

CONTRA COSTA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

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November 2, 2005

The Board of Retirement met in regular session at 8:30 a.m. on Wednesday, November 2, 2005, in the Conference Room of the Contra Costa County Employees' Retirement Association, 1355 Willow Way, Suite 221, Concord, CA.

Present: Richard Cabral, Brian Hast, Paul Katz, Louis Kroll, William J. Pollacek, Jerry Telles, Maria Theresa Viramontes and Clifton Wedington.

Staff: Marilyn Leedom, Retirement Administrator; Cary Hally, Retirement Chief Investment Officer; Rick Koehler, Retirement Accounting Manager; Kathy Somsen, Retirement Benefits Manager; Toni Warren, Retirement Administration Manager.

Outside Professional Support: Representing:
Ashley Dunning Steefel, Levitt and Weiss
Bob Helliesen Milliman, USA
Rebecca Byrnes County Counsel

Other Attendees:

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| Tracy Kroll | Contra Costa County Employees' Retirement Association (CCCERA) Staff |
| Joelle Luhn | CCCERA Staff |
| Luz Casas | CCCERA Staff |
| Dave Gaynor | Self |
| Pat Gerardo | Self |

1. Public Comment

Patricia Gerardo (formerly Patricia A. Moreno) offered public comment regarding closed session Item 6. Ms. Gerardo commented she is in the process of retiring on December 1, 2005 from County employment. She noted she divorced her husband and he is supposed to receive half of her retirement. He was sentenced to prison for a felony he committed and then deported. Ms. Gerardo does not know where he is and is unable to contact him. She requested that his half of her retirement be given to her daughter for restitution. There was discussion if this should continue in public comment or perhaps Ms. Gerardo's comments should be included in closed session. Ms. Gerardo finished her comments in open session.

2. Routine Items

It was M/S/C to approve the routine items of the November 2, 2005 meeting. (Yes: Cabral, Hast, Katz, Kroll, Pollacek, Telles, Wedington)

The Board moved into closed session pursuant to Govt. Code Sections 54957, 54956.9 and 54956.9 (c) to consider the Medical Advisor and or staff's recommendation regarding disability retirement applications, to consult with counsel regarding cases currently being litigated, to consider whether to initiate litigation (three potential cases), pending litigation

-Marriage of Moreno, Contra Costa County Superior Court Case No. D90-07123 and to evaluate the Administrator's performance.

The Board moved into open session.

3. Disability Retirements

It was M/S/C to accept the Medical Advisor's recommendation and grant the following disability benefits:

- (a) Deena Collier Service Connected (Yes: Cabral, Hast, Katz, Kroll, Pollacek, Telles, Wedington)
- (b) Carl Fabbri Service Connected (Yes: Cabral, Hast, Katz, Kroll, Pollacek, Telles, Wedington)
- (c) Randy Redden Service Connected (Yes: Cabral, Hast, Katz, Kroll, Pollacek, Telles, Wedington)
- (d) Ronald Pangilla Non-service Connected (Yes: Cabral, Hast, Katz, Kroll, Pollacek, Telles, Wedington)
- (e) Catherine Bottom Non-service Connected (Yes: Cabral, Hast, Katz, Kroll, Pollacek, Telles, Wedington)
- (f) Tanya Watts Non-service Connected (Yes: Cabral, Hast, Katz, Kroll, Pollacek, Telles, Wedington)

Viramontes was present for subsequent discussion and voting.

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

It was M/S/C to ratify a settlement agreement made between the Retirement Association and WorldCom officers and various banks. The Agreement provides for WorldCom officers and various banks to pay CCCERA \$3,641,505, net of attorney fees, for August 1998 and May 2001 bond losses, equity losses and interest through October 27, 2005. (Yes: Cabral, Hast, Katz, Kroll, Pollacek, Telles, Viramontes, Wedington)

5. Potential Litigation

It was M/S/C to authorize legal counsel to initiate action. (Yes: Cabral, Hast, Katz, Kroll, Pollacek, Telles, Viramontes, Wedington)

6. Marriage of Moreno, Contra Costa County Superior Court Case No. D90-07123

No reportable action taken.

7. Administrator's Performance

It was M/S/C that the Retirement Administrator's performance exceeded expectations. (Yes: Cabral, Hast, Katz, Kroll, Pollacek, Telles, Viramontes, Wedington)

8. 2005 Cash Flow Report

Koehler reviewed the 2005 Cash Flow Report. After answering questions and explaining certain line items, it was M/S/C to accept the Cash Flow 2005 report. (Yes: Cabral, Hast, Katz, Kroll, Pollacek, Telles, Viramontes, Wedington)

9. 2005 Budgeted versus Actual Expenditures

Leedom reviewed the 2005 Budgeted versus Actual expenditures January through September, 2005. It was M/S/C to accept the CCCERA Budget vs. Actual January through September 2005 report. (Yes: Cabral, Hast, Katz, Kroll, Pollacek, Telles, Viramontes, Wedington)

10. Triennial Management Salary Survey

The triennial management salary study was tabled until union negotiations are complete and total personnel costs for next year can be determined. The Board noted if approved this item can be made retroactive to October 1, 2005.

11. Administrator's Salary Survey

This item was tabled until later in the meeting.

12. SACRS 2005 Constitution/Bylaw Amendments

Leedom reviewed the SACRS Constitution/Bylaw Amendments. After a great deal of discussion that included Orange County's recommendation and support of various issues, it was M/S to support the recommendation of the Long Term Planning Committee that the President may remove Legislative Committee members missing twenty-five percent or more of the Legislative Committee meetings. A friendly amendment was introduced to change members missing twenty-five percent of the Committee Meetings to fifty percent. A substitute motion was made to table discussion. The motion failed for lack of a second. The original motion was withdrawn.

It was M/S to support changes to the Bylaws as recommended, a friendly amendment was offered and accepted to support members missing fifty percent of the Committee meetings and to allow the proxies the latitude to listen to convincing arguments and vote.

A substitute motion was offered; it was M/S/C to authorize the proxy primary and alternate to vote for what is best for the system after listening to debate. (Yes: Cabral, Hast, Katz, Kroll, Pollacek, Telles, Viramontes, Wedington)

It was M/S/C to authorize the proxies, primary and alternate, to vote for what is best for the system after listening to debate regarding the SACRS Membership fee

increase. (Yes: Cabral, Hast, Katz, Kroll, Pollacek, Telles, Viramontes, Wedington)
There was a consensus of the Board on the tier approach to membership fees.

13. SACRS 2006 Legislation Platform

Pollacek reviewed the Year 2005 SACRS Legislative Platform. He began with LACERA #1. Cabral noted this particular item was also discussed at a recent Council of Institutional Investor's Meeting. This legislation would amend the Ralph M. Brown Act and the Public Records Act to permit closed session of a board or committee of a public pension system to allow a Board's audit committee to meet privately with the system's auditors. It was M/S/C to support the concept of LACERA #1. (Yes: Cabral, Hast, Katz, Kroll, Pollacek, Telles, Viramontes, and Wedington)

LACERA #2 only affects LACERA and Santa Barbara counties, since they are the only counties to adopt Section 31658 (Additional Retirement Credit/ARC). It was M/S/C for CCCERA to abstain on LACERA #2. (Yes: Hast, Katz, Kroll, Pollacek, Telles, Viramontes, and Wedington; Abs: Cabral)

Pollacek noted that San Joaquin's "Retiree Medical Reimbursement Trust" was pulled from the SACRS legislative package, is now a spot bill and no vote is required.

14. International Manager

Hally reviewed his memo regarding McKinley Capital Management. He noted after attempts to negotiate fees with McKinley, staff was unable to negotiate below 50 basis points; therefore, the issue of hiring McKinley is before the Board again.

Helliesen recommended and Hally concurred that the McKinley fees are reasonable. It was M/S/C to accept McKinley Capital Management's proposed fees and proceed with contract negotiations. (Yes: Hast, Katz, Kroll, Pollacek, Telles, Viramontes, and Wedington; Abs: Cabral)

11. Administrator's Salary Survey (tabled earlier in the meeting)

After discussion on step increases vs. results from the salary study, it was M/S, because of meeting the criteria and Leedom's excellent performance over the last year, to award the salary step proposed in her contract when she was hired as Administrator.

After discussion on rewarding excellent performance and putting together one package that contains both the step increase and any increase reflected in the salary study, a substitute motion was offered. It was M/S/C to table this item until the December 14, 2005 meeting when both the step increase and any increases warranted from the salary study can be placed in one package, with an effective date of 10/1/05. (Yes: Cabral, Hast, Katz, Kroll, Pollacek, Telles, Viramontes, and Wedington) Board members were requested to remember to bring their packets handed out at this meeting to the December Meeting.

The consensus of the Board was to make it known they intend to provide a salary increase for Leedom, but want to make one change in salary that includes both the step increase and any change in the position's salary structure as warranted by the salary study. Any increase will be retroactive to October 1, 2005.

15. Conference Seminar Attendance

There was a motion to remove Item 15 (a) from the agenda. There was discussion on whether trust fund money should be expended to authorize trustees to attend an AFSCME union meeting. There was further discussion on the many entities that sponsor various conferences and seminars. It was noted this request is for educational purposes, and only includes reimbursement for breakfast and ground transportation. Dunning noted she could see no conflict for the Board to expend funds on education, if others have gone before and found the seminar to be educational. It was M/S/C to call for the question. (Yes: Cabral, Hast, Kroll, Telles, and Viramontes; No: Katz, Pollacek, and Wedington)

On the original motion, it was M/S to remove Item 15 (a) from the agenda. (Yes: Katz, Pollacek; No: Cabral, Hast, Kroll, Telles, Viramontes, and Wedington) The motion failed.

- (a) It was M/S/C to authorize the attendance of Cabral at the 2005 Pension Fund Trustees and AFSCME Leadership Meeting, AFSCME, December 14-16, 2005, Los Angeles, CA. (Yes: Cabral, Hast, Kroll, Telles, Viramontes, and Wedington; Abs: Katz, Pollacek)
- (b) It was M/S/C to authorize the attendance of up to four trustees and one staff member at the Public Fund Boards Forum, Institute for International Research, December 4-7, 2005, San Francisco, CA. (Yes: Cabral, Hast, Katz, Kroll, Pollacek, Telles, Viramontes, and Wedington)

8. Miscellaneous

- (a) Counsel Report - Dunning had nothing further to report.
- (b) Leedom reported as of last year the Willows Office Park was 81% occupied. As of 1/1/06 the building will be approximately 95% occupied.

CCCERA's new employer newsletter has been established and has been named "Employer's Spectrum"

- (c) Trustee Comments - Viramontes noted she has been reviewing the material from her recent Wharton class. She will provide copies of her notes to anyone interested in the material. Pollacek commented that the education on commodities was good, but requested a further session on active vs. passive, represented by managers from each sector. Helliesen will look into an educational presentation.

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(d) Consultants' Comments – nothing further to report.

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

Clifton Wedington, Chairman

William J. Pollacek, Secretary