

CONTRA COSTA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

Page 1

January 23, 2008

The Board of Retirement met in regular session at 9:00 a.m. on Wednesday, January 23, 2008 in the Conference Room of the Contra Costa County Employees' Retirement Association, 1355 Willow Way, Suite 221, Concord, CA.

Present: Richard Cabral, Dave Gaynor, Brian Hast, Sharon Naramore, William J. Pollacek, Jim Remick, Bob Rey, Jerry Telles, Maria Theresa Viramontes and Clifton Wedington.

Staff: Marilyn Leedom, Retirement Chief Executive Officer; Cary Hally, Retirement Chief Investment Officer; Toni Warren, Retirement Administration Manager.

Outside Professional Support: Representing:
Ashley Dunning Steefel, Levitt & Weiss
Bob Helliessen Milliman, USA
Tim Price Milliman, USA

Other Attendees:

Margie Breen Contra Costa County Employees' Retirement Association (CCCERA) Staff

1. Public Comment

No members of the public offered comment.

2. Approval of Minutes

It was **M/S/C** to approve the minutes of the January 9, 2008 meeting. (Yes: Cabral, Gaynor, Hast, Pollacek, Rey, Telles, Viramontes and Wedington)

3. Core Plus Fixed Income

Price began by reviewing Milliman's update on the Core Plus Fixed Income Search. He reviewed the fourteen firms who have confirmed that they will respond to the questionnaire by the January 30th due date. Once the manager responses are received, Milliman will review each product and select the strongest candidates to be included in a semi-finalist report. This report will be issued in advance of the February 27, 2008 Board meeting.

4. Board Meeting Date Changes

It was **M/S/C** to move the April 9, 2008 Board Meeting to April 16, 2008. (Yes: Cabral, Gaynor, Hast, Pollacek, Rey, Telles, Viramontes and Wedington)

It was **M/S/C** to move the June 11, 2008 Board Meeting to June 4, 2008. (Yes: Cabral, Gaynor, Hast, Pollacek, Rey, Telles, Viramontes and Wedington)

5. Triennial Asset Allocation Study Discussion

Helliesen began by reviewing why an asset allocation study is conducted. He noted the two types of asset allocation: strategic and tactical. He then reviewed return and risk definitions, and explained standard deviation. He noted higher return equals higher risks and that diversification is a "free lunch".

The general rules for asset allocation are: if you need the money soon, be very conservative; if you have less than what you owe and have the time to catch up, the time allows you to be more aggressive. If you have more money than you need, you have a margin of safety and can take risk.

Price explained how liabilities compare to assets and the asset/liability study steps. He provided a chart on typical liabilities for a pension plan. He noted asset classes need to be well defined and have a history/track record. He then reviewed possible asset classes and CCCERA current asset classes. He asked if there were any additional asset classes of interest or any the Board might not want to consider.

Remick was not present for subsequent discussion and voting.

The consultants were directed to return with a definition of each asset class and include a mix with commodities and one without commodities.

Helliesen concluded by reviewing the timeline for the Asset Allocation Study.

6. Commodities Allocation

It was **M/S/C** to accept the recommendation of the investment consultants that the 2% commodity target remain invested in fixed income pending the outcome of the current asset allocation study. (Yes: Cabral, Gaynor, Hast, Pollacek, Rey, Telles, Viramontes and Wedington)

7. Semi-Annual Rebalancing

Hally reviewed his memo regarding semi-annual rebalancing. It was **M/S/C** to accept staff's recommendation for semi-annual rebalancing. (Yes: Cabral, Gaynor, Hast, Pollacek, Rey, Telles, Viramontes and Wedington)

8. Conference Seminar Attendance

- (a) It was **M/S/C** to authorize the attendance of Cabral and Naramore at the 4th Annual Trustee Education, AFSCME, February 26 - 27, 2008, Silver Springs, MD. (Yes: Cabral, Gaynor, Hast, Pollacek, Rey, Telles, Viramontes and Wedington)

9. Miscellaneous

- (a) Staff Report - Leedom commented the newly installed microphones included filters so that there was no interference from cell phones during meetings.

The Request for Proposal (RFP) for legal service has been completed and mailed. The RFP for the actuarial audit is close to completion.

Staff is proceeding with the recruitment for the Retirement Investment Analyst. The advertisement for the position is in the current publication of Pension and Investments (P&I).

Leedom then discussed a letter from SACRS regarding creating an ad hoc committee to review the creation of a paid Chief Executive Officer (CEO) for SACRS. Wedington noted the executive committee is considering this position and are requesting comments from the membership.

After Pollacek requested an update on Moraga/Orinda Fire, Leedom noted Moraga/Orinda is in the process of completing a study to determine if it is beneficial to terminate from CCCERA and transfer to CALAPERS. CCCERA has been responsive to all questions posed by the Fire District, and has expressed their willingness to work with Moraga Orinda to answer questions. Board members suggested that staff send a letter as a follow-up to Moraga/Orinda Fire's requests.

Hally noted Paladin had a Capital call in early January, and that the documents with the Carpenter BancFund had been finalized.

- (b) Outside Professionals' Report - Dunning noted she had nothing further to report.

Helliesen - discussed the flash report he distributed at today's meeting. He noted it was a "lousy" fourth quarter for stocks and REITs.

He then discussed the changes at Wentworth, Hauser and Violich including the departure of Anthony Precourt. Springman is the Chief Investment Officer (CIO) while Wentworth is performing an active search for a new CIO. Springman is no longer on the Large Core team, but is still attending meetings. The team has five remaining members, down from seven. Jeff Coburn is the central member of the team, and the portfolio manager for CCCERA's portfolio. Helliesen would like to perform an on-site visit within the next month to meet with Jason Cherny and Tom Swoffer; whom he has not previously met.

Helliesen discussed the changes at McKinley Capital. He believes these changes are positive and that Rob Gillam is the future of the firm.

CONTRA COSTA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

Page 4

January 23, 2008

(c) Trustees' Comments

Cabral - He would like to attend CII and NCPERS and requested reserving rooms for these conferences now, pending approval on a future agenda, since the hotels fill up fast. Staff will research the hotel refund policies for the hotels involved and reserve rooms.

Viramontes - commented on the new Wharton Class in San Francisco. She noted for those interested it's much less expensive for the fund to attend the class in the Bay Area than Philadelphia.

Wedington - announced today would be his last day as trustee in light of the new law that limits his ability, as a Contra Costa County Trustee, to market to other '37 Act systems for his firm.

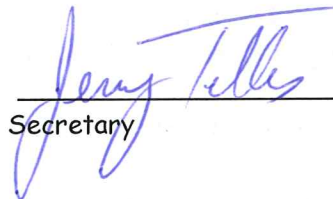
He stated if the law changes in the future he would very much like to return to the Board. He noted he put a lot of thought into this decision and it is with deep regret that he tenders his resignation.

Others expressed their regard for him and his accomplishments, noting he will be difficult to replace. Several noted the expertise and education he brought to SACRS while serving on the program committee.

It was *M/S/C* to adjourn. (Yes: Cabral, Gaynor, Hast, Pollacek, Rey, Telles, Viramontes and Wedington)



Chairman



Secretary