

CONTRA COSTA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

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December 14, 2005

The Board of Retirement met in regular session at 9:00 a.m. on Wednesday, December 14, 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 Chief Executive Officer; 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
Richard Chasen Berman, DeValerio, Pease, Tabacco, Burt & Pucillo

Other Attendees:
Tracy Kroll Contra Costa County Employees' Retirement Association (CCCERA) Staff
Joelle Luhn CCCERA Staff
Luz Casas CCCERA Staff
Mary Lou Williams Contra Costa County Retired Employees' Association (CCCREA)
Dave Gaynor Self

1. Public Comment

In public comment, Mary Lou Williams of CCCREA thanked the Retirement Board for all they've done for retirees.

2. Approval of Minutes

It was M/S/C to approve the minutes of the November 22, 2005 meeting. (Yes: Cabral, Gioia, Hast, Pollacek, Rey, Telles, Viramontes, Wedington)

3. Routine Items

It was M/S/C to approve the routine items of the December 14, 2005 meeting. (Yes: Cabral, Gioia, Hast, Pollacek, Rey, Telles, Viramontes, Wedington)

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

The Board moved into open session.

Katz was present for subsequent discussion and voting.

4. Disability Retirements

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

- (a) Edward Kissick Service-Connected (Yes: Cabral, Gioia, Hast, Katz, Pollacek, Rey, Telles, Viramontes, Wedington)
- (b) Xon Burris Service-Connected (Yes: Cabral, Gioia, Hast, Katz, Pollacek, Rey, Telles, Viramontes, Wedington)
- (c) Curtis Biro Service-Connected (Yes: Cabral, Gioia, Hast, Katz, Pollacek, Rey, Telles, Viramontes, Wedington)
- (d) Sharon Chiozza Non Service-Connected (Yes: Cabral, Gioia, Hast, Katz, Pollacek, Rey, Telles, Viramontes, Wedington)
- (e) Ronald Pike Service-Connected (Yes: Cabral, Gioia, Hast, Katz, Pollacek, Rey, Telles, Viramontes, Wedington)

5. Possible Litigation

No reportable action.

6. 2006 Board Meeting Dates and Times

Leedom reviewed the CCCERA meeting calendar for 2006. It was M/S/C to accept all Board meeting dates as proposed. (Yes: Cabral, Gioia, Hast, Katz, Pollacek, Rey, Telles, Viramontes, and Wedington)

7. 2006 Budget

Leedom reviewed the 2006 Budget, highlighting various expenditures and division accomplishments. It was M/S/C to approve the 2006 budget. (Yes: Cabral, Gioia, Hast, Katz, Pollacek, Rey, Telles, Viramontes, and Wedington)

8. Hearthstone II

Hally reviewed his memo to the Board regarding Hearthstone MSII Homebuilding Investors Fund. Hally noted 75% of the outstanding percentage interest of the partnership needs to agree to amend the operating agreement. Hearthstone reported as of December 2, 2005, 72% of the interests have accepted the proposed amendment to the agreement and it is likely Hearthstone will receive enough support from the limited partners to amend the agreement, whether or not CCCERA approves the requested advancement of incentive fees.

It was M/S/C to accept the Chief Investment Officer's (CIO) recommendation to not approve Hearthstone's request for advancement of incentive fees. (Yes: Cabral, Gioia, Hast, Katz, Pollacek, Rey, Telles, Viramontes, and Wedington)

9. Investment Policy

Hally reviewed the changes to the Investment Policy. It was M/S/C to accept the recommendation of the CIO to adopt the proposed changes to the Investment Policy. (Yes: Cabral, Gioia, Hast, Katz, Pollacek, Rey, Telles, Viramontes, and Wedington)

10. Conference Seminar Attendance

- (a) It was M/S/C to authorize the attendance of all Board and appropriate Staff at the Public Pension Fund Fiduciary Symposium, Steefel, Levitt & Weiss, January 19-20, 2006, San Francisco, CA. (Yes: Cabral, Gioia, Hast, Katz, Pollacek, Rey, Telles, Viramontes, and Wedington)
- (b) It was M/S/C to authorize the attendance of Viramontes at the Annual Legislative Conference, NCPERS, February 6-8, 2006, Washington, D.C. (Yes: Cabral, Gioia, Hast, Katz, Pollacek, Rey, Telles, Viramontes, and Wedington)
- (c) It was M/S/C to authorize the attendance of Pollacek, Cabral, Kroll, and Wedington at the Trustees Roundtable, CALAPRS, February 3, 2006, San Diego, CA. (Yes: Cabral, Gioia, Hast, Katz, Pollacek, Rey, Telles, Viramontes, and Wedington)
- (d) It was M/S/C to authorize the attendance of a Steefel Attorney at the Attorneys Roundtable, CALAPRS, January 27, 2006, San Diego, CA. (Yes: Cabral, Gioia, Hast, Katz, Pollacek, Rey, Telles, Viramontes, and Wedington)
- (e) It was M/S/C to authorize the attendance of Koehler at the Annual Conference, GFOA, May 7 - 10, 2006, Montreal, Canada. (Yes: Cabral, Gioia, Hast, Katz, Pollacek, Rey, Telles, Viramontes, and Wedington)

11. Miscellaneous

- (a) Counsel Report - Dunning noted at the last meeting she was requested to review the Retirement Chief Executive Officer's (CEO's) contract and advise on the topics discussed during the review of the CEO's salary and position title study. This review included step increases, COLAs and the contract provisions. Dunning noted a decision was made to increase the CEO's salary to \$13,867 per month as of October 1, 2005. The next increase of 6%, upon satisfactory performance, is scheduled for October 2006. Any COLAs, if granted, would be added to the yearly 6% step increase. The next salary survey is not scheduled until two years from October 2005 and there is no obligation to increase the CEO's salary at that time. She noted the CEO's contract as currently written can certainly be applied. Hast noted that he and Pollacek met with Leedom to discuss the action the Board had taken regarding the CEO's salary. There was discussion on whether it was the Board's intention to have the ad hoc committee meeting with the CEO. The Board concluded it was not their intention to have an ad hoc meeting with the Chief Executive Officer and the committee was not authorized to meet with Leedom.

Dunning continued with her report noting that negotiations on the Adams Street contract have continued with no resolution. She will likely bring back the key contract issues at first meeting in January.

Dunning noted that Ventura County Retirement Association has prevailed on the court case brought against it on excess earnings. The information on this will be in the next agenda packet and will provide important guidance on the way actuarial assumptions are handled.

She then updated the Board on McKinley Capital Management's contract, noting the contract has been with McKinley's attorney for the last three weeks.

Gioia was not present for subsequent discussion and voting.

- (b) CEO's Report - Leedom noted Adams Street's new fund will have the first close in December, but have noted they will have a second close in January for CCCERA.

One retired member did not receive their excess benefit funds last year and will most likely reach their limit again this year. The County is still in the process of developing their Excess plan.

Leedom noted that with the new Benefit System there will be changes in the way monthly retirement checks are processed. CCCERA will likely have a bank account at Mechanics Bank for this purpose. There are currently approximately 300 monthly retiree checks being issued and mailed. There was discussion on requiring all retirees to switch to EFT.

- (c) Trustee Comments - Viramontes wished all a Happy Holiday!

Hast apologized for his misunderstanding regarding the meeting he and Pollacek had with Leedom regarding her recent title change and salary increase. He noted he misunderstood the Board's intent at the November 22nd meeting, and he and Pollacek met with Leedom to inform her of the increase and to discuss possible contract changes. There was continued discussion on Leedom's original contract.

Dunning noted she has concluded that the original contract for the Administrator doesn't need to be amended; the results of the salary increase motion for the Retirement CEO can be incorporated into the contract's mechanism to increase yearly as originally proposed. Cabral would like to see a copy of the signed contract.

Katz - noted he attended the 14th Annual Public Funds Board Forum along with Hally and Telles. He commented on the different speakers, their predictions on domestic versus global investments and various countries discussed in the presentation. He provided a booklet from the conference for the Board's library. He had discussions with a San Diego City trustee on the role trustees played and the charges against San Diego City. He requested that Dunning review CCCERA's liability insurance to ensure trustees and the fund are adequately covered.

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Although he enjoyed the conference he still considers knowledge gained by CALAPRS at Stanford and Wharton to be better education for trustees.

Telles - commented on several topics during the Public Funds Board Forum. He noted that many trustees were clamoring for new trustee training and credible training programs. He shared the different entities CCCERA trustees uses for training. A trustee from New Orleans spoke during the conference discussing the problems that were presented with the recent hurricanes. He would like to make sure CCCERA has safeguards in place in case of a disaster. He requested a review of all CCCERA emergency procedures and any disaster recovery plans. Leedom noted there will be many changes with the new system.

- (d) Consultants' Comments -Hally commented on the resignation of Hugh Whelan, a Senior Portfolio Manager for ING. He recommends watching the situation closely and monitoring ING's response to Whelan's departure.

After wishing all a happy holiday, it was M/S/C to adjourn. (Yes: Cabral, Hast, Katz, Pollacek, Rey, Telles, Viramontes, and Wedington)

Clifton Wedington, Chairman

William J. Pollacek, Secretary