioia was not present for subsequent discussion and voting.

Helliesen reviewed 7 firms that were excluded and the reason for excluding them. He then reviewed the pros and cons, product characteristics and the investment process characteristics of the remaining 7 firms.

After discussion, it was **M/S/C** to interview Artisan Partners, Harding Loevner and MFS as finalists in the search process. (Yes: Allen, Buck, Cabral, Hast, Holcombe, Phillips, Telles and Viramontes)

5. Special Board meeting date for Global High Conviction Manager finalist interviews

It was **M/S/C** to schedule a Special Board meeting on Thursday, July 26, 2012, for the Global High Conviction Manager finalist interviews. (Yes: Allen, Buck, Cabral, Hast, Holcombe, Phillips, Telles and Viramontes)

6. Miscellaneous

(a) Staff Report -

Leedom reported CALAPRS is designing an advanced trustee training course.

Leedom also reported the July 11, 2012 meeting agenda will include the Board reorganization and a presentation from Segal regarding the December 31, 2011 Valuation Report.

Gabe Rodrigues, Deputy Sheriff, was elected as the alternate safety trustee. The election results will be certified by the Board of Supervisors on July 24, 2012.

Price reported he, Telles, Helliesen and Leedom attended onsite visits with GMO and Long Wharf. He stated he felt Long Wharf is on the path to recovery but should still remain on the Watch List. They also met with Boston Partners.

Levy gave an update on AB 1519 which was recently signed by the Governor. The bill applies to all 37 Act Systems and requires boards to adopt a policy for providing education for retirement board members. It requires all board members to receive a minimum of 24 hours of board member education every two-year period. It also requires the board to maintain a record of board member compliance with the policy. The policy and an annual report on board member compliance must be posted on the Internet Web site of the retirement system. The effective date is January 1, 2013.

Kaplan reported GASB approved new pension standards for state and local governments. GASB Statement No. 67 revises existing standards for financial reports and GASB Statement No. 68 establishes new financial reporting requirements. Leedom noted there will be an educational presentation on the new standards at an upcoming Board meeting.

(b) Outside Professionals' Report - None

(c) Trustees' Comments

Telles reported he attended the onsite visits at GMO and Long Wharf with Price, Leedom and Helliesen. He has concerns with GMO and feels we should place them on the watch list.

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Cabral encouraged Trustee's to read the memo from Karen Levy regarding the Fair Political Practices Commission's changes to gift reporting rules, particularly gifts from multiple sources, to make sure they are in compliance.

Cabral stated he felt CCCERA should have a policy related to releasing attorney opinions.

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

Maria Theresa Viramontes, Chairman

John Phillips, Secretary