

CONTRA COSTA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

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April 29, 2009

The Board of Retirement met in special session at 8:30 a.m. on Wednesday, April 29, 2009 in the Conference Room of the Contra Costa County Employees' Retirement Association, 1355 Willow Way, Suite 221, Concord, CA.

Present: Terry Buck, Dave Gaynor, Jerry Holcombe, Paul Katz, William J. Pollacek, Jerry Telles, and Maria Theresa Viramontes.

Staff: Marilyn Leedom, Retirement Chief Executive Officer; Cary Hally, Retirement Chief Investment Officer; Rick Koehler, Retirement Accounting Manager; Kathy Somsen, Retirement Benefits Manager; Toni Warren, Retirement Administration Manager; Karen Levy, Counsel.

Outside Professional Support: Representing:

Bob Helliesen	Milliman
Tim Price	Milliman

Other Attendees:

Luz Casas	Contra Costa County Employees' Retirement Association (CCCERA) Staff
Wendy Malaspina	GMO
Thomas Rosalanko	GMO
Sheila Borer	McKinley Capital
Brandon Rinner	McKinley Capital
Jose Balagot	Progress Investment
Mona Williams Sillers	Progress Investment
Alex Hsiao	Progress Investment
Thurman White	Progress Investment
Michael Torres	Adelante Capital
Jeung Hyun	Adelante Capital

1. Pledge of Allegiance

Viramontes led all in the *Pledge of Allegiance*.

2. Public Comment

No members of the public offered comment.

3. Approval of Minutes

It was *M/S/C* to approve the minutes of the April 8, 2009 meeting. (Yes: Buck, Gaynor, Holcombe, Katz, Pollacek, Telles and Viramontes)

4. SACRS Proxy Voting

It was *M/S/C* to designate Gaynor as the first alternate and Buck as the second alternate voting delegate at the Spring SACRS Conference. (Yes: Buck, Gaynor, Holcombe, Katz, Pollacek, Telles and Viramontes)

5. Space Reconfiguration

Leedom reviewed the recommendation of the ad hoc committee and distributed floor plans for potential construction. There was discussion on the merits of buying another Class A building near Bay Area Rapid Transit (BART) and the I-680 corridor; and continued debate on a 3 vs. 5 year lease for the intended space.

It was *M/S/C* to accept the ad hoc committee's remodeling recommendations based on a two stage timeline; work with real estate legal counsel to incorporate a termination clause into a 3 year or a 5 year lease and continue looking for a Class A building along the I-680 corridor with proximity to BART as an investment potential. (Yes: Buck, Gaynor, Holcombe, Katz, Pollacek, Telles and Viramontes).

6. Manager Presentations

Milliman Review - Bob Helliesen, Tim Price

Price distributed and reviewed a Flash Report with CCCERA investment manager performance through first quarter, 2009.

Helliesen noted PIMCO is firmly ahead of the benchmark year-to-date and there was continued discussion on the performance-related issues of each manager. There was discussion on the various questions that should be asked of each presenting manager.

GMO - Wendy Malaspina, Tom Rosalanko

Malaspina began by providing an overview of *GMO*, noting they are a private partnership founded in 1977. *GMO* has a low turnover of investment professionals and is one of the few firms that have been hiring through the downturn. She then reviewed the investment team.

Rosalanko reviewed performance, net of fees and expense. He noted, on a one-year basis, *GMO* has recouped alpha and are now outperforming their benchmark.

He reviewed their five best and worst stock positions. He discussed their country, currency and sector allocations, noting they were somewhat over-weighted in Japan. He compared Japan to other countries, noting Japan has an attractive rebound potential.

Rosalanko concluded by providing an outlook for the future, he stated, the good news is stocks are "cheap" and are priced to deliver long-term expected return.

McKinley Capital - Sheila Borer & Brandon Rinner

Borer began by providing an overview of McKinley Capital, noting McKinley is an independent firm and 19% employee owned. She identified recent employee departures from the firm. She noted assets have remained fairly stable despite the environment.

Rinner discussed country weighting, including the countries in which McKinley was over or under-weighted. He noted April has been a difficult month from a relative standpoint. He then discussed McKinley's underperformance, noting he believes the economy is bottoming. He stated McKinley Capital continues to implement a disciplined stock selection with positive risk-adjusted relative return and strong earnings growth, as McKinley remains focused on delivering long-term outperformance.

Rinner concluded by noting the composite portfolio maintains a strong positive earnings growth relative to the benchmark even though there has been a steady decline in expected earnings over the past several months.

Milliman Review after Presentation

There was discussion on performing an onsite visit and directing Milliman to perform an analysis on McKinley's investment process and return to the Board with an update.

Progress Investment Management - Thurman White, Alex Hsiao, Jose Balagot, Mona Williams Sillers

Williams Sillers began by providing information on Progress' CAT Fund. She noted the fund is a small-cap equity commingled fund constructed of emerging investment managers with fund assets of \$134 million. The fund objective is to have annualized returns exceeding the benchmark by 200 basis points (bps) over full market cycles.

She noted 2008, especially the second half, had been challenging. In contrast, the first quarter of 2009 was a good environment for active fund management. She reviewed the fund performance, current portfolio positioning, manager ratings and fund rebalancing activity.

Balagot discussed asset distribution, performance as of March 31, 2009, portfolio characteristics, and sector attribution analysis. He provided CAT Fund funded managers financial viability and status, and discussed how Progress assesses financial viability.

Hsiao discussed manager and portfolio fundamentals, the drivers of return, and their manager of manager's investment process. He then described the way Progress monitors and evaluates funded managers.

White concluded by providing an organizational update, noting Progress is an independent, 100% employee-owned firm, with overall firm assets at \$4.7 billion. He noted Progress will continue to look for new sources of alpha as well as new types of managers, stating Progress liked the smaller "boutique" managers. He feels 2008 was an

anomaly, but feels Progress is positioned to provide the type of performance all would like.

Adelante - Michael Torres, Jeung Hyun

Torres began by providing a relationship overview. He noted there has been no change in investment style since selected in August 2001. Adelante's benchmark is the NAREIT Equity Total Return Index. He stated Adelante is a small organization; two employees have left the firm, and those positions were not re-staffed. He then provided a product and client profile, portfolio characteristics and investment performance for the period ending March 31, 2009. He stated, Adelante is lagging in April by about 20 bps, but had a good first quarter on a relative basis

Hyun provided a debt maturity schedule and reviewed Adelante's ten largest holdings from June 30, 2008 through March 31, 2009.

Torres provided an attribution analysis with Adelante vs. the Dow Jones Wilshire REIT Index. He concluded by reviewing commercial and multi-family debt, noting the outstanding debt was \$3.4 trillion.

Milliman Overview of Presenting Managers

Helliesen noted Progress is a possible source of funds as CCCERA moves into a more global allocation. There was discussion on those managers that are still in Under Review status

7. PIMCO StocksPlus Performance Update

Helliesen discussed LIBOR as it relates to PIMCO StocksPlus performance, noting that LIBOR is low, and the portfolio is positioned to outperform the S&P index in this environment if further deterioration in the markets is avoided. He noted Milliman was asked to provide an update on the performance of PIMCO StocksPlus through the end of the first quarter, in order to evaluate the firm's role as a core equity manager for CCCERA. The StocksPlus portfolio is currently positioned with a high total carry of 6.2% (approximately 5% above LIBOR), setting up the strategy to outperform significantly if the current market conditions improve or just stabilize. According to Stephanie King of PIMCO, this is the highest total carry in the history of the strategy. There is potential for that advantage to be eroded over the coming years by additional government interventions, corporate defaults or spread widening.

He noted while 2008 investment performance was poor and the product has struggled to add value in recent years, performance has stabilized thus far in 2009. He believes the product is poised to deliver particularly strong relative returns for the next few years in the current environment if the US financial system avoids further unforeseen trauma and markets continue to stabilize. Milliman favors continued retention of PIMCO StocksPlus, with continued close monitoring.

8. Action on PIMCO StocksPlus

No formal action taken, it was the consensus of the Board to continue with PIMCO in Under Review status.

9. Update on Global Core Equity Manager Search

Price reviewed Milliman's Global Equity Search process. He noted Milliman was instructed to conduct a search for a global core equity manager to launch CCCERA's dedicated global equity investment platform.

He noted, in order to identify candidates, they conducted a number of screens in their manager database and identified the firms that were deemed best suited to manage a global core equity mandate for CCCERA. Fifteen of the sixteen firms identified as reasonable candidates have responded to Milliman's search.

The list of the original sixteen firms were identified. Price noted MFS Investment Management notified Milliman that MFS' product is closed to new assets. The next step will be to analyze the performance records through March 31, 2009, hold discussions and conference calls with the portfolio management teams, and select a group of semi-finalist candidates for presentation to the Board. Price noted a semi-finalists report will be presented at the June Meeting and interviews should be in late July or early August.

10. Miscellaneous

- (a) Staff Report - Leedom reported CALPERS and almost every County in the State has received a public information request for the names and pension amounts of retirees who make over \$100,000 per year. CCCERA will inform the affected retirees and respond in accordance with the Accessibility of Records policy.

She stated staff is close to issuing a Request for Proposal (RFP) for securities litigation monitoring services. She requested recommendations from Board members for any known attorneys who provide this service.

Staff noted Segal will probably present the Actuarial Valuation at the July 8, 2009 meeting.

Next week's agenda will include recommendations on both cold and hot sites for disaster recovery and staff's recommendations on CCCERA's Records Retention Policy.

Leedom provided an update for special district status for CCCERA. Levy will research and possibly proceed with this action next year. There was discussion on backing off this year, and to continue next year with CCCERA's own lobbyist, getting labor sign-off before proceeding.

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- (b) Outside Professionals' Report - Helliesen reported Carolyn Roberts is no longer with Milliman because of cut-backs at the firm.

He stated Paladin is involved with a scandal in New York State. He discussed the individual and the allegations against him. Hally noted the individual was a third party marketer. Hally suggested, when CCCERA hires investment managers, there should be total disclosure on fees paid to third party marketing firms.

- (c) Trustees' Comments - Telles discussed the conference he attended for California Retired County Employees in Ventura. He will include a complete description of the conference on a later agenda.

Buck discussed a conference he attended in San Diego on Hedge Funds. He noted it was the first time an economist has actually had a good future outlook and has said the economy has already hit bottom. The economist hoped people would go out and spend. He noted many funds are reviewing the use of hedge funds with increased transparency and the lowering of fees.

11. George Springman

It was *M/S/C* to adjourn in memory of George Springman, former CCCERA Board Member. (Yes: Buck, Gaynor, Holcombe, Katz, Pollacek, Telles and Viramontes)

Stories of George Springman were shared: when Springman recently retired from Wentworth, Hauser & Violich, he didn't want a retirement party. Instead a large donation was sent to one of George's favorite charities: Loaves and Fishes. (Yes: Buck, Gaynor, Holcombe, Katz, Pollacek, Telles and Viramontes)

Brian Hast

Brian Hast, Chairman

Jerry Telles

Jerry Telles, Secretary