

**CONTRA COSTA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION**

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June 14, 2006

The Board of Retirement met in regular session at 9:00 a.m. on Wednesday, June 14, 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, Brian Hast, Paul Katz, Louis Kroll, Sharon Naramore, Bob Rey, Jerry Telles, Maria Theresa Viramontes and Clifton Wedington.

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.

|                               |                            |
|-------------------------------|----------------------------|
| Outside Professional Support: | Representing:              |
| Ashley Dunning                | Steeffel, Levitt and Weiss |
| Bob Helliesen                 | Milliman USA               |
| Rebecca Byrnes                | County Counsel             |

Other Attendees:

|                   |  |
|-------------------|--|
| Tracy Kroll       | Contra Costa County Employees' Retirement Association (CCCERA) Staff |
| Joelle Luhn       | CCCERA Staff   |
| Luz Casas         | CCCERA Staff   |
| Mary Lou Williams | Retirees' Association  |
| Gary Fencik       | Adams Street Partners  |
| Bon French        | Adams Street Partners  |

**1. Public Comment**

No members of the public offered comment.

**2. Approval of Minutes**

After changing "Rations" to "Ratio" on the May 17, 2006 minutes on Page 4, sixth paragraph, it was M/S/C to approve the May 1, 2006 meeting minutes as amended. (Yes: Cabral, Hast, Katz, Rey, Telles, Viramontes, and Wedington)

It was M/S/C to approve the May 24, 2006 meeting minutes. (Yes: Cabral, Gaynor, Hast, Katz, Rey, Telles, Viramontes, and Wedington)

**3. Routine Items**

It was M/S/C to approve the routine items of the June 14, 2006 meeting. (Yes: Cabral, Hast, Katz, Rey, Telles, Viramontes, and Wedington)

The Board moved into closed session pursuant to Govt. Code Section 54957 and 54956.9 (c) to consider the Medical Advisor, Hearing Officer and or staff's recommendation regarding disability retirement applications and to consult with counsel regarding 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) Paul Lozada Service Connected (Yes: Cabral, Hast, Katz, Kroll, Telles, Viramontes, and Wedington)
- (b) Linda Whittington Service Connected (Yes: Cabral, Hast, Katz, Rey, Telles, Viramontes, and Wedington)

**5. Wayne Zimmerman**

It was M/S/C to accept the recommendation of the Hearing Officer to deny Wayne Zimmerman's application for disability retirement. (Yes: Cabral, Hast, Katz, Rey, Telles, Viramontes, and Wedington)

**6. Potential Litigation**

No reportable action taken.

**7. Adams Street - Bon French and Gary Fencik**

Fencik began by noting Adams Street was here to discuss issues of disclosure and confidentiality relating to alternative investments. After noting he appreciated the fiduciary responsibility of the Board, he reviewed the global presence of the firm stating they are invested with managers in 22 countries and have 84 employees worldwide. He stated they have 198 clients and 39 of those are public. He reviewed their representative clients and noted the public funds are an important side of their business.

French reviewed their performance since 1996, the funds committed and the diversification of the portfolio. He noted an arrangement he has had with another public fund where the public fund's auditors were able to look at Adams Street's investments on a regular basis. He noted he would be happy to make the same arrangements for CCCERA.

He commented they have had surprise audits by several different organizations including the SEC and the Department of Labor; they passed all with flying colors.

Dunning noted it would be possible to get some relevant information in the auditing process, but it may not be possible to get all information sought on the underlying funds.

Board members noted they were not interested in "Trade Secrets", just where CCCERA's funds are being invested and they wanted CCCERA's CIO to have access to that information.

Fencik reviewed the history of Venture Capital and its evolution over the years. Where venture capitalists were once grateful to get any backing, the supply/demand balance has shifted and now they are in a position to turn some investors away by ratcheting up confidentiality requirements.

French promised that he would provide CCCERA's Board, CEO and CIO with all of the information they requested orally, but he noted he was unable to put that promise in writing as to portfolio company information, because Adams Street is subject to confidentiality agreements with venture capital funds in which it invests.

There was discussion on the longevity of the relationship with Adams Street and many expressed trust in the individuals representing the firm. There was continued discussion on the possibility of removing the integration clause from the Adams Street contract, so that French's promise to provide all information requested by CCCERA could be enforced. There was also discussion of the SEC's ability to subpoena records and have access to Adams Street's files. There was further discussion of the portfolio companies' contractual obligation to Adams Street to comply with all applicable laws. French stated that CCCERA's counsel could review such a term from one of its contracts with a venture capital fund. Discussion concluded with Board members asking French and Fencik to contact their attorney to determine if the integration clause could be removed.

**9. 2006 Cash Flow Report**

Koehler reviewed the Cash Flow 2006 report, including the new format for the report. The Board expressed their approval of the format with the additional column noting the "Prior Year Qtr to date".

After reviewing various items and for clarification purposes, Koehler was asked to include a footer noting the cash flow process.

**10. First quarter 2006 Budget versus Actual Expenditures**

The first quarter 2006 Budget versus Actual Expenditures was accepted.

**8. Alternative Investments**

Fencik and French returned to the meeting and noted they were unable to answer the question regarding the integration clause at this time. Most agreed it was probably unlikely that this clause would be removed.

There was discussion on going forward with the investment since Adams Street noted three non-related federal agencies that could do an independent review. CCCERA may want to include a termination clause as a way of backing out if it does not receive adequate information. Hally noted a termination clause is already in the contract. It was noted that the Board may be able to comply with its fiduciary responsibility by including in the contract a review by auditors, review by federal agencies and a revised termination clause. Counsel was directed to include these three items in the contract.

After a discussion on its options, the question was asked if the Board was comfortable enough to go forward with the investment of up to \$50 million. It was noted that CCCERA would have a very small exposure if there was a loss and this should be weighed against investment returns that create alpha.

There was a motion to give staff direction to negotiate with Adams St. to remove the integration clause from the contract, to add an option to have auditors review the portfolio and the ability to communicate with federal agencies if needed, to review the termination clause, and to return to the Board with the results. The motion was amended to procure and review a copy of Adams Street's standard contract with venture capital funds. It was M/S/C to approve the motion as amended. (Yes: Cabral, Hast, Katz, Rey, Telles, Viramontes, and Wedington)

**11. "Age at Entry" of Deferred Members Who Return to Active Service**

Dunning noted that this item has come to the Board as a result of reviewing procedures for the new benefit software system.

After discussion, it was M/S/C to direct the Chief Executive Officer (CEO) to identify all previously deferred members who are now in active status and who were assigned a new age at entry upon their reentry to CCCERA, and (1) to correct those members' age at entry on a prospective basis; and (2) to calculate any amounts that such members may have overpaid in contributions in the last three years, and, through each such member's employer, adjust their contributions, with interest, to address the overpayments. (Yes: Cabral, Hast, Katz, Rey, Telles, Viramontes, and Wedington)

It was noted the CEO has advised the Retirement Board that CCCERA had been assigning a new age at entry to returning deferred members who should have received their original age of entry. That practice now has been changed by staff. It was M/S/C that the Board ratify the staff's change in practice such that previously deferred members who re-enter the retirement system will receive their original age at entry; and to further direct the CEO to use best efforts (1) to identify all members who retired on or after May 17, 2003, who were previously deferred, returned to active service and were assigned a new age at entry upon their re-entry to CCCERA, (2) to calculate any overpayments in contributions made by such members between May 1, 2003 and May 1, 2006 and (3) to refund any overpayments to such members, with interest. (Yes: Cabral, Hast, Katz, Rey, Telles, Viramontes, and Wedington)

**12. Conference Seminar Attendance**

- (a) The Advanced Investments Management, Wharton, September 24-28, 2006, Philadelphia, PA will be placed on a future agenda.
- (b) It was M/S/C to authorize the attendance of Koehler at the 3<sup>rd</sup> Annual Professional Development Conference, Public Pension Financial Forum, October 8-11, 2006, Savannah, GA. (Yes: Cabral, Hast, Katz, Rey, Telles, Viramontes, and Wedington)

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**13. Miscellaneous**

- (a) Staff Report - Leedom noted staff was surveyed and by popular vote for a location change, the staff appreciation luncheon will be held at the Outback Steakhouse in Pleasant Hill.

Leedom asked if counsel's confidential memo regarding the delay between the date of the annual Actuarial Valuation and the effective date of the resulting contribution rates can be shared. She noted a vote was never taken to waive the confidentiality on the item. Dunning noted the memo was confidential attorney client communication and the authority to release the memo remained with the Board. It was the consensus of the Board to direct the CEO to release the memo to the actuary.

She noted the sessions with Tier are going well and testing has started. Because of a network upgrade, the office may be closed on July 3. She noted they are working with Tier to have the ability to deduct healthcare for PERS members.

She commented on the Unfunded Liability true up as a result of the termination by the City of Pittsburg. They will be paying off the Paulson liability and the majority of the UAAL with a Pension Obligation Bond (POB).

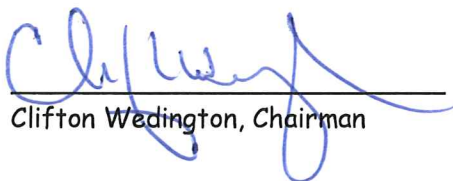
- (b) Outside Professionals' Report - Helliesen noted he has met with several investment managers. He will report back to the board on this issue at a later date.

Dunning noted she will be speaking at the National Association of Public Pension Attorneys. Leiderman will take her place at the next Board meeting.

- (c) Trustees' Comments - Rey noted he was asked by a labor group about a retiree health trust fund bill. SACRS has said healthcare is not a vested benefit. Leedom said she doesn't know if this is a '37 Act issue and she hasn't heard anything out of SACRS regarding this. Leedom noted she will research information on this bill and return to the Board with the results.

Katz complimented Hast on his report on the Hedge Fund Conference.

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

  
Clifton Wedington, Chairman

  
William J. Pollack, Secretary