

CONTRA COSTA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

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March 21, 2013

The Board of Retirement met in special session at 9:00 a.m. on Thursday, March 21, 2013 in the Conference Room of the Contra Costa County Employees' Retirement Association, 1355 Willow Way, Suite 221, Concord, CA.

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

Absent: John Gioia and Sharon Naramore

Staff: Marilyn Leedom, Retirement Chief Executive Officer; Kurt Schneider, Retirement Deputy Chief Executive Officer; and Timothy Price, Retirement Chief Investment Officer

Outside Professional Support:	Representing:
Bob Helliesen	Milliman
Marty Dirks	Milliman

Other Attendees:

Luz Casas	Contra Costa County Employees' Retirement Association (CCCERA) Staff
Chih-Chi Chu	CCCERA Staff
Christina Dunn	CCCERA Staff
Joelle Luhn	CCCERA Staff
Justine Rossini	CCCERA Staff
Reid Liffmann	Angelo Gordon
Aliana Spungen	Angelo Gordon
Michael Keough	Siguler Guff
James Corl	Siguler Guff
Nestor Weigand	Siguler Guff
Max Swango	Invesco Real Estate
Jay Hurley	Invesco Real Estate
Ambrose Fisher	Oaktree Capital Management
Mati Adler	Oaktree Capital Management
Russ Romero	Oaktree Capital Management
Michael Elizondo	Long Wharf Real Estate Partners
Jeff Gandel	Long Wharf Real Estate Partners

1. Pledge of Allegiance

Telles led all in the *Pledge of Allegiance*.

2. Public Comment

No members of the public offered comment.

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3. Discussion with consultant and staff regarding managers scheduled to present

Price gave an overview of the managers scheduled for presentations.

Helliesen reviewed the performance of the managers scheduled for presentations.

4. Manager Presentations:

Angelo Gordon - Reid Liffmann, Aliana Spungen

Spungen gave an overview of the privately held firm, noting they were founded in 1988, are privately held and have been investing in real estate since 1993. She noted that Angelo Gordon's products include alternative investments, real estate, debt, opportunistic funds, and net lease products.

Reed reviewed the economic outlook, noting growth is slow and thus underwriting is conservative. He stated the pricing of real estate asset markets has rebounded.

Spungen reviewed the status of Realty Fund VIII stating the Fund has raised \$1.265 billion with CCCERA committing \$80M. She noted leverage is currently tracking at 52%. Spungen reviewed an unaudited transactions list as of 12/31/12.

Reed reviewed properties that were recently acquired.

Siguler Guff - Michael Keough, James Corl, Nestor Weigand

Keough reviewed CCCERA's investment in the Distressed Real Estate Opportunities Fund (DREOF) noting the Fund is almost fully committed. There is an estimated net IRR of 8.3% for the DREOF as of December 31, 2012.

Cabral was present for subsequent discussion and voting.

Corl reported all of the strategies are performing well. He reviewed the gap between core real estate and opportunistic properties, along with the upcoming schedule of commercial real estate debt maturities. He also reviewed the distressed commercial real estate opportunity cycle noting the structure is very flexible. Corl reviewed the manager profiles that were used to construct CCCERA's portfolio.

Weigand reviewed two investments in the Fund, the NYC Office-Focused Sharpshooter Fund and the Southeast Warehouse Specialist Fund & Joint Venture fund.

Corl reviewed a Non-Performing Construction Loan Workout Fund.

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Long Wharf Real Estate Partners - Michael Elizondo, Jeff Gandel

Prior to their presentation, Long Wharf waived the confidentiality disclaimer on the presentation materials, noting this is a public meeting and any information discussed will be available to the public.

Gandel gave an overview of the firm, noting they became fully independent from Fidelity Real Estate Group in July 2011. They are 100% employee-owned and have approximately \$800 million in assets under management. He reported CCCERA invested \$50 million in Fidelity Real Estate Growth Fund II (FREG II) and \$75 million in Fidelity Real Estate Growth Fund III (FREG III).

Elizondo reviewed the organizational chart and noted the additions to the team.

Gandel gave an overview of FREG II. He reviewed invested equity by year, noting 25% of the proceeds are yet to be realized. He stated their priority is to maximize the proceeds of the remaining portfolio and realize the assets as quickly as possible. He reported the Net Operating Income (NOI) grew by 10% from 2011 to 2012. He also reported there will be no management fees (or fees of any kind) to be charged in 2013 on FREG II.

He reviewed current sector exposures and the top 5 assets in the fund. He also reviewed the projected timetable for selling the remaining assets.

Gandel reviewed the changes from inception to new investments in FREG III. He also reviewed the current status of the first part of the Fund noting it is similar to FREG II.

Elizondo reviewed current market conditions, current investment strategy and market and sector focus noting they are more focused on office and retail investments. He also reviewed the investment transactions from 2010-2012.

Gandel reviewed the next 3 year projected distributions from FREG II and FREG III to CCCERA.

INVESCO Real Estate - Max Swango, Jay Hurley

Prior to their presentation, Invesco waived the confidentiality disclaimer on the presentation materials noting this is a public meeting and any information discussed will be available to the public.

Swango gave an overview of the firm. He reviewed CCCERA's portfolio and exposures by country. He also reviewed yields from global REIT's.

Hurley gave an overview of Fund I noting they have made a total of 15 investments to date and there are 3 investments remaining, the largest being an apartment building. The Fund distributed \$22 million at the end of 2012 and expects 2.5% gross IRR in 2014 when the Fund is completed.

Hurley gave an overview of Fund II, noting there is just under 3 years until the Fund reaches maturity. There are extension options but they do not intend to use them. He reported 16 investments have been

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made, 12 are currently held and 6 are in the process of being liquidated. He also reported this will be a very active distribution year for CCCERA.

Swango reported they are currently raising capital for Fund III and there is a final close date of July 1, 2013.

Oaktree Capital Management - Ambrose Fisher, Mati Adler, Russ Romero

Prior to their presentation, Oaktree waived the confidentiality disclaimer on the presentation materials noting this is a public meeting and any information discussed will be available to the public.

Ambrose gave an overview of Fund V noting the Fund has earned a gross return of 18.2% year to date and a 9.5% net IRR since inception. He reviewed the portfolio characteristics including asset type, investment categories, geographic exposure and property types. He noted there are 80 investments in the Fund and the Fund is fully invested. He reviewed the top 10 holdings based on long market value.

Adler gave an overview of Fund VIII noting the Fund has earned a gross return of 23.0% year to date and a gross return of 14.7% IRR since inception. He reviewed the top holdings based on long market value.

Adler gave an overview of Mezzanine Fund III noting the Fund began on March 15, 2010 and will close out in 2013. He stated 2012 was a very good year for middle market buyout. He noted 35% of invested capital has been committed and the Fund has been drawn down almost 70%. He also reviewed the portfolio performance and characteristics.

Watts was no longer present for subsequent discussion and voting.

5. Miscellaneous

(a) Staff Report -

Leedom reported she, Price, Allen, Buck and Youngman attended an on-site visit with INTECH and was impressed and optimistic about the new INTECH structure. They also met with Emerald and felt very positive with their investments this year.

Schneider reported there will be an update on pay items at the first meeting in April.

Price echoed Leedom's comment on the INTECH on-site visit and added that the Princeton office of INTECH was primarily research and development and would like to be more active in the investment side.

(b) Outside Professionals' Report -

Helliesen reported they no longer have the Merced Retirement System as a client but have added the Modesto Water District as a client.

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(c) Trustees' Comments -

Buck felt the Princeton office of INTECH is quieter than the West Palm Beach office and may allow the research staff to have a work environment conducive to research.

Allen felt the INTECH environment provides a relaxed way of life.

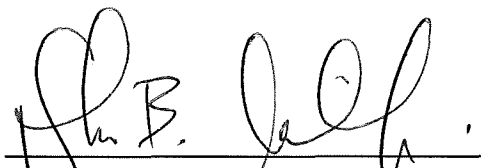
Cabral questioned if the recent ban on retiree's returning to work is being enforced. Leedom stated she will look into it. Schneider stated it is up to the employer to enforce.

Viramontes reported she received a letter from the County Administrator's Office stating their preference to not phase-in the increased contribution rates effective July 1, 2013 due to the implementation of the lowered assumed rate of return.

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



Maria Theresa Viramontes, Chairman



John B. Phillips, Secretary