

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

**Statement of General
INVESTMENT POLICIES
And GUIDELINES**

Adopted 7/9/85
Last revised 4/08/09

**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,
10/13/92, 2/9/93, 5/2/94, 10/14/97, 5/4/99, 1/9/01, 2/12/02, 06/11/02, 11/06/02, 1/28/04,
5/26/04, 7/28/04, 12/14/05, 10/24/07, 4/08/09**

I. INTRODUCTION

The Board of Retirement (the "Board") of the Contra Costa County Employees' Retirement Association ("CCCERA") has established 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 five portions described as the **Global Equity Portion**, the **Global Fixed Income Portion**, the **Real Estate Portion**, the **Alternative Investments Portion** and the **Incidental Cash Portion**. The Domestic and International Equity Programs are considered part of the Global Equity Portion. The Domestic Fixed Income Program, the High Yield Fixed Income Program and the Non-Traditional Fixed Income Program are considered parts of the Global Fixed Income Portion.

The Global Equity Portion, the Global 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 Global 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 Global Equity Portion cash and cash equivalents of separate accounts shall be held and invested by the Custodian Bank described in Section V below. The Global Equity Portion may be further divided into domestic, international and global; large, mid and small capitalization; and growth, value, and core.
- B: **The Global Fixed Income Portion** shall consist of investments in fixed income securities including cash equivalents. Global Fixed Income may be divided into domestic, international and global Core-plus, High Yield (publicly traded) and Non-Traditional Fixed Income.
- C: **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.
- D: **The Alternative Investments Portion** shall consist of other investments of recognized institutional merit not included in III A, B, C or E, through the use of commingled and direct investments.
- E: **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. Global Equity Portion

1. For the combined **Global Equity Portion**, the objective is an after fee rate of return in excess of a custom benchmark composed of **60% Russell 3000 and 40% MSCI World ex US**
2. For overall **Domestic Equities**, 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.
3. 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
4. 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.
5. The objective of overall **International Equities** 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.

C. Global Fixed Income

1. The objective of the overall **Global Fixed Income Portion** is a custom index composed of 80% Barclays Capital US Aggregate, 10% Barclays Capital Global Aggregate and 10% Merrill Lynch High Yield II.
2. The objective of overall **Domestic Fixed Income** (including non-traditional fixed income) is a rate of return which, after fees, is in excess of the Barclays Capital Universal Bond Index and which is within the upper half of the Wilshire COOP database of domestic fixed income portfolios.
3. 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.
4. The objective of the **Global Fixed Income portfolio(s)** is to exceed, after fees, the rate of return of the Barclays Capital Global Aggregate Bond Index, in U.S. dollar terms un-hedged.

D. 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.

E. 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.

F. 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.

G. **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 a 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.

In the ordinary course, managers are to be identified and presented to the Board for consideration following the Standard Search Process, below. However, in addition, 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 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, subject to further due diligence. Alternatively, the Board member may request the matter be placed on an 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.

In connection with the Board's consideration of any presentation by an Investment Manager as outlined above, Board members and senior Investment Staff shall publicly disclose at the board meeting any prior communications they have had with the subject Investment Manager, and any actual or potential personal

financial interests they may have that could be impacted by the Board's consideration of the Investment Manager.

Once a prospective Investment Manager has been invited to present to the Board, the manager and Board shall abide by the "quiet period" restrictions set forth in Sec. B. 2, below.

B. Standard Search Process

1. Ordinarily, the Board will identify a particular mandate for which one or more Investment Managers are to be engaged. The Board will direct the Investment Consultant and Staff to develop a detailed "Manager Profile," specifying the criteria sought for a manager or managers to fulfill the mandate.
2. Once the Board has directed the Investment Consultant and Staff to develop a Manager Profile, a "quiet period" will ensue, during which time no Board member may knowingly have any communication with any actual or potential candidate for the mandate, *unless* authorized by the Board in connection with the due diligence process in selecting managers. The quiet period shall cease upon the Board's entering into a contract for the Investment Manager(s) selected for the mandate. The Investment Consultant is responsible for alerting the candidates to the quiet period and its restrictions. A violation of the quiet period rule may result in disqualification of the candidate or other appropriate Board action.
3. An Investment Manager search may follow the Board's identification of a mandate. The Investment Consultant will conduct the search in accordance with the Manager Profile. The search criteria will include the scope of the mandate, the investment style, benchmark, fee structure and minimum qualifications for candidates. The minimum qualifications will include successful performance track record relative to benchmark, disciplined investment processes, effective risk management procedures, size of assets under management, experience and capability of staff, organizational stability and applicable regulatory certification and compliance.
4. The Investment Consultant initially will examine its database to identify possible candidates who fit the Manager Profile. Any member of the Board and Staff may also suggest to the Investment Consultant to examine the specific merits of a particular candidate.
5. The Investment Consultant will send out requests for information to qualified candidates meeting the requirements of the Candidate Profile.
6. The Investment 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. Investment Consultant and Staff will

perform on-site due diligence on managers on the finalist list, as directed by the Board.

7. Any investment managers that present to the Board as finalists will have satisfied the Investment Consultant and Staff that they are appropriate candidates.
8. All Investment Manager contracts will be subject to final due diligence and satisfactory documentation following Board approval.

C. Non-Standard Search Process

1. Some investments by their nature present unique opportunities and are not suited for a standard search. For example, time constraints may limit the ability to conduct a full search given the inherent features of closed end funds. Further, there may not be suitable competitors for a unique investment opportunity.
2. When such an 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, and identify competitive managers.
3. Following the requested due diligence report and an interview with the Investment Manager candidate, the Board may vote to move forward with the investment, subject to further due diligence and documentation following the Board vote.

D. Follow-on Funds

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. When a follow-on fund investment becomes available in an asset class that is under its allocation target, the Board may determine to invest in such a fund without conducting a standard search. Such investment will follow the Non-Standard Search Process outlined in C, above.

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 and compliance 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 and compliance 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.
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 market value reconciliation reports to the Retirement Accounting Manager with copies to the Investment Consultant. The reconciliation reports are to be received in the Retirement Office by the 25th day following the end of each month. This report must include a reconciliation of all cash, holdings and market values.

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 mandate,
 - d. Change in personnel,
 - e. Adverse publicity,

- f. Change in ownership,
 - g. Regulatory compliance issues,
 - h. Risk management issues,
 - i. Lack of appropriate communication, or
 - j. 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 evaluate all 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 On-Site Due Diligence

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
 - f. Review of risk management procedures
 - g. Review of compliance procedures
 - h. Review of disaster recovery plan
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 senior investment staff, will normally visit with a prospective Investment Manager prior to hiring, as approved by the Board.
 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 no more than four will be authorized to conduct an Investment Manager visit.
 7. A written report on each Investment Manager visit shall 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 and other manager or advisor have disclaimed any rights against such representative as a member of the advisory committee or board, including subrogation rights; and
 - c. The general partner and other manager or advisor has agreed that such representative, CCCERA and the partnership (or other entity) shall be indemnified by the partnership, the general partner and other manager or advisor for any actions taken against any of them as to which the representative acted in good faith.

- d. The general and limited partners, and other manager or advisor, have expressly agreed in writing that the representative and CCCERA do not owe a fiduciary duty to any of them by reason of its participation on such advisory committee or board.
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, ceases to exist, or is otherwise incapable of carrying out its activities in the ordinary course of its business; 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.

2. In the case of an emergency, the Chief Executive Officer, or in the Chief Executive Officer’s absence, the Deputy Chief Executive Officer 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 so 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. Global Equity Portion

The Global 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. Global 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. Government, agency, quasi-government and supranational bonds.
 - d. Certificates of deposit and banker's acceptance of credit-worthy banks
 - e. 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.
 - f. Eligible instruments issued pursuant to SEC Rule 144(a) or Regulation S.
 - g. Commercial paper (including variable rate notes) of issuers rated P-1 by Moody's Investor Services and A-1 by Standard & Poor's.
 - h. 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.
 - i. 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.

- j. 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.
 - k. 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.
 - l. 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.

D. 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>
Global Equity	49 %	44 - 54 %
Global Fixed Income	29 %	24 - 34 %
High Yield Fixed Income	3 %	1 - 5 %
Real Estate	11.5 %	8 - 14 %
Alternative Investments	7 %	5 - 9 %
Cash	0.5 %	0 - 1 %

INVESTMENT POLICY

SCHEDULE II

ALLOCATION OF CASH RECEIVED

IF THE MOST UNDER-TARGET
ASSET CLASS IS:

TEMPORARILY PLACE
CASH IN:

Equities

PIMCO Stocks Plus portfolio

Fixed Income

Core Plus Fixed Income
(ie. PIMCO and/or Lord Abbett and/or
Goldman Sachs (core plus account))

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 Lord Abbett
and/or Goldman Sachs (core plus
account))

U.S. Real Estate

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**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
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	MSCI EAFE Value	Intl Equity
McKinley	MSCI ACWI X-US Gro	Intl Equity
AFL-CIO Housing	Barclays Capital US Aggregate	US Fixed Income
ING Clarion I, II, III	Merrill Lynch Hi Yld II	US High Yield
Nicholas-Applegate	Merrill Lynch Hi Yld II	US High Yield
PIMCO fixed income	Barclays Capital US Aggregate	US Fixed Income
Lord Abbett	Barclays Capital US Aggregate	US Fixed Income
Goldman Sachs AM	Barclays Capital US Aggregate	US Fixed Income
Lazard Asset	Barclays Capital Global Aggregate (in USD terms unhedged)	
Adelante	DJ-Wilshire REIT	US REIT
Invesco (Int'l REIT)	FTSE EPRA/NAREIT Global exUS	Int'l REIT
Blackrock Realty	NCREIF Apartment +300 bps	US Real Estate
DLJ 1,2,3,4	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 1,2	S&P 500 + 400 bps	
Carpenter	S&P 500 + 400 bps	
Energy Inv. USPF 1, 2, 3	S&P 500 + 400 bps	
Nogales	S&P 500 + 400 bps	
Paladin	S&P 500 + 400 bps	
Pathway	S&P 500 + 400 bps	
PT Timber III	S&P 500 + 400 bps	