

CONTRA COSTA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

Page 1

April 28, 2010

The Board of Retirement met in regular session at 9:00 a.m. on Wednesday, April 28th, 2010 in the Conference Room of the Contra Costa County Employees' Retirement Association, 1355 Willow Way, Suite 221, Concord, CA.

Present: Terry Buck, Richard Cabral, Dave Gaynor, Brian Hast, Jerry Holcombe, Paul Katz, William J. Pollacek, Jim Remick, and Maria Theresa Viramontes.

Staff: Marilyn Leedom, Retirement Chief Executive Officer; Silvina Leroux, Retirement Deputy Chief Executive Officer; Cary Hally, Retirement Chief Investment Officer ; Karen Levy, Counsel.

Outside Professional Support: Representing:
Bob Helliesen Milliman

Other Attendees:

Sean Jara	Contra Costa County Employees' Retirement Association (CCCERA) Staff
Margie Breen	CCCERA Staff
Chih-Chi Chu	CCCERA Staff
Luz Casas	CCCERA Staff
Wendy Malaspina	GMO, LLC
Tom Hancock	GMO, LLC
Arjun Divecha	GMO, LLC
Radey Johnson	Rothschild Asset Management
Deirdra Guice	Rothschild Asset Management
Ken Mertz	Emerald Advisors
Joe Besecker	Emerald Advisors
Adrienne Gaines	Progress Investment Management Company
Mona Williams	Progress Investment Management Company
Stephen Quirk	Progress Investment Management Company
Jose Balagot	Progress Investment Management Company
Doug Forsyth	Allianz Global Investors Capital
Yasmin Sexton	Allianz Global Investors Capital

1. Pledge of Allegiance

Holcombe led all in the *Pledge of Allegiance*.

2. Public Comment

No members of the public offered comment.

3. Discussion with consultants regarding managers scheduled to present

Bob Helliesen provided a flash report of investment managers' performance for the quarter ended March 31, 2010. Helliesen reviewed those presenters currently on the CCCERA watch list, the current returns and the reason for the watch list status.

Helliesen also reported Credit Suisse wants to spin off the real estate business, noting that updates will be provided to the Board as this unfolds.

4. Manager Presentations:

International Equity

GMO Wendy Malaspina, Tom Hancock, and Arjun Divecha

Melaspina introduced the team and reviewed the current assets under management at *GMO*. Divecha noted the strategy is value oriented and felt results have shown this strategy to be favorable.

Hancock reviewed the portfolio performance over the last year and how sector selection, geographic area, and stock selection affected returns. Hancock reviewed the strategy of using high quality value stocks. The one-year return is 44.45% compared to the benchmark returning 58.52%. He noted that *GMO's* geographic allocation hurt the portfolio returns. Hancock highlighted opportunities in the current market, identifying high quality stocks as cheap and safe.

Board discussion followed regarding emerging markets and investment outcomes in particular countries such as Japan and Australia.

Small Cap Domestic Equity

Rothschild Asset Management Radey Johnson, Dierdra Guice

Guice provided a brief introduction and update on *Rothschild Asset Management*. Guice reported that within the last 12 months, risk-taking in the overall market has been rewarded. Over the past 12 months, the portfolio return, net of fees, was 41.94% while the benchmark returned 67.16% over the same amount of time.

Johnson reviewed *Rothschild's* process, noting that *Rothschild* has made a slight change to their quantitative methodology. Radey noted that performance was very disappointing over the last year, noting most of the under-performance was due to stock selection.

Board discussion centered on the positioning of the portfolio in a market downturn and Johnson asserted that Beta is in line now; although market downturn protection is not as great, the positioning is better for upside should the market rise.

Emerald Advisors Ken Mertz, Joe Besecker

Mertz reviewed the portfolio team at *Emerald*. Besecker provided an update on the portfolio and research process, noting a low quality rally over the last period of time that

they believe should end shortly. Besecker noted that value has outperformed growth, but felt that a growth strategy would be beneficial moving forward.

Mertz provided examples of internal reviews of three California-based companies. He also noted that the firm has added Peter Niedland as the Portfolio Manager/Analyst to the Small Cap Growth Equity Team in 2009.

Besecker reviewed specific stocks in the portfolio and the reason for under performance. He noted that lower quality stocks have been in favor, but feels that higher quality will be provide more attract returns moving forward.

Besecker noted that the Emerald does not recommend changes to their strategy, and provided the Board with Emerald's market outlook.

Progress Investment Management Mona Williams, Adrienne Gaines, Jose Balagot, Stephen Quirk

Gaines introduced the Progress Investment team. Williams reviewed the CAT Fund strategy, assets under management and current clients. She noted that the 1st quarter of 2010 has been a difficult quarter for active small cap managers but this portfolio is in a good position moving forward.

Balagot reviewed the 2009 performance, changes made in 2009 and the effect on overall performance. He reviewed manager changes in relationship to Progress Investment Management's confidence and risk factors. Balagot noted the current portfolio position is to favor a value-bias, with an overweight to technology, materials and energy, while being underweight to financials.

Board discussion followed regarding Progress' watch list for this fund including Insight, Globeflex, and DSM.

Balagot concluded by reviewing the financial viability of the managers, the monitoring process by Progress and the status of managers.

Allianz Global Investors Capital (formerly Nicholas Applegate) Yasmin Sexton, Douglas Forsyth

Sexton provided an update on the firm, noting the recent change regarding Allianz Global Investors Capital. She reported that Allianz Global Investors Capital launched a month ago and completes the integration of all three Allianz sister companies: Nicholas Applegate, NFJ, and Oppenheimer Capital. Forsyth noted that there were no changes to the portfolio management structure.

Forsyth reviewed the portfolio strategy and investment process. He noted the risk in the portfolio is no longer credit risk. Forsyth reviewed the high yield performance

CONTRA COSTA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

Page 4

April 28, 2010

relative to the yield spreads. He noted a zero correlation between high yield bonds and 10 year Treasury Bonds. He noted that default rates continue to head lower in 2010.

Board discussion followed regarding default rates with CDOs in the portfolio. Forsyth noted that the portfolio's CDO holdings have been stable.

8. Miscellaneous

(a) Staff Report -

Leedom reported the placement agent policy will be reviewed again during the May 26th Board meeting. The Special Board meeting on depooling will be May 17th at 8:30 a.m.

Kathy Somsen and Leedom gave a brief update on the CPAS user group meeting in Southern California.

CCCERA continues to have issues with County Human Resource Department regarding approval of new position titles. The staffing issue will need to be discussed at next week's Board meeting as there are 4-5 CCCERA staff out on leave for various reasons.

Leedom also mentioned that the Board has received a copy of the letter addressed to Richard White regarding Bob Palmer's comments in their inbox.

Leedom noted receipt of a letter from Contra Costa Central Sanitary District regarding a request to release all information regarding depooling. Leedom will respond and provide a copy of the response letter to the Board.

Hally stated that he and trustees will be conducting an on site visit with PIMCO on Tuesday May 11, 2010.

(b) Outside Professionals' Report -

No reports.

(c) Trustees' Comments -

Buck and Remick gave a brief report on the CII meeting.

Buck asked general question as to whether CCCERA should consider participating in hedge funds. Helliessen advised the Board that hedge funds are very expensive and not utilized very often in public funds, but the Board participating in education on hedge funds could be worthwhile.

CONTRA COSTA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

Page 5

April 28, 2010

Hally noted that hedge funds may be viable for public funds, especially during a large downturn.

When asked, Leedom noted that if and when new legislation passes that would affect CCCERA members, CCCERA would be proactive and notify the membership via website, mail, and other additional methods of communication.

Remick and Hast relayed information covered at recent ING conference regarding concerns with the current real estate market and level of consumer debt outstanding, both nation-wide and globally.

Cabral discussed the upcoming rebalancing of portfolio noting he does not want to change allocation or add more money to commercial real estate.

It was M/S/C to adjourn meeting at 1:01 pm.

William J. Pollacek, Chairman

David Gaynor, Secretary