

CONTRA COSTA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

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November 30, 2011

The Board of Retirement met in regular session at 9:00 a.m. on Wednesday, November 30, 2011 in the Conference Room of the Contra Costa County Employees' Retirement Association, 1355 Willow Way, Suite 221, Concord, CA.

Present: Debora Allen, Terry Buck, Richard Cabral, Brian Hast, Jerry Holcombe, Sharon Naramore, John Phillips, Jerry Telles, Maria Theresa Viramontes and Russell Watts

Staff: Marilyn Leedom, Retirement Chief Executive Officer; Cary Hally, Retirement Chief Investment Officer; Karen Levy, General Counsel; and Vickie Kaplan, Retirement Accounting Manager

Outside Professional Support:	Representing:
Bob Helliesen	Milliman
Tim Price	Milliman

Other Attendees:

Luz Casas	Contra Costa County Employees' Retirement Association (CCCERA) Staff
Chih-Chi Chu	CCCERA Staff
Christina Dunn	CCCERA Staff
Justine Oyler	CCCERA Staff

1. Pledge of Allegiance

Hast led all in the *Pledge of Allegiance*.

2. Public Comment

No members of the public offered comment.

3. Review of total portfolio performance - Bob Helliesen, Tim Price

Helliesen and Price reported on the third quarter total portfolio performance.

CCCERA's third quarter return of -8.8% nearly matched the median total fund and was better than the median public fund. Performance was strong over the past two years. CCCERA has performed near the medians over the past three, four and five-year periods. CCCERA has out-performed both medians over trailing time periods longer than five years.

Viramontes was present for future discussion and voting.

CCCERA total domestic equities returned -16.7% for the quarter, trailing the -15.3% return of the Russell 3000® and the -15.8% return of the median manager. Of CCCERA's domestic equity managers, Delaware had the best absolute results with a -10.2% return, better than the Russell 1000® Growth Index return of -13.1%. PIMCO returned -14.5%, trailing the S&P 500 return of -13.9%. Intech Enhanced Plus also returned -14.5%, trailing the S&P 500. Intech Large Cap Core returned -15.3%, also trailing the S&P 500 Index. Robeco returned -17.4%, trailing the -16.2% return of the Russell 1000® Value Index. Wentworth Hauser returned -18.5%, trailing the S&P 500. State Street (former Rothschild) returned -21.2%, better than the Russell 2000® Value

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return of -21.5%. Finally, Emerald returned -23.6%, trailing the -22.3% return of the Russell 2000® Growth Index.

CCCERA international equities returned -19.0%, matching the -19.0% return of the MSCI EAFE Index and better than the -20.4% return of the median international manager. The GMO Intrinsic Value portfolio returned -19.0%, matching the -19.0% return of the MSCI EAFE Value Index. The William Blair portfolio returned -18.9%, better than the MSCI ACWI ex-US Growth Index return of -20.1%.

CCCERA global equities returned -15.1%, better than the -17.3% return of the MSCI ACWI benchmark and the -19.9% return of the median international manager. The J.P. Morgan portfolio returned -20.1%, trailing the -17.3% return of the MSCI ACWI Index. The First Eagle portfolio returned -9.5%, significantly better than the MSCI ACWI Index return of -17.3%. Finally, Tradewinds returned -10.6%, also significantly better than the ACWI return of -17.3%.

CCCERA total domestic fixed income returned 1.0% for the third quarter, trailing the 2.9% return of the Barclays Universal Index and the 1.5% return of the median fixed income manager. AFL-CIO returned 3.4% which trailed the Barclays U.S. Aggregate return of 3.8% but was better than the median fixed income manager. Goldman Sachs also returned 3.4%, trailing the Barclays U.S. Aggregate Index but exceeding the median fixed income manager. Lord Abbett returned 2.8%, trailing the Barclays U.S. Aggregate but exceeding the median fixed income manager. PIMCO returned 0.5%, trailing the Barclays U.S. Aggregate and the median. The Torchlight II fund returned 0.5%, significantly exceeding the ML High Yield II Index and the high yield fixed income median. The workout portfolio returned -3.0%, trailing the Barclays Aggregate. The Torchlight Fund III returned -3.7% in the third quarter, better than the Merrill Lynch High Yield II Index return of -6.3%. Allianz Global returned -5.0%, which was better than the -6.3% return of the ML High Yield II Index and exceeded the -6.5% return of the median high yield manager.

Lazard Asset Management returned 0.6% in the third quarter, which trailed the Barclays Global Aggregate return of 1.0% and ranked in the 35th percentile of global fixed income portfolios.

CCCERA total alternative investments returned 5.5% in the third quarter. Bay Area Equity Fund returned 53.8%, Paladin III returned 9.4%, Adams Street Partners returned 5.1%, Energy Investor Fund II returned 4.8%, Nogales returned 4.5%, Pathway returned 3.0%, Carpenter Community Bancfund returned 1.5%, Energy Investor Fund returned -0.7% and Energy Investor Fund III returned -2.9%. (Due to timing constraints, all alternative portfolio returns are for the quarter ending June 30, 2011.)

The median real estate manager returned 2.0% for the quarter while CCCERA's total real estate returned -7.6%. Invesco Fund II returned 14.3%, DLJ's RECP II returned 8.8%, Long Wharf III returned 5.6%, Invesco Fund I returned 3.0%, Long Wharf II returned 2.8%, DLJ's RECP IV returned 2.1%, Willows Office Property returned 1.3%, DLJ RECP III returned -2.0%, Adelante Capital REIT returned -14.1%, Invesco International REIT returned -20.7% and BlackRock Realty returned -28.6%. (Due to timing constraints, the DLJ portfolio returns are for the quarter ending June 30, 2011.)

It was **M/S/C** to accept the Quarterly Report presented by Milliman. (Yes: Allen, Buck, Cabral, Hast, Holcombe, Phillips, Telles, Viramontes and Watts)

a. Consideration of any managers already under review or to be placed under review.

Helliesen reported on the performance of the managers on the watch list stating there has been another change in personnel at Goldman Sachs.

It was **M/S/C** to maintain the Watch List including Goldman Sachs. (Yes: Allen, Buck, Cabral, Hast, Holcombe, Phillips, Telles, Viramontes and Watts)

b. Consideration of any changes in allocations to managers.

There were no changes in allocations to managers.

4. Request from Milliman for changes to contract fee structure

Leedom reported Milliman's last fee adjustment was in 2002. Since that time the number of investment managers has increased by 40% and due diligence visits have been added to the tasks Milliman is expected to complete. Discussion followed, including results of a survey of consulting fees paid to investment consultants by other retirement associations in California. The Board discussed the additional workload created by an increase in both managers and fund assets, along with the additional policy of conducting on-site visits with investment managers. Board discussion expressed appreciation for the work performed by Milliman over the years.

It was **M/S/C** to call for the question. (Yes: Allen, Buck, Cabral, Hast, Holcombe, Phillips, Telles, Viramontes and Watts)

It was **M/S/C** to approve the request from Milliman to accept the requested fee increase. (Yes: Allen, Buck, Cabral, Hast, Holcombe, Phillips, Telles, Viramontes and Watts)

5. Miscellaneous

(a) Staff Report

Leedom reported Levy will be conducting an educational session on the Form 700 at the December 14, 2011 meeting.

Leedom also reported a check was received from the City of Pittsburg as a payment towards their unfunded liability.

The Market Stabilization report will be on the January 11, 2012 meeting due to problems with the accounting computer software.

Hally reported an on-site visit to Oaktree is scheduled for December 1, 2011. An on-site visit to Siguler Guff and Angelo Gordon in New York is scheduled for December 8, 2011.

He also reported staff will meet with LaSalle before the fund closes.

(b) Outside Professionals' Report - None

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(c) Trustees' Comments

Viramontes reported that the County Auditor-Controller declined the Retirement Board's request to maintain status quo for compensation and other terms and conditions of employment for all CCCERA employees.

Cabral reported a concern with an employer negotiating different retirement tiers for general members by union group, and is concerned that the law does not allow this change.

It was **M/S/C** to adjourn the meeting. (Yes: Allen, Buck, Cabral, Hast, Holcombe, Phillips, Telles, Viramontes and Watts)

Maria Theresa Viramontes, Chairman

John Phillips, Secretary