

CONTRA COSTA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

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January 28, 2009

The Board of Retirement met in regular session at 9:00 a.m. on Wednesday, January 28, 2009 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, Paul Katz, Sharon Naramore, 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:
Harvey Leiderman Reed Smith LLP
Bob Helliessen Milliman
Tim Price Milliman

Other Attendees:

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| Luz Casas | Contra Costa County Employees' Retirement Association (CCCERA) Staff |
| Chih-Chi Chu | CCCERA Staff |
| Tracy Kroll | CCCERA Staff |
| Bob Rey | Self |

1. Pledge of Allegiance

Hast led all in the *Pledge of Allegiance*.

2. Public Comment

No members of the public offered comment; however, it was noted someone would offer public comment later in the meeting.

3. Approval of Minutes

It was *M/S/C* to approve the minutes of the January 14, 2009 meeting. (Yes: Buck, Cabral, Gaynor, Gioia, Hast, Holcombe, Katz, Pollacek, and Telles)

The Board moved into closed session pursuant to Govt. Code Section 54957 to consider recommendations from the Medical Advisor and or staff regarding disability retirement applications and Gov. Code Section 54956.9(c) to consult with counsel to consider whether to initiate litigation.

The Board moved into open session.

4. Disability Retirements

It was *M/S/C* to accept the Medical Advisor's recommendation and grant the following disability benefits:

- (a) Ronald Morehouse Service Connected (Yes: Buck, Cabral, Gaynor, Gioia, Hast, Holcombe, Katz, Pollacek, and Telles)
- (b) Terese Hammett Service Connected (Yes: Buck, Cabral, Gaynor, Gioia, Hast, Holcombe, Katz, Pollacek, and Telles)
- (c) Anne Cutrubo Non-service Connected (Yes: Buck, Cabral, Gaynor, Gioia, Hast, Holcombe, Katz, Pollacek, and Telles)

Viramontes was present for subsequent discussion and voting.

5. Potential Litigation

No reportable action taken.

Public Comment

In public comment, Bob Rey, former Retirement Board Member, noted he deeply appreciated the Board's hard work and their prudent attention to detail. He requested on behalf of retirees and safety employees for CCCERA to provide payroll deductions to allow direct payments for long-term care insurance. He noted in his conversations while still a Board Member during meetings with TierPas, CCCERA's software consultants assured him new deductions would be simple to implement. He provided Board members with information from Los Angeles County Employees' Retirement's (LACERA) website noting how the deductions were implemented in their system. He concluded by thanking the Board.

6. ING Investments

Hally began by reviewing his recommendation regarding ING Investments. He noted he has a lack of confidence with the history of changes and ING Investment's marginal performance. There was discussion on transitioning the funds currently with ING to State Street. Hally noted, and Helliesen concurred, they would have no reservations with placing the current ING funds with State Street, noting this would be the lowest cost option.

There was discussion on the various options to transfer the assets if ING were terminated. Helliesen noted CCCERA's portfolio is over-weighted in core. He reviewed his recommendation to reduce the number of core managers within the portfolio and to move those assets to a global allocation.

After continued discussion on the possible options, it was *M/S/C* to accept staff's recommendation number three, to terminate ING Investments, utilize State Street to transition the funds , and to consider moving the assets into a global allocation. (Yes: Buck, Cabral, Gaynor, Gioia, Hast, Katz, Pollacek, Telles and Viramontes)

7. Global Equity Implementation

Helliesen reviewed his study on Global Equity Implementation. He noted using ING's allocation would go a long way toward the Board's target for global implementation.

Helliesen provided a hand-out with a worksheet on Global Equity Implementation, with revised targets. He noted the funds would need to be transitioned over several years to arrive at the new target.

There was discussion on other manager's funds that may possibly be transitioned into global equity. Helliesen recommended a three-year transition, noting all funds don't need to transition now. Price noted if the implementation was approved today, Milliman would begin their search for a global equity manager.

It was **M/S/C** to adopt staff and the consultant's recommendation, transitioning the funds from ING and to start the RFP process for a manager search for an active global core manager. (Yes: Buck, Cabral, Gaynor, Gioia, Hast, Katz, Pollacek, Telles and Viramontes)

It was **M/S/C** to leave the target for the new global core active manager at ING's current target amount. (Yes: Buck, Cabral, Gaynor, Gioia, Hast, Katz, Pollacek, Telles and Viramontes)

There was a request for discussion at a future meeting on a currency overlay program. Some Board members requested an educational session during the search at Milliman's office to learn the process involved.

Milliman concluded by distributing a flash report, noting the fund is currently around \$3.8 billion in assets.

8. Conference Seminar Attendance

- (a) No one else was able to attend the Corporate Governance Roundup, NCPERS, February 23, 2009, Los Angeles, CA
- (b) It was **M/S/C** to authorize the attendance of up to four Board members at the Building Pension Power, AFSCME, February 4 - 6, 2009, San Francisco, CA. (Yes: Buck, Cabral, Gaynor, Gioia, Hast, Pollacek, Telles and Viramontes; No: Katz)

9. Miscellaneous

- (a) Staff Report - Leedom reported the retiree COLA increase to be adopted at the next Board meeting is 0% for all new retirees. She noted Tiers 1, 3 and Safety have additional amounts in their COLA bank. Tier II has nothing in their COLA bank.

Leiderman noted calculation of retiree COLAs are a controversial item with '37 Act systems. He noted the key is to be consistent in the methodology used and to always use the same method for measuring the annual change.

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Leedom noted there is a SACRS sponsored spot bill that would allow additional '37 Act systems to sign on to Section 31522.5. She noted it would be beneficial to add CCCERA to this section, although it would still require a formal adoption by the Board of Retirement. Leedom also noted before any Board determination was made, education would be provided to the Board regarding this section of the law. Cabral requested exploring legislation to have all employees included in an Independent District.

Leedom noted the February 11, 2009 meeting was an important meeting. She will be sending a "Y'all Come Letter" to all interested parties to inform them the actuary will be discussing market smoothing, the amortization period of the unfunded liability and the COLA. Cabral requested that the Board obtain input from employers after the meeting, the ability to absorb the presentation, and suggested a vote for possible changes at a later meeting.

Hally - noted the Morgan Stanley contract for real estate has not been finalized, and will be coming back to the Board for further review. However, the DBL contract is nearing completion.

Leedom stated she receives inquiries from the press; she consistently refers them to the website to review minutes from meetings. Hally commented on the misinterpretation of information by the press, noting he too receives a consistent number of calls. In the past, some members of the press have printed misleading information.

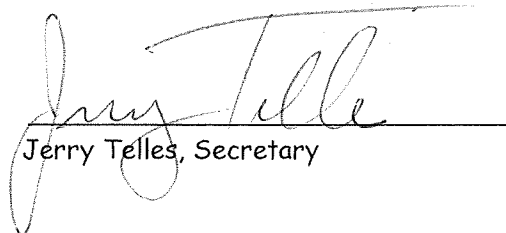
Leedom discussed the problems with CCCERA's building utilization and space needs. The Board Chair suggested an ad hoc committee to discuss alternatives.

- (b) Outside Professionals' Report - Helliesen noted he is reviewing opportunities in the debt market. He will work with staff and return to the Board with possible recommendations.
- (c) Trustees' Comments - Telles requested placing an agenda item regarding retiree deductions for long-term care insurance to allow all retirees this opportunity. Leedom noted she is certain the new TierPas system can handle the long-term care deduction; however, she does not want to look at implementation immediately. This item will be considered for the future. Research will need to be completed regarding implementation and how best to offer the automatic deduction for all retiree groups.

Hast welcomed Naramore back to the meeting.



Brian Hast, Chairman



Jerry Telles, Secretary