

CONTRA COSTA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

Page 1

October 20, 2011

The Board of Retirement met in special session at 9:00 a.m. on Thursday, October 20, 2011 in the Conference Room of the Contra Costa County Employees' Retirement Association, 1355 Willow Way, Suite 221, Concord, CA.

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

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

Outside Professional Support: Tim Price

Representing: Milliman

Other Attendees:

Luz Casas	Contra Costa County Employees' Retirement Association (CCCERA) Staff
Christina Dunn	CCCERA Staff
Chih-Chi Chu	CCCERA Staff
Justine Oyler	CCCERA Staff
Bill Pollacek	Retired Treasurer-Tax Collector
Gary Fencik	Adams Street Partners
Vincent Dee	Pathway Capital Management
Kristin Harper	Lord Abbett
Patricia Lynn	Lord Abbett
Stephanie Ivy	GSAM
Ronald Arons	GSAM
Richard Fulford	PIMCO
Michael Chandra	PIMCO

1. Pledge of Allegiance

Viramontes led all in the *Pledge of Allegiance*.

2. Public Comment

No members of the public offered comment.

3. Manager Presentations:

Introduction and overview by Milliman

Price distributed a Flash Report and reviewed the performance of the managers scheduled for presentations. He noted that to date all are slightly lagging the benchmark.

Alternative Investments

Adams Street Partners - Gary Fencik

Fencik waived the confidentiality disclaimer on the presentation material.

Fencik gave an overview of the firm noting it is 100% employee-owned. He reviewed the investment team stating it has been very stable with no significant changes.

He reviewed their investment philosophy and strategic diversification of investments. He reviewed commitments and percentages of US vs. Non-US investments by year.

He gave an update on CCCERA's portfolio noting \$209 million has been invested since inception. He reviewed the internal rate of return (IRR) compared to the benchmark noting the IRR since inception is 14.3% gross of fees.

Pathway Capital Management - Vincent Dee

Dee waived the confidentiality disclaimer on the presentation material.

Dee gave an overview of the firm noting there has not been any turnover on the investment team. They are 100% employee-owned and have over \$26 billion in assets under management.

He reported credit spreads have increased significantly since the end of the second quarter of 2011. He also reported private equity fundraising slightly increased from 2009 and the long term outlook remains positive.

He gave an overview of CCCERA's commitments with Pathway, including \$125 million to PPEF I, a single-investor fund of funds; \$30 million to PPEF 2008, a multi-investor fund of funds; and \$40 million to PPEF I-6, a multi-investor fund of funds. He also gave an update on the year-over-year portfolio performance.

Domestic Fixed Income

Lord Abbett - Kristin Harper, Patricia Lynn

Harper gave an overview of the firm noting they are privately owned and have added five new partners in the past year. They have \$102.5 billion in assets under management.

Lynn reviewed the Core Plus investment team noting they are divided into three functions, credit research, portfolio management and trading. There have not been any departures from the team and they continue to add new resources. She also reviewed their investment philosophy.

CONTRA COSTA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

Page 3

October 20, 2011

Harper reported they use a top down bottom up approach in their investment process. She reviewed CCCERA's portfolio performance and sector allocations as of the end of the 3rd quarter.

GSAM - Stephanie Ivey, Ronald Arons

Ivey waived the confidentiality disclaimer on the presentation material.

Arons gave an overview of the market noting there is a flattening of the yield curve. He reviewed "Operation Twist," a Federal Reserve stimulus. He also reviewed how the sector spreads have changed in the market. He discussed rates and GSAM's prediction of future rates.

He reviewed CCCERA's portfolio performance as of September 30, 2011 noting that underperformance was driven by the portfolio's exposure to corporate credit risk and non-agency mortgages.

PIMCO - Rick Fulford, Michael Chandra

Fulford gave an overview of the firm.

He reported performance for the past 12 months has been challenging but the long term numbers remain strong. He also reported a fall in interest rates, the credit spread, and the appreciation of the dollar, all led to the recent underperformance.

He reviewed sector allocations noting we are underweight in government bonds. He also noted the StockPlus portfolio has started to recover.

Fulford reported uncertainty is driving volatility in the market.

Chandra reviewed PIMCO's cyclical framework for growth in the developed world. He closed by stating he feels confident that performance will be stronger going forward.

4. Miscellaneous

(a) Staff Report -

Leedom reported staff worked with Segal to conduct a termination study for Bethel Island Municipal District.

Staff continues to discuss options with The City of Pittsburg regarding an amendment to their termination agreement.

ReedSmith is working on a draft Memorandum of Understanding between CCCERA and San Diego Retirement Association regarding an agreement for disaster recovery services.

CONTRA COSTA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

Page 4

October 20, 2011

An RFP for a new accounting auditing firm was issued with response deadline of Friday, October 28, 2011. The responses will be mailed to the Audit Committee on October 28, 2011.

(b) Outside Professionals' Report - None

(c) Trustees' Comments -

Naramore reported she attended the 21st Annual Northern California Public Retirement Seminar in Sacramento noting all of the speaker's reports are online.

Watts reported Brice Bins will be in attendance at the next meeting.

Telles reported he received an email regarding a legislative change for filling vacant elected positions on retirement systems boards. He contacted the sender to inquire if the legislation applies to the vacant alternate safety seat on CCCERA's Board.

Hast reported he attended the III Roundtable for Consultants and felt it was very interesting. He noted CCCERA is fortunate to have Milliman as an investment consultant.

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



Maria Theresa Viramontes, Chairman



John Phillips, Secretary