

**CONTRA COSTA COUNTY  
Employees' Retirement  
Association  
BOARD OF RETIREMENT**

**Statement of General  
INVESTMENT POLICIES  
And GUIDELINES**

Adopted 7/9/85  
Last revised 10/24/07

# Statement of General INVESTMENT POLICIES and GUIDELINES

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**STATEMENT OF GENERAL INVESTMENT POLICIES  
AND GUIDELINES FOR THE RETIREMENT PLAN TRUST OF THE  
CONTRA COSTA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION  
ADOPTED 7/9/85**

**AMENDED: 1/14/86, 2/27/86, 10/13/87, 8/9/88, 6/13/89, 8/8/89, 1/8/91,  
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5/26/04, 7/28/04, 12/14/05, 10/24/07**

**I. INTRODUCTION**

The Board of Retirement (the "Board") of the Contra Costa County Employees' Retirement Association ("CCCERA") does hereby establish the following Statement of General Investment Policies and Guidelines (the "Statement") for the investment of the trust fund (the "Trust") of the CCCERA Retirement Plan (the "Plan"). The Board reserves the right at any time and from time to time to amend, supplement or rescind this Statement.

**II. AUTHORITY**

The investment of the assets of the Trust shall be in accord with applicable law, including but not limited to the following:

- A. Investments shall be solely in the interest of, and for the exclusive purposes of providing benefits to the participants in the Plan and their beneficiaries, minimizing the contributions of employers thereto, and defraying the reasonable expenses of administering the Trust (Cal. Gov. Code Sec. 31595 (a)).
- B. Investments shall be made with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of a like character and with like aims (Cal. Gov. Code Sec 31595 (b)).
- C. Investments shall be diversified so as to minimize the risk of loss and to maximize the rate of return unless under the circumstances it is clearly prudent not to do so (Cal. Gov. Code Sec. 31595 (c)).
- D. In considering potential investment managers, it is the policy of the Board not to exclude managers from consideration based on ethnic background or gender, and not to arbitrarily exclude an emerging firm if, in the opinion of the Board, that firm has equal or superior capabilities to other candidates.
- E. It shall be the policy of the Board that an Economically Targeted Investment (ETI) can be considered if and only if it has return and risk characteristics attractive in comparison to other alternatives.

### **III. ASSET CATEGORIES**

For the purpose of setting objectives and guidelines for the investment of the assets of the Trust, the assets shall be considered as divided into seven portions described as the **Domestic Equity Portion**, the **International Equity Portion**, the **Domestic Fixed Income Portion**, the **International Fixed Income Portion**, the **Real Estate Portion**, the **Alternative Investments Portion** and the **Incidental Cash Portion**.

The High Yield Fixed Income Program and the Non-Traditional Fixed Income Program are considered parts of the Domestic Fixed Income Portion. The Commodity Program is considered part of the Alternative Investments Portion.

The Domestic Equity Portion, the International Equity Portion, the Domestic Fixed Income Portion, the International Fixed Income Portion, the Real Estate Portion, and the Alternative Investments Portion shall be under the supervision of qualified Investment Managers and shall collectively and individually be called Managed Accounts. The term 'Investment Manager' shall include traditional investment managers that exercise discretionary authority in selecting investments, as well as general partners of limited partnerships in which CCCERA invests and similarly situated management of other entities in which CCCERA invests (collectively, 'Partnerships'). The term "Investment Manager" shall also include investment advisors retained by any such Partnerships, to the extent such investment advisors exercise discretionary authority in selecting investments for any such Partnerships.

- A: **The Domestic Equity Portion** shall consist of investments in common stock and other securities which are convertible into common stock and cash equivalents and securities which are being used as substitutes for common stock. The Domestic Equity Portion cash and cash equivalents of separate accounts shall be held and invested by the Custodian Bank described in Section V below. The Domestic Equity Portion may be further divided into large capitalization and small capitalization. Large capitalization domestic equity may itself be divided into growth, value, and core. Small capitalization domestic equity may be divided into growth, value and core.
- B: **The International Equity Portion** shall consist of investments in common stock and other securities which are convertible into common stock and cash equivalents and securities which are being used as substitutes for common stock. The International Equity Portion may be divided into growth and value.
- C: **The Domestic Fixed Income Portion** shall consist of investments in fixed income securities including cash equivalents. Domestic Fixed Income may be divided into Core+, High Yield (publicly traded) and Non-Traditional Fixed Income.
- D: **The Global Fixed Income Portion** shall consist of investments in fixed income securities including cash equivalents.

- E. **The Real Estate Portion** shall consist of investments in real estate through the use of commingled and direct investments, and publicly traded real estate investment trusts (REITs), including cash equivalents.
- F: The **Alternative Investments Portion** shall consist of other investments of recognized institutional merit not included in III A, B, C, D or E, through the use of commingled and direct investments.
- G: The **Incidental Cash Portion** shall include short-term monies not allocated to the Managed Accounts, including but not limited to unallocated or prepaid contributions and funds formerly allocated to Investment Manager(s) awaiting reallocation to other Investment Manager(s). The Incidental Cash Portion shall be invested in short-term fixed income instruments.

#### **IV. INVESTMENT OBJECTIVES**

##### A. Total Fund Benchmarks

The general investment objective of **the Trust** is the preservation of capital plus a return from capital appreciation plus current income that meets Trust needs without taking undue risk. The relative return objective is a total return on a market value basis which exceeds that of a custom index composed of appropriate asset class indexes weighted proportionally by corresponding asset class targets. The minimum rate of return objective shall be the actuarial interest assumption, as determined from year to year. The minimum average annualized rate of return objective over a market cycle is 400 basis points in excess of the National Consumer Price Index for all Urban consumers over that market cycle.

##### B. Domestic Equity Portion

1. For the overall **Domestic Equity Portion**, the objective is an after fee rate of return in excess of the Russell® 3000 and a rate of return within the upper half of the Wilshire COOP database of domestic equity portfolios.
2. For the **Domestic Large Capitalization** sub-set, a rate of return after fees, on a risk-adjusted basis, which is in excess of the Standard & Poor's Index of 500 Common Stocks and a return within the upper half of the large capitalization database; and
3. For the **Domestic Small Capitalization** sub-set, a rate of return which, after fees, exceeds that of the Russell® 2000 Index and is within the upper half of the small capitalization database.

### C. International Equity Portion

The objective of the overall **International Equity Portion** is a rate of return, after fees, which is in excess of the Morgan Stanley Capital International Europe, Australia and the Far East (MSCI EAFE) Index (gross); and which is within the upper half of the appropriate database of international equity investment managers.

### D. Domestic Fixed Income

1. The objective of the overall **Domestic Fixed Income Portion** (including non-traditional fixed income) is a rate of return which, after fees, is in excess of the Lehman Universal Bond Index and which is within the upper half of the Wilshire COOP database of domestic fixed income portfolios.
2. The objective of the publicly traded **Domestic High Yield Fixed Income** subset is to exceed, after fees, the Merrill Lynch High Yield II index and to achieve a rate of return within the upper half of its peer group.

### E. Global Fixed Income

The objective of the **Global Fixed Income Portion** is to exceed, after fees, the rate of return of the Lehman Global Aggregate Bond Index, in U.S. dollar terms un-hedged.

### F. Real Estate

1. The objective of the overall **Real Estate Portion** is a rate of return which, after fees, is in excess of a custom index weighted 73 1/3% in the NCREIF Index and 26 2/3% in the Dow Jones Wilshire REIT Index, and which is within the upper half of the Wilshire COOP database of real estate portfolios.
2. The objective for the investments in illiquid real estate (direct and commingled) is the NCREIF Index.
3. The objective for investments in publicly traded real estate is the Dow Jones Wilshire REIT Index.

### G. Alternative Investments

The objectives of the **Alternative Investments Portion** are:

1. A rate of return after all fees which is in excess of that of the Standard & Poor's 500 stock index plus 4% per year.
2. A rate of return in excess of that of other comparable investments.

#### H. Incidental Cash

The objective of the **Incidental Cash Portion** is to achieve a return after fees in excess of that of Treasury Bills of a comparable average maturity.

#### I. **Individual Manager Objectives** are presented in Schedule III.

### **V. CUSTODIAN BANK and COUNTY TREASURER**

- A. The custodian bank selected by the Board to act as the principal custodian of assets of the Trust (the “Custodian Bank”) may be directed to invest in temporary short-term fixed income investments both for the Managed Account Investment Managers and as a part of the Incidental Cash Portion. Such investments are not to exceed 15 months in maturity. Cash managed for Managed Account Investment Managers shall be considered to be sub-portions of the asset Portions managed by the directing Investment Managers.
- B. The Custodian Bank shall be authorized to conduct a securities lending program within liquidity and risk constraints as established by the Board.
- C. The County Treasurer will manage any assets of the Incidental Cash Portion not managed by the Custodian Bank in accordance with Government Code Section 53601 et al.

### **VI. ASSET ALLOCATION**

#### A. Targets

The asset allocation targets and their associated ranges, which are a function of the returns and risks from various asset classes and the nature of the Plan’s liabilities, are set forth on Schedule I of this Statement. The Board may make tactical adjustments to these targets and ranges, and may change the targets and ranges as appropriate.

#### B. Rebalancing

To facilitate rebalancing the portfolio and transfer of excess cash with minimal transaction cost or disruption of individual managers’ investment strategies:

1. All Investment Managers of separate accounts will remit interest, dividends and rents unless otherwise directed by the Board.
2. At the first regular Board meeting in August and February, and at any other time deemed appropriate, the Board may consider rebalancing that has been, or is to be, implemented by staff as follows:

- a. The under-funded class(es) may be rebalanced with funds from the class(es) that are over-funded according to the asset allocation targets.
- b. Within each class, the under-funded Investment Manager(s) may be rebalanced with funds from the Investment Manager(s) who are over-funded according to the asset allocation targets.
- c. Because of illiquidity and/or structure constraints, real estate and alternative investments will not have funds withdrawn if they are temporarily over-funded, with the exception of REIT investments.

#### C. Cash Allocation

1. Cash flow “in” that is expected to be needed to meet capital calls or other cash flow requirements will be temporarily placed in the most under-target asset class of either Domestic Equities, Domestic Fixed Income, or REITs according to Schedule II.
2. Cash flow “in” in excess of Item 1 will be allocated to the most under-target asset class which is able to accept new funds, and to the most under-target Investment Manager in the class, until that Investment Manager is brought to target, with the exception that if the Board has decided that an Investment Manager will be precluded from new funding (Section VIII C.3), the next most under-target Investment Manager will be funded.
3. Cash flow “out” will be planned for and will generally come from available cash or from a designated portfolio as in Schedule II.

### **VII INVESTMENT MANAGER SELECTION**

#### A. Process for Identifying Investment Managers for Consideration

An investment manager candidate may be considered by the Board either as the result of a manager search the Board has authorized or because the candidate has been presented as an idea at a Board meeting by a Board member, by the Chief Investment Officer or by the investment consultant.

1. Any Board member, the Chief Investment Officer or the investment consultant who thinks an investment idea or product merits consideration, may raise the matter at a Board meeting whereupon, if the Board Chair agrees, the Board’s investment consultant may be asked to review and comment on the subject idea or product. If, after the consultant’s review the Board concurs that the idea or product merits consideration, the applicable Investment Manager may be invited to appear at a future Board meeting.
2. Alternatively, the Board member may request that the Board Chair place the matter on the agenda to discuss whether a presentation should be scheduled. In this case, the Board Chair may request that the Board’s investment

consultant be prepared to offer comment during the meeting, with the intent that the Board could make a decision at the meeting regarding a presentation.

#### B. Standard Search Process

1. An Investment Manager search may follow the Board determining a possible need for a particular type of investment manager. This may arise from a change in asset allocation or manager structure study, or an investment manager serving in a particular role is terminated.
2. The investment consultant will examine its database for possible candidates who fit the profile of the type of investment manager required.
3. The consultant will send out requests for information to qualified candidates meeting a list of defined criteria.
4. The consultant will evaluate candidates and return to the Board with a semi-finalist list, and recommendations for narrowing the list to a finalist list for interview by the Board.
5. Any investment managers that present to the Board as finalists will have satisfied the investment consultant that they are appropriate candidates.

#### C. Exceptions to the Standard Search Process

1. Some investments by their nature present unique opportunities and are not suited for a broad search. Time constraints may limit the ability given the inherent features of closed end funds. There may not be suitable competitors for a unique investment opportunity.
2. When the investment is brought up at a Board meeting, the Board may request Staff and the investment consultant perform due diligence to evaluate the merits of the investment and its suitability.
3. Following the requested due diligence report and an interview with the investment representatives, the Board may vote to move forward with the investment.
4. In looking into such ideas, the consultant will review its merits and also look at any similar available funds.
5. The Board may approve the investment, after asking consultant and the Chief Investment Officer to review the investment for suitability and then completing the due diligence.

#### D. Follow-on Funds

When a follow-on closed-end fund investment becomes available in an asset class that is under target, the Board may determine to invest in such a fund without conducting a standard search. Such investment will follow appropriate due diligence by the Chief Investment Officer and investment consultant. A follow-on fund is an investment which has essentially the same strategy as an illiquid closed end fund from the same Investment Manager in which CCCERA has already invested.

#### E. Alternative Investments - Use of Fund-of-Funds

With investments in private equity, including without limitation leveraged buyouts and venture capital, the Board has determined that it prefers to use fund-of-funds. This does not preclude the use of individual funds or partnerships, should the characteristics of a particular investment prove compelling and have merit for consideration.

#### F. Multiple Products with one Investment Manager

The Board will examine the use of one manager for more than one mandate on a case-by-case basis. It is the policy of the Board to restrict assets entrusted to any one investment management organization to no more than one-quarter of the total Trust assets.

### **VIII INVESTMENT MANAGER MONITORING**

#### A. Quarterly Review

1. All Investment Managers will report quarterly investment performance using a standard reporting format specified by the Board. In addition, Investment Managers are encouraged to provide their performance information in their own format as supplemental to the required report.
2. The agenda for each Quarterly Performance Review meeting is mailed to all Investment Managers in advance of the meeting. Quarterly reports are to be received in the Retirement Office in accordance with the instructions as set forth on the agenda.
3. Investment performance will be reviewed and evaluated quarterly. The Board's investment consultant, working with the Custodian Bank, will provide performance reports to the Board on each Investment Manager, on each asset class, and on the Trust assets in total. Copies of the investment consultant's report will be provided to each Investment Manager after the quarterly review meeting is held.

4. The Board will review the income generated by its securities lending program on a quarterly basis as part of the Board's performance review process.

#### B. Custodial Reconciliation

1. All Investment Managers with Managed Accounts held at the Custodian Bank will provide monthly custodial value reconciliation reports to the Retirement Accounting Manager. The reconciliation reports are to be received in the Retirement Office by the 25<sup>th</sup> day following the end of each month. This report must include a reconciliation of all holdings.

#### C. Under Review Policy

1. The Board will decide if an Investment Manager should be under review. Reasons for an Investment Manager to be under review include:
  - a. Poor performance,
  - b. Failure to meet Board requirements,
  - c. Deviation from style,
  - d. Change in personnel,
  - e. Adverse publicity,
  - f. Change in ownership,
  - g. Lack of appropriate communication, or
  - h. Any other reason the Board deems appropriate.
2. If an Investment Manager is placed under review, staff will notify the manager in writing that it has been placed under review.
3. If an Investment Manager is placed under review, the Board will at the same time decide if the manager should be precluded from new funding.
4. At least each quarter, and whenever the Board deems appropriate, the Board will consider an Investment Managers under review, and for each such manager take one of three actions:
  - a. Decide the manager is no longer under review,
  - b. Terminate the manager, or
  - c. Keep the manager under review.
5. If the Board determines that an Investment Manager is no longer to be under review, staff will notify the manager in writing of this determination.
6. If the Investment Manager is kept under review, the Board may revisit the question of whether the manager should be precluded from new funding.

#### D. Investment Manager Visits

1. The Board may authorize certain of its members to conduct visits to either the home office or a satellite office of a current or prospective Investment Manager or to a real estate property in the portfolio of a real estate Investment Manager.
2. Visits to investment management firms may include but are not limited to:
  - a. Review of back office procedures and record keeping
  - b. Review of trading operations and resources
  - c. Review of research capabilities and operations
  - d. Observing investment committee meetings
  - e. Review of decision-making processes
3. Visits to real estate properties may include but are not limited to:
  - a. Site inspection
  - b. Tour of the surrounding area
  - c. Visits to competing properties in the area
  - d. Meetings with building management and leasing agent
  - e. Meetings with tenants
  - f. Observing construction or renovation activities
4. The Board members, accompanied by the Board's investment consultant and Chief Investment Officer, will normally visit with a prospective Investment Manager prior to hiring.
5. Visits to investment management firms may be conducted when an Investment Manager is placed under review or when there has been a change in firm ownership.
6. Generally, not more than three Board members will be authorized to conduct an Investment Manager visit.
7. A written report on each Investment Manager visit should be provided to the Board.
8. Informal visits to an Investment Manager or to a real estate property by Board or staff members are encouraged when a Board member or staff member is in the area.

#### E. Participation on Advisory Committees or Advisory Boards

1. The Board shall not appoint a representative to any advisory committee or board established in connection with any of the limited partnerships (or other

entities) in which CCCERA invests, and a Board or staff member shall not accept such a position, unless:

- a. The general partner (or other manager of the entity) has agreed, under the partnership agreement, or other agreements specifically incorporated therein, that such representative shall have no authority or discretion to vote to approve or disapprove, or consent to, the activities of the general partner or other manager;
  - b. The general partner or other manager has disclaimed any rights against such representative as a member of the advisory committee or board, including subrogation rights; and
  - c. The general partner or other manager has agreed that such representative, CCCERA and the partnership (or other entity) shall be indemnified by the general partner or other manager for any actions taken against any of them as to which the representative acted in good faith.
2. The Board may appoint a representative to such a position on a case-by-case basis consistent with the foregoing provisions.

#### F. Emergencies

1. An “emergency” will be deemed to exist whenever:
  - a. A Managed Account suffers the resignation or other loss of its Investment Manager and no appropriate replacement is available; or
  - b. An Investment Manager dissolves or otherwise ceases to exist; or
  - c. An Investment Manager is “shut down” by a regulatory agency of a state or the Federal government or is accused of theft or fraud by a regulatory agency or other government body; and

Action to transfer management of the affected Managed Account shall be taken as soon as possible after CCCERA learns of the emergency.

Examples: Accidental death or unexplained disappearance of a portfolio manager in a firm where no other portfolio manager exists. A catastrophic accident where it appears that no fiduciary of the firm (principals, portfolio managers) can be contacted.

2. The Administrator, or in the Administrator’s absence, the Assistant Administrator or the Chief Investment Officer will:
  - a. Attempt to notify the Chair and Vice Chair immediately.

- b. Notify the Custodian Bank that the Investment Manager's Managed Account is to be frozen and, except for those trades which are pending, no further trading is authorized.
- c. Call an emergency meeting of the Board to take action of a more long-term nature.

## **IX. AUTHORITY OF INVESTMENT MANAGERS**

Subject to the terms and conditions of this Statement, Investment Managers shall have full discretionary power to direct the investment, exchange, liquidation and reinvestment of the assets of the Managed Accounts. The Board expects that the Investment Managers will recommend changes to this Statement at any time when the Manager views any part of this Statement to be at variance with overall market and economic conditions.

The Managers shall place orders to buy and sell securities and, by notice to the Custodian Bank, shall cause said custodian to deliver and receive securities on behalf of the Trust.

The Board shall either vote or, through a third party administrator, direct the voting of its proxies for all stocks held in its separate account equity portfolios.

## **X. INVESTMENT GUIDELINES**

The following guidelines apply to all Investment Managers. Any further constraints, limitations or authorities to an individual manager, which are specific to that manager and have been agreed to by the manager and CCCERA, also apply.

### **A. In General**

1. All investments shall comply with all applicable laws of the State of California governing the investment of the pension funds of counties.
2. All securities transactions shall be executed by reputable broker/dealers or banks, including any bank acting as custodian, and shall be at a best execution including, without limitation, best price basis. Those Domestic Equity Investment Managers directed by the Board are expected to direct up to 25% of their transactions to brokers participating in the Board's commission recapture program. All Investment Managers shall provide periodic transaction information so that the Board may monitor the placement of commissions.
3. Investments shall possess value and quality corroborated by accepted techniques and standards of fundamental economic, financial and security analysis.

4. Except for the Real Estate and Alternative Investment Portions, fees paid to Investment Managers shall be based on the Custodian Bank's valuation of the manager's portfolio on a market and trade date basis.
5. All Domestic Equity and Domestic Fixed Income portfolios, unless exempted by the Board, shall not hold securities in any corporation that derives 15% or more of its revenue from tobacco products. All other Investment Managers are encouraged to avoid investments in companies that derive 15% or more of their revenues from tobacco products.

#### B. Domestic Equity Portion

The Domestic Equity Investment Managers may invest solely in equity securities as defined in III A above, subject to the following:

1. The maximum percentage of the value of a Managed Account which may be invested in the securities of a single corporation shall be 10% of the value of the Managed Account at market, unless a different maximum percentage is specified in the Investment Manager's agreement with CCCERA.
2. A Managed Account shall not hold more than 5% of the equity securities of an issuer, unless a different percentage is specified in the Investment Manager's agreement with CCCERA.
3. Derivatives shall only be used to obtain exposure to the equity markets, to reduce unwanted exposure to foreign currencies, or as a substitute for an underlying common stock. The Investment Manager shall explain any use of a derivative as a substitute for a common stock.
4. Other securities as detailed in accordance with the Investment Manager's agreement with CCCERA.

#### C. International Equity Portion

1. International Investment Managers may invest no more than 10% of their portfolio in securities of a single issuer, and may not hold more than 5% of the equity securities of any issuer (except if stated otherwise in the Investment Manager's agreement with CCCERA).
2. Derivatives shall only be used to obtain exposure to the equity markets, to reduce unwanted exposure to currencies, or as a substitute for an underlying common stock. The Investment Manager shall explain any use of a derivative as a substitute for a common stock.

#### D. Domestic Fixed-Income Portion

1. Core plus fixed income account securities will be restricted to the following:

- a. Obligations of the U.S. Treasury
- b. Obligations guaranteed by an agency of the United States
- c. Certificates of deposit and banker's acceptance of credit-worthy banks
- d. Corporate, asset backed and mortgage backed securities and structured notes and other evidences of debt, rated Baa or better by Moody's Investor Services or rated BBB or better by Standard & Poor's.
- e. Eligible instruments issued pursuant to SEC Rule 144(a) or Regulation S.
- f. Commercial paper (including variable rate notes) of issuers rated P-1 by Moody's Investor Services and A-1 by Standard & Poor's.
- g. Lower risk planned amortization class (PAC) collateralized mortgage obligations ("CMO") and Sequential CMOs. CMOs other than PACs and Sequentials are limited to a maximum of 10% of the fixed income portfolio at cost.
- h. Portfolio holdings in CMOs greater than 15 years or less than negative 15 years in duration (based on a 100 basis point move in rates) are limited to no more than a total of 2% of the fixed income portfolio at cost.
- i. Other securities as detailed in accordance with the Investment Manager's agreement with CCCERA.

2. High yield account(s)

- a. Any security permitted for the Core Plus fixed income managers in X.D.1(a)-(e) above.
- b. High yield securities as specified in accordance with the Investment Manager's agreement with CCCERA.

E. Global Fixed Income Portion

1. Global accounts may invest in the following:

- a. Any security permitted for the Core Plus fixed income manager in X.D.1 (a)-(e) above.
- b. Government, agency, quasi-government and supranational bonds.
- c. Other fixed income instruments as specified by the Board.

- d. Currency Forwards and Non-Deliverable Forwards (NDF's). Such currency forwards shall only be with counterparty banks with A or better credit ratings by Standard & Poor's or Moody's.
- e. Fixed income futures, on an unleveraged basis, such that the market notional value of all long contracts shall be covered by cash, cash receivables, or cash equivalents with one year or less in duration.

#### F. Incidental Cash Portion

The Incidental Cash Portion shall be invested in the same readily marketable and diversified assets as are enumerated in the Fixed Income Portion Guidelines. The maturity of such assets shall not exceed 15 months. The investments by the County Treasurer shall comply with the laws of the State of California.

The Board may invest in non-negotiable certificates of deposit if the following criteria are satisfied.

1. The CDs are registered in the name of CCCERA.
2. FDIC insurance coverage covers the entire invested amount, and,
3. FDIC insurance is not waived by CCCERA.

### **XI. SEPARATELY HELD REAL ESTATE**

Market appraisals shall be conducted by an independent appraiser every three years on all properties which are separately held.

In accordance with the standards as set forth in the Government Accounting Standards Board (GASB) statement #25, all properties will be reflected in CCCERA's financial statements at fair value.

**ADOPTION AND ACCEPTANCE**

The Board of Retirement of the Contra Costa County Employees' Retirement Association hereby adopts this Statement of Investment Policies and Guidelines and Schedules thereto.

By: \_\_\_\_\_

Date: \_\_\_\_\_

The undersigned Investment Manager acknowledges receipt of this Statement and:

1. Warrants that it is currently, and will maintain registration as:
  - ◆ An investment advisor under the Investment Advisers Act of 1940,
  - ◆ A bank (as defined in that act),
  - ◆ An insurance company qualified to perform investment management services under state law in more than one state,
  - ◆ A trust operating as an investment company under the Investment Company Act of 1940, or
  - ◆ A state-chartered trust company authorized to carry on a trust banking business.
2. By signing this acceptance, acknowledges that it is a fiduciary with respect to assets of the Trust under its management or control (including assets of any Partnership attributable to the Trust).
3. Agrees to include within its periodic report to the Board of Retirement assurance that it believes its investment decisions are in accord with the provisions of this Statement.
4. Agrees to recommend to the Board changes to this Statement at any time when the Investment Manager views any part of this Statement to be at variance with overall market and economic conditions.
5. States that it is unable to provide an unqualified acknowledgment and acceptance of item(s) \_\_\_\_ above but has agreed to explain same and to provide a modified acknowledgment and acceptance as to such item(s), which may be found in \_\_\_\_\_.

ACCEPTED

(Investment Manager)

By: \_\_\_\_\_  
Signature

Date: \_\_\_\_\_

Name \_\_\_\_\_  
Print

Company Name \_\_\_\_\_  
Print

**INVESTMENT POLICY**  
**SCHEDULE I**  
**ASSET CLASS TARGETS**

	<u>Target</u>	<u>Range</u>
Domestic Equity	43 %	35 - 55 %
International Equity	11.5 %	7 - 13 %
Domestic Fixed Income	23 %	19 - 35 %
High Yield Fixed Income	2 %	1 - 4 %
Global Fixed Income	4 %	3 - 7 %
Real Estate	9 %	5 - 12 %
Alternative Investments	5 %	0 - 7 %
Commodities	2 %	0 - 3 %
Cash	0.5 %	0 - 2 %

## INVESTMENT POLICY

### SCHEDULE II

#### ALLOCATION OF CASH RECEIVED

IF THE MOST UNDER-TARGET  
ASSET CLASS IS:

TEMPORARILY PLACE  
CASH IN:

U.S. Equities

PIMCO Stocks Plus portfolio

U.S. Fixed Income

Core Plus Fixed Income  
(ie. PIMCO and/or Western Asset  
Management)

U.S. Real Estate

Adelante Capital Management

#### ALLOCATION OF CASH DISPERSED

IF THE MOST OVER-TARGET  
ASSET CLASS IS:

TEMPORARILY DISPERSE  
FROM:

U.S. Equities

PIMCO Stocks Plus portfolio

U.S. Fixed Income

Core Plus Fixed Income  
(ie. PIMCO and/or Western Asset  
Management)

U.S. Real Estate

Adelante Capital Management

## INVESTMENT POLICY

### SCHEDULE III

#### INVESTMENT MANAGER BENCHMARKS

<u>Manager</u>	<u>Index</u>	<u>Database</u>
Boston Partners	Russell 1000® Value	US Eq Large Value
Delaware	Russell 1000® Growth	US Eq Large Growth
Emerald	Russell 2000® Growth	US Eq Small Growth
ING Investments	S&P 500, S&P ex tobacco	US Eq Large Core
Intech Enh+,Lg. Cap Core	S&P 500	US Eq Large Core
PIMCO Stocks Plus*	S&P 500	US Eq Large Core
Progress	Russell 2000®	US Eq Small Core
Rothschild	Russell 2500™ Value	US Eq Small Value
Wentworth	S&P 500	US Eq Large Core
GMO	S&P Citi PMI EPAC Val	Intl Equity
McKinley	MSCI ACWI X-US Gro	Intl Equity
AFL-CIO Housing	Lehman Aggregate	US Fixed Income
ING Clarion I, II	Merrill Lynch Hi Yld II	US High Yield
Nicholas-Applegate	Merrill Lynch Hi Yld II	US High Yield
PIMCO fixed income	Lehman Aggregate	US Fixed Income
Western Asset	Lehman Aggregate	US Fixed Income
Lazard Asset	Lehman Global Aggregate (in USD terms unhedged)	
Adelante	DJ-Wilshire REIT	US REIT
Blackrock Realty	NCREIF Apartment +300 bps	US Real Estate
DLJ 1,2,3	NCREIF + 500 bps	US Real Estate
FFCA	NCREIF	US Real Estate
Fidelity II, III	NCREIF + 500 bps	US Real Estate
Hearthstone 1, 2	NCREIF + 500 bps	US Real Estate
Invesco 1, 2	NCREIF + 300 bps	US Real Estate
Prudential SPF II	NCREIF + 300 bps	US Real Estate
Adams Street	S&P 500 + 400 bps	
Bay Area Equity	S&P 500 + 400 bps	
Energy Invest. USPF 1, 2	S&P 500 + 400 bps	
Nogales	S&P 500 + 400 bps	
Pathway	S&P 500 + 400 bps	
PT Timber III	S&P 500 + 400 bps	