

CONTRA COSTA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

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November 22, 2011

The Board of Retirement met in special session at 9:00 a.m. on Tuesday, November 22, 2011 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, Sharon Naramore, John Phillips, Jerry Telles, Maria Theresa Viramontes and Russell Watts

Staff: Marilyn Leedom, Retirement Chief Executive Officer; Cary Hally, Retirement Chief Investment Officer; Karen Levy, General Counsel

Outside Professional Support: Representing:
Bob Helliesen Milliman
Tim Price Milliman

Other Attendees:

Luz Casas	Contra Costa County Employees' Retirement Association (CCCERA) Staff
Christina Dunn	CCCERA Staff
Chih-Chi Chu	CCCERA Staff
Justine Oyler	CCCERA Staff
James Corl	Siguler Guff
George Siguler	Siguler Guff
Michael Keough	Siguler Guff
Nischit Hegde	Unite Here
Hugo Wildmann	AC Transit
Ambrose Fisher	Oaktree
Francie Maletis	Oaktree
Eric Mogentale	Walton Street Capital
Jay Weaver	Walton Street Capital
Colleen Casey	Angelo Gordon & Co.
Adam Schwartz	Angelo Gordon & Co.
Patrick Kendall	Cornerstone
Thomas Dudeck	Cornerstone
Michael Gately	Cornerstone
Matthew Walley	LaSalle Investment Management
James Hutchinson	LaSalle Investment Management

1. Pledge of Allegiance

Viramontes led all in the *Pledge of Allegiance*.

2. Public Comment

Nischit Hegde of Unite Here Local 2 spoke against CCCERA investing in Walton Street and urged the Board to review Walton Street's track record.

3. Manager Presentations:

Introduction and overview by Milliman

Helliesen gave an overview of the search process and the finalist firms for opportunistic and value added real estate funds. A fee structure comparison was reviewed. Expected and maximum leverage as well as the type of ownership of properties were reviewed for each firm.

Opportunistic Real Estate

Siguler Guff - James Corl, George Siguler, Michael Keough

Siguler waived the confidentiality disclaimer on the presentation material.

Keogh gave an overview of the firm noting they are privately held with \$10.0 billion of assets under management and have 120 employees worldwide.

Siguler reported there have been 15 funds since inception. He reviewed the firm's performance stating historical fund offerings have resulted in a net IRR of 14.9% since 1993.

Corl reviewed the firm's investment philosophy and style stating he feels timing is the most important determination of success. He also reviewed Moody's/REAL Commercial Property Price Index. Corl gave examples of distressed real estate investments.

Oaktree - Ambrose Fisher, Francie Maletis

Maletis waived the confidentiality disclaimer on the presentation material.

Maletis gave a brief overview of the firm noting they were founded in April 1995, are based in Los Angeles, and have over 600 employees. She reviewed Oaktree's investment areas and philosophy stating their focus is on inefficient markets.

Fisher reported they have done very well in the past 5 years. Fund V had its first close in February. He gave an overview of the real estate team noting there are 30 professionals. Fisher reviewed the 6 areas of real estate focus in Fund V. He also reviewed recent real estate transactions.

Maletis noted Fund V will be closing in December.

Walton Street Capital - Eric Mogentale, Jay Weaver

Mogentale waived the confidentiality disclaimer on the presentation material.

Mogentale discussed the critical and differentiating strengths of Walton Street noting it was founded in December 1994. The five founding managing principals have worked together for 24 plus years. Walton Street is 100% privately owned by its principals and there is stability within

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the firm. He also reviewed their organizational chart. He reported Walton Street's single investment focus is real estate. Mogentale also reviewed prior funds investment performance noting 5 out of the 6 funds are positive.

Weaver reported on the investment strategy of Fund VII noting 90% will be in U.S. investments. He also reported the fee structure of Fund VII is consistent with prior funds.

Weaver also reviewed examples of the Fund VI portfolio.

Angelo Gordon - Colleen Casey, Adam Schwartz

Casey waived the confidentiality disclaimer on the presentation material.

Casey gave an overview of the firm stating they are the leader in alternative investments focusing on absolute return strategies. She reported Angelo Gordon was founded in 1988, is privately held, based in New York, with an office in Los Angeles, and had over 250 employees with approximately 100 investment professionals.

Schwartz gave an overview of the market noting that commercial property values have dropped 43% since the peak and the occupancy levels have increased. He also reviewed the U.S./Europe commercial real estate group noting all but one person from the director level and up has been with the firm for 18 years.

Schwartz reported Angelo Gordon acts as a general partner with local operating partners across the United States. He reviewed the opportunistic real estate strategy for Fund VIII, where they expect target returns of 20% net, leverage of 55-65%, and a holding period of 3-5 years. The Fund will purchase sub-performing and distressed assets which often require significant capital restructuring and asset repositioning to stabilize.

Casey reviewed the targeted size, term, management fee, incentive distributions and Angelo Gordon's commitment for Fund VIII.

Allen was not present for future discussion and voting

Value Added Real Estate

Cornerstone - Patrick Kendall, Thomas Dudeck, Michael Gately

Kendall gave an overview of the firm, noting they have \$32 billion in assets under management. He described the relationship between Cornerstone and its parent company, Mass Mutual.

Gately reviewed the search process for Cornerstone VIII. He reported the property price cycle is near the bottom and real estate prices are below replacement costs. He also reported the supply growth has dropped to historic lows. He gave an update on current occupancy and vacancy rates, noting apartment and hotel sectors lead; office, industrial and retail fundamentals are stabilizing.

Dudeck noted we are in a recovery period filled with uncertainty. He provided an investment thesis for Cornerstone Real Estate Fund VIII. He reviewed the Fund VIII portfolio team and gave a summary of the terms. He also reviewed regional employment trends. He reported Fund VIII will be closed at the end of February.

Dudeck reviewed past investments noting they have a proven track record for value added strategies. Their strategy focuses on current market opportunity, they are endorsed by major U.S. real estate consultants and they have a competitive fee schedule.

LaSalle Investment Management - James Hutchinson, Matthew Walley

Walley waived the confidentiality disclaimer on the presentation material.

Walley gave an overview of the firm ownership and structure noting they are solely focused on real estate investments, with \$47.9 billion under management. Walley reported they are publicly owned with 180 markets in 60 countries spanning 5 continents. He reviewed their network of real estate professionals across the United States.

Hutchinson reviewed the team and their investment management philosophy and process. He reported their investment strategy is to invest in only four major property types; office, industrial, retail and multifamily. He reviewed their investment process, strategy, deal sourcing, portfolio management, asset management, client services, and risk management. He also reviewed Fund VI target markets and target property types.

Hutchinson reviewed past fund performance noting values have struggled but the income has been strong.

Walley gave an overview of Fund VI terms noting the commitment period, the investment period of three years and the closing date in December 2011. He recapped the benefits of selecting LaSalle Growth Fund VI because they have an experienced and dedicated team, a strong, stable parent company exclusively focused on real estate, a unique real estate platform, and a simple fee structure.

4. Consider and take possible action on Opportunistic Real Estate Managers

Helliesen briefly reviewed the Opportunistic and Value Added Real Estate managers. After discussion, it was **M/S** to commit \$75 million to Angelo Gordon subject to a successful on-site visit, legal review and authorize the CEO to sign the contract. The Board discussed voting on all the managers at once. The question was called.

It was **M/S** to call for the question. Motion Failed (Yes: Cabral, Telles, Viramontes and Watts; No: Buck, Hast, Holcombe and Phillips).

A substitute motion was **M/S** to commit up to \$70 million each to Siguler Guff, Angelo Gordon and LaSalle. After discussion, the substitute motion was withdrawn.

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A substitute motion was **M/S/C** to commit \$75 million to Siguler Guff, \$50 million to Oaktree, \$80 million to Angelo Gordon and \$75 million to LaSalle subject to successful on-site visit, legal review and authorize the CEO to sign the contract. (Yes: Buck, Cabral, Hast, Holcombe, Phillips, Telles and Watts; Abs: Viramontes)

5. Consider and take possible action on Value Added Real Estate Managers

This item was voted on with item 4.

6. Miscellaneous

(a) Staff Report -

Leedom reported the Kuhns report will be made available to all trustees.

Levy reported the California Supreme Court issued an opinion in the Retired Employees' Association of Orange County v. County of Orange case. The case involves the "pooling" of the county's active and retired employees for health insurance premiums. After several years of such "pooling," the county "de-pooled" the active and retiree premiums, causing the now separate retiree health insurance premiums to rise. The lawsuit was brought on behalf of the retirees in federal court. The Ninth Circuit Court of Appeals certified to the California Supreme Court the question of whether, under California law, the county may form an *implied* contract conferring vested rights to retirees for the pooling of health benefits. The Supreme Court held in the affirmative, so long as there is no statutory provision to the contrary. The case will next return to the federal court.

(b) Outside Professionals' Report - None

(c) Trustees' Comments -

Viramontes reported a letter was received from the Contra Costa County Auditor-Controller declining the Board's request to maintain the status quo for compensation and benefits of employees appointed by CCCERA.

Telles reported he enjoyed SACRS.

Cabral reported the County gave a last, best and final offer to AFSCME Local 2700 and the Coalition on Thursday. There is a clause in the offer that states the proposal for a new retirement tier does not apply to CCCERA staff. He also reported the County has settled with DSA and there will be a new retirement tier, Tier D. A new Tier 4 for general members was accepted by Local 21 but there are no details.

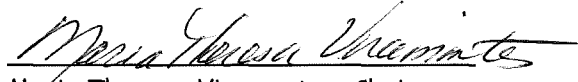
Cabral would also like to have a discussion regarding Form 700 reporting requirements.

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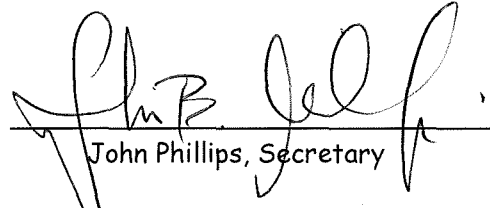
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It was **M/S/C** to adjourn the meeting. (Yes: Buck, Cabral, Hast, Holcombe, Phillips, Telles, Viramontes, Watts)



Maria Theresa Viramontes, Chairman



John Phillips, Secretary