

CONTRA COSTA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

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September 6, 2006

The Board of Retirement met in regular session at 9:00 a.m. on Wednesday, September 6, 2006, in the Conference Room of the Contra Costa County Employees' Retirement Association, 1355 Willow Way, Suite 221, Concord, CA.

Present: Richard Cabral, Dave Gaynor, Brian Hast, Paul Katz, Louis Kroll, Rusty Watts for William J. Pollacek, Bob Rey, 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
Amy Briggs	Steefel, Levitt and Weiss
Rebecca Byrnes	County Counsel

Other Attendees:

Tracy Kroll	Contra Costa County Employees' Retirement Association (CCCERA) Staff
Joelle Luhn	CCCERA Staff
Luz Casas	CCCERA Staff
T.C Hess	Self
Kim Hess	Self
Greg Frates	Moraga/Orinda Fire
Mary Lou Williams	Retirees' Association
Sgt. Jim Remick	Sheriffs Office
John Gragnani	Self

1. Public Comment

No members of the public offered comment.

2. Approval of Minutes

After amending page 2, replacing "Local One" with "Contra Costa County Retirees' Association" and removing "representing active county employees"; on page 5, Item 10, removing "increase" at the end of the second sentence, after Item 11, changing the sentence to: "Mary Lou Williams introduced a Business Agent at Local One and the representative of Contra Costa County Retirees' Association" and on Page 7 changing "his office" under Wedington's comments on 13 (c) to "Hally's office", it was M/S/C to approve the minutes of the August 9, 2006 meeting as amended. (Yes: Cabral, Katz, Rey, Viramontes, Watts, and Wedington)

3. Routine Items

It was M/S/C to approve the routine items of the September 6, 2006 meeting. (Yes: Cabral, Katz, Kroll, Rey, Viramontes, Watts, and Wedington)

The Board moved into closed session pursuant to Govt. Code Section 54957 to consider the Medical Advisor and or staff's recommendation regarding disability retirement applications and 54956.9 (c), 54956.9 (a) and 54596.9(b)(3)(C) to consult with counsel regarding cases currently being litigated or to consider whether to initiate litigation.

The Board moved into open session.

4. Disability Retirements

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

(a) Tillman Hess Service Connected (Yes: Cabral, Katz, Kroll, Rey, Viramontes, Watts, and Wedington)

(b) Bernard Hartsock Service Connected (Yes: Cabral, Katz, Kroll, Rey, Viramontes, Watts, and Wedington)

(c) Gregory Frates Service Connected (Yes: Cabral, Katz, Kroll, Rey, Viramontes, Watts, and Wedington)

5. Potential Litigation

No reportable action taken.

6. Raines vs. CCCERA et al

No reportable action taken.

Hast was present for subsequent discussion and voting.

7. Continued Closed Session

Wedington reported out of closed session the following motion: It was M/S/C to direct counsel to develop an amendment to the Board Regulations in a reasonable amount of time to define "prior service" in a manner that will define eligibility for prior County service and prior public service. (Yes: Cabral, Hast, Katz, Rey, Viramontes, Watts, and Wedington)

8. John Gragnani

This item was tabled until action can be taken on future recommended changes to the Board Regulations.

Mr. Gragnani in public comment thanked the Board for considering his request and noted he is available for any further questions.

9. Fiduciary Liability Insurance

Dunning began by introducing Amy Briggs from Steefel, Levitt & Weiss. Amy Briggs presented her report on Fiduciary Liability Insurance: Ins and Outs of CCCERA's Coverage. Briggs noted she has previously given a similar presentation at SACRS.

Briggs provided an overview of the authority to purchase insurance; potential claims; statutory protections; policy provisions and other issues for the Board to consider.

10. Fiduciary Liability Insurance

After discussion it was the consensus of the Board to discuss the following items at a future meeting when more information is available:

1. Definition of a claim for insurer
2. Define administrative procedures for claims
3. Research secondary insurance for non-covered items
4. Review other options including self insurance.

Dunning will discuss the experience of other '37 Act Systems on this issue at the upcoming Attorney's Roundtable.

11. Managers' Salaries

There was a **motion** to accept the recommendation of the Chief Executive Officer to grant division managers a 5% salary increase. After discussion, it was M/S/C to call for the question. (Yes: Hast, Katz, Rey, Viramontes, Watts; Abs: Cabral, Wedington). On the motion, it was M/S/C to accept the recommendation of the Chief Executive Officer to approve a 5% salary increase for the Accounting, Benefits and Administrative Managers, retroactive to October 1, 2005. (Yes: Hast, Katz, Rey, Viramontes, Watts, and Wedington; No: Cabral)

12. Counsel

It was M/S/ to accept staff's recommendation to place Steefel, Levitt & Weiss on "watch" status until the information gathering process and on site visit process is completed, issue a Request for Information to be completed by the principals of both Reed Smith, LLP and Steefel, Levitt & Weiss in order to assess and resolve specific concerns which have occurred due to the restructuring of CCCERA's General Counsel team and to perform site visits to both firms as a part of this process.

Members of the Board discussed their satisfaction with current counsel. Hally noted a similar process has been followed with all investment managers when a change in personnel occurs by placing a firm on "watch" status to evaluate their circumstances.

There was continued discussion on the process involved, including an on-site visit with less than a quorum of the Board and returning to the Board with information. On the **motion** to accept staff's recommendation (Yes: Katz, Viramontes, Watts, and Wedington; No: Cabral, Hast, Rey). **Motion failed.**

It was M/S/C to perform an onsite visit with Steefel, Levitt & Weiss with a follow-up presentation to the entire Board. (Yes: Cabral, Hast, Rey, Viramontes, Watts, Abs: Katz; No: Wedington) Wedington noted he voted "no" because he sought a more comprehensive approach to the situation.

13. Voting Proxy for SACRS Conference

It was M/S/C to designate Rey as the voting delegate and Gaynor as alternate voting delegate at the Fall SACRS Conference. (Yes: Cabral, Hast, Katz, Rey, Viramontes, Watts, and Wedington)

14. June 28, 2006 Meeting Minutes

There was a motion to modify the language on Item 9 (a) on the June 28, 2006 meeting minutes. Katz commented that minutes should be a true reflection of what happened at the meeting. The wording on Page 5 of the minutes was changed when "supervision of Dunning" was changed to "collaboration with Dunning".

There was discussion that the words were changed because they were incorrect: Leiderman did not supervise Dunning. It was M/S/C to direct the CEO to change the June 28, 2006 meeting minutes back to the original language to reflect the discussion that occurred and for the July 12, 2006 meeting minutes to include discussion of the change. (Yes: Cabral, Hast, Katz, Rey, Viramontes, Watts, and Wedington)

Dunning noted action for the July 12, 2006 minutes was not agendized so no formal action can be taken today on those minutes. However, discussion followed to clarify that the majority of the Board's intent at the July 12, 2006 meeting was, based upon the new information provided to it, to instruct Leiderman to "collaborate with" Dunning on pending projects during an interim period, rather than to "supervise" Dunning.

15. Conference Seminar Attendance

- (a) It was M/S/C to authorize the attendance of Hally at the 2006 Investors Conference, INVESCO, November 8 - 10, 2006, La Jolla, CA. (Yes: Cabral, Hast, Katz, Rey, Viramontes, Watts, and Wedington)
- (b) It was M/S/C to authorize the attendance of Naramore and Telles at the Fall Conference, CRCEA, October 15 - 18, 2006, Sacramento, CA. (Yes: Cabral, Hast, Katz, Rey, Viramontes, Watts, and Wedington)

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- (c) It was M/S/C to authorize the attendance of all Board and appropriate staff at the Fall Conference, SACRS, November 14 - 17, 2006, San Diego, CA. (Yes: Cabral, Hast, Katz, Rey, Viramontes, Watts, and Wedington)

16. Miscellaneous

- (a) Staff Report - Leedom noted that Senate Bill 524 has been sent to the Governor for signature for Contra Costa County Deputy Sheriffs to be able to negotiate a lower tier than the 3% @ 50; the bill includes several changes for CCCERA.

The Pension Protection Act for 2006, although mostly for ERISA plans, also has changes that may apply to CCCERA. SACRS will hold an education event on the second Tuesday in October to discuss the ramifications of this Act. Leedom will report back to the Board with more information as it pertains to CCCERA after this meeting.

Hally, Koehler, Somsen and Leedom will attend the Ethics training at SACRS.

Leedom was informed by the Accounting Manager that the employer contribution pre-pay in July came close to \$150 million.

More meetings are being scheduled with the County regarding Safety Healthcare deductions. The payroll system will probably "go-live" in December. The retiree 1099 tax forms will be processed by the new system in a new format.

Donn Smylie, LRWL, the consultant for the project, will no longer be working with CCCERA because of health reasons. There should be no delays due to his departure.

Hally commented on the upcoming on-site with INTECH and Nicholas Applegate. Staff will be calling to get dates of availability for Board attendance.

- (b) Outside Professionals' Report - Nothing further.
- (c) Trustees' Comments - Cabral requested labels for all Tiers including the two safety tiers. Leedom noted the new system would require labels for all tiers.

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

Clifton Wedington, Chairman

William J. Pollacek, Secretary