

**CONTRA COSTA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION**

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March 24, 2006

The Board of Retirement met in regular session at 9:00 a.m. on Friday, March 24, 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, John Gioia, Brian Hast, Paul Katz, 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; Toni Warren, Retirement Administration Manager.

Outside Professional Support:	Representing:
Ashley Dunning	Steeffel, Levitt & Weiss
Bob Helliesen	Milliman, USA
Carolyn Snodgrass	Milliman, USA

Other Attendees:

Margie Breen

Contra Costa County Employees' Retirement Association (CCCERA) Staff

**1. Public Comment**

No members of the public offered comment.

**4. Commodities**

Helliesen introduced Carolyn Snodgrass of Milliman, USA and then reviewed his memo regarding Commodities investments. He began by noting his goal was to present different types of commodity investments, both active and passive, by bringing in a number of practitioners to educate the Board. He noted, unfortunately, a practical forum would involve presentations from investment managers, and counsel has recommended against having investment managers present to the Board in this manner.

Helliesen noted Commodity investments would be based on a commodities index such as the Goldman Sachs Commodities Index or the Dow Jones AIG Commodities Index. These indexes are un-leveraged, unlike traditional commodity investing on margin, and as a result has a returns stream that is not too dissimilar to investment in stocks and bonds, with return expectations similar to those of stocks.

Rey was present for subsequent discussion and voting.

There was a great deal of discussion on the need for information, education and the limitations put upon the Board by the process proposed by counsel. Dunning will discuss this item with Liederman to determine how to accomplish the Board's goals without compromising anything legally.

It was M/S/C to direct staff to coordinate an educational panel of passive vs. active commodities managers and to include "index aware" companies. (Yes: Cabral, Gioia, Hast, Katz, Pollacek, Rey, Telles, Viramontes, and Wedington)

Leedom will re-agendize the Institutional Investor's commodities education in May in New York.

Hally noted realistically, it may take up to one year from now to invest in commodities.

## 2. Domestic Equity Structure

Helliesen reviewed his report on the Domestic Equity Structure. He noted the discussion at the November Board meeting to reduce the amount of funds with PIMCO Stocks Plus by taking away the additional funds held for Alternative investments. He then reviewed his recommendations to the Board.

There was discussion on the implications of the "alternative investments parking place" allocation to PIMCO and whether the additional funds should continue to be held by PIMCO and whether or not this results in too much money under management.

Helliesen introduced a new analytical tool, "the Triangle Table", that shows excess annual returns compared to benchmark index for every period included.

He noted CCCERA has nine investment managers, four of whom are core managers: Wentworth, Intech, ING, and PIMCO. There were questions as to whether it would be worthwhile to have fewer managers. Helliesen noted all four core managers invest their funds differently and he sees no reason to reduce the number of managers at this time.

CCCERA is under-weighted compared to the S&P 500 and Russell 3000 in its percentage allocation to the largest capitalization stocks, and is slightly below the S&P in the next biggest segment. It is above the broad market in every other capitalization range but the highest.

There was discussion if all Board Members and the consultant were comfortable with any one firm having 20% of the fund. Some noted their comfort level was between 10% and 18%, and questioned if the funds for "parking place" should be considered in the amount.

It was M/S to reduce PIMCO Stocks Plus so that it is, on average, the same size as the other core managers including the temporary assets in its charge. The motion was **withdrawn** until all scenarios are discussed.

Helliesen reviewed the different proposed scenarios for investing in US equity, which included more aggressive Intech and ING products. Some asked how the funds were more aggressive. Helliesen will perform a screen on his data base and return to the Board with the information.

Wedington was not present for subsequent discussion and voting.

There was continued discussion as to whether a full search with an RFP should be done by Helliesen, and to have Intech in for a presentation to review differences in products offered. It was decided that ING could come in for a presentation some time in the future (9 months to a year) when their firm has been stabilized after recent personnel changes, and a more aggressive product could be reviewed at that time. He will return to the Board with information on more aggressive products for comparison.

Helliesen was given direction to return to the Board with a report and action will be taken at that time. It was M/S/C to reduce PIMCO by 2  $\frac{1}{2}$ %, and re-allocate funds based on Scenario 1, Mix B, trailing 3 years at 2.81 of the S&P. (Yes: Cabral, Gioia, Gaynor, Hast, Katz, Pollacek, Rey, Telles, and Viramontes)

### **3. Investment Manager Presentations**

Hally reviewed his memo regarding Investment Manager presentations to make the best use of the Board's time. Hally noted he recommends managers review their process, changes, what the firms are doing to add value, what decisions they will make and how the decisions will impact the portfolio.

Some Board members requested education on the managers product and how each company is unique; with 5-10 minutes on history and past performance; 10 minutes on research, analysis, stock selection and how they'll earn alpha for next year; 10 minutes for questions, what went right or wrong, what they would do differently, and how the economy will effect their style.

Hally was given direction to draft a letter to all investment managers to let them know the Board's requests and to keep the economic outlook short or non-existent.

Gioia was not present for subsequent discussion and voting.

### **5. 4<sup>th</sup> Quarter Transaction Cost Report**

Helliesen reviewed the 4<sup>th</sup> Quarter Transaction Cost Report. After noting there were no issues in the report, it was M/S/C to accept the Transaction Cost Report. (Yes: Cabral, Gaynor, Hast, Katz, Pollacek, Rey, Telles, and Viramontes)

6 Miscellaneous

- (a) Staff Report - Leedom reminded Board members of the April 1, 2006 deadline to submit their Disclosure, Form 700, to the Elections Department.

She noted that one of the building's larger tenants downstairs is in the process of negotiating a new lease and because market rates are now lower, this will make a big difference in the rent received next year. She commented that the building's capacity is currently at 95-96%.

The work on the Benefit Software System is going well and is on target. Sessions are five days, all day long, every other week, but are progressing well. The system was pre-built, but changed for CCCERA needs. Leedom noted the County will need to obtain written authorization from those retirees with CalPERS medical insurance to allow deductions from their checks for healthcare in the new software system.

- (b) Outside Professional Support - None

- (c) Trustees' Comments - Katz would like an investigation into all firms involved with CCCERA's portfolio to determine if they're doing business with Sudan. He noted the Board should not be taking a unilateral approach and polling actives and retirees to consider if we should divest of Sudan.

Cabral noted the need to be focused. The Board has to be careful with the fiduciary issues involved.

Hasst noted placing percentages on investments worked with tobacco and we will need to approach Sudan investments the same way because of the global issues involved.

Viramontes asked how we would monitor this issue. Richmond City Counsel uses the United Nations Watch List. Dunning noted if CCCERA were to have to liquidate even 10% of assets, this would be a fiduciary issue.

Rey noted U.C. Regents highlighted six companies and perhaps the Board could review their policy. He asked if the 415 Employer Replacement Plans were discretionary or mandatory.

Hasst noted the plan is the obligation of the employer and is mandatory. Dunning noted the '37 Act has a section (31899.4) on replacement plans.

Rey noted that he, Kröll, and Cabral met with safety and labor unions and were asked about some COLA scenarios.

Cabral noted the negotiators had a lot of misunderstandings, confusion and a lack of knowledge. Leedom commented on the need to stay out of negotiations.

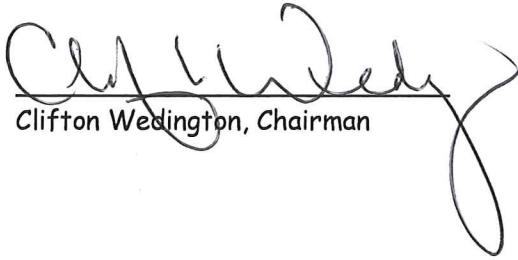
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Leiderman had previously recommended steering clear of involvement in any negotiations. Dunning also advised against being involved in negotiations.

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



Clifton Wedington, Chairman



William J. Pollacek, Secretary