

CONTRA COSTA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

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March 28, 2007

The Board of Retirement met in regular session at 9:00 a.m. on Wednesday, March 28, 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, 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; 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
James Lee Patrick Hubert Partners
Jeff Coburn Wentworth, Hauser & Violich
Anthony Precourt Wentworth, Hauser & Violich

1. Public Comment

No members of the public offered comment.

2. Approval of Minutes

After noting Naramore, in Telles' absence, voted on all items on the February 28, 2007 meeting, and on the March 7, 2007 meeting, changing "Rusty" to "Russell V." Watts in the first line for those present; and moving "Katz recused himself from the first item in closed session" from above Item 3, to the sentence before the notice that the Board moved into closed session in Item 2, it was M/S/C to approve the minutes of the February 28, 2007 and March 7, 2007 meetings as amended. (Yes: Cabral, Gaynor, Hast, Katz, Pollacek, Telles, Viramontes and Wedington).

3. Wentworth, Hauser and Violich Presentation - Jeff Coburn, Anthony Precourt

After introductions, Coburn reviewed Wentworth, Hauser and Violich's (WHV) performance history. It was noted the numbers were gross of fees. He stated it has been a difficult year for active managers; however, the firm takes responsibility for past performance results. He felt stock selection affected performance.

Coburn provided a risk and volatility analysis that included how portfolio risk is currently controlled. Coburn compared their fund with GARP (Growth at Reasonable

Price) managers and noted the steps WHV is taking to improve their risk adjusted returns.

Precourt then discussed WHV's succession plan, noting the plan for CCCERA's portfolio was formally established over three years ago. He noted Springman has been a mentor for Coburn and Precourt, and will be staying on in an advisory capacity. He then reviewed the respective ages and years of experience for all investment professionals, including those on the Large Cap Core Committee.

An active search for a new Chief Investment Officer is underway to fill Springman's position. The investment committee is a six-person committee with a majority vote required to take action. All portfolio managers in the Large Cap Core strategy must adhere to committee decisions. Coburn has been selected as portfolio manager and client serving role for CCCERA. It was noted that Coburn has been working closely with Springman on portfolio management/client servicing for 2 $\frac{1}{2}$ years.

Precourt concluded with a review of the Large Cap Core investment process, core sell discipline and portfolio characteristics along with the highlights of one recent sale.

4. Wentworth, Hauser and Violich Possible Action

After the departure of Coburn and Precourt, Helliesen discussed the WHV sell discipline. He noted if WHV implements the policy discussed they could reduce risk without sacrificing returns.

There was discussion on the amount of experience of the individual selected as CCCERA's portfolio manager and setting a future date to review WHV performance.

There was continued discussion to clarify that WHV was put on Watch for performance **and** change in personnel, the processes involved during this period, and the time needed to evaluate progress before terminating an investment manager. When asked, Counsel noted the Board has flexibility to terminate an investment manager whenever they feel it is in the best interest of the fund. Hally noted that four years of experience for the portfolio manager is fairly limited; however, he has confidence in the five other active committee members with much more experience that would make decisions. Discussion followed regarding concerns with WHV's sell discipline, performance figures, and leadership.

There was a motion to terminate Wentworth, Hauser and Violich. After discussion on the WHV sell discipline, the GARP Manager category, and the number of large cap core managers in the portfolio, the second on the motion was withdrawn.

The item was tabled until a future agenda. Staff was directed to research and present possible large cap domestic equity structure changes to the Board.

5. Selecting and Hiring of Investment Manager Process

Hally reviewed his memo to the Board. It was M/S/C to accept the recommendation to direct staff and the investment consultant to develop a formal policy which details the process used by CCCERA to select and hire investment managers. Once a draft of the policy is developed, it will be brought back to the Board for approval. (Yes: Cabral, Gaynor, Hast, Katz, Pollacek, Telles, Viramontes and Wedington).

6. Global Fixed Income Search

Helliesen provided an update on the Global Bond Search. It was M/S/C to receive the report. (Yes: Cabral, Gaynor, Hast, Katz, Pollacek, Telles, Viramontes and Wedington).

The fourteen managers involved in the RFP process are: Alliance Bernstein, Brown Brothers, Capital Guardian, Drake Management, FFTW, Franklin Templeton Investments, Lazard Asset Management, Loomis Sayles, PIMCO, Putnam Investments, Rogge Global Partners, T. Rowe Price, UBS Global, and Western.

7. Investment Guidelines and Benchmarks

Hally, Helliesen and Dunning discussed changes to the Investment Guidelines. After several motions to accept specific amendments, the motions were withdrawn.

It was M/S/C to change all "Gov Code" to "Cal. Gov. Code". (Yes: Cabral, Gaynor, Hast, Katz, Pollacek, Telles, Viramontes and Wedington).

Pollacek was not present for subsequent discussion and voting.

After several other changes were discussed, it was the consensus of the Board that the Investment Policies and Guidelines with all amendments be provided to the Board in draft format at the next investment meeting for action.

8. Conference Seminar Attendance

- (a) It was M/S/C to authorize the attendance of Hast and Rey at the 2007 Conference, ING Clarion, May 2 - 3, 2007, New York, NY. (Yes: Cabral, Gaynor, Hast, Katz, Telles, Viramontes and Wedington).
- (b) It was M/S/C to authorize the attendance of Gaynor, Remick, Wedington and Naramore at the Modern Investment Theory, SACRS, June 4 - 6, or June 5 - 7, 2007, Berkeley, CA. (Yes: Cabral, Gaynor, Hast, Katz, Telles, Viramontes and Wedington).
- (c) It was M/S/C to authorize the attendance of two Board members and one staff member at the Eighteenth Annual Meeting, Energy Investors Fund, April 30—May 2, 2007, Sea Island, GA. (Yes: Cabral, Gaynor, Hast, Katz, Telles, Viramontes and Wedington).

9. Miscellaneous

- (a) Staff Report - Leedom reminded Board members to turn in their Disclosure Statement, Form 700. She noted the RFP for tax counsel was sent out the week prior. CCCERA's Information Technology employee will be sent to Chicago for Cognos training, a Web-based reporting application used to create and run reports for the TierPAS system.

Hally - noted Aaron Prince is leaving AFL-CIO and will be working for Western Asset Management in the Taft Hartley area. He is in the process of scheduling on-site visits for Energy Investor Fund, Boston Fidelity, Grantham Mayo, and INVESCO.

- (b) Outside Professionals' Report - Helliesen - noted Judy Driscoll, who headed up Delaware Fixed Income, left last summer. Her departure should not affect those in San Francisco. Dennis McCreary, Head of U.S. partnerships departed Adams Street after 5 years.

Dunning - notified the Board that Chris Ahearn, a Junior Associate, who has done work for CCCERA gave notice last week. There will be no change in service to CCCERA.

- (c) Trustees' Comments - Cabral noted the flood of people retiring in March. Many don't realize how busy it is this time of year, but he wanted to acknowledge that the Benefit's staff has risen to the occasion and accommodates members' needs. Leedom noted staff is also testing COLAs and designing, so it's not a quiet time. Cabral commended staff on exemplary service to members during this busy time.

Clifton Wedington, Chairman

William J. Pollacek, Secretary