

CONTRA COSTA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

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January 25, 2006

The Board of Retirement met in regular session at 9:00 a.m. on Wednesday, January 25, 2006 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, Paul Katz, Louis Kroll, Sharon Naramore, William J. Pollacek, Bob Rey, Jerry Telles, Maria Theresa Viramontes and Clifton Wedington.

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.

Outside Professional Support: Representing:
Ashley Dunning Steefel, Levitt & Weiss
Bob Helliesen Milliman, USA

Other Attendees:

Joelle Luhn Contra Costa County Employees' Retirement Association (CCCERA) Staff
Luz Casas CCCERA Staff
Stephen Baines ING Clarion Capital
Dan Heflin ING Clarion Capital
Mike Bean ING Aeltus

1. Public Comment

No members of the public offered comment.

2. Approval of Minutes

After amending Page 3, adding the vote for the motion in item 7, adding "Leedom noted that" before the last sentence, on Page 5, second paragraph, and in the same paragraph changing the "increasing the contingency reserve another 1%", it was M/S/C to approve the minutes of the January 11, 2006 meeting as amended. (Yes: Cabral, Gaynor, Hast, Katz, Pollacek, Rey, Telles, and Wedington)

3. ING Clarion, Commercial Mortgage Securitization Fund II, LLC - Stephen Baines, Dan Heflin, Mike Bean

Hally and Helliesen briefly discussed ING Clarion Commercial Mortgage Securitization Fund II and the provided a brief history of Fund I.

Viramontes was present for subsequent discussion and voting.

After introductions, Heflin reviewed the ING Clarion's organization, management team, representative client list and performance since inception.

He then presented an overview of Fund I's market conditions including debt service coverage ratio; limited number of buyers of subordinate Commercial Mortgage Back Securities (CMBS); stabilizing real estate fundamentals; ability to kick-out loans and high yields. He noted Fund I has \$282.6 million of capital commitments; maximum leverage of 60%; and targeted net return exceeding 15%. He explained the target base case exit and possible earlier exit, including a scenario analysis net returns.

Baines reviewed the market growth. The global CMBS market is approximately \$740 billion, with the United Kingdom making up the biggest percentage and Asia following close behind. Japan is approximately 83% of the 2005 issuance in Asia. He then reviewed the yield comparison; CMBS delinquencies; mortgage underwriting fundamentals; subordination levels, debt service coverage ratios; and commercial real estate fundamentals.

There was discussion on the proper benchmark and if other clients placed their benchmark in low/high yield. It was determined that the Lehman Aggregate Index will continue to be the benchmark.

Baines concluded by noting the advantages of early investing in Fund II, and several scenarios of exit strategies for that fund.

4. ING Clarion, Commercial Mortgage Securitization Fund II, LLC

Hally and Helliesen discussed ING Clarion's presentation. A motion was made to accept the Chief Investment Officer's (CIO) recommendation. There was continued discussion on the high returns of the fixed income product, the liquidity factor of the investment, and the strong cash flow Funds I has provided.

It was M/S/C to call for the question. (Yes: Cabral, Hast, Katz, Pollacek, Rey, Telles, Viramontes, and Wedington) On the original motion, it was M/S/C to accept the recommendation of the CIO to make a capital commitment of \$85 million to ING Clarion Commercial Mortgage Securitization Fund II, LLC. (Yes: Cabral, Hast, Katz, Pollacek, Rey, Telles, Viramontes, and Wedington).

It was M/S to authorize the Chief Executive Office (CEO) and counsel to begin contract negotiations and authorize the CEO to sign any necessary documents. The motion was amended to include authorization subject to a successful on-site visit. The motion was carried as amended. (Yes: Cabral, Hast, Katz, Pollacek, Rey, Telles, Viramontes, and Wedington)

5. Onsite/Due Diligence Meetings

Hally reviewed his memo on Onsite Due Diligence Meetings. Wedington noted trustees need to participate in on-site visits, and feels is part of every trustee's fiduciary duty. It was M/S/C to accept the CIO's recommendations on Onsite due diligence meetings.

(Yes: Cabral, Hast, Katz, Pollacek, Rey, Telles, Viramontes, and Wedington) Leedom noted that the Onsite Visit Policy will need to be updated with this change.

6. 2006 Investment Manager Presentation Schedule

Hally reviewed his memo regarding the 2006 Investment Manager Meeting Schedule. It was M/S/C to accept the alternative (second) 2006 investment manager presentation schedule as proposed by the CIO. (Yes: Cabral, Hast, Katz, Pollacek, Rey, Telles, Viramontes, and Wedington)

Hally requested direction from the Board on the content of manager presentations to make them more meaningful and educational. After several suggestions from various Board Members, it was decided to agendaize discussion for this item for a future meeting to give the Board an opportunity to submit their ideas in writing and to allow full discussion on manager presentations.

7. Conference Seminar Attendance

It was the consensus of the Board to place moving the March 8, 2006 meeting on the next meeting agenda to allow the Board's attendance at various conferences.

- a) It was M/S/C to accept the attendance of Wedington and Hally at the Private Equity Limited Partners Conference, DLJ Real Estate, March 6-8, 2006, Naples, FL. (Yes: Cabral, Hast, Katz, Pollacek, Rey, Telles, Viramontes, and Wedington)
- b) No one was able to attend the Annual Investment Forum, Emerald, February 2, 2006, Philadelphia, PA.

8. Miscellaneous

- (a) Counsel Report - Dunning commented on the need for a written report for ad hoc committee meetings and noted there is nothing in the law or Board Regulations on this issue and reports should be considered on a case-by-case basis.

Dunning noted that Leiderman will be filling in for her during the February Board meetings. She will return to Board Meetings in March. She noted her availability to consult during the time she is on leave.

- (b) Chief Executive Officer's Report - Leedom noted she is happy to announce that Luz Casas has been appointed the new Retirement Administrative Assistant. Included in Luz' responsibilities are the Board agenda, travel and board expenses.

She noted the McKinley contract has been signed.

- (c) Chief Investment Officer's Report -Hally reported that now the McKinley contract has been signed he is now focusing on the transition from Capital Guardian to McKinley.

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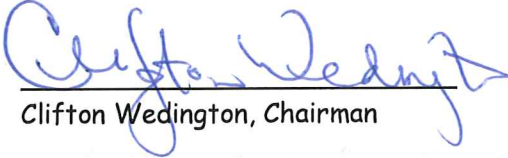
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Hally noted the recent Steefel Symposium he attended was well done and very beneficial. Dunning noted she will provide booklets on the symposium

(d) Trustees' Comments - Rey complimented Dunning and Liederman on the symposium noting the dialogue was fun and informational. He asked if the numbers on Progress on the handout previously given to the Board by the consultant were correct. Helliesen noted that the December numbers were wrong and have been corrected.

(e) Consultants' Comments - Nothing further to report.

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


Clifton Wedington, Chairman


William J. Pollacek, Secretary