

**CONTRA COSTA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION**

Page 1

January 26, 2005

The Board of Retirement met in regular session at 8:30 a.m. on Wednesday, January 26, 2005 in the Conference Room of the Contra Costa County Employees' Retirement Association, 1355 Willow Way, Suite 221, Concord, CA.

Present: Richard Cabral, John Gioia, Brian Hast, Paul Katz, Louis Kroll, Sharon Naramore, William J. Pollacek, Bob Rey, Jerry Telles, Maria Theresa Viramontes and Clifton Wedington

Staff: Marilyn Leedom, Retirement Administrator; Cary Hally, Retirement Chief Investment Officer; Toni Warren, Retirement Administration Manager.

Outside Professional Support:  
Ashley Dunning  
Bob Helliesen

Representing:  
Steeffel, Levitt & Weiss  
Milliman, USA

Other Attendees:

Joelle Luhn  
Dave Gaynor

CCCERA Staff  
Self

**1. Public Comment**

No members of the public offered comment.

**2. Approval of Minutes**

After removing the last sentence on Page 3, item 7, 4<sup>th</sup> paragraph, and changing the last sentence on Page 6, item 12 (a) to: "She noted that, in response to a request for comments from the Attorney General's office, she had defended CCCERA's Board's use of closed session to consider disability retirement applications, but that the Attorney General's office had not yet issued its opinion on this topic.", it was M/S/C to approve the minutes of the January 12, 2005 meeting as amended. (Yes: Cabral, Gioia, Hast, Katz, Pollacek, Rey, Telles, Viramontes, and Wedington)

The Board moved into closed session pursuant to Govt. Code Section 54956.9 to confer with Legal Counsel and consider whether to initiate litigation.

The Board moved into open session.

**3. Potential Litigation**

No reportable action taken.

**4. GMO**

Hally reviewed his memo regarding implementation of the new investment with Grantham, Mayo, Van Otterloo & Co. (GMO).

After discussion on the merits and problems of using a commingled vehicle rather than a separately managed account with GMO and the concurrence of legal counsel that she could see no alarming issues, it was M/S/C to accept the Chief Investment Officer's recommendation to authorize staff to implement the new investment with Grantham, Mayo, Van Otterloo & Co. (GMO) through the firm's institutional commingled vehicle rather than a separately managed account. (Yes: Cabral, Gioia, Hast, Katz, Pollacek, Rey, Telles, Viramontes, and Wedington)

**5. Brown Act Amendment**

Dunning related the background on this item from the November 17, 2004 Board Meeting, in which the Board voted to address the issue on a "case-by-case basis" and "to make this provision available after January 2005". Counsel had been directed to prepare a policy for the Board that reflected this vote. Dunning noted that closed session minutes would be required with the new provisions of the Brown Act.

There was a motion to adopt Option 2 of counsel's possible alternative actions. It was noted that the occasion would be rare that the Board would be required to go into closed session, the issue could then be dealt with if needed. This would occur only if CCCERA were to sell the Willows Office Park or purchase any other separate real estate. Cabral noted his belief that minutes should be taken in closed session.

It was M/S/C to call for the question. (Yes: Cabral, Gioia, Hast, Katz, Pollacek, Rey, Telles, Viramontes, and Wedington)

It was M/S/C to adopt Counsel's option 2 to postpone adoption of counsel's resolution until a circumstance arises that, in the opinion of the Administrator, warrants the Board's further consideration of the Resolution. (Yes: Gioia, Hast, Katz, Pollacek, Rey, Telles, Viramontes, and Wedington; No: Cabral). Cabral noted that his no vote represents his belief that keeping minutes of closed session is good governance.

**6. Rebalancing as of December 31, 2004**

Hally reviewed his memo regarding semi-annual rebalancing of assets as of December 31, 2004. After a brief discussion, it was M/S/C to accept staff's recommendation to implement the semi-annual rebalancing of CCCERA's assets. (Yes: Cabral, Gioia, Hast, Katz, Pollacek, Rey, Telles, Viramontes, and Wedington)

7. FFCA

Hally reviewed his memorandum to the Board regarding the investment in FFCA. There was discussion on authorizing an independent appraisal of the FFCA portfolio for the purpose of determining fair value with the purpose of liquidating the portfolio.

Staff was directed to work with FFCA, KCERA and SDCERA to obtain an independent appraisal and to consider splitting the cost of the appraisal between all parties.

8. Adams Street

Dunning advised the Board on the status of negotiations with Adams Street regarding the proposed limited partnership agreement relating to CCCERA's contemplated investment in Adam Street's 2005 U.S. Fund.

Dunning noted a negotiation regarding Adams Street's confidentiality of proprietary information and CCCERA's responsibility under the Public Records Act. A compromise has been reached on the confidentiality issue that Dunning believes is workable.

It was M/S to proceed with the investment in Adams Street 2005 fund, despite provisions in the underlying contracts on mandatory arbitration, confidentiality of certain Adams Street records, and various other matters of which Dunning advised the Board.

Dunning further noted that Adams Street would not sign the acknowledgement to CCCERA's investment guidelines because of internal investment guidelines contained in Adams Street's own legal documents. Dunning advised that Adams Street had acknowledged, however, that it acts as a plan fiduciary in regards to CCCERA's investment with Adams Street and that Adams Street has made additional representations so as to comply with CCCERA's investment guidelines.

Discussion followed on potential scenarios relating to requests for records that CCCERA receives under the California Public Records Act, implementing CCCERA's existing policies on disclosure of records, and maintaining the confidentiality of proprietary information of those who manage CCCERA's private equity investments, such as Adams Street.

It was M/S/C to call for the question (Yes: Cabral, Gioia, Hast, Katz, Pollacek, Rey, Telles, Viramontes, and Wedington).

**The motion was carried** to proceed with the investment in Adams Street 2005 Fund. (Yes: Cabral, Gioia, Hast, Katz, Pollacek, Rey, Viramontes, and Wedington; Abs: Telles.)

**9. Miscellaneous**

- (a) Counsel opinions - Dunning reported that she has received a signed waiver from CSFB so that she can proceed with contract review as to DLJ Real Estate Capital Partners Fund III.

Dunning commented on the status with Relational noting that she had received a response from Relational to the letter the Board had asked her to send. She noted that Relational's response referenced an email that Helliesen previously had received from Relational, which stated that for an additional 5 basis points in management fees, Relational would agree to comply with the Prudent Investor Rule as to CCCERA's contemplated investment. It was the Board's consensus not to pursue the investment because Relational remains unwilling to acknowledge that it would assume fiduciary duties by managing CCCERA funds.

Gioia was not present for subsequent discussion and voting.

- (b) Leedom reported the contract for Transamerica has been signed and the transition should begin by the end of the week.

She noted there should be no problems rescheduling presenters from the February 23, 2005 meeting to a meeting at a later date. Adelante and Capital Guardian presentations can be transferred to March 23. The schedule change for Board meetings will be agendized for the February 9<sup>th</sup> meeting.

- (c) Trustees' Comments - Telles noted that he and Naramore will not be able to attend the March 23, 2005 meeting.

Hast requested moving the July 27<sup>th</sup> meeting to July 20<sup>th</sup>. This item will be agendized.

Cabral noted information included in the Board's packet as a miscellaneous item from the AFSCME Pension Conference is very interesting and encouraged the Board to read.

Pollacek commented on his handout regarding ACA 5 by Tom Brannon. The County Administrator is reviewing pension reform principles, and industrial disability retirement. The SACRS legislative committee has more information on this on their website. There will be discussion on this at the CSAC legislative conference in March.

Rey—commented on his discussion with Peter Felsenfeld regarding his article in the Contra Costa Times concerning the employer contribution rate. Felsenfeld noted he got his numbers from CALAPRS. Leedom noted she had drafted a letter with an in-depth explanation of the breakdown of contribution rates.

*CONTRA COSTA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION*

Page 5

January 26, 2005

Various trustees suggested the Administrator educate the Contra Costa Times on current contribution rates in a face to face meeting.

Leedom noted the Retirement Association administers what the union and employers negotiate, and that a meeting with the press will only present facts. Leedom will meet with the reporter and editor first and then decide if a letter should be sent.

(d) Consultants' Comments - none

It was M/S/C to adjourn. (Yes: Cabral, Hast, Katz, Pollacek, Rey, Telles, Viramontes, and Wedington)

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Bob Rey, Chairman

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Brian Hast, Secretary