Request for Proposals:

Private Markets Design and Implementation Services

Overview

The Contra Costa County Employees' Retirement Association (CCCERA) is searching for a private markets advisor(s) to work with internal staff in managing CCCERA's existing private asset program. CCCERA's primary needs center around portfolio design, implementation plans (pacing schedule), and individual fund due diligence. The scope of private assets in this search includes private equity, private credit, private real assets, and private opportunistic investments. Multiple advisors may be chosen to complete the coverage of the scope. Private real estate and hedge fund advisory capabilities are not required at this time.

CCCERA envisions the advisor to be consultative to CCCERA Board and Staff on portfolio construction and manager selection decisions in a non-discretionary relationship, however, CCCERA is open to other models if your firm can show a compelling rationale. CCCERA is focused on finding the right relationship with an external party therefore will not exclude proposals from fund of funds or discretionary advisors as long as such advisors can prove that they provide competitive non-discretionary services.

Search Timeline

Interested firms should make note of the following dates:

RFP Issued:	August 25, 2016
Notice of intent to respond:	August 31, 2016
Questions submitted:	September 7, 2016
Responses issued to registered respondents:	September 12, 2016
Completed questionnaires due:	**September 16, 2016**

All communications regarding this RFP, including the final response, should be submitted to rfp@cccera.org. Additionally, please submit a hard copy response to the following address:

CCCERA
Private Markets Advisor RFP
1355 Willow Way, Suite 221
Concord, CA 94520

Contra Costa Employees' Retirement Association

The Contra Costa County Employees' Retirement Association is a public employee retirement system that was established by the County of Contra Costa on July 1, 1945, to provide service retirement, disability, death, and survivor benefits for County employees and 16 other participating agencies under the California State Government Code, Section 31450, et. seq. (County Employees Retirement Law of 1937).

CCCERA is administered by a Board of Retirement, an independent public entity responsible for general management of the association. With assistance from qualified professionals in the pension industry, the Board adopts regulations, policies and procedures that are relevant to CCCERA, for the purpose of benefiting the members. (Member groups are retirees and survivors, active and deferred members, and employers.) CCCERA is also governed by the California Constitution. The Contra Costa County Board of Supervisors may also adopt resolutions which affect member benefits, as permitted by the County Employees' Retirement Law of 1937.

The Board has exclusive control of all retirement system investments and is responsible for establishing investment objectives, strategies, and policies. The California Constitution and Government Code Sections 31594 and 31595 authorize the Board to invest in any investment deemed prudent in the Board's opinion. On a fair value basis, the total net position of the pension fund was $7.1 billion at December 31, 2015.

For more information, please visit CCCERA's website at www.cccera.org.

RFP Policies and Procedures

The RFP process is being conducted by CCCERA staff. All inquiries should be addressed to rfp@cccera.org.

Please note that by participating in the RFP process, your firm agrees to abide by the "quiet period" as stated in Section VII.B.2 of the IPS. In short, the quiet period prohibits your firm from having contact with any CCCERA trustee for the duration of the period where your firm is under consideration. Violating the quiet period may result in disqualification. Additionally, designated employees of the selected firms will be required to complete California FPPC Form 700. Details about Form 700 can be found at http://www.fppc.ca.gov.

Finally, your completed Placement Agent Disclosure Form, attached as **Exhibit D**, is required with your completed proposal. Please note that internal sales or relationship management individuals involved in soliciting CCCERA's business are typically considered to be Placement Agents. "Placement Agent" is defined as:

Persons or entities hired, engaged or retained by or acting on behalf of an External Manager or on behalf of another Placement Agent as a finder, solicitor, marketer, consultant, broker or other intermediary to raise money or investments from or to obtain access to CCCERA, directly or indirectly. An individual who is an employee, officer, director, equity holder, partner, member, or trustee of an external manager and who spends one-third or more of his or her time, during a calendar year, managing the securities or assets owned, controlled, invested, or held by the external manager is not a placement agent.

Public Record Requests

During the RFP review, presentation, and discussion time period, CCCERA will not disclose any information derived from the submissions. Once an award is made, the proposals become public record, and may be disclosed upon request. If you are submitting any information you consider to be proprietary, the information must be marked as such. Please be aware, the marking of information as "proprietary" does not necessarily preclude its disclosure. Should a public information request be presented, the laws of the State of California will prevail.

The California Public Records Act, Government code sections 6250, et seq., provides that access to information concerning the conduct of the people's business is a fundamental and necessary right of every person in the state. Public records are defined as any writing relating to the conduct of the public's business and are open to inspection during normal business hours.

There are specific exceptions to the Public Records Act. In the event CCCERA receives a request of any proposal submitted pursuant to this Request for Proposal, it is the responsibility of the organization whose proposal has been requested to assert any rights to confidentiality that may exist. CCCERA will not make that assertion on behalf of the proposer. Absent a judicial determination that the documents are exempt from disclosure, they will be subject to inspection.

Submission by a vendor constitutes a complete waiver of any claims whatsoever against CCCERA, and/or its agents, officers, or employees, that CCCERA has violated a vendor's right to privacy, disclosed trade secrets or caused any damage by allowing the proposal to be inspected.

Private Markets Program Overview

The Functionally Focused Portfolio ("FFP") framework was adopted by the CCCERA Board at the December 2, 2015 meeting. FFP conceptually identifies portions of the total portfolio to fulfill the specific functions of 1) Liquidity, to meet benefit payments and expenses for the next 4 years on a rolling basis; 2) Growth of portfolio assets to ensure assets will be available to meet future benefit payments & expenses; and 3) Risk-diversifying strategies to mitigate volatility within the growth assets and provide safety in the event of a market correction.

The current target allocation for the Liquidity portion is 24% of plan assets in addition to a 1% cash level. The target allocation to Growth assets is 63% and the allocation to risk-diversifying assets is 12%. The allocations to the growth and risk-diversifying portions are subject to annual adjustment based upon current capital markets expectations. All private market allocations will be embedded in the growth allocation.

Exhibit E reflects the current Investment Policy Statement (IPS). The IPS is currently under revision but until such time as the Board adopts a revised version, it remains in effect. The most recent version of the IPS can be found at www.cccera.org/investment-policy and is expected to be followed at all times during the management of this strategy.

The following pages outline the expected services to be provided, followed by a questionnaire.

Services to be provided

1. Assume oversight of the existing private equity, private credit and private real asset programs.

2. Assist in the construction of an private markets portfolio that conforms to the objectives outlined in CCCERA's Investment Policy Statement, is well diversified, provides meaningful diversification for CCCERA's total portfolio, and is accretive to the overall growth allocation.

3. Develop a portfolio design and an accompanying implementation plan for CCCERA's private markets portfolio. Update these plans at least annually. The implementation plan may include opportunistic investment opportunities if available. The long-term vision and strategic plan will incorporate CCCERA's return, risk, and liquidity objectives. The long-term vision and strategic plan will include changes to the portfolio structure and an implementation plan on allocations for specific manager strategies, sub-asset classes, and broader alternative asset classes. As part of the strategic plan, a pacing schedule will be developed which will prioritize and balance liquidity needs, GP capacity, and CCCERA's internal capacity to search for investment managers.

4. Conduct initial and ongoing due diligence of private market managers and fund of funds. The due diligence should include on-site visits and cover areas such as investment strategy, risk management, operations, compliance, administration, prime brokers and other service vendors, trading functions and control, background checks, and financial reviews and audits. Recommend new additions and terminations based on the above due diligence. Manager recommendations will be integrated in the context of CCCERA's alternatives portfolio, CCCERA's total portfolio, and portfolio risk and liquidity. Maintain opinions and research on all of CCCERA's alternative managers and fund of funds. Make available to CCCERA due diligence reports for every manager on the consultant's "recommended list". In the event a manager or fund of funds is not covered, consultant will review and provide a full due diligence report upon request.

5. Track and project liquidity of alternatives portfolio. This will include tracking key terms and the progress of key terms on a report such as lock-up periods, capital calls, liquidation horizon etc. This will also include incorporating CCCERA's liabilities and stress-testing down-side scenarios for liquidity risk.

6. Work collaboratively with CCCERA's Staff, CCCERA's Board, and CCCERA's other consultants and advisors. Integrate research, products, and recommendations with CCCERA's total portfolio and the recommendations of CCCERA's other consultants. Collaboration includes regular meetings between Staff and consultant(s), Staff attending joint due diligence meetings, sharing manager research and white papers, sharing other resources such as risk systems and providing access to all consultant staff. CCCERA's Board meets monthly and the consultant is expected to present at least annually at a Board meeting. The consultant will also attend and present at meetings with CCCERA's Staff and Board when necessary. During the initial phases of building CCCERA's alternative portfolio, it is anticipated the consultant will be present at regularly scheduled Board meetings.

7. Provide access to a broad range of managers and fund of funds to the benefit of CCCERA.

8. Assist in developing appropriate investment guidelines, processes and procedures, new decision-making processes, monitoring managers, and ongoing reporting for an alternatives program in alternative strategies and increasing the level of investments with direct managers.

9. Review contracts such as the limited partnership agreement, subscription documents, private placement memorandums, side letters, and other manager communications. Recommend, assist and provide guidance in interpreting and negotiating key terms in contracts and manager fees.

10. Provide assistance on special projects as needed.

Several exhibits are attached to this document to assist interested parties in understanding CCCERA's portfolio and objectives. Please refer to these documents as you complete the questionnaire:

Exhibit A: CCCERA's Current Asset Allocation including alternatives manager roster. Historically CCCERA has been using fund-of-funds as program pillars in private equity and real assets, though CCCERA has added more niche offerings from fund-of-funds firms in the past few years. Note Siguler Guff CCCERA small buyout fund is a separate account program with an evergreen structure.

Exhibit B: Functionally Focused Portfolio ("FFP") white paper describing new asset allocation

Exhibit C: Updated asset allocation reflecting FFP structure (option B). An immediate task is to reclassify the current alternative managers under the new asset allocation categories.

Exhibit D: Placement Agent Disclosure Form

Exhibit E: Investment Policy Statement

Questionnaire (click to download)

General

1. Give a brief history of your firm including the year the organization was founded.

2. Ownership structure
   a) Organization chart illustrating the ownership structure of your firm and interrelationships between parent-subsidiary, affiliates or joint-venture entities, if any
   b) Specific details with regard to any parent, affiliated companies, or joint ventures.
   c) Significant developments in your organization within the last three years, such as changes in ownership, personnel reorganization and staff departures.
   d) Expected changes in your organization's basic ownership structure or any other significant changes in your organization which you anticipate.

3. Describe all of your firm's lines of business and the approximate contribution of each business to your organization's total revenue. If your firm is an affiliate or subsidiary of another organization, state what percentage of the parent firm's total revenue your affiliate or subsidiary generates. State what percentages of your revenues are reinvested in which specific functions, i.e. research, marketing, education, etc.

4. State whether your firm or an affiliate manages money or in any way provides discretionary management services for clients. If so, describe how conflicts of interest are prevented between discretionary and non-discretionary clients.

5. Provide a profile of your client base in the following table. Further break down the investment strategy if you can.

Client Type	% of Total Asset in Private	% of Private Assets in VC	% of Private Assets in Buyout	% of Private Assets in Distressed	% of Private Assets in Real Assets	% of Private Asset in Co-Investment	% of Private Asset in Secondary	% of Private Asset in Other (specify)
Pension								
Endow-ment								

Family Office								
Other (please define)								

6. Detail any financial relationships which exist with affiliated or other organizations; e.g., brokerage firms, insurance companies, commercial banks, investment management firms, private market management firms, companies, etc. Does your firm provide any services for which it is compensated by these organizations? If so, describe in detail, including the managers, products and services provided.

7. Describe your policies and procedures to prevent possible conflicts of interest:
   a) With other client interests.
   b) Which may result from other investment products or services provided by your firm or affiliated organizations.

8. Does your firm or any of your personnel invest their money in the investments that are recommended to clients?

9. Please attest and commit to your ability to serve as a fiduciary to CCCERA under California law.

10. Please describe the insurance coverage for your firm including coverage amount, deductibles, and A.M. Best rating of insurance carrier (s). Include errors and omissions professional liability coverage and fiduciary bond coverage for acts of fraud and dishonesty. Note CCCERA's minimum requirement on this coverage amount is $5 million.

Client Information

11. Provide a list of three (3) comparable and current clients as references in the following table:

Client Name	Contact Name	Contact Info	Investor Type	AUM (in $ millions)	Yrs as client	Discretionary or Non-discretionary

12. Provide a list of all private market consulting clients that terminated or did not renew their contracts with your firm in the last three years and the reasons given for those terminations or non-renewals.

Client Name	Relation Beginning Year	Relation Ending Year	Reason

Litigation

13. Please describe any inquiries or investigations of your firm or employees of your firm by a state or federal regulatory body or organization within the last five years.

14. Describe any litigation involving your firm or employees of your firm within the last five years.

15. Is there any pending or threatened litigation against your firm, its principals, or anyone proposed for the relationship of any type (civil, criminal, regulatory, arbitration, mediation, etc.)? If yes, please explain.

Personnel

16. Provide a detailed organizational chart of all personnel involved in your private market consultant services.

17. List the number of your firm's professional and support employees involved in:

a. Consulting
b. Investment research
c. Operations research
d. Background checking
e. Legal
f. Client service
g. Portfolio construction
h. Administration / reporting
i. Others (specify)

18. List the names and locations of personnel who would be responsible for CCCERA's account. Include titles, functions, academic credentials and relevant experience. Identify and explain the role of back-up personnel. Include biographies on those that would provide consulting and research services to CCCERA. Describe how your firm would service CCCERA's account. Please identify key individuals and explain how the team would function, including lead person, back-up, specialty coverage (such as sector focus, etc.), quality control and support services.

19. Please detail client relationships of CCCERA's proposed primary consultant in the following table.

Consultant Name	Number of clients	Client Names (or descriptions if name cannot be disclosed)	Client AUM	Type of Client	Type of Engagement

20. Describe your firm's succession plan for client facing consultants.

21. List key employees that joined firm in the past three years. Please list date joined and their title and function. List key employees that left firm in the past three years. Please list the date left, their title and function, and years with the firm.

22. Please describe the employee compensation and incentive program and how it aligns with interests of clients.

Private Market Consulting Philosophy

23. Describe the philosophy followed when designing and constructing private market programs in detail.

24. Briefly explain your philosophy relating to the consultant's relationship with Boards, Staff, Money Managers, General Partners, etc.

25. How did you position your clients during prior to during and after the Great Financial Crisis? How have your investment philosophy and style changed based on events over the last few years? Please provide examples, returns, and references if available.

26. Describe the process you would use to work with CCCERA's investment staff to review and update the overall private markets investment strategy, including goals and objectives.

27. Outline your process for developing and monitoring a client's private markets investment allocation structure. Describe your process for recommending modifications to the portfolio structure as warranted by risk considerations, changes in the market place or benefit obligations/assumptions.

Process

28. What do you consider to be your firm's consulting specialties, competitive advantages, and limitations?

29. Please describe your approach to providing access for your clients to fund managers. Include your process of allocating manager commitments among clients. What advantages do you bring for your clients specifically in accessing managers?

30. Does your firm provide guidance on appropriate funding sources for various alternative asset classes?

31. How does your firm work with clients to establish commitment pacing for private market investments? What types of cash flow forecasting is used? Please provide a sample report if available.

32. Does your firm assist with cash-flow management as it relates to capital call and distributions from private market investments? If so, please describe the process.

33. Explain your firm's due diligence process in assessing a potential investment:
    a) Describe each step in your due diligence process, which would lead to an investment.
    b) Discuss qualitative versus quantitative aspects.
    c) Describe the most common critical areas of focus.
    d) Sources of data for analysis.

34. In negotiating a partnership agreement, or similar document, describe areas the firm considers most important. Are there provisions the firm proactively seeks to include or improve upon? Are there terms or concerns that have changed recently? Does your firm have bargaining power with fees?

35. Identify proposed subcontractors, if any, and clearly outline the work to be performed by such subcontractor(s).

36. Please describe your capabilities and experiences in helping clients integrate an alternative investment program into a fund's broader asset allocation. Please include your inputs in the process and how you have integrated these processes with other consultants.

37. Describe the resources your firm uses to develop and support recommendations and the level of detail provided.
    a) How do you verify the data collected from external sources?
    b) How often is each manager or general partner in the database visited by your staff?

38. Describe your firm's process for monitoring managers and general partners with respect to administrative conditions such as staff turnover, mergers, legal issues and financial soundness. How are clients informed as to new information of this type?

39. Describe your process and basis for recommending any adverse action regarding a manager, fund, limited partnership, or direct investment, and describe what the range of actions may be. Please specify the distinction between termination recommendation and watch recommendation, both in terms of process and client notification.

40. Please provide a sample fund recommendation.

Research

41. Describe the internal structure and organization of your firm's research department. If no separate department exists, describe how this function is fulfilled. Also, describe how research focused personnel are compensated, and how this may differ from client relationship focused personnel.

42. Describe the manner in which internal and external resources and sources of information are used in the research process. How does your firm integrate internal and external research?

43. Comment on your firm's computing and analytical capabilities. What sort of databases, analytical and reporting tools have you developed to support your efforts? Would your firm be willing to provide them to clients, including CCCERA?

44. Does your firm provide research reports other than those specifically requested by the client? If so, please describe and/or provide examples.

45. Provide information on the funds in which your clients are currently invested. Please break this information down by strategy according to the table below, including U.S., International, and Emerging Markets. Please append the table with additional strategy categories as you feel necessary. Differentiate between total number of funds in a given category, names of funds formally recommended and client names or investor type invested in the funds. If any of the fund or client names cannot be disclosed please use descriptive names. All return figures should be stated as of 12/31/15.

Strategy	**Funds (Name, vintage year)**	**Recommended by your firm or client-directed?**	**Number of Clients Invested**	**Net IRR**	**TVPI**	**DPI**
Venture Capital						
Buy-Out						
Distressed						
Special Situations						
Secondary						
Co-Investment						
Fund-of-Funds						
Real Asset - Agriculture						

Real Asset - Infrastructure						
Real Asset – Natural Resources						
Private Credit – Large Sponsored						
Private Credit – Large Sponsored						
Private Credit – Middle Market Sponsored						
Private Credit – Small Sponsored						
Private Credit – Non-Sponsored						
Private Credit – by niche						
Opportunistic						
Other (specify)						

Operational Due Diligence

46. Is operational due diligence conducted internally or via a third party? If a third party is used, please identify the firm used and describe your relationship with that firm.

47. Please describe your in-house operational due diligence team both in function and team members.

48. Please categorize and enumerate your operational due diligence personnel around the following:
    a) In-office and/or on-site visits
    b) Legal reviews
    c) Financial reviews / audits
    d) Compliance
    e) Prime brokers and other service vendors
    f) Back office / operations / administration
    g) Background checks
    h) Trading functions and approvals

49. Provide a sample operational due diligence report.

Performance

50. What sources of data do you utilize for analyzing and evaluating your clients' private market investments?

51. Describe the types of reporting and analysis you can provide on private market investment performance and any limitations for specific investment strategies. What is the frequency of this reporting and how soon is it available following the end of the measurement period?

52. Describe which performance metrics you believe to be most helpful and relevant to CCCERA, and how you use them to asses both fund performance and client overall portfolio performance.

53. Describe the methods you employ to determine whether the general partners are reporting reasonable investment carrying values. What do you do when you feel there is an inaccuracy?

54. Describe the interactions and reconciliation process between your firm's performance calculations and that of the managers or funds.

CCCERA Private Markets Strategy

55. Please provide brief feedback on CCCERA's current allocation of alternative managers.

56. Does your firm identify any critical over/underweights in various sub-categories of CCCERA's current private allocations?

57. How would your firm propose building out a private credit program?

58. Please propose your service model and fee schedule (with breakdown if applicable) to CCCERA.

Exhibit A

CCCERA's Current Alternative Manager Roster

Private Market Investments
As of July 31, 2016

REAL ESTATE INVESTMENTS	Inception Date	Target Termination	# of Extension	Discretion by GP/LP	New Target Termination	Funding Commitment	Market Value	% of Total Asset	Outstanding Commitment
DLJ Real Estate Capital Partners, L.P. III	06/30/05	06/30/14	1st 2 YR	GP	6/30/2016	75,000,000	41,782,000	0.55%	18,958,000
DLJ Real Estate Capital Partners, L.P. IV	12/31/07	09/30/16				100,000,000	82,551,000	1.08%	19,113,000
DLJ Real Estate Capital Partners, L.P. V	07/31/13	12/31/22				75,000,000	45,214,000	0.59%	39,072,000
Hearthstone Partners II	06/17/98	12/31/09				6,250,000	1,000	0.00%	
Invesco IREF I	10/22/03	04/30/11	3rd 1 YR	GP	4/30/2014	50,000,000	6,532,000	0.09%	
Invesco IREF II	05/30/07	12/31/15				85,000,000	14,861,000	0.19%	
Invesco IREF III	08/01/13	08/01/20				35,000,000	19,281,000	0.25%	20,305,000
Invesco IREF IV	12/01/14	12/01/21				35,000,000	17,574,000	0.23%	19,223,000
Long Wharf FREG III	03/30/07	12/30/15				75,000,000	12,558,000	0.16%	
Long Wharf FREG IV	08/14/13	09/30/21				25,000,000	24,671,000	0.32%	
Oaktree Real Estate Opportunities Fund V	12/15/11	12/31/16				50,000,000	33,370,000	0.44%	
Oaktree Real Estate Opportunities Fund VI	09/30/13	09/30/20				80,000,000	89,579,000	1.17%	5,682,000
Oaktree Real Estate Opportunities Fund VII	02/28/15	02/28/23				65,000,000	0	0.00%	65,000,000
Siguler Guff Distressed Real Estate Opp. Fund	12/31/11	12/31/16				75,000,000	67,994,000	0.89%	11,993,000
Siguler Guff Distressed Real Estate Opp. Fund II	08/31/13	08/31/20				70,000,000	47,719,000	0.62%	44,905,000
Siguler Guff Distressed Real Estate Opp. II Co-Inv	01/31/16	01/31/23				25,000,000	11,000,000	0.14%	14,000,000
Paulson Real Estate Fund II	11/10/13	11/10/20				20,000,000	20,213,000	0.26%	3,574,000
Angelo Gordon Realty Fund VIII	12/31/11	12/31/18				80,000,000	65,987,000	0.86%	18,145,000
Angelo Gordon Realty Fund IX	10/10/14	10/10/22				65,000,000	17,756,000	0.23%	52,000,000
LaSalle Income & Growth Fund VI	01/31/12	01/31/19				75,000,000	83,633,000	1.09%	3,946,000
Adelante Capital Management (REIT)						0	101,709,000	1.33%	
INVESCO International REIT						0	59,720,000	0.78%	
						1,361,250,000	863,705,000	11.27%	335,916,000
	Outstanding Commitments						335,916,000		
	Total						1,199,621,000		

PRIVATE DEBT INVESTMENTS	Inception Date	Target Termination	# of Extension	Discretion by GP/LP	New Target Termination	Funding Commitment	Market Value	% of Total Asset	Outstanding Commitment
Torchlight Debt Opportunity Fund II	09/28/06	09/30/16				128,000,000	48,577,000	0.63%	
Torchlight Debt Opportunity Fund III	09/30/08	09/30/16				75,000,000	10,513,000	0.14%	
Torchlight Debt Opportunity Fund IV	08/01/12	08/30/20				60,000,000	61,858,000	0.81%	0
Torchlight Debt Opportunity Fund V	12/31/14	09/17/22				75,000,000	14,741,000	0.19%	71,250,000
						338,000,000	135,689,000	1.77%	71,250,000
	Outstanding Commitments						71,250,000		
	Total						206,939,000		

Private Market Investments
As of July 31, 2016

ALTERNATIVE INVESTMENTS	Inception Date	Target Termination	# of Extension	Discretion by GP/LP	New Target Termination	Funding Commitment	Market Value	% of Total Asset	Outstanding Commitment
Adams Street Partners	12/22/95	INDEFINITE				180,000,000	132,124,000	1.72%	90,952,000
Adams Street Secondary II	12/31/08	12/31/20				30,000,000	19,395,000	0.25%	12,637,000
Adams Street Secondary V	10/31/12	10/31/22				40,000,000	16,840,000	0.22%	21,884,000
Adams Street Venture Innovation Fund	03/09/16	03/09/28				75,000,000	0	0.00%	75,000,000
Pathway	11/09/98	05/31/21				125,000,000	46,268,000	0.60%	18,249,000
Pathway 2008	12/26/08	12/26/23				30,000,000	24,360,000	0.32%	6,931,000
Pathway 6	05/24/11	05/24/26				40,000,000	28,725,000	0.37%	15,231,000
Pathway 7	02/07/13	02/07/23				70,000,000	30,591,000	0.40%	38,607,000
Pathway 8	11/23/15	11/23/25				50,000,000	5,256,000	0.07%	45,925,000
Siguler Guff CCCERA Opportunities	06/03/14	05/31/25				200,000,000	60,932,000	0.80%	145,858,000
EIF USPF I	11/08/02	11/08/12	3rd 1YR	LP	11/08/15	30,000,000	807,000	0.01%	0
EIF USPF II	06/15/05	06/15/15				50,000,000	43,389,000	0.57%	0
EIF USPF III	02/28/07	02/28/17				65,000,000	62,813,000	0.82%	0
EIF USPF IV	06/28/10	06/28/20				50,000,000	50,086,000	0.65%	2,519,000
Bay Area Equity Fund	06/14/04	01/15/13	1st 2 YR	LP	1/15/2015	10,000,000	5,554,000	0.07%	0
Bay Area Equity Fund II	2/29/09	12/31/17				10,000,000	10,753,000	0.14%	514,000
Paladin III	11/30/07	12/31/17				25,000,000	25,374,000	0.33%	0
Carpenter Community BancFund	01/31/08	01/31/16				30,000,000	27,135,000	0.35%	1,479,000
Ocean Avenue Fund II	06/11/14	05/31/24				30,000,000	17,885,000	0.23%	14,884,000
Ocean Avenue Fund III	06/11/14	05/31/24				50,000,000	5,000,000	0.07%	45,000,000
						1,155,000,000	613,287,000	7.94%	535,670,000
	Outstanding Commitments						535,670,000		
	Total						1,148,957,000		

MARKET OPPORTUNITIES	Inception Date	Target Termination	# of Extension	Discretion by GP/LP	New Target Termination	Funding Commitment	Market Value	% of Total Asset	Outstanding Commitment
Oaktree Private Investment Fund 2009	02/28/10	01/31/17				40,000,000	18,455,000	0.24%	5,163,000
Angelo Gordon Energy Credit Opportunities	09/10/15	09/10/20				75,000,000	15,000,000	0.20%	60,000,000
						115,000,000	33,455,000	0.44%	65,163,000
	Outstanding Commitments						65,163,000		
	Total						98,618,000		

REAL ASSET INVESTMENTS	Inception Date	Target Termination	# of Extension	Discretion by GP/LP	New Target Termination	Funding Commitment	Market Value	% of Total Asset	Outstanding Commitment
Commonfund Capital Natural Resources IX	06/30/13	06/30/20				50,000,000	24,073,000	0.31%	25,000,000
Wastewater Opportunity Fund	12/31/15	11/30/22				25,000,000	1,165,000	0.02%	23,835,000
Aether III & III Surplus	11/30/13	11/30/20				75,000,000	46,670,000	0.61%	34,806,000
Aether IV	01/01/16	01/01/28				50,000,000	4,756,000	0.06%	45,244,000
ARES/EIF V	09/09/15	09/09/25				50,000,000	0	0.00%	50,000,000
						250,000,000	76,664,000	1.00%	178,885,000
	Outstanding Commitments						178,885,000		
	Total						255,549,000		

Market value column is the latest ending quarter plus any additional capital calls after the ending quarter.
The Target Termination column is the beginning of liquidation of the fund, however, some funds may be extended for an additional two or three years.

Exhibit B

FFP White Paper

The Functionally Focused Portfolio:
CCCERA Staff Proposal for New Approach to Portfolio Construction

Timothy Price, Chief Investment Officer
Jeff Youngman, Investment Analyst
Contra Costa County Employees' Retirement Association

Overview

The Functionally Focused Portfolio ("FFP") is an approach to portfolio construction that better aligns the long-term goals of CCCERA with the investment portfolio. By structuring three large pools of assets, those being liquidity, growth, and diversifying assets, a portfolio can be built around these themes to achieve CCCERA's objectives. For CCCERA, this involves storing a material amount (two to four years' worth) of benefit payments in safe, liquid assets, in order to meet near term benefit payments, which then allows the Board to focus on the long-term growth of the portfolio while ignoring short-term market noise.

In a Nutshell

CCCERA staff have developed a new approach to pension fund management that, if implemented, would alter the conversation around portfolio construction as well as regular measures of performance. At its core, we propose that any investment pool can be broken down into three functional subdivisions:

1. Provide: There is a spending goal or explicit liability to every pool of assets.
2. Produce: The portfolio must grow, otherwise it's just a savings account.
3. Protect: The growth portfolio can be volatile. There should be an offset.

We believe that by basing portfolio construction decisions first on the provision of income and liquidity, then moving to the optimal mix between growth and diversifying assets, governing bodies can have a much more thoughtful and nuanced approach to the asset allocation exercise and ultimately to the oversight of pension plan or any investment pool.

The Way It Was

CCCERA, and most other institutional investors, have for decades approached asset allocation as a total return optimization exercise. This approach, dominant among US investors since the late 1970's, seeks to assemble a group of asset classes (equities, bonds, real estate) that will respond favorably to differing economic climates, but when combined create an "approximately correct" portfolio for the investor. This optimization methodology is referred to as a Mean Variance Optimization (MVO). It should be stated clearly that CCCERA has enjoyed robust returns from this approach for over 30 years.

The key weakness of the MVO approach is also the source of its popularity. It is a simple model that assumes away real world noise and relies on single point forecasts of expected return, volatility and correlations between asset classes. MVO assumes that the top priority of an investor is the maximum return for a stated amount of risk, and does not account for other investor priorities, such as liquidity or income. The model assumes that correlations between the asset classes are stable over time. This has, at times, led to significant failures of the model over short periods (for example, the model did not work during the 2008/09 financial crisis) though it does give us a workable long-term model. Historically, when the MVO approach has failed, actuarial science has provided a buffer through smoothing of returns and long-term amortization of actuarial gains and losses.

This has worked well enough, but it pushes the impact of any shortfall below the assumed actuarial rate to the plan sponsors. It may also lead to excessive risk taking by at least nudging a Board to adopt asset mixes with rates of return near the current actuarial assumption, regardless of the level of risk that comes along with that asset mix. This is by no means a critique of CCCERA's or any other Board, but rather of how asset allocation data is typically discussed with governing bodies. Staff and consultants present limited data, usually focused first on expected return, then standard deviation. The numbers are presented with one or two decimal points of false precision and any discussion of the range of outcomes is left for later exhibits.

We think we have a better idea.

Three Big Levers

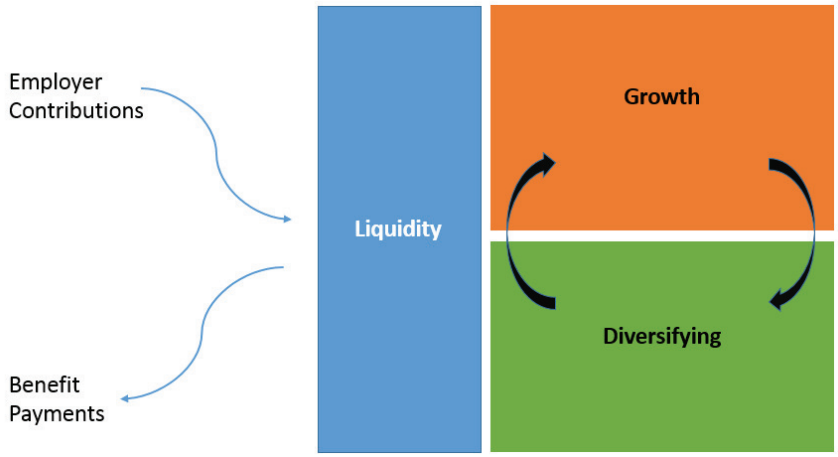
The vast majority of us know how to drive a car. While our skill levels vary, we know the basics of how to make a car function: gas, brake, steering wheel. Coupled with that knowledge of how to drive a vehicle, we know the rules of the road which govern how we interact with other drivers. Keep in your lane, signal your turns, look out for others, adapt to the road conditions as they change. Pension fund management can follow a similar model. You don't need to know the details of the internal combustion engine to get your car safely from point A to point B, you need to know how the car *functions*.

The rules vary slightly from place to place, but generally are so uniform that our knowledge of how to drive in our hometown can be applied to how we might drive in another nation or in various conditions that we do not typically encounter (gravel roads, sand paths and snow-covered highways). The three main functions of operating the car don't change, but the environment in which the car is operated can vary.

Similarly, the three big levers of pension management identified earlier don't vary a lot from fund to fund (every fund needs to grow, disburse benefits, and provide diversification), but how these functions are identified and managed can have a material influence on how well the fund operates in different economic environments.

Let's turn to how FFP would work in practice. The FFP approach puts liquidity at the center of the process and builds in growth and diversification once that core function has been satisfied. The portfolio has the three subdivisions discussed earlier: Provide, Produce and Protect.

1. The Provide (liquidity) portfolio would be set up to generate a contractual monthly cash flow designed to meet the CCCERA benefit payment, currently approximately $35 million.
2. The Produce (growth) portfolio provides the long-term growth that has been the historical focus of the CCCERA investment program.
3. The Protect (diversifying) portfolio would house investments designed to reduce the volatility inherent in the growth portfolio.



The key decision for the Board is to set the target liquidity level (based on the number of benefit payments held in safe, liquid assets) and the allowable range around that level. All other decisions, including the ultimate size and risk compositions of the growth and diversifying programs, flow from that one decision about the Provide portfolio.

Inherent in this structure is that risk (volatility and illiquidity) will be accepted in portions of the program where it is appropriate to do so (growth assets that are earmarked for the next generation of retirees) and will not be accepted in the portion of the portfolio that has clear and immediate liquidity needs.

The illustration below highlights the general categorization of asset classes and vehicles that might be considered under an FFP framework and where we might choose to pair assets with liabilities.

Highly Certain

Function	Liabilities	Asset / Cash Flow
Provide	Current Retiree Benefits	Short Duration Government Bonds / Normal Cost
Protect	Future Benefits for Current Employees	Core real estate, high quality credit / UAAL
Produce	Future Benefits for Future Hires	Equities, real estate development / POB Issuance

Highly Uncertain

What goes into each Category?

Earlier in this paper, we highlighted the rough spectrum of uncertainty around CCCERA liabilities as well as around the assets in which we might choose to invest. That illustration was a simplistic approach. In reality, a single investment can exhibit several attributes. For example, a real estate investment trust (REIT) has a relatively stable dividend payment but the price of the security fluctuates widely. Therefore, we might take an investment such as a REIT and think about its dividend payment as an attribute that is somewhat distinct from its share value. It would essentially serve distinct roles in two sub-portfolios: growth and liquidity.

The table below shows how we would approach the translation of the risk attributes of our investments into their functional roles. Liquidity will largely come from income, maturity (payoff) of an investment or contractual cash flow (employer and employee contributions, long-term rental contracts). Growth assets will have a combination of market exposure (beta) and manager skill (alpha). Diversifying assets might have income, beta and alpha, but our baseline expectation is that their returns would largely come from the first two factors.

Risk Decomposition

Strategic Priority

	Income	Beta	Alpha
Liquidity	X		
Growth		X	X
Diversifying	X	X	

We believe that defining the functional roles of the assets in which we choose to invest is far more important than setting individual sub-asset class targets. In other words, defining the allowed growth exposure and the characteristics of assets that fulfill that growth function is key. The actual mix of growth assets will likely be fluid through time as valuations fluctuate and the strategies available to us from our asset management partners evolve.

Staff will work with the consultant to identify appropriate strategies to fill out the functional roles that have been defined by the Board. Examples of the asset classes that would likely be considered for each functional role are noted on the following page. These examples are not exhaustive, or exclusive, but are good starting points for our research and are explicitly modeled in the Verus asset allocation mixes.

Provide/Liquidity Assets: Absolute minimized risk assets. Examples include US Government Debt, AAA and AA short-term corporate debt, contractual income streams (real estate, energy transmission, any other long-term take or pay contract with a high credit counterparty).

Produce/Growth Assets: Long-term capital appreciation tied to global economic growth. Examples include public equity, private equity, high yield debt, non-US debt, real estate development, infrastructure development, any other asset where the bulk of the expected return comes from capital appreciation and not current income and/or is not expected to provide liquidity for an extended period of time.

Protect/Diversifying Assets: Assets that will tend to have low correlations to growth assets, particularly in times of distress. Real assets (energy, materials, timber, agricultural land), transportation assets (maritime, aircraft, rail), mature and operating infrastructure assets, explicit hedging strategies (long/short funds, tail risk hedges).

Why start with liquidity?

Paying benefits is, hands down, CCCERA's most important function. It is written into California State Law, it is the basis of CCCERA's mission statement and, as Verus confirmed through the enterprise risk tolerance survey, that primacy is front and center in the minds of the trustees. Why, then, has this function taken a backseat to conversations about diversified growth for the vast majority of CCCERA history? I believe it has much to do with the cash flow position of the fund.

For the first 70 years of CCCERA history, contributions paid into the system from employers and employees have generally exceeded the outgoing benefit payments annually. In recent years, we have had to tap into the nominal income produced from equity dividends and bond coupons to meet the overall benefit needs. When there is a ready source of external capital that would largely or completely meet the spending requirements, liquidity falls into the category of “its small relative to overall fund, generally taken care of operationally and our attention is best focused elsewhere”. This has worked and has been appropriate. All appropriate benefit payments have been paid and the trustees have been able to focus on the long-term growth of the system.

The liquidity function becomes our central focus today because:

1. CCCERA is no longer cash flow positive, and we are projected to become significantly cash flow negative over the coming decades.
2. This is occurring amidst of the effects of quantitative easing, which has inflated the price of risky assets, which has the effect of reducing the yield (income) available in the market today.

The confluence of these factors mean that change is necessary from a long-term, structural point of view but also that current market conditions make it expensive and difficult to make that change today.

To fund our own cash flow, we will need more than just a short-dated fixed income portfolio for the Provide portfolio. FFP envisions a portfolio of assets that will generate cash flow every month to meet CCCERA benefit payments. The table on the following page maps out the level of benefit payments that we project CCCERA will need to generate in the period 2016-2020.

Year	Projected Monthly Benefit ($MM)	Projected Annual Benefit ($MM)
2016	$35	$424
2017	$37	$446
2018	$39	$468
2019	$41	$491
2020	$43	$515

It is important to note that we do not envision capital calls and distributions being used in the liquidity planning process. The funding of private investments would be an operational exercise similar to the structure that we have today. Every private commitment will identify a specific public market portfolio that will be the source of all capital calls and recipient of all distributions. In this way, we can mentally account for the underlying economics of investments without muddying the waters with respect to how we use these largely inconsistent cash flows.

Annual Funding Plan

The Annual Funding Plan ("AFP") describes the process of keeping the liquid portion of the portfolio funded with the Board's targeted number of months of benefit payments. Given the importance of certainty in the liquidity provision of the portfolio for the FFP concept to work, having a process to regularly replenish the liquidity provision, and communicate the level and health of the liquidity in the portfolio is paramount to FFP's successful implementation.

Every year, staff will present the Annual Funding Plan, which will provide a road map of where the next incremental 12 months of benefit payments will likely come from. Ultimately, there are two sources of benefit payments for the Fund: the annual employer pre-payments, and investment assets. The benefits, drawbacks, and best uses of both are shown below:

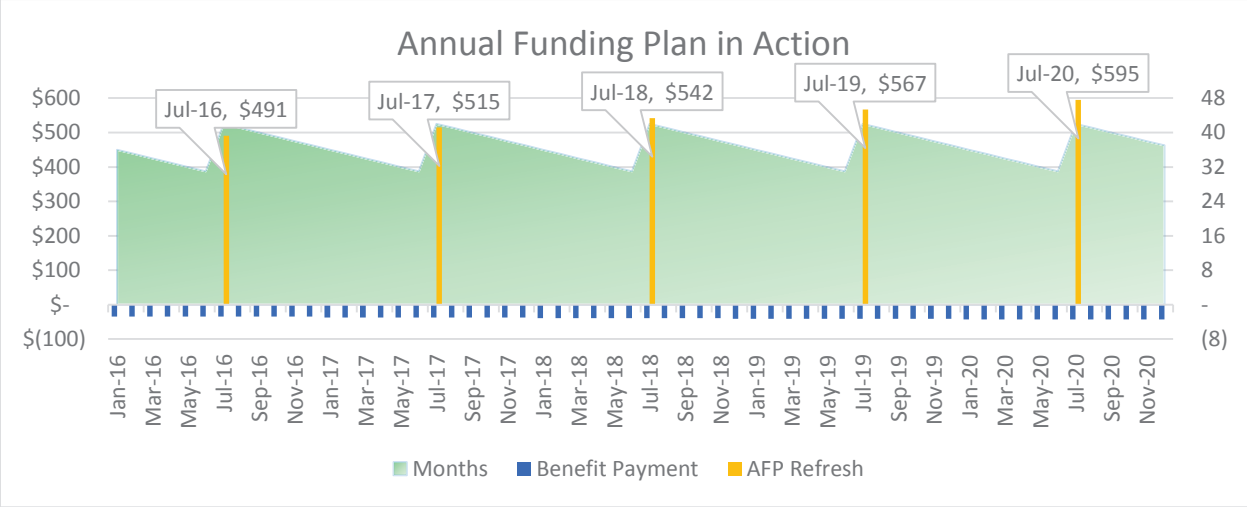
Asset	Pros	Cons	Best Use
Annual Prepayment	Certainty - Staff can rely on the prepayment due to the financial health of the employers The pre-payment is already liquid The estimated amount is generally accurate and known well in advance of the payment being made	The prepayment currently covers only about 10 months of benefits, and this will shrink in future years Passing through the prepayment removes those assets from consideration for a longer term investment	Passing through the prepayment is the best approach if the Board chooses to hold fewer months of benefit payments in the liquidity portfolio. The certainty of the prepayment would reduce any market risk on keeping the liquidity portfolio funded.
Investment Assets	Investment assets can be structured to produce cash flow for the purpose of keeping the liquidity portfolio funded Asset sales can play a role in rebalancing the portfolio	Assets in the growth and diversifying portfolios will fluctuate in value. There is risk in selling these assets at a loss	Using plan assets for future benefit payments is the best approach when the Board chooses a longer hedge in the liquidity portfolio. This would allow for the longer term harvesting of portfolios, and would maintain flexibility for the use of the prepayment for attractive investment opportunities.

Staff would be tasked with making the investment decisions to keep the liquidity portfolio funded, and would annually present to the Board the expected sources of the next incremental 12 months of benefits. Throughout the year, Staff would regularly report to the Board on the progress of funding the liquidity portfolio through either asset sales, harvesting income from assets, or reliance on the prepayment. Given the structure of Annual Funding Plan, the level of the liquidity fund would not normally be less than 12 months below the Board's target benefit payment threshold (should Staff feel the need to increase or decrease the liquidity provision beyond the Board's pre-determined level, Staff would come to the Board for approval of the change, as well as any changes in the allowable range). For example, if the Board targeted 36 months of benefit payments in the liquidity portfolio, at the beginning of the period, the fund would have 36 months of benefit payments funded, and would draw on 12 months over the course of the year. Over that same year, Staff would be responsible for raising an additional 12 months of benefit payments (either through selling investment assets, harvesting investment income, passing through the employer prepayment, or some combination of the three), such that at the end of the first year, there would still be 36 months of benefit payments in cash. This is shown in the example below:

Example:
Starting Monthly Benefit Payments: $35 mm
Three Years of Benefits Funded: $1.34 bn

	Annual Benefit Spend	*AFP Cash Raise*	*Balance*
Beginning of Period	-	-	$1,338
Year 1	-$424	$491	$1,405
Year 2	-$446	$515	$1,474
Year 3	-$468	$542	$1,548

This fund raising and subsequent drawdown is illustrated below.



In the preceding example, the Provide balance is stabilized by the annual spending and cash raising activity. It is important to note that during the year, there may be periods of time where this is less or more than $1.34 bn in the balance, based on the inter-year timing of cash flows. However, the balance would never be less than a pre-defined minimum (to be determined by the Board). In practice, we believe that a normal operating limit would be 12 months less than the number of months defined by the Board. This would be the required balance minus a full year of benefit payments (this would be the case in the unlikely event of spending 12 months of benefit payments before raising an entire year's worth of benefit payments on the 365th day). If extenuating circumstances lead us to believe a lower balance would be prudent, this temporary flexibility would have to be approved by the Board in advance. Given the level of authority Staff would have over this process, it is important to evaluate Staff on their success in keeping the liquidity portfolio funded.

The forward-looking plan for raising the assets will be communicated to the Board at the beginning of the period, and the Board will be updated regularly on the progress of funding, as well as any changes to the planned cash raise. By stabilizing the liquidity portfolio, and in turn the near-term needs of the Fund, the Board is able to direct its attention to the long-term health and growth of the Fund.

The key decisions for the Board will be:

1. Select the size of the Provide portfolio as determined by number of months of benefit payments to be "pre-funded".
2. Select the appropriate range around that level. Most importantly, what is the minimum number of months the Board is comfortable having in the Provide portfolio? For example, if the Board selects a desired level of 36 months, are you comfortable with starting with 36 months, drawing down to 25 months and then refreshing to 36 months with the next Annual Funding? Would you prefer start at some level above 36 months and draw down through that level so the average level over the course of the year is 36 months?
3. Or would you prefer to allow some additional flexibility for us to draw down to a lower level or pre-fund a larger number of benefit payments when market conditions make it prudent and cost effective to do so but keep 36 months as the neutral position? If so, what are the maximum and minimum limits for staff discretion, and under what circumstances would the Board like to make decisions in moving away from the neutral position?

How best to determine the growth/diversifying Split

Once we have identified the portion of the portfolio that will be dedicated to providing liquidity and paying benefits, we know the overall size of the growth and diversifying strategies put together, but we don't know the appropriate split between those two segments. How should we approach this question?

We propose the following structure:

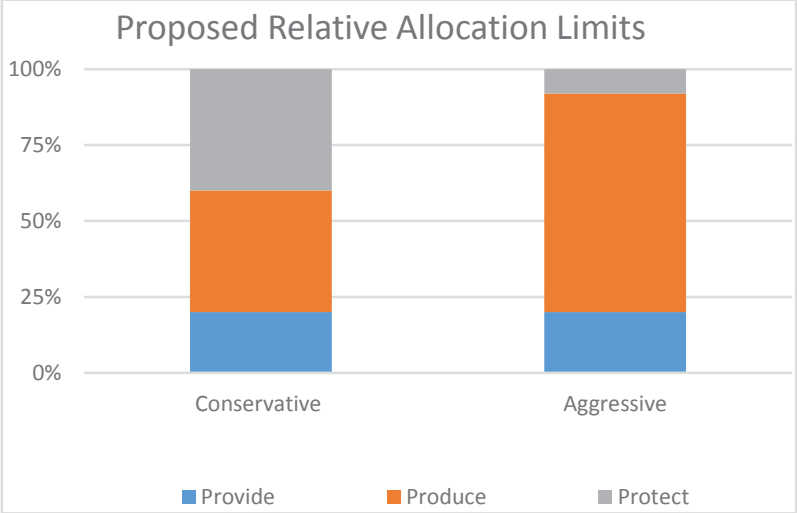
1. We know the overall size of the growth and diversifying portfolios.
2. We know that growth is the primary pursuit of the combined programs
3. We will seek to add diversification and protection when it is:
    a. Needed to pursue a CCCERA goal, or
    b. Available inexpensively and can be used opportunistically

Setting the exact mix between the two will be something of an art, rather than pure science. That said, we believe that some common sense guardrails make sense. In keeping with the goals identified above, we propose the following limits:

1. The Produce allocation will be the dominant allocation, at our most conservative, we would not reduce the growth exposure below a 50/50 split with the diversifying assets.
2. The goal of the Protect element is to keep us out of trouble by offsetting risk in the Produce portfolio and provide a backstop of assets that can be used to acquire low-priced assets during a downturn. Therefore, even at our most aggressive stance, we would maintain diversifying assets of at least 10% of the combined growth and diversifying portfolios.

Proposed Guideline Example

Assuming the Protect portfolio stands at roughly 20% of overall assets, the aggressive and conservative stances are shown below:



We are well aware that building out this structure will be something of a learning experience and these limits might be revised over time, but we believe this to be a good starting point.

How do we measure success?

The success of the Functionally Focused Portfolio will be measured differently than the success of a traditionally structured portfolio. The total fund return and standard deviation numbers will still be observable, but will be secondary to the unique measures of success of each of the FFP sub-components: Provide, Produce, and Protect. Below we outline how each of the sub-components will be measured:

Provide (liquidity portfolio)

The safety and surety of the Provide portfolio is absolutely central to the FFP concept. The Provide portfolio is designed for the explicit purpose of storing and dispersing future benefit payments. With this simple function, the total fund achieves its primary goal for beneficiaries. Because of the importance of the Provide portfolio's surety, it can accept the absolute minimum level of any risk. For example, quantitatively this portfolio will have the shortest duration, and lowest credit exposures. Volatility can not be accepted in this portfolio, therefore no investment selected for this portfolio will be subject to material volatility. It is expected that this portfolio will be comprised primarily of fixed income and cash.

Qualitatively, the Board will be able to focus on the long-term facets of the portfolio (growth and diversifying strategies) by being satisfied that the provide portfolio is sufficient to cover near term needs. This is effectively a two part qualification: does the provide portfolio exhibit a low-risk, low-volatility profile that the Board would expect from an extremely safe portfolio? And, is the provide portfolio sufficiently sized to cover near term needs and protect near term benefit payments? The Board will receive regular reporting on the risk posture of the Provide portfolio in order to execute appropriate fiduciary oversight, and the Board will be setting the desired number of stored benefit payments, and setting any flexibility around that number. If the Board is satisfied with the Provide portfolio's risk posture and size, the Board is then able to direct their attention to the Produce and Protect portfolios.

Produce (growth)

Success in the growth portfolio will be measured by risk-adjusted returns, whereby the portfolio will be positioned for the maximum growth while minimizing the risk of a permanent impairment of capital. The produce portfolio carries the weight of growing Plan assets to be used for future benefit payments, but should avoid any investment where capital could be permanently lost, resulting and a shrinking of the assets available to grow. Results of the growth portfolio will be observable in the form of above benchmark returns.

Protect (diversifying)

The Protect portfolio is designed to offset some of the volatility of the growth portfolio. Ideally, the Protect portfolio will zig when the Produce portfolio zags. In addition, the Protect portfolio must maintain some liquidity in order to quickly respond to market events. Success will be measured by the Protect portfolios liquidity profile (with a floor of holding at least 1/3rd in liquid assets) and will be driven by different factors than the investments in the Produce portfolio, thereby providing a diversification benefit.

Required Resources for Implementation

As we build out the strategies backing each function, we will be actively engaged with our asset management partners. We envision the first stage as defining our goals and eliciting feedback from our current managers, as well as others that we believe to have unique insights. Once we settle on the appropriate implementation strategies, we will need to identify the skill sets necessary to successfully build out the program. In that process, staff will look to find those skill sets on the most cost-effective basis. This might include:

- Adding expertise to the CCCERA Investment Staff to source and oversee new investments
- Adding consulting resources (either through Verus or the potential addition of other specialty consultants)
- Partnering more closely with select asset managers through better-aligned long-term relationships

During the build out process, we will periodically update the Board with our recommendation about when and how to add necessary expertise.

Conclusion

The Functionally Focused Portfolio attempts to change the conversation that CCCERA has in the Boardroom. We want to focus the Board discussions on the setting big functional allocations and monitoring their success, rather than on focusing on implementation details that have a far smaller impact on CCCERA's long-term success in achieving our objectives. It is our hope and belief that changing the conversation will lead to more productive Board meetings and greater clarity about why CCCERA holds our various investments.

The level of transparency around each investment remains the same. Your staff and consultant remain available to discuss the pros and cons of every CCCERA investment. We can engage in every conversation we have now about managers, strategies and markets; but we can also do more by focusing on the key functional roles.

I would like each Trustee to ask themselves two questions:

1. When discussing the CCCERA investment program with members of the community, do you believe that you will have a more productive conversation by discussing the size and role of three big functions or by trying to describe the ten asset classes and over 60 individual strategies that we hold?

2. Do you believe that we will have a more robust conversation in the Boardroom when discussing three big functional roles that have a material influence on the performance of the entire CCCERA asset pool or on the selection of an individual manager that might hold a small percentage of CCCERA's assets and therefore have little impact on our overall results?

The CCCERA Investment Philosophy explicitly states we as an organization prefer simplicity to complexity. FFP is your staff's attempt to deliver on that goal.

Exhibit C

Updated Asset Allocation

CCCERA Asset Allocation Mixes 2016

	B
Domestic Equity	
US Large	6.0
	6.0
International Equity	
International Developed	10.0
Emerging Markets	10.0
	20.0
Global Equity	-
Total Equity	**26.0**
Fixed Income	
Core Fixed Income	-
US Treasury	3.0
Short-Term Gov't/Credit	24.0
High Yield Corp. Credit	-
Global Sovereign ex-US	-
Global Credit	-
US TIPS	-
	27.0
Real Assets	
Commodities	-
Core Real Estate	-
Value-Add Real Estate	4.0
Opportunistic Real Estate	4.0
REITs	1.0
	9.0
Alternatives	
Risk Diversifying Strategies	9.0
Risk Parity	-
Private Equity	12.0
Private Credit	16.0
	37.0
Cash	1.0
Total Allocation	**100**

Exhibit D

Placement Agent Disclosure Form

CONTRA COSTA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

PLACEMENT AGENT DISCLOSURE POLICY

(Adopted 6/9/2010)
(Amended 12/8/2010)

This policy is effective immediately upon adoption. This policy is intended to supplement any applicable provisions of state or federal law, which shall govern in the event of any inconsistency.

I. PURPOSE

This Policy was adopted in accordance with California Government Code section 7513.85, which requires all California public retirement systems to develop and implement, on or before June 30, 2010, a policy requiring the disclosure of payments to placement agents made in connection with system investments. This Policy sets forth the circumstances under which the Contra Costa County Employees' Retirement System ("CCCERA") shall require the disclosure of payments to Placement Agents in connection with CCCERA's investments in or through External Managers. This Policy is intended to apply broadly to all of the types of investment partners with whom CCCERA does business, including the general partners, managers, investment managers and sponsors of hedge funds, private equity funds, real estate funds and infrastructure funds, as well as investment managers retained pursuant to a contract. CCCERA adopts this Policy to require broad, timely, and updated disclosure of all Placement Agent relationships, compensation and fees. The goal of this Policy is to help ensure that CCCERA's investment decisions are made solely on the merits of the investment opportunity by individuals who owe a fiduciary duty to CCCERA.

II. APPLICATION

This Policy applies to all agreements with External Managers that are entered into after the date this Policy is adopted. This Policy also applies to existing agreements with External Managers if, after the date this Policy is adopted, the agreement is amended to continue, terminate, or extend the term of the agreement or the investment period, increase the commitment of funds by CCCERA or increase or accelerate the fees or compensation payable to the External Manager (referred to hereafter as "Amendment"). In the case of an Amendment, the disclosure provisions of Section IV.A. of this Policy shall apply to the Amendment and not to the original agreement.

III. DEFINITIONS

A. Consultant: Person(s) or firm(s), including key personnel of such firm(s), who are contractually retained by CCCERA to provide advice to CCCERA on investments, External Manager selection and monitoring, and other services, but who do not exercise investment discretion.

B. External Manager: An asset management firm, partnership, general partner, limited liability company or other investment vehicle that is seeking to be, or has been, retained by CCCERA to manage a portfolio of assets or interests (including securities) for a fee. The external manager usually has full discretion to manage CCCERA's assets, consistent with investment management guidelines provided by CCCERA and fiduciary responsibility.

C. Placement Agent: Persons or entities hired, engaged or retained by or acting on behalf of an External Manager or on behalf of another Placement Agent as a finder, solicitor, marketer, consultant, broker or other intermediary to raise money or investments from or to obtain access to CCCERA, directly or indirectly. An individual who is an employee, officer, director, equityholder, partner, member, or trustee of an external manager and who spends one-third or more of his or her time, during a calendar year, managing the securities or assets owned, controlled, invested, or held by the external manager is not a placement agent. (Govt. Code Sec. 7513.8.)

IV. RESPONSIBILITIES

A. Each External Manager is responsible for:

1. Providing the following information (collectively, the "Placement Agent Information Disclosure") to CCCERA Staff within thirty (30) days after being provided with this Policy:

    a. A statement whether the External Manager, or any of its principals, employees, agents or affiliates has compensated or agreed to compensate, directly or indirectly, any person or entity to act as a Placement Agent in connection with any investment by CCCERA.

    b. A resume for each officer, partner or principal of the Placement Agent detailing the person's education, professional designations, regulatory licenses and investment and work experience.

    c. A description of any and all compensation of any kind provided or agreed to be provided to a Placement Agent, including the nature, timing and value thereof.

    d. A description of the services to be performed by the Placement Agent.

    e. A statement whether the Placement Agent or any of its affiliates are registered with the Securities and Exchange Commission or the Financial Industry Regulatory Association or any similar regulatory agent in a country other than the United States and the details of such registration or explanation of why no registration is required.

f. A statement whether the placement agent, or any of its affiliates, is registered as a lobbyist with any state or national government.

2. Providing an update of any changes to any of the information included in the Placement Agent Information Disclosure within fourteen (14) business days of the occurrence of the change in information.

3. Representing and warranting the accuracy of the information included in the Placement Agent Information Disclosure in any final written agreement with a continuing obligation to update any such information within fourteen (14) business days of any change in the information.

4. Causing its engaged Placement Agent, prior to acting as a Placement Agent with regard to CCCERA, to disclose to Staff any campaign contribution, gift or other item of value made or given to any member of the CCCERA Board or Staff, or Consultant, during the prior twenty-four month period.

5. Causing its engaged Placement Agent, during the time it is receiving compensation in connection with a CCCERA's investment, to disclose to Staff any campaign contribution, gift or other item of value made or given to any member of the CCCERA Board or Staff, or Consultant, during such period.

B. CCCERA's Consultant and Investment Staff ("Staff") are responsible for all of the following:

1. Providing External Managers with a copy of this Policy at the time that due diligence in connection with a prospective investment or engagement begins.

2. Confirming that the Placement Agent Disclosure has been received by CCCERA before any recommendation to proceed with the engagement of the External Manager or the decision to make any investment.

3. For new contracts and amendments to contracts existing as of the date of the Policy, confirming that the final written agreement between CCCERA and the External Manager provides that the External Manager agrees to comply with the Placement Agent Disclosure Policy.

4. Prohibiting, pursuant to Government Code section 7513.85, any External Manager or Placement Agent from soliciting new investments from CCCERA for five years after they have committed a material violation of this Policy; *provided, however,* that CCCERA's Board, by majority vote at a noticed, public meeting, may reduce this prohibition upon a showing of good cause.

5. Providing copies of the Placement Agent Information Disclosure and the Placement Agent disclosures referred to in Sections IV A. 4 and 5, above, to the Chief Executive Officer and the Chief Investment Officer. Copies of the

Disclosures shall be included in materials distributed to the Board in connection with the Board's consideration of the investment or amendment to an investment. Copies of Disclosures received after the investment or amendment is undertaken by the Board shall be timely provided to the Board. All Placement Agent Information Disclosures and the Placement Agent disclosures referred to in Sections IV A. 4 and 5, above, shall be a public record subject to disclosure under the California Public Records Act.

6. Reporting any material violations of this Policy to the Board.

C. External Managers shall comply with this Policy and cooperate with the Consultant and Staff in meeting their obligations under this Policy.

CONTRA COSTA COUNTYEMPLOYEES' RETIREMENT ASSOCIATION

DISCLOSURE STATEMENT RE: USE OF PLACEMENT AGENTS

The undersigned is a current or proposed "External Manager" for the Contra Costa County Employees' Retirement Association ("CCCERA"), as defined under CCCERA's Placement Agent Disclosure Policy, adopted on June 9, 2010 ("Policy.") We have received a copy of the Policy from CCCERA. We hereby disclose to CCCERA the following information, which we represent and warrant to be true and correct as of the date hereof:

1. Neither we nor any of our principals, employees, agents or affiliates has compensated or agreed to compensate, directly or indirectly, any person or entity to act as a Placement Agent (as defined in the Policy) in connection with any investment by CCCERA, **except as disclosed on Attachment 1 to this Disclosure Statement**.

[IF THERE IS NOTHING TO DISCLOSE IN ATTACHMENT 1, ITEMS 2-6 ARE INAPPLICABLE.]

2. To the extent of any disclosure set forth on Attachment 1, we attach as Attachment 2 to this Disclosure Statement a resume for each officer, partner or principal of the Placement Agent (and any employee providing similar services) detailing the person's education, professional designations, regulatory licenses and investment and work experience, and whether any such person is a current or former CCCERA Board member, employee or Consultant or a member of the immediate family of any such person.

3. To the extent of any disclosure set forth on Attachment 1, we attach as Attachment 3 to this Disclosure Statement a description of any and all compensation of any kind we have provided or have agreed to provide to a Placement Agent, including the nature, timing and value thereof.

4. To the extent of any disclosure set forth on Attachment 1, we attach as Attachment 4 to this Disclosure Statement a description of the services to be performed by the Placement Agent.

5. To the extent of any disclosure set forth on Attachment 1, we attach as Attachment 5 to this Disclosure Statement a statement whether the Placement Agent or any of its affiliates are registered with the Securities and Exchange Commission or the Financial Industry Regulatory Association or any similar regulatory agent in a country other than the United States and the details of such registration or explanation of why no registration is required.

6. To the extent of any disclosure set forth on Attachment 1, we attached as Attachment 6 to this Disclosure Statement a statement whether the Placement Agent or any of its affiliates are registered as a lobbyist with any state or national government.

We further represent and warrant as follows:

A. We shall provide an update of any changes to any of the information included in this Disclosure Statement within fourteen (14) business days of the occurrence of the change in information.

B. We shall cause our engaged Placement Agent, if any, prior to acting as a Placement Agent with regard to CCCERA, to disclose to CCCERA in writing any campaign contribution, gift (as defined in Government Code section 82028) or other item of value made or given to any member of the CCCERA Board or Staff, or Consultant (as defined in the Policy), during the prior twenty-four month period.

C. We shall cause our engaged Placement Agent, during the time it is receiving compensation in connection with a CCCERA investment, to disclose to CCCERA any campaign contribution, gift or other item of value made or given to any member of the CCCERA Board or Staff, or Consultant, during such period.

Dated: _____ EXTERNAL MANAGER

_____
Name of Entity

By: _____
Authorized Signatory

Print Name_____

Its _____

Exhibit E

Investment Policy Statement

CONTRA COSTA COUNTY Employees' Retirement Association BOARD OF RETIREMENT

Statement of General INVESTMENT POLICIES And GUIDELINES

Adopted 7/9/85
Last revised 10/30/13

Statement of General INVESTMENT POLICIES and GUIDELINES

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STATEMENT OF GENERAL INVESTMENT POLICIES AND GUIDELINES FOR THE RETIREMENT PLAN TRUST OF THE CONTRA COSTA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

ADOPTED 7/9/85
AMENDED: 1/14/86, 2/27/86, 10/13/87, 8/9/88, 6/13/89, 8/8/89, 1/8/91, 10/13/92, 2/9/93, 5/2/94, 10/14/97, 5/4/99, 1/9/01, 2/12/02, 06/11/02, 11/06/02, 1/28/04, 5/26/04, 7/28/04, 12/14/05, 10/24/07, 4/08/09, 10/30/13

I. INTRODUCTION

The Board of Retirement (the "Board") of the Contra Costa County Employees' Retirement Association ("CCCERA") has established the following Statement of General Investment Policies and Guidelines (the "Statement") for the investment of the trust fund (the "Trust") of the CCCERA Retirement Plan (the "Plan"). The Board reserves the right at any time and from time to time to amend, supplement or rescind this Statement.

II. **AUTHORITY**

The investment of the assets of the Trust shall be in accord with applicable law, including but not limited to the following:

A. Investments shall be solely in the interest of, and for the exclusive purposes of providing benefits to the participants in the Plan and their beneficiaries, minimizing the contributions of employers thereto, and defraying the reasonable expenses of administering the Trust (Cal. Gov. Code Sec. 31595 (a)).

B. Investments shall be made with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of a like character and with like aims (Cal. Gov. Code Sec 31595 (b)).

C. Investments shall be diversified so as to minimize the risk of loss and to maximize the rate of return unless under the circumstances it is clearly prudent not to do so (Cal. Gov. Code Sec. 31595 (c)).

D. In considering potential investment managers, it is the policy of the Board not to exclude managers from consideration based on ethnic background or gender, and not to arbitrarily exclude an emerging firm if, in the opinion of the Board, that firm has equal or superior capabilities to other candidates.

E. It shall be the policy of the Board that an Economically Targeted Investment (ETI) can be considered if and only if it has return and risk characteristics attractive in comparison to other alternatives.

III. ASSET CATEGORIES

For the purpose of setting objectives and guidelines for the investment of the assets of the Trust, the assets shall be considered as divided into seven portions described as the **Global Equity Portion,** the **Global Fixed Income Portion,** the **Real Estate Portion**, the **Real Assets Portion**, the **Alternative Investments Portion, the Opportunistic Portion** and the **Incidental Cash Portion**. The Domestic and International Equity Programs are considered part of the Global Equity Portion. The Domestic Fixed Income Program, the High Yield Fixed Income Program and the Non-Traditional Fixed Income Program are considered parts of the Global Fixed Income Portion.

The Global Equity Portion, the Global Fixed Income Portion, the Real Estate Portion, the Real Assets Portion, the Alternative Investments Portion and the Opportunistic Portion shall be under the supervision of qualified Investment Managers and shall collectively and individually be called Managed Accounts. The term 'Investment Manager' shall include traditional investment managers that exercise discretionary authority in selecting investments, as well as general partners of limited partnerships in which CCCERA invests and similarly situated management of other entities in which CCCERA invests (collectively, 'Partnerships'). The term "Investment Manager" shall also include investment advisors retained by any such Partnerships, to the extent such investment advisors exercise discretionary authority in selecting investments for any such Partnerships.

A: The **Global Equity Portion** shall consist of investments in common stock and other securities which are convertible into common stock and cash equivalents and securities which are being used as substitutes for common stock. The Global Equity Portion cash and cash equivalents of separate accounts shall be held and invested by the Custodian Bank described in Section V below. The Global Equity Portion may be further divided into domestic, international and global; large, mid and small capitalization; and growth, value, and core.

B: The **Global Fixed Income Portion** shall consist of investments in fixed income securities including cash equivalents. Global Fixed Income may be divided into domestic, international and global core and core-plus, High Yield (publicly traded) and Non-Traditional Fixed Income.

C: The **Real Estate Portion** shall consist of investments in real estate through the use of commingled and direct investments, and publicly traded real estate investment trusts (REITs), including cash equivalents.

D: The **Real Assets Portion** shall consist of investments in real assets, in both public security and private partnership forms. The public security allocations shall be the temporary holder of capital to be called for the real asset private partnerships. Real Assets shall include, but not be limited to, investments in energy production, energy transmission, timber, agriculture, inflation protected securities, commodities and infrastructure.

E: The **Alternative Investments Portion** shall consist of other investments of recognized institutional merit not included in III A, B, C, D or F, through the use of commingled and direct investments.

F: The **Opportunistic Portion** shall consist of investments of recognized institutional merit. This allocation is intended to exploit temporary market or asset dislocations.

G: The **Incidental Cash Portion** shall include short-term monies not allocated to the Managed Accounts, including but not limited to unallocated or prepaid contributions and funds formerly allocated to Investment Manager(s) awaiting reallocation to other Investment Manager(s). The Incidental Cash Portion shall be invested in short-term fixed income instruments.

IV. **INVESTMENT OBJECTIVES**

A. Total Fund Benchmarks

The general investment objective of **the Trust** is the preservation of capital plus a return from capital appreciation plus current income that meets Trust needs without taking undue risk. The relative return objective is a total return on a market value basis which exceeds that of a custom index composed of appropriate asset class indexes weighted proportionally by corresponding asset class targets. The minimum average annualized rate of return objective over a market cycle is 400 basis points in excess of the National Consumer Price Index for all Urban consumers over that market cycle.

B. Global Equity Portion

1. For the combined **Global Equity Portion, the objective is an after fee rate of return in excess of a custom benchmark composed of 60% Russell 3000 and 40% MSCI World ex US**

2. For overall **Domestic Equities**, the objective is an after fee rate of return in excess of the Russell® 3000 and a rate of return within the upper half of a database of domestic equity portfolios.

3. For the **Domestic Large Capitalization** sub-set, a rate of return, after fees, on a risk-adjusted basis, which is in excess of the Standard & Poor 500 and a return within the upper half of the large capitalization database; and

4. For the **Domestic Small Capitalization** sub-set, a rate of return which, after fees, exceeds that of the Russell® 2000 Index and is within the upper half of the small capitalization database.

5. The objective of overall **International Equities** is a rate of return, after fees, in excess of the Morgan Stanley Capital International Europe, Australia and the Far East (MSCI EAFE) Index (gross); and which is within the upper half of the appropriate database of international equity investment managers.

C. Global Fixed Income

1. The objective of the overall **Global Fixed Income Portion** is a custom index composed of 80% Barclays Capital US Aggregate, 10% Barclays Capital Global Aggregate and 10% Merrill Lynch High Yield II.

2. The objective of overall **Domestic Fixed Income** (including non-traditional fixed income) is a rate of return which, after fees, is in excess of the Barclays

Capital Universal Bond Index and which is within the upper half of a database of domestic fixed income portfolios.

3. The objective of the publicly traded **Domestic High Yield Fixed Income** sub-set is to exceed, after fees, the Merrill Lynch High Yield II index and to achieve a rate of return within the upper half of its peer group.

4. The objective of the **Global Fixed Income portfolio(s)** is to exceed, after fees, the rate of return of the Barclays Capital Global Aggregate Bond Index.

D. Real Estate

1. The objective of the overall **Real Estate Portion** is a rate of return which, after fees, is in excess of a custom index weighted 64% in the NCREIF Index and 36% in the Dow Jones Wilshire REIT Index, and which is within the upper half of a database of real estate portfolios.

2. The objective for the investments in illiquid real estate (direct and commingled) is the NCREIF Index, plus an appropriate premium based upon the fund's risk profile, as detailed in Schedule III.

E. Real Assets

1. The objective of the overall **Real Assets Portion** is a rate of return, after fees, in excess of that of the CPI-U Index + 400 basis points

2. The objective for the investments in illiquid real assets (direct and commingled) is the CPI-U Index + 600 basis points.

F. Alternative Investments

The objectives of the **Alternative Investments Portion** are:

1. A rate of return after all fees which is in excess of that of the Standard & Poor's 500 stock index plus 4% per year.

2. A rate of return in excess of that of other comparable investments.

G. Opportunistic Investments

The objective of the **Opportunistic Portion** is:

1. A rate of return after all fees which is in excess of the Total Fund return target.

H. Incidental Cash

The objective of the **Incidental Cash Portion** is to achieve a return after fees in excess of that of Treasury Bills of a comparable average maturity.

I. **Individual Manager Objectives** are presented in Schedule III.

V. **CUSTODIAN BANK and COUNTY TREASURER**

A. The custodian bank selected by the Board to act as the principal custodian of assets of the Trust (the "Custodian Bank") may be directed to invest in temporary short-term fixed income investments both for the Managed Account Investment Managers and as a part of the Incidental Cash Portion. Such investments are not to exceed 15 months in maturity. Cash managed for Managed Account Investment Managers shall be considered to be sub-portions of the asset Portions managed by the directing Investment Managers.

B. The Custodian Bank shall be authorized to conduct a securities lending program within liquidity and risk constraints as established by the Board.

C. The County Treasurer will manage any assets of the Incidental Cash Portion not managed by the Custodian Bank in accordance with Government Code Section 53601 et al.

VI. **ASSET ALLOCATION**

A. Targets

The asset allocation targets and their associated ranges, which are a function of the returns and risks from various asset classes and the nature of the Plan's liabilities, are set forth on Schedule I of this Statement. The Board may make tactical adjustments to these targets and ranges, and may change the targets and ranges as appropriate.

B. Rebalancing

To facilitate rebalancing the portfolio and transfer of excess cash with minimal transaction cost or disruption of individual managers' investment strategies:

1. All Investment Managers of separate accounts will remit interest, dividends and rents unless otherwise directed by the Board.

2. At a Board meeting in August and February, and at any other time deemed appropriate, the Board may consider rebalancing that has been, or is to be, implemented by staff as follows:

    a. The under-funded class(es) may be rebalanced with funds from the class(es) that are over-funded according to the asset allocation targets.
    b. Within each class, the under-funded Investment Manager(s) may be rebalanced with funds from the Investment Manager(s) who are over-funded according to the asset allocation targets.
    c. Because of illiquidity and/or structure constraints, real estate, alternative investments and other privately traded investments will not have funds withdrawn if they are temporarily over-funded, with the exception of REIT investments.

C. Cash Allocation

1. Cash flow "in" that is expected to be needed to meet capital calls or other cash flow requirements will be temporarily placed in the most under-target asset class of either Domestic Equities, Domestic Fixed Income, or REITs according to Schedule II.

2. Cash flow "in" in excess of Item 1 will be allocated to the most under-target asset class which is able to accept new funds, and to the most under-target Investment Manager in the class, until that Investment Manager is brought to target, with the exception that if the Board has decided that an

Investment Manager will be precluded from new funding (Section VIII C.3), the next most under-target Investment Manager will be funded.

3. Cash flow “out” will be planned for and will generally come from available cash or from a designated portfolio as in Schedule II.

VII. **INVESTMENT MANAGER SELECTION**

A. Process for Identifying Investment Managers for Consideration

An investment manager candidate may be considered by the Board either as the result of a manager search the Board has authorized or because the candidate has been presented as an idea at a Board meeting by a Board member, by the Chief Investment Officer or by the Investment Consultant.

In the ordinary course of business, managers are to be identified and presented to the Board for consideration following the Standard Search Process, below. However, any Board member, the Chief Investment Officer or the investment consultant who thinks an investment idea or product merits consideration, may raise the matter at a Board meeting. If the Board agrees that the idea has merit, the Board's Investment Consultant may be asked to review and comment on the investment. If, after the Consultant's review the Board concurs that the idea or product merits consideration, the applicable Investment Manager may be invited to appear at a future Board meeting, subject to further due diligence. Alternatively, the Board member may request the matter be placed on an agenda to discuss whether a presentation should be scheduled. In this case, the Board Chair may request that the Board's Investment Consultant be prepared to offer comment during the meeting, with the intent that the Board could make a decision at the meeting regarding a presentation.

In connection with the Board's consideration of any presentation by an Investment Manager as outlined above, Board members and senior Investment Staff shall publicly disclose at the board meeting any prior communications they have had with the subject Investment Manager, and any actual or potential personal financial interests they may have that could be impacted by the Board's consideration of the Investment Manager.

Once a prospective Investment Manager has been invited to present to the Board, the manager and Board shall abide by the "quiet period" restrictions set forth in Sec. B. 2, below.

In all instances when CCCERA is considering a new investment, the prospective firm must complete the CCCERA Placement Agent questionnaire prior to presenting to the Board.

B. Standard Search Process

1. Ordinarily, the Board will identify a particular mandate for which one or more Investment Managers are to be engaged. The Board will direct the Investment Consultant and Staff to develop a detailed "Manager Profile,"

specifying the criteria sought for a manager or managers to fulfill the mandate.

2. Once the Board has directed the Investment Consultant and Staff to develop a Manager Profile, a "quiet period" will ensue, during which time no Board member may knowingly have any communication with any actual or potential candidate for the mandate, *unless* authorized by the Board in connection with the due diligence process in selecting managers. The quiet period shall cease upon the Board's entering into a contract for the Investment Manager(s) selected for the mandate. The Investment Consultant is responsible for alerting the candidates to the quiet period and its restrictions. A violation of the quiet period rule may result in disqualification of the candidate or other appropriate Board action.

3. An Investment Manager search may follow the Board's identification of a mandate. The Investment Consultant will conduct the search in accordance with the Manager Profile. The search criteria will include the scope of the mandate, the investment style, benchmark, fee structure and minimum qualifications for candidates. The minimum qualifications will include successful performance track record relative to benchmark, disciplined investment processes, effective risk management procedures, size of assets under management, experience and capability of staff, organizational stability and applicable regulatory certification and compliance.

4. The Investment Consultant initially will examine its database to identify possible candidates who fit the Manager Profile. Any member of the Board and Staff may also suggest that the Investment Consultant to examine the specific merits of a particular candidate.

5. The Investment Consultant will send out requests for information to qualified candidates meeting the requirements of the Candidate Profile.

6. The Investment Consultant will evaluate candidates and return to the Board with a semi-finalist list, and recommendations for narrowing the list to a finalist list for interview by the Board. Investment Consultant and Staff may perform on-site due diligence on finalist managers, as directed by the Board.

7. Any investment managers that present to the Board as finalists will have satisfied the Investment Consultant and Staff that they are appropriate candidates.

8. All Investment Manager contracts will be subject to final due diligence (including an on-site visit) and satisfactory documentation following Board approval.

C. Non-Standard Search Process

1. Some investments by their nature present unique opportunities and are not suited for a standard search. For example, time constraints may limit the ability to conduct a full search given the inherent features of closed end funds. Further, there may not be suitable competitors for a unique investment opportunity.

2. When such an investment is brought up at a Board meeting, the Board may request Staff and the Investment Consultant perform due diligence to evaluate the merits of the investment and its suitability, and identify competitive managers.

3. Following the requested due diligence report and an interview with the Investment Manager candidate, the Board may vote to move forward with the investment, subject to further due diligence and documentation following the Board vote.

D. Follow-on Funds

A follow-on fund is an investment which has essentially the same strategy as an illiquid closed end fund from the same Investment Manager in which CCCERA has already invested. When a follow-on fund investment becomes available in an asset class that is under its allocation target, the Board may determine to invest in such a fund without conducting a standard search. Such investment will follow the Non-Standard Search Process outlined in C, above.

E. Alternative Investments - Use of Fund-of-Funds

With investments in private equity, including without limitation, leveraged buyouts and venture capital, the Board has determined that it prefers to use fund-of-funds. This does not preclude the use of individual funds or partnerships, should the characteristics of a particular investment prove compelling and have merit for consideration.

F. Multiple Products with one Investment Manager

The Board will examine the use of one manager for more than one mandate on a case-by-case basis. It is the policy of the Board to restrict assets entrusted to any one investment management organization to no more than one-quarter of the total Trust assets.

VIII. INVESTMENT MANAGER MONITORING

A. Quarterly Review

1. All Investment Managers will report quarterly investment performance and compliance using a standard reporting format specified by the Board. In addition, Investment Managers are encouraged to provide their performance information in their own format as supplemental to the required report.

2. The agenda for each Quarterly Performance Review meeting is mailed to all Investment Managers in advance of the meeting. Quarterly reports are to be received in the Retirement Office in accordance with the instructions as set forth on the agenda.

3. Investment and compliance performance will be reviewed and evaluated quarterly. The Board's Investment Consultant, working with the Custodian Bank, will provide performance reports to the Board on each Investment Manager, on each asset class, and on the Trust assets in total.

4. The Board will review the income generated by its securities lending program on a quarterly basis as part of the Board's performance review process.

B. Custodial Reconciliation

1. All Investment Managers with Managed Accounts held at the Custodian Bank will provide monthly custodial market value reconciliation reports to the Retirement Accounting Manager with copies to the Investment Consultant. The reconciliation reports are to be received in the Retirement Office by the 25th day following the end of each month. This report must include a reconciliation of all cash, holdings and market values.

C. Under Review Policy

1. The Board will decide if an Investment Manager should be under review. Reasons for an Investment Manager to be under review include:

   a. Poor performance,
   b. Failure to meet Board requirements,
   c. Deviation from mandate,
   d. Change in personnel,
   e. Adverse publicity,
   f. Change in ownership,
   g. Regulatory compliance issues,
   h. Risk management issues,

i. Lack of appropriate communication, or
j. Any other reason the Board deems appropriate.

2. If an Investment Manager is placed under review, staff will notify the manager in writing that it has been placed under review.

3. If an Investment Manager is placed under review, the Board will at the same time decide if the manager should be precluded from new funding.

4. At least each quarter, and whenever the Board deems appropriate, the Board will evaluate all Investment Managers under review, and for each such manager take one of three actions:

   a. Decide the manager is no longer under review,
   b. Terminate the manager, or
   c. Keep the manager under review.

5. If the Board determines that an Investment Manager is no longer to be under review, staff will notify the manager in writing of this determination.

6. If the Investment Manager is kept under review, the Board may revisit the question of whether the manager should be precluded from new funding.

D. Investment Manager On-Site Due Diligence

1. The Board may authorize certain of its members to conduct visits to either the home office or a satellite office of a current or prospective Investment Manager or to a real estate property in the portfolio of a real estate Investment Manager.

2. Visits to investment management firms may include but are not limited to:

   a. Review of back office procedures and record keeping
   b. Review of trading operations and resources
   c. Review of research capabilities and operations
   d. Observing investment committee meetings
   e. Review of decision-making processes
   f. Review of risk management procedures
   g. Review of compliance procedures
   h. Review of disaster recovery plan

3. Visits to real estate properties may include but are not limited to:

   a. Site inspection

b. Tour of the surrounding area
c. Visits to competing properties in the area
d. Meetings with building management and leasing agent
e. Meetings with tenants
f. Observing construction or renovation activities

4. The Board members, accompanied by the Investment Consultant and senior investment staff and/or CEO, will normally visit with a prospective Investment Manager in its offices prior to hiring, as approved by the Board.

5. Visits to investment management firms may be conducted when an Investment Manager is placed under review or when there has been a change in firm ownership.

6. Generally, not more than three Board members and no more than four will be authorized to conduct an Investment Manager visit.

7. A written report on each Investment Manager visit shall be provided to the Board.

8. Informal visits to an Investment Manager (existing or prospective) or to a real estate property by Board or staff members are encouraged when a Board member or staff member is in the area.

E. Participation on Advisory Committees or Advisory Boards

1. The Board shall not appoint a representative to any advisory committee or board established in connection with any of the limited partnerships (or other entities) in which CCCERA invests, and a Board or staff member shall not accept such a position, unless:

a. The general partner (or other manager of the entity) has agreed, under the partnership agreement, or other agreements specifically incorporated therein, that such representative shall have no authority or discretion to vote to approve or disapprove, or consent to, the activities of the general partner or other manager;

b. The general partner and other manager or advisor have disclaimed any rights against such representative as a member of the advisory committee or board, including subrogation rights; and

c. The general partner and other manager or advisor has agreed that such representative, CCCERA and the partnership (or other entity) shall be indemnified by the partnership, the general partner and other manager or

advisor for any actions taken against any of them as to which the representative acted in good faith.

d. The general and limited partners, and other manager or advisor, have expressly agreed in writing that the representative and CCCERA do not owe a fiduciary duty to any of them by reason of its participation on such advisory committee or board.

2. The Board may appoint a representative to such a position on a case-by-case basis consistent with the foregoing provisions.

F. Emergencies

1. An "emergency" will be deemed to exist whenever:

   a. A Managed Account suffers the resignation or other loss of its Investment Manager and no appropriate replacement is available; or

   b. An Investment Manager dissolves, ceases to exist, or is otherwise incapable of carrying out its activities in the ordinary course of its business; or

   c. An Investment Manager is "shut down" by a regulatory agency of a state or the Federal government or is accused of theft or fraud by a regulatory agency or other government body; and

2. Action to transfer management of the affected Managed Account shall be taken as soon as possible after CCCERA learns of the emergency.

3. In the case of an emergency, the Chief Executive Officer, or in the Chief Executive Officer's absence, the Deputy Chief Executive Officer or the Chief Investment Officer will:

   a. Attempt to notify the Chair and Vice Chair immediately.

   b. Notify the Custodian Bank that the Investment Manager's Managed Account is to be frozen and, except for those trades which are pending, no further trading is authorized.

   c. Call an emergency meeting of the Board to take action of a more long-term nature.

IX. **AUTHORITY OF INVESTMENT MANAGERS**

Subject to the terms and conditions of this Statement, Investment Managers shall have full discretionary power to direct the investment, exchange, liquidation and reinvestment of the assets of the Managed Accounts. The Board expects that the Investment Managers will recommend changes to this Statement at any time when the Manager views any part of this Statement to be at variance with overall market and economic conditions.

The Managers shall place orders to buy and sell securities and, by notice to the Custodian Bank, shall cause said custodian to deliver and receive securities on behalf of the Trust.

The Board shall either vote or, through a third party administrator, direct the voting of its proxies for all stocks held in its separate account equity portfolios.

X. **INVESTMENT GUIDELINES**

The following guidelines apply to all Investment Managers. Any further constraints, limitations or authorities to an individual manager, which are specific to that manager and have been agreed to by the manager and CCCERA, also apply.

A. In General

1. All investments shall comply with all applicable laws of the State of California governing the investment of the pension funds of counties.

2. All securities transactions shall be executed by reputable broker/dealers or banks, including any bank acting as custodian, and shall be at a best execution including, without limitation, best price basis. Those Domestic Equity Investment Managers so directed by the Board are expected to direct up to 25% of their transactions to brokers participating in the Board's commission recapture program. All Investment Managers shall provide periodic transaction information so that the Board may monitor the placement of commissions.

3. Investments shall possess value and quality corroborated by accepted techniques and standards of fundamental economic, financial and security analysis.

4. Except for the private partnerships, fees paid to Investment Managers shall be based on the Custodian Bank's valuation of the manager's portfolio on a market and trade date basis.

5. All Domestic Equity and Domestic Fixed Income portfolios, unless exempted by the Board, shall not hold securities in any corporation that derives 15% or more if its revenue from tobacco products. All other Investment Managers are encouraged to avoid investments in companies that derive 15% or more of their revenues from tobacco products.

B. Global Equity Portion

The Global Equity Investment Managers may invest solely in equity securities as defined in III A above, subject to the following:

1. The maximum percentage of the value of a Managed Account which may be invested in the securities of a single corporation shall be 10% of the value of the Managed Account at market, unless a different maximum percentage is specified in the Investment Manager's agreement with CCCERA.

2. A Managed Account shall not hold more than 5% of the equity securities of an issuer, unless a different percentage is specified in the Investment Manager's agreement with CCCERA.

3. Derivatives shall only be used to obtain exposure to the equity markets, to reduce unwanted exposure to foreign currencies, or as a substitute for an underlying common stock. The Investment Manager shall explain any use of a derivative as a substitute for a common stock.

4. Other securities as detailed in accordance with the Investment Manager's agreement with CCCERA.

C. Global Fixed-Income Portion

1. Core plus fixed income account securities will be restricted to the following:

   a. Obligations of the U.S. Treasury

   b. Obligations guaranteed by an agency of the United States

   c. Government, agency, quasi-government and supranational bonds.

   d. Certificates of deposit and banker's acceptance of credit-worthy banks

   e. Corporate, asset backed and mortgage backed securities and structured notes and other evidences of debt.

   f. Eligible instruments issued pursuant to SEC Rule 144(a) or Regulation S.

   g. Commercial paper (including variable rate notes) of issuers rated not less than P-2 by Moody's Investor Services and A-2 by Standard & Poor's.

   h. Lower risk planned amortization class (PAC) collateralized mortgage obligations ("CMO") and Sequential CMOs. CMOs other than PACs and Sequentials are limited to a maximum of 10% of the fixed income portfolio at cost.

   i. Currency Forwards and Non-Deliverable Forwards (NDF's). Such currency forwards shall only be with counterparty banks with A or better credit ratings by Standard & Poor's or Moody's.

   j. Derivatives may be used to obtain exposure to the fixed income markets, to adjust portfolio risk, and to reduce unwanted exposure to foreign currencies.

k. Other use of derivatives than e. and h. above, including credit default swaps, interest rate swaps (except for centrally cleared,) IO's, PO's, inverse floaters and CMO support bonds, shall not in the aggregate exceed 15% of the portfolio measured at the time of investment.

l. Other securities as detailed in accordance with the Investment Manager's agreement with CCCERA.

2. High yield account(s)

a. Any security permitted for the Core Plus fixed income managers in X.D.1(a)-(e) above.

b. High yield securities as specified in accordance with the Investment Manager's agreement with CCCERA.

D. Incidental Cash Portion

The Incidental Cash Portion shall be invested in the same readily marketable and diversified assets as are enumerated in the Fixed Income Portion Guidelines. The maturity of such assets shall not exceed 15 months. The investments by the County Treasurer shall comply with the laws of the State of California.

The Board may invest in non-negotiable certificates of deposit if the following criteria are satisfied.

1. The CDs are registered in the name of CCCERA.

2. FDIC insurance coverage covers the entire invested amount, and,

3. FDIC insurance is not waived by CCCERA.

XI. **SEPARATELY HELD REAL ESTATE**

Market appraisals shall be conducted by an independent appraiser every three years on all properties which are separately held.

In accordance with the standards as set forth in the Government Accounting Standards Board (GASB) statement #25, all properties will be reflected in CCCERA's financial statements at fair value.

XII. **SECURITIES LITIGATION**

CCCERA's custodian is responsible for the filing and reporting of all proofs of claim in U.S. securities litigation class action lawsuits for which CCCERA is eligible. CCCERA will retain one or more law firms or securities monitoring services to monitor CCCERA's securities litigation class action lawsuits. For international class action lawsuits, staff may work with legal counsel to determine the proper course of action.

Further details are contained in the CCCERA Securities Litigation policy.

ADOPTION AND ACCEPTANCE

The Board of Retirement of the Contra Costa County Employees' Retirement Association hereby adopts this Statement of Investment Policies and Guidelines and Schedules thereto.

By: _____
Date: _____

The undersigned Investment Manager acknowledges receipt of this Statement and:

1. Warrants that it is currently, and will maintain registration as:
   - An investment advisor under the Investment Advisers Act of 1940,
   - A bank (as defined in that act),
   - An insurance company qualified to perform investment management services under state law in more than one state,
   - A trust operating as an investment company under the Investment Company Act of 1940, or
   - A state-chartered trust company authorized to carry on a trust banking business.
2. By signing this acceptance, acknowledges that it is a fiduciary with respect to assets of the Trust under its management or control (including assets of any Partnership attributable to the Trust).
3. Agrees to include within its periodic report to the Board of Retirement assurance that it believes its investment decisions are in accord with the provisions of this Statement.
4. Agrees to recommend to the Board changes to this Statement at any time when the Investment Manager views any part of this Statement to be at variance with overall market and economic conditions.
5. States that it is unable to provide an unqualified acknowledgment and acceptance of item(s) ____ above but has agreed to explain same and to provide a modified acknowledgment and acceptance as to such item(s), which may be found in _____.

ACCEPTED

By: _____
Signature
Date: _____

Name _____
Print
Company Name _____
Print

INVESTMENT POLICY

SCHEDULE I

ASSET CLASS TARGETS

	Target	Range
Global Equity	42.6 %	40- 55%
Global Fixed Income	24.4 %	20 - 30 %
High Yield Fixed Income	5%	2 - 9 %
Real Estate	12.5 %	10 - 16 %
Real Assets	5%	0 - 10 %
Alternative Investments	10 %	5 - 12 %
Opportunistic	0%	0 - 5 %
Cash	0.5 %	0 - 1 %

INVESTMENT POLICY

SCHEDULE II

ALLOCATION OF CASH RECEIVED

IF THE MOST UNDER-TARGET ASSET CLASS IS:	TEMPORARILY PLACE CASH IN:
Equities	PIMCO Stocks Plus portfolio
Fixed Income	Core Plus Fixed Income (ie. PIMCO and/or Lord Abbett and/or Goldman Sachs (core plus account))
Real Estate	Adelante Capital Management
Real Assets	Wellington Total Return

ALLOCATION OF CASH DISPERSED

IF THE MOST OVER-TARGET ASSET CLASS IS:	TEMPORARILY DISPERSE FROM:
Equities	PIMCO Stocks Plus portfolio
Fixed Income	Core Plus Fixed Income (ie. PIMCO and/or Lord Abbett and/or Goldman Sachs (core plus account)
Real Estate	Adelante Capital Management
Real Assets	Wellington Total Return

INVESTMENT POLICY
SCHEDULE III
INVESTMENT MANAGER BENCHMARKS

Manager	Index	Database
Ceredex	Russell 2000® Value	US Eq Small Value
Delaware	Russell 1000® Growth	US Eq Large Growth
Emerald	Russell 2000® Growth	US Eq Small Growth
Intech Large Cap Core	S&P 500	US Eq Large Core
PIMCO Stocks Plus	S&P 500	US Eq Large Core
Robeco Boston Partners	Russell 1000® Value	US Eq Large Value
TBD	MSCI EAFE Value	Intl Equity
William Blair	MSCI ACWI ex-US Growth	Intl Equity
Artisan Partners	MSCI ACWI	Global Equity
First Eagle	MSCI ACWI	Global Equity
INTECH	MSCI ACWI	Global Equity
JP Morgan	MSCI ACWI	Global Equity
AFL-CIO Housing	Barclays Capital US Aggregate	US Fixed Income
Goldman Sachs	Barclays Capital US Aggregate	US Fixed Income
Lord Abbett	Barclays Capital US Aggregate	US Fixed Income
PIMCO	Barclays Capital US Aggregate	US Fixed Income
Torchlight I, II, III, IV	Merrill Lynch Hi Yield Master II	US High Yield
Allianz Global	Merrill Lynch Hi Yield Master II	US High Yield
Lazard Asset	Barclays Capital Global Aggregate	Global Fixed Income
Adelante	Wilshire REIT	US REIT
Invesco (Int'l REIT)	FTSE EPRA/NAREIT Global ex-US	Int'l REIT
PIMCO All Asset	CPI + 400 bps	N/A
Wellington Total Return	CPI + 400 bps	N/A
Commonfund IX	CPI + 600 bps	N/A
Angelo Gordon VIII	NCREIF + 500 bps	US Real Estate
DLJ RECP II, III, IV, V	NCREIF + 500 bps	US Real Estate
Hearthstone I, II	NCREIF + 500 bps	US Real Estate
Invesco I, II, III	NCREIF + 300 bps	US Real Estate
LaSalle	NCREIF + 300 bps	US Real Estate

Long Wharf II, III, IV	NCREIF + 300 bps	US Real Estate
Oaktree REOF V, VI	NCREIF + 500 bps	US Real Estate
Siguler Guff DREOF I, II	NCREIF + 300 bps	US Real Estate
Adams Street	S&P 500 + 400 bps	
Bay Area Equity 1,2	S&P 500 + 400 bps	
Carpenter	S&P 500 + 400 bps	
Energy Inv. USPF 1, 2, 3, 4	S&P 500 + 400 bps	
Nogales	S&P 500 + 400 bps	
Paladin	S&P 500 + 400 bps	
Pathway	S&P 500 + 400 bps	
Oaktree PIF 2009	CPI + 400 bps	