

CONTRA COSTA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

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January 26, 2011

The Board of Retirement met in regular session at 9:00 a.m. on Wednesday, January 26, 2011 in the Conference Room of the Contra Costa County Employees' Retirement Association, 1355 Willow Way, Suite 221, Concord, CA.

Present: Terry Buck, Richard Cabral, Dave Gaynor, John Gioia, Brian Hast, Jerry Holcombe, Sharon Naramore, Maria Theresa Viramontes and Russell Watts

Staff: Marilyn Leedom, Retirement Chief Executive Officer; Silvina Leroux, Retirement Deputy Chief Executive Officer; Cary Hally, Retirement Chief Investment Officer; Karen Levy, General Counsel; Kathy Somsen, Retirement Benefits Manager

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|-------------------------------|----------------|
| Outside Professional Support: | Representing: |
| Bob Helliessen | Milliman |
| Tim Price | Milliman |
| Harvey Leiderman | Reed Smith LLP |

Other Attendees:

| | |
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| Luz Casas | Contra Costa County Employees' Retirement Association (CCCERA) Staff |
| Christina Dunn | CCCERA Staff |
| Chih-Chi Chu | CCCERA Staff |
| Justine Oyler | CCCERA Staff |
| William J. Pollacek | Retired Treasurer-Tax Collector |
| John Phillips | Self |
| Lorna Villa | Self |

1. Pledge of Allegiance

Hast 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 January 12, 2011 meeting. (Yes: Buck, Cabral, Gaynor, Hast, Holcombe, Naramore, Viramontes, Watts)

4. Presentation and discussion with investment consultant regarding the triennial Asset Allocation Study - Bob Helliessen, Timothy Price

Price reported the last asset allocation study was conducted in early 2008, noting that since that time, the credit crunch and the ensuing recovery have altered capital market expectations. He recommended conducting an asset allocation study every three years to determine if the current risk profile is appropriate.

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Gioia was present for subsequent discussion and voting.

Price reviewed both strategic and tactical asset allocations, noting that Milliman's study focuses on strategic asset allocation.

Helliesen reviewed the structure of the active and passive asset classes.

There was Board discussion regarding potential liquidity issues. Helliesen noted that he felt there is currently sufficient liquidity in the portfolio.

Price gave an overview on return and risk.

Price then reviewed the geometric (compounded) return and risk for long government bonds, large company stocks and small stocks from June 1972 to June 2009; showing risk and return correlation.

There was Board discussion on long term funding status and the investment comparisons with other systems as presented in the Mercer and Kuhns reports. Hally stated the study is currently being conducted with Kuhns, while SACRS might not be subscribing to it. Staff will update the Board at a later date on this issue.

The timeline for the asset allocation study was reviewed, noting this will be an ongoing project through the summer.

A list of possible asset classes was reviewed as well as the pros and cons of adding new asset classes. There was Board discussion on commodities and the Board's desire not to assign commodities to a separate asset class. Price confirmed that commodities can be made part of an already existing asset class, if the Board is interested in pursuing this option.

5. Consider and take possible action to begin the triennial Asset Allocation Study

It was *M/S/C* to begin the triennial Asset Allocation Study as presented by Milliman.
(Yes: Buck, Cabral, Gaynor, Gioia, Hast, Holcombe, Naramore, Viramontes, Watts)

6. Consider and take possible action on staff recommendation for Securities Litigation Monitoring Services

Hally reported this service would not replace the current process regarding class action claims at State Street. While State Street files class action claims on behalf of CCCERA, an additional monitoring service would add another layer of review regarding potential losses. The securities litigation monitoring firms would have access to CCCERA's holdings at State Street for review.

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Staff will also review the current Securities Litigation policy and bring any recommended changes back to the Board.

It was *M/S/C* to issue a Request for Information (RFI) for security litigation monitoring services. (Yes: Buck, Cabral, Gaynor, Gioia, Hast, Holcombe, Naramore, Viramontes, Watts)

7. Consider and take possible action on Carpenter Community BancFund - Bob Helliesen, Tim Price

Helliesen reported Carpenter Community BancFund has proposed increasing the size of their fund by re-opening the fund to additional investments. He stated this is unusual as this is a closed-end fund.

There was a motion to authorize an amendment allowing the expansion of the Carpenter Community BancFund. After discussion on the terms of the expansion and its potential effect on CCCERA's investments, the motion was withdrawn.

Staff was directed to invite representatives from Carpenter Community BancFund to make a presentation to the Board regarding requested changes to the fund.

8. Miscellaneous

Gioia stated he would like the travel policy to be on the agenda for discussion at a future meeting.

Gioia was not present for subsequent discussion and voting.

(a) Staff Report -

Leedom reported The Segal Company will have the proposed COLA by February to present to the Board.

Response letters have been sent to Contra Costa Central Sanitary District and Moraga-Orinda Fire District.

1099s have been mailed to retirees.

Leedom requested Board members contact the Retirement Communications Coordinator to set up an appointment to have pictures taken for the CAFR.

Leedom noted that the Active Death/Disability form has been revised; information and the form will be in the newsletter, with a copy to employers.

Outside professional support surveys are due by Monday, January 31st.

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Russell Watts' deputy, Brice Bins, will be attending the CALAPRS Trustee Training at Stanford.

Hally stated he will be rebalancing the portfolio in accordance with the investment policy.

Levy reported the paperwork has been filed for the IRS Letter of Determination and it may take from 9-12 months for the IRS to respond.

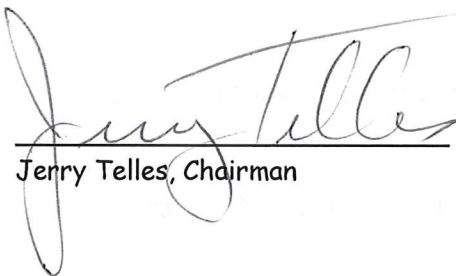
(b) Outside Professionals' Report -

Leiderman reported on the Orange County 3% at age 50 litigation. The Court of Appeals heard oral arguments last week. Orange County's main argument was that the retroactive portion of the enhanced formula was a debt that exceeded the county's revenue, and since it was not approved by the voters, it was unconstitutional. A decision is expected within 90 days.

(c) Trustees' Comments

Cabral provided information received at the Opal conference to Leedom, noting one item of interest regarding a third party securities lending firm. He felt that it was a good conference.

It was *M/S/C* to adjourn the meeting in memory of Dr. Kenneth G. Holcombe, DDS; Jerry Holcombe's father. (Yes: Buck, Cabral, Gaynor, Hast, Holcombe, Naramore, Viramontes, Watts)



Jerry Telles, Chairman



Brian Hast, Secretary