

CONTRA COSTA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

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January 28, 2004

The Board of Retirement met in regular session at 8:30 a.m. on Wednesday, January 28, 2004 in the Conference Room of the Contra Costa County Employees' Retirement Association, 1355 Willow Way, Suite 221, Concord, CA.

Present: John Gioia, Brian Hast, Paul Katz, William J. Pollacek, Bob Rey, Helen Shea, Maria Theresa Viramontes and Clifton Wedington

Staff: Pat Wiegert, Retirement Administrator; Marilyn Leedom, Assistant Retirement Administrator; Kathy Somsen, Retirement Benefits Manager; Rick Koehler, Retirement Accounting Manager; Toni Warren, Retirement Administration Manager.

Outside Professional Support:
Ashley Dunning
Bob Helliesen
Cary Hally
Michael Dowd
Joseph Tabacco
Louise Renne
Marc Slavin

Representing:
Steefel, Levitt & Weiss
Milliman, USA
Milliman, USA
Milberg Weiss
Berman DeValerio
Renne & Holtzman
Renne & Holtzman

Other Attendees:

Sue Williams
Joel Damon
Carl Doolittle
Nancy Pfund
Mike Dorsey
Lyz Ferguson
Sunne McPeak
Michael Steed
General Ken Minihan
Patrick Conoly
Jerry Telles

CCCERA Staff
J.P. Morgan Fleming Asset Management
CCCREA
J.P. Morgan
J.P. Morgan
Bay Area Council
Self
Paladin Capital Management
Paladin Capital Management
Milberg Weiss
Self

1. Public Comment

No members of the public offered comment.

2. Approval of Minutes

It was M/S/C to approve the minutes of the January 14, 2004 meeting. (Yes: Gioia, Hast, Katz, Rey, Shea, Viramontes, Wedington; Abs: Pollacek)

3. FFTW's Request to Change Investment Guidelines

Helliesen reviewed the proposed changes to the Investment Guidelines as requested by FFTW to allow investments in securities issued by the Government of New Zealand. It was M/S/C to amend the Investment Guidelines as proposed. (Yes: Cabral, Hast, Katz, Pollacek, Rey, Shea, Viramontes, Wedington)

6. Large Cap Growth Equity Manager

Hally reviewed the report on semi-finalists for the search on Domestic Equity Large Cap Growth.

He explained the screening and steps taken to narrow the field of candidates from eighteen to eight. After discussion on the merits of each firm and the recommendations of the consultants, it was M/S/C to interview the following five firms:

RCM
Sands
TCW
Transamerica
Wellington

An interview date will be set later in the meeting.

4. Bay Area Equity Fund -Sunne McPeak; Nancy Pfund and Mike Dorsey, J.P. Morgan; Lyz Ferguson, Bay Area Council.

McPeak began by noting she was speaking as an individual and not on behalf of the State of California. She provided the context of why the Bay Area Council was established and discussed the benefits in investing venture capital in companies in depressed areas within the greater Bay Area.

Dorsey reviewed the investment process, the consultation with local communities and noted the financial analysis, due diligence and background checks of potential companies. He noted that the Bay Area Equity Fund focuses on mid and late stage companies.

After discussion of the interface between the Advisory Board, Equity Managers and the Bay Area Council, Ferguson invited a delegate from CCCERA to represent public pension fund investors on the advisory board.

It was M/S to authorize the investment of 15% of the \$90 million total portfolio, or \$13.5 million, with the Bay Area Equity Fund.

After discussing the narrow focus of Bay Area Equity, and noting that CCCERA may not want to become the largest investor, a substitute motion was offered. It was M/S/C to invest in Bay Area Equity Fund with no dollar amount specified. (Yes: Gioia, Rey, Shea, Viramontes, Wedington; No: Katz; Abs: Pollacek, Hast)

After debate on the amount to invest, it was M/S/C to allocate \$10 million with Bay Area Equity Fund. (Yes: Gioia, Rey, Shea, Viramontes, Wedington; No: Katz; Abs: Pollacek, Hast)

It was M/S/C to authorize the Administrator to sign all necessary documents and to authorize Gioia and Pollacek to perform the on-site visit. (Yes: Gioia, Hast, Katz, Pollacek, Rey, Shea, Viramontes, Wedington)

Pollacek volunteered to represent public pension fund investors on the advisory board.

5. Paladin Homeland Security Fund, L.P. - Michael Steed, General Ken Minihan

Minihan reviewed the Paladin team, their qualifications and history of the Homeland Security Fund. He noted their investment strategy is to take advantage of the shared opportunity between private enterprise and government to build the critical infrastructure and services needed to sustain, strengthen and promote global security and economic development.

Steed noted the Alliance structure is composed of venture capital firms and functionally equivalent government entities. He then reviewed Paladin's investment strategy and terms, noting that Paladin does no early stage investment, but only those with immediate effect on Prevent, Defense, Cope and Recovery.

The presentation was followed by a question and answer period that included the budget for this product, growth of front-end technology and the impact on the Bay Area and California.

After the departure of the Paladin Group, discussion followed with Helliesen noting that historically investments such as this were done through Adams Street or Pathway. Because this is a new fund it did not meet the screening for either company.

It was M/S/C to direct the consultants to prepare more information on this type of fund and investigate other firms that might offer a similar product. (Yes: Gioia, Hast, Katz, Rey, Shea, Viramontes; abs: Pollacek, Wedington)

6. Large Cap Growth Equity Manager (Cont'd)

The meeting to interview the five semi-finalists was set for March 17, 2003 at 11:30 a.m.

7. Cash Management

Helliesen provided an update on cash management and noted that he is still gathering information to determine the CCCERA needs for a cash management program.

8. Relational Investors

Helliesen reviewed the material in the Board packet and the meeting handout. It was M/S/ to accept the recommendation of the consultant to allocate funds to Relational Investors, LLC. The motion was amended to allocate 2% of the portfolio and to include this investment in the equity portion of the investment allocation. The motion was further amended to allocate 2.2% of the fund to Relational Investors, LLC. The motion was M/S/C as amended. (Yes: Gioia, Hast, Katz, Pollacek, Rey, Shea, Viramontes, Wedington)

It was M/S/C to authorize the Administrator to sign all necessary documents and for Hast and Pollacek to perform the on-site visit. (Yes: Gioia, Hast, Katz, Pollacek, Rey, Shea, Viramontes, Wedington)

9. Asset Allocation Study

It was M/S/C to direct the Consultant to begin the asset allocation study after the actuary's experience study and valuation are completed. (Yes: Gioia, Hast, Katz, Pollacek, Rey, Shea, Viramontes, Wedington)

10. Portfolio Rebalancing

Leedom noted that with the recent addition of several managers this item may need to be reviewed again. It was M/S/C to table the rebalancing of the portfolio for thirty days. (Yes: Gioia, Hast, Katz, Pollacek, Rey, Shea, Viramontes, Wedington)

Gioia was not present for subsequent discussion and voting.

11. Transaction Cost Report for 3rd Quarter 2003

Helliesen reviewed and explained the Transaction Cost Report for 3rd Quarter 2003. It was M/S/C to accept the Transaction Cost Report for the 3rd Quarter 2003. (Yes: Hast, Katz, Pollacek, Rey, Shea, Viramontes, Wedington)

Gioia was present for subsequent discussion and voting.

12. Allocation of Funds to Real Estate Value

Helliesen reviewed the updated performance results for AEW and Fidelity Investments, and a comparison of fees for both funds. Helliesen noted that while fees for AEW were lower than Fidelity, the additional returns from Fidelity more than offsets the additional fees. After the discussion, it was M/S/C to allocate \$50 million to Fidelity Investments. (Yes: Gioia, Hast, Katz, Pollacek, Rey, Shea, Viramontes, Wedington)

It was M/S/C to authorize the Administrator to sign all necessary documents and for Wedington and Viramontes to perform the on-site visit. (Yes: Gioia, Hast, Katz, Pollacek, Rey, Shea, Viramontes, Wedington)

18. Miscellaneous

(d) Consultants' Comment- Helliesen reviewed the final transition report from State Street outlining total fees incurred during the transition.

Helliesen noted that Attorney Harry Klinker is working with the City of San Diego regarding the liquidation of assets from U.S. Realty.

The Board recessed for lunch.

The Board moved into closed session pursuant to Govt. Code Section 54956.9 to consult with counsel regarding a case currently being litigated (*CCCERA et al. v. WorldCom officers and various banks*).

The Board moved into open session.

13. CCCERA et al v. WorldCom Officers and Various Banks

No reportable action taken.

14. WorldCom Litigation Presentation, Joseph Tabacco

Tabacco noted he was appearing in lieu of the lead attorneys from Bernstein Litowitz because of a conflict in their schedules. He represents Fresno County, which is also a member of the class. He began with a brief history of the litigation to date including the Court's November 20, 2003 decision, which gave rise to the Board's need to decide again whether to remain in the class or opt out and continue with its individual case. He discussed the pluses and minuses of continuing individually or remaining in the class action suit. Advantages to remaining a member of the class include: 1) no burden of extensive discovery; 2) "protection" of the system's financial position because Fresno is a member of the class; and 3) the class has already been certified.

A brief question and answer period followed covering matters such as the size of CCCERA's losses when compared to some of the other investors in the class, the likelihood of recovery, the time lag before funds would be received, and the amount the Association might receive.

The Board returned to closed session pursuant to Govt. Code Section 54956.9 to discuss litigation strategy going forward in (*CCCERA et al. v. WorldCom officers and various banks*).

The Board moved into open session.

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15. CCCERA et al v. WorldCom Officers and Various Banks

16. CCCERA Representation in WorldCom Litigation

It was M/S/C to continue with the separate action as originally determined and to direct counsel from Milberg, Weiss to file the necessary papers to opt out of the class. (Yes: Gioia, Hast, Katz, Pollacek, Rey, Shea, Viramontes, Wedington)

17. WorldCom Litigation

There was no need to return to closed session.

18. Miscellaneous

- (a) There were no requests for counsel opinions
- (b) Administrator's report - None
- (c) Trustee Comments - None
- (d) Consultants' Comments - reported earlier in the meeting.

Paul Katz, Chairman

Clifton Wedington, Secretary