

**CONTRA COSTA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION**

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December 5, 2007

The Board of Retirement met in special session at 9:00 a.m. on Wednesday, December 5, 2007 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, Sharon Naramore, William J. Pollacek, Jim Remick, Bob Rey, Jerry Telles, Maria Theresa Viramontes and Clifton Wedington.

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

Outside Professional Support: Representing:  
Ashley Dunning Steefel, Levitt & Weiss  
Bob Helliesen Milliman, USA  
Tim Price Milliman, USA

Other Attendees:

Luz Casas	Contra Costa County Employees' Retirement Association (CCCERA) Staff
Terry Buck	Local 1230 (Fire)
Daniel Kwon	Adelante
Max Swango	INVESCO
Joe V. Rodriguez	INVESCO
Denise Eaton May	Self
James Rehlaender	European Investors
Kirsten McElroy	European Investors
Steve Burton	ING Clarion
J. T. Straub	ING Clarion
James Green	Citi Property Investors
Dan Pine	Citi Property Investors
Jana Sehnalena	Citi Property Investors

**1. Public Comment**

No members of the public offered comment.

**2. International REIT Investment Manager Presentations**

**Introduction and Overview**

Price noted issues the Board may want to consider, i.e., team members involved with each firm, years together as a team, and how many employees each firm has on the ground overseas. He then discussed each of the teams of the various presenters. He noted the search for an International REIT Manager was a much more qualitative search.

He provided a product comparison and trailing performance of the finalist managers as of September 30, 2007. Price reviewed the buy/sell discipline for securities. He concluded by reviewing the advantages and disadvantages of a co-mingled fund.

**INVESCO Real Estate** - Max Swango, Joe Rodriguez

INVESCO agreed to waive the confidentiality of their presentation material. After introductions, Swango discussed INVESCO's previous private real estate relationship with CCCERA.

Rodriguez reviewed the different locations for INVESCO Real Estate, noting they have a good footprint across the world. He noted they have \$31.7 billion under management, and 200 employees. INVESCO has been in direct real estate investments since 1983 and in real estate securities management since 1988.

He then reviewed the INVESCO real estate team, along with the years of experience and years with INVESCO. He noted their average experience is over 20 years. Their unique mix of employees includes mainland Chinese and Japanese. He noted there would be no language barrier.

Rodriguez noted they have a global research platform with global execution. He then reviewed INVESCO's investment philosophy, portfolio construction process, real estate analysis and the benefits/role of property market research teams. Rodriguez noted they view themselves as a core manager.

There was discussion on co-mingled versus separate accounts and performance as of September 30, 2007.

Rodriguez concluded with a securities analysis, how they value securities, and sample portfolio characteristics.

**European Investors** - James Rehlaender, Kirsten McElroy

European Investors agreed to waive the confidentiality of their presentation material.

McElroy began by noting European Investors originally started investing in European investments in the US. In 1980 they discovered US REITs and in the late 90's European started considering Global REITs.

McElroy noted Rehlaender is the only American on the investing team. She then provided a profile of the firm, noting they are a boutique investment firm with over 20 years experience investing in real estate. They have \$6.5 billion total assets under management, with 52 employees, and offices in New York, Amsterdam, Munich and Singapore.

Rehlaender discussed market inefficiencies in global REITs, noting American "eyes" can't be used for other countries. Elements of culture, government, etc., have to be compared and complex company structures have cross border holdings.

Rehlaender concluded by reviewing European's buy/sell discipline and the departure of two junior analyst team members who were in the internship program. Finally, the flexibility of fees was discussed.

**ING Clarion** - JT Straub, Steve Burton

ING Clarion agreed to waive the confidentiality of their presentation material. Straub began by noting ING has been dedicated to real estate securities since 1984. They have 90% of assets under management invested in global mandates and they have a global investment track record since November 2001, one of the longest in the industry.

ING has an investment team of 60 professionals located in Philadelphia, New York, Hong Kong, Tokyo and London. The average portfolio management team experience is 18 years, compensation is linked directly to investment performance and they have a team approach versus star approach.

Straub then reviewed ING real estate's organization, the global portfolio management team and the variety of languages spoken by various analysts. He then reviewed ING's investment philosophy; the investment process; and their buy/sell discipline.

Straub concluded by providing samples of various Global REITs which ING either "dodged the bullet" or did well.

**Citi Alternative Investments** (CPI) - James Green, Dan Pine, Jana Sehnalena

Citi-Alternative Investments agreed to waive the confidentiality of their presentation material. Green began by reviewing CPI's global platform, noting they have a strong global presence with offices in New York, London, Hong Kong, Los Angeles, Shanghai and a presence in Mumbai. They have more than 130 professionals with \$12.8+ billion gross real estate assets under management.

Green reviewed the Global Real Estate Securities team, noting most have attended school outside of their own country. Their team represents seven nationalities and ten languages. He then provided an overview of the Citi Alternative Investments investment process.

Sehnalena went through the day of a typical analyst, noting 50% of the time they analyze returns and 50% of the time they analyze the risk involved. She then provided a global real estate expected return model and an investment that didn't do as well as expected.

Green concluded by discussing current lawsuits and investment management fees.

**3. International REIT Investment Manager(s) Action**

After discussion on the various teams, personnel, buy/sell parameters, and the presenters, there was a **motion** to hire INVESCO, and to invest 1% of CCCERA's total assets in their International REIT product.

There was discussion on the lower administrative costs to start with a co-mingled fund with the option to move to a separate account.

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

It was **M/S/C** to hire INVESCO to invest 1% of CCCERA's total assets in their International REIT product, subject to legal contract review, successful on-site visits and to authorize the Chief Executive Officer to sign any necessary documents. (Yes: Cabral, Gaynor, Hast, Katz, Pollacek, Rey, Telles, and Wedington; abs: Viramontes)

**4. Miscellaneous**

- (a) Staff Report - Leedom discussed a public information request received from a public group in Sacramento requesting salary information and any pay for performance salary incentives.

She commented on the deterioration of the Willows Office Park's plumbing and the problems encountered with the plumbing during the past week.

Leedom noted the Lazard contract has been signed.

Hally commented on the remaining property in the FFCA portfolio.

- (b) Outside Professionals' Report - Dunning advised the Board that the California Supreme Court unanimously granted the petition for review that had been filed in the conflict of interest case, Lexin v. Superior Court.
- (c) Trustees' Comments - Pollacek questioned a disclaimer from Milliman in their reports regarding the accuracy or completeness provided by the investment consultant. He would like this disclaimer changed, noting that numbers from CCCERA's Comprehensive Annual Financial Report (CAFR) are taken from these reports.

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