

**CONTRA COSTA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION**

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February 22, 2012

The Board of Retirement met in regular session at 9:00 a.m. on Wednesday, February 22, 2012 in the Conference Room of the Contra Costa County Employees' Retirement Association, 1355 Willow Way, Suite 221, Concord, CA.

Present: Debora Allen, Brice Bins, Terry Buck, Richard Cabral, Brian Hast, Jerry Holcombe, John Phillips, Jerry Telles and Maria Theresa Viramontes

Absent: John Gioia, Sharon Naramore

Staff: Marilyn Leedom, Retirement Chief Executive Officer; Kurt Schneider, Retirement Deputy Chief Executive Officer; Karen Levy, General Counsel; and Vickie Kaplan, Retirement Accounting Manager

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

**Other Attendees:**

Luz Casas	Contra Costa County Employees' Retirement Association (CCCERA) Staff
Chih-Chi Chu	CCCERA Staff
Justine Oyler	CCCERA Staff
Marty Dirks	Self
Andy Rifkin	DLJ Real Estate Capital Partners
Carmine Fanelle	DLJ Real Estate Capital Partners
Mike Sloan	RSG & CCCREA
Tom Hancock	GMO
Wendy Malaspina	GMO
Tom Rosalanko	GMO
Maria Catanese	CCCREA
Erin Carney	Protege Partners

**1. Pledge of Allegiance**

Viramontes 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 February 8, 2012 meeting. (Yes: Allen, Bins, Buck, Cabral, Hast, Holcombe, Phillips, Telles and Viramontes)

4. Presentation from DLJ Real Estate Capital Partners Fund V, L.P. - Andy Rifkin, Carmine Fanelle

Prior to their presentation, DLJ waived the confidentiality disclaimer on the presentation materials, noting this is a public meeting and any information discussed will be available to the public.

Rifkin gave an overview of DLJ Real Estate Capital Partners noting they have been in business since 1995. He reviewed DLJ's investment focus, culture and track record. He also reviewed their investment environment in the U.S and China markets as well as their investment strategy.

Fanelle gave a summary of the investment performance for the RECP I, RECP II, RECP III and RECP IV funds.

Fanelle reviewed case studies for the Tysons Corner Portfolio and Blvd. 6200. He also reviewed a pending residential development transaction in China.

Fanelle reviewed the terms of the RECP V fund noting the target return is 18% gross leveraged compounded internal rate of return (IRR). He also reviewed the asset management and transaction fees.

5. Staff recommendation for commitment to DLJ Real Estate Capital Partners V, L.P.

The Board discussed CCCERA's total commitment in direct real estate funds. Helliesen reported CCCERA has been under-committed in its target real estate allocation and stated Milliman supports the \$75 million contribution to RECP V. After a lengthy discussion, the question was called.

It was **M/S/C** to call for the question. (Yes: Allen, Bins, Buck, Cabral, Hast, Holcombe, Phillips, Telles and Viramontes)

It was **M/S/C** to approve staff's recommendation to make a capital commitment of \$75 million to DLJ Real Estate Capital Partners V, L.P. (RECP V), subject to successful due diligence, legal review and to authorize the Retirement CEO to sign documents. (Yes: Allen, Bins, Buck, Cabral, Hast, Holcombe, Phillips, Telles and Viramontes)

6. Presentation from GMO regarding the addition of Emerging Markets in the GMO International Equity Strategy - Thomas Hancock, Wendy Malaspina, Tom Rosalanko

Prior to their presentation, GMO waived the confidentiality disclaimer on the presentation materials, noting this is a public meeting and any information discussed will be available to the public.

Malaspina reviewed the weight of emerging markets in the MSCI All Country World ex-US index noting emerging markets have outperformed in the last 10 years.

Rosalank gave an overview of GMO's investment team noting it would remain the same. He reviewed their investment philosophy and the process for including emerging markets in CCCERA's portfolio.

Hancock reviewed each discipline and country valuations. He also reviewed sector and country allocations. Management fees were also discussed.

**7. Staff recommendation for the addition of Emerging Markets in the GMO International Equity Strategy**

Helliesen and Price reviewed GMO's performance in emerging markets against their peer groups.

The Board discussed expanding the current GMO strategy to include emerging markets.

It was **M/S/C** to accept Milliman's recommendation that CCCERA shift from the current strategy to the extended market strategy by allowing emerging markets in the GMO strategy subject to legal review. (Yes: Bins, Buck, Hast, Phillips, Telles and Viramontes. No: Allen and Holcombe. Abs. Cabral)

**8. Review of total portfolio performance - Bob Helliesen, Tim Price**

Helliesen reported on the fourth quarter total portfolio performance.

CCCERA's fourth quarter return of 6.0% was better than the median total fund and the median public fund at 5.1% and 5.9%, respectively. Performance has been strong through the past three years. CCCERA has performed near the medians over the past four and five-year periods. CCCERA has out-performed both medians over trailing time periods longer than five years.

CCCERA total domestic equities returned 12.8% for the quarter, exceeding the 12.1% return of the Russell 3000® and the 11.8% return of the median manager. Of CCCERA's domestic equity managers, Emerald had the best absolute result with a 15.0% return, matching the Russell 2000® Growth Index return. Robeco returned 13.9%, exceeding the 13.1% return of the Russell 1000® Value Index. Wentworth Hauser also returned 13.9%, exceeding the 11.8% return of the S&P 500. Intech Enhanced Plus returned 12.5%, exceeding the S&P 500. Intech Large Cap Core returned 12.3%, also exceeding the S&P 500 Index. PIMCO returned 12.1%, also exceeding the S&P 500. Delaware returned 12.0% return, better than the Russell 1000® Growth Index return of 10.6%. Ceredex was funded during the quarter.

CCCERA international equities returned 3.8%, exceeding the 3.4% return of the MSCI EAFE Index but trailing the 4.2% return of the median international manager. The GMO Intrinsic Value portfolio returned 3.4%, exceeding the 2.8% return of the MSCI EAFE Value Index. The William Blair portfolio returned 4.4%, better than the MSCI ACWI ex-US Growth Index return of 4.1%.

CCCERA global equities returned 5.7%, trailing the 7.3% return of the MSCI ACWI benchmark but better than the 4.6% return of the median global equity manager. The J.P. Morgan portfolio returned 8.1%, exceeding the 7.3% return of the MSCI ACWI Index. The First Eagle portfolio returned 5.4%, trailing the MSCI ACWI Index return of 7.3%. Finally, Tradewinds returned 1.7%, significantly trailing the ACWI return of 7.3%.

CCCERA total domestic fixed income returned 2.3% for the fourth quarter, better than the 1.5% return of the Barclays Universal Index and the 1.3% return of the median fixed income manager.

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Allianz Global returned 6.8%, which was better than the 6.2% return of the ML High Yield II Index and exceeded the 5.8% return of the median high yield manager. The Torchlight Fund III returned 4.4% in the fourth quarter, trailing the Merrill Lynch High Yield II Index return of 6.2%. The Torchlight II fund returned 3.0%, trailing the ML High Yield II Index and the high yield fixed income median. Lord Abbett returned 1.7%, exceeding the 1.1% return of the Barclays U.S. Aggregate as well as the median fixed income manager. PIMCO returned 1.7%, exceeding the Barclays U.S. Aggregate and the median. AFL-CIO returned 1.6% which exceeded the Barclays U.S. Aggregate return of 1.1% and was better than the median fixed income manager. Goldman Sachs returned 1.2%, exceeding the Barclays U.S. Aggregate Index but trailing the median fixed income manager.

Lazard Asset Management returned 0.1% in the fourth quarter, which slightly trailed the Barclays Global Aggregate return of 0.2%, trailed the median global fixed income manager return of 0.9%

CCCERA total alternative investments returned -2.4% in the fourth quarter. Nogales returned 7.7%, Paladin III returned 7.1%, Energy Investor Fund II returned 3.1%, Carpenter Community Bancfund returned 1.2%, Energy Investor Fund returned -1.2%, Adams Street returned -3.0%, Pathway returned -5.5%, Energy Investor Fund III returned -5.5% and Bay Area Equity Fund returned -7.4%.

The median real estate manager returned 2.7% for the quarter while CCCERA's total real estate returned 9.1%. Adelante Capital REIT returned 14.9%, Long Wharf III returned 8.5%, Invesco Fund II returned 6.1%, DLJ's RECP IV returned 4.3%, Invesco Fund I returned 4.2%, DLJ RECP III returned 3.2%, Invesco International REIT returned 2.5%, Long Wharf II returned 1.6%, Willows Office Property returned 0.2%, and DLJ's RECP II returned -0.7%.

It was **M/S/C** to accept the Quarterly Report presented by Milliman. (Yes: Allen, Bins, Buck, Cabral, Hast, Holcombe, Phillips, Telles and Viramontes)

**a. Consideration of any managers already under review or to be placed under review.**

Helliesen reported on the performance of the managers on the watch list. Price stated they recommend removing Goldman Sachs from the Watch List.

It was **M/S/C** to remove Goldman Sachs from the Watch List as recommended by Milliman. (Yes: Allen, Bins, Buck, Cabral, Hast, Holcombe, Phillips, Telles and Viramontes)

**b. Consideration of any changes in allocations to managers.**

There were no changes in allocations to managers.

Cabral was not present for subsequent discussion and voting.

**9. COLA Increase revised to include Safety Tier C**

Leedom reported the cost-of-living adjustment (COLA) worksheets for Safety Tier C were not included in the actuarial exhibits adopted on February 8, 2012 as there are no retirees currently in that tier, but that the correct COLA should be noted for historical purposes.

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It was **M/S/C** to adopt the automatic cost-of-living increases for retirees effective April 1, 2012, revised to include Safety Tier C. (Yes: Allen, Bins, Buck, Hast, Holcombe, Phillips, Telles and Viramontes)

Cabral was present for subsequent discussion and voting.

10. Miscellaneous

(a) Staff Report

Leedom reported an educational presentation on real assets will be on the March 14, 2012 agenda.

She reported that the staff will return at the March 14, 2012 meeting with a recommendation regarding the implementation of the retirement Optional Settlement 4 to allow multiple beneficiary designations.

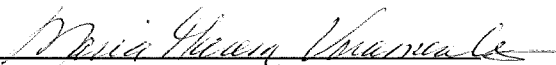
Leedom also reported she will be recommending approval of an additional Retirement Accountant position due to the increased workload in the accounting department.

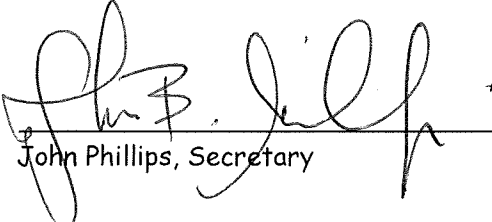
(b) Outside Professionals' Report - None

(c) Trustees' Comments

Cabral inquired whether CCCERA member benefit statements could be sent to members earlier this year. Leedom reported they are scheduled to be mailed in mid-May.

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

  
Maria Theresa Viramontes, Chairman

  
John Phillips, Secretary