

CONTRA COSTA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

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June 15, 2011

The Board of Retirement met in regular session at 9:00 a.m. on Wednesday, June 15, 2011 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, Jerry Holcombe, 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; and Rick Koehler, Retirement Accounting Manager

Outside Professional Support:	Representing:
Harvey Leiderman	Reed Smith LLP
Bob Helliessen	Milliman
Beth Zawde	Milliman

Other Attendees:

Luz Casas	Contra Costa County Employees' Retirement Association (CCCERA) Staff
Christina Dunn	CCCERA Staff
Justine Oyler	CCCERA Staff
Randall Musgraves	Central Contra Costa Sanitary District
Bill Pollacek	Retired Treasurer-Tax Collector
Todd Smithey	Central Contra Costa Sanitary District
Max Swango	Invesco
Brady Calma	Local 21

1. **Pledge of Allegiance**

Hally led all in the *Pledge of Allegiance*.

2. **Public Comment**

No members of the public offered comment.

3. **Approval of Minutes**

The Board discussed the vote count on Item 7, Request from City of Pittsburg to amend employer termination agreement, and confirmed the vote as having one (1) no vote.

After amending item 8 by changing the word "grand" to "grant" in the motion to accept the disability retirements it was **M/S/C** to approve the minutes of the June 1, 2011 meeting as amended. (Yes: Buck, Cabral, Gaynor, Holcombe, Phillips, Telles, Viramontes, Watts)

4. Routine Items

It was *M/S/C* to approve the routine items of the June 15, 2011 meeting. (Yes: Buck, Cabral, Gaynor, Holcombe, Phillips, Telles, Viramontes, Watts)

5. Presentation from Milliman on Asset Allocation Study - Bob Helliesen, Beth Zawde

Helliesen introduced Beth Zawde who assisted in conducting the analysis. He reported the last asset allocation study was conducted in 2008 and should be conducted every three to five years. The asset allocation study presents a number of alternative asset mixes that have been developed based on estimates of asset class returns and risks, and an analysis of the behavior of plan liabilities.

As discussed at the Board meeting in January 2011, the asset classes modeled for this study include a broad inflation hedging asset class. The inflation hedge proxy used in the study is an equal-weighted blend of three indices: timber, commodities and inflation-linked bonds (TIPS). The Board discussed the allocation to TIPS.

He noted the current mix is quite efficient and continues to be a reasonable choice since it delivers nearly the maximum return that can be attained given the risk taken. The current mix delivers an expected rate of return of 7.75%. This model delivers slightly more efficient combinations of assets for the same expected returns, but the benefits of moving are modest.

He further noted he assumes that the Board would prefer to adopt an asset mix with an expected return of at least 7.75% in order to meet the actuarial interest rate assumption. The proposed target asset mixes are expected to deliver this rate of return, net of fees.

6. Asset Allocation Study

The Board discussed the proposed target asset mixes presented by Milliman.

It was *M/S/C* to approve Asset Mix Alternative 8 from Milliman's recommended Alternative Asset Allocation Mixes. (Yes: Buck, Cabral, Gaynor, Holcombe, Phillips, Viramontes, Watts. Abs: Telles)

The new asset allocation targets approved by the Board are:

Global Equities	42.6%
Global Fixed Income	19.4%
High Yield	5.0%
Long Duration Fixed	5.0%
Real Estate	12.5%
Alternatives	10.0%
Inflation Hedge	5.0%
Cash & Equivalent	0.5%

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7. Update from Milliman on Small Cap Value Search - Bob Helliesen, Beth Zawde

Helliesen reported they are reviewing the questionnaires they received and have interviewed two of the thirteen candidates. A semi-finalists report will be presented at the July 13th meeting.

8. Staff recommendation to create a Retirement Counselor Position

Leedom reported due to unforeseeable circumstances the staffing in the Benefits area was not adequate. At this time, there are three Retirement Counselors at the senior level to complete the work load for the March and June retirements.

Leedom requested the Board approve the creation of one additional Retirement Counselor position.

It was **M/S/C** to accept staff's recommendation and approve the creation of one additional Retirement Counselor position. (Yes: Buck, Cabral, Gaynor, Holcombe, Phillips, Telles, Viramontes, Watts)

9. Market Stabilization Account

Koehler reviewed the Market Stabilization Account's deferred return as of December 31, 2010. After Board questions on several line items, it was **M/S/C** to accept the Market Stabilization Account report. (Yes: Buck, Cabral, Gaynor, Holcombe, Phillips, Telles, Viramontes, Watts)

10. Conference Seminar Attendance

- (a) It was **M/S/C** to authorize the attendance of 4 Board members and 2 staff members at the Fall Meeting, Council of Institutional Investors, September 25-27, 2011, Boston, MA. (Yes: Buck, Cabral, Gaynor, Holcombe, Phillips, Telles, Viramontes, Watts)
- (b) It was **M/S/C** to authorize the attendance of 1 staff member at the Administrator's Institute, CALAPRS, September 28-30, 2011, Huntington Beach, CA. (Yes: Buck, Cabral, Gaynor, Holcombe, Phillips, Telles, Viramontes, Watts)

11. Miscellaneous

(a) Staff Report -

Leedom reported she attended the Adams Street conference and it was very interesting and informative.

She reported that corrections have been requested regarding the article in the Institutional Investor on CCCERA's asset allocation study and the Contra Costa Times article on the City of Pittsburg's termination contract changes with CCCERA.

Levy reported Sacramento County Employees Retirement System has requested clarification from the Court of Appeals regarding the release of retiree information to the Sacramento Bee

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and was denied. The decision is therefore final unless appealed to the California Supreme Court. CCCERA has received an expanded request from the Contra Costa Times for all retiree retirement allowance amounts. It appears newspapers up and down the State are issuing these expanded requests that go beyond just those retirees whose retirement benefit exceeds \$100,000 per year.

(b) Outside Professionals' Report -

Leiderman reported pension reform SB340 is currently in the state assembly.

(c) Trustees' Comments -

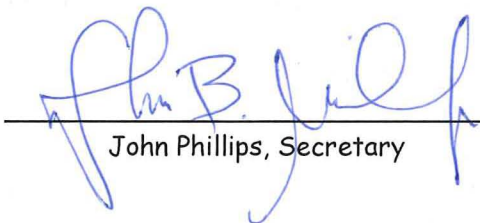
Watts reported he and Phillips attended the PIMCO conference and it was very informative.

Dave Gaynor was commended for his 5 ½ years of service to the Retirement Board.

Gaynor has enjoyed serving on the Board and feels the Board does fantastic work.

It was **M/S/C** to adjourn the meeting in honor of the expiration of Dave Gaynor's final term as Retirement Board trustee. (Yes: Buck, Cabral, Gaynor, Holcombe, Phillips, Telles, Viramontes, Watts)


Maria Theresa Viramontes, Chairman


John Phillips, Secretary