

**CONTRA COSTA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION**

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June 24, 2009

The Board of Retirement met in regular session at 9:00 a.m. on Wednesday, June 24, 2009 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, Sharon Naramore, William J. Pollacek, Jim Remick, Jerry Telles, and Maria Theresa Viramontes.

Staff: Marilyn Leedom, Retirement Chief Executive Officer; Cary Hally, Retirement Chief Investment Officer; Rick Koehler, Retirement Accounting Manager; Toni Warren, Retirement Administration Manager; Karen Levy, Counsel.

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
Joelle Luhn	CCCERA
Andy Paulden	Brown Armstrong CPA's
Silvina Leroux	Self
Jim Bickert	Deputy Sheriff's Association (DSA)

**1. Pledge of Allegiance**

Remick led all in the *Pledge of Allegiance*.

**2. Public Comment**

In public comment, Jim Bickert, from the Deputy Sheriff's Association, noted his concern with the pending lawsuit: Irwin vs. Contra Costa County Employees' Retirement Association, et al. He noted his disappointment that a retiree had to sue CCCERA to avoid disclosure of information. He stated that the court ruling to release personal information appears to be in conflict with '37 Act law, and therefore, the current Accessibility of Records Policy the Board adopted conflicts with CCCERA's own Retirement law. He requested that the policy be reconsidered and changed.

Bickert feels the Association's responsibility is not to the Contra Costa Times, but to their members. He believes the Board should act in defense of their members and shouldn't have approved the Accessibility of Records policy.

Hast noted no information has been released, pending the outcome of the court's decision.

3. Approval of Minutes

It was *M/S/C* to approve the minutes of the June 10, 2009 meeting. (Yes: Cabral, Gaynor, Hast, Katz, Pollacek, Remick, Telles, and Viramontes)

4. Auditor's Report and Financial Statements for the Year Ending December 31, 2008

Andy Paulden, of Brown Armstrong, the Retirement Board's independent auditor, began by describing the audit process. He commented that part of an auditor's responsibility is to review controls. He expressed his appreciation of the help given to the team by staff and noted that staff goes above and beyond providing the auditor's information both quickly and accurately.

He then discussed the main areas reviewed, including identifying any changes in personnel. He noted investments are the largest part of CCCERA's assets, and that fair market value has been a moving target. They reviewed CCCERA's contributions and payments to ensure they are accurate and in accordance with '37 Act law.

Paulden stated Brown Armstrong gave CCCERA an unqualified clean opinion, their highest quality, and that CCCERA is to be congratulated.

He reviewed the prior year's findings and recommendations, noting that recommended procedures have been implemented by management and there were no agreed upon conditions for 2008. He stated there were no weaknesses of controls or non-compliance. He discussed the financial health of CCCERA during his review of the Comprehensive Annual Financial Report (CAFR) and noted that CCCERA has a good funding ratio.

Paulden discussed Alternative Investments and the procedures that could be expanded to help handle this high risk investment. He discussed the need for ongoing assessment of alternatives and the reporting involved.

Leedom asked about the methods used by other funds to assist in monitoring alternative investments. Paulden noted that other systems have either hired or allocated staff to concentrate on alternatives. There was continued discussion on monitoring the different layers of fund-of-fund investments.

Paulden thanked staff for their help during the audit process. It was *M/S/C* to accept CCCERA's CAFR and the auditor's report for the year ending December 31, 2008. (Yes: Cabral, Gaynor, Hast, Katz, Pollacek, Remick, Telles, and Viramontes)

Staff was complimented on their successful outcome of the audit, production of the CAFR, including the artistic work involved in the CAFR.

It was the consensus of the Board to move to Items 8 and 9.

8. Global Equity Manager, Semi-Finalist List - Milliman

Helliesen reviewed the steps taken to compile the list of five semi-finalists for the search for the Global Equity Manager mandate.

Price reviewed the process, noting how the semi-finalists were chosen. He noted there are only 5 semi-finalists because not many investment managers have a value-added core product. The pros and cons of each of the managers, along with their locations were reviewed.

It was *M/S/C* to invite Aberdeen Asset Management, *GMO*, and J.P. Morgan for presentations on August 5, 2009. (Yes: Cabral, Gaynor, Hast, Katz, Pollacek, Remick, Telles, and Viramontes)

9. Strategic Opportunity Allocation

After discussion, it was *M/S/C* to adopt staff's recommendation to establish a "Strategic Opportunity" allocation of 5% of the total fund to be used for unique investments that do not necessarily fit neatly within any of the existing asset classes. (Yes: Cabral, Gaynor, Hast, Katz, Pollacek, Remick, Telles, and Viramontes)

The Outside Professionals' Report was taken out of order to allow comments from Milliman.

10. Miscellaneous

(b) Outside Professionals' Report - Helliesen noted Milliman was asked how, if at all, McKinley Capital Management's process had changed over the years. Price reviewed the process in place when McKinley was hired. He noted the process is the same; however, their process is not currently working in this economy. The same individuals are in place, but the investment style is currently "out of favor".

Helliesen noted CCCERA's Client Service Manager from INTECH, Russell Bjorkman, passed away last week.

7. RFP for Securities Litigation Monitoring

Hally noted Securities Litigation monitoring was discussed at a recent CALAPRS Investment Officer Roundtable. Others at the Roundtable cautioned attendees on securities litigation monitoring services, noting they felt the services had questionable worth; many felt their sole purpose was to sign people up for their services. There was discussion regarding hiring a monitoring service as opposed to remaining with the current method of using the monitoring services of CCCERA's custodial bank, State Street. Many expressed an interest in further education with the advantages and disadvantages of signing up with a securities monitoring firm.

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There was a **motion** to table discussion on this issue. The second on the motion was withdrawn for discussion purposes.

After discussion, it was **M/S/C** to table discussion of securities litigation monitoring services to allow for additional information to be brought back to the Board. (Yes: Cabral, Gaynor, Hast, Katz, Pollacek, Remick, Telles, and Viramontes)

Telles was not present for subsequent discussion and voting, having recused himself from Items 5 and 6.

The Board returned to Items 5 and 6, which were delayed earlier in the meeting.

The Board moved into closed session pursuant to Gov. Code Section 54956.9(a) and 54956.9(b) to consult with counsel regarding Irwin vs. Contra Costa County Employees' Retirement Association, et al and potential litigation.

The Board moved into open session.

**5. Irwin vs. Contra Costa County Employees' Retirement Association, et al**

No reportable action taken.

**6. Potential Litigation**

It was noted that the revised Retiree Support Group (RSG) letter will be allowed to be mailed to retirees, contingent upon counsel review and approval, and will include an inserted brochure describing RSG.

**10. Miscellaneous (cont'd)**

- (a) Staff Report - Leedom reported the July 8<sup>th</sup> meeting is set for the valuation and review of interest crediting.
- (c) Trustees' Comments - Cabral discussed labor negotiations between the County and the Union Coalition, noting the parties involved are close to reaching an agreement regarding furloughs for temporary time off. The agreement is to take four hours a month from everyone's pay for the next two years, followed by designated furlough days, when non 24/7 offices will be closed. He expressed concern that some unions have published information stating that furloughs will not affect retirement.

Leedom noted she realizes furloughs effect on retirement is important and has been working with the parties involved to notify them that the Board will make a decision after counsel reviews the final MOU language, and makes a recommendation to the Board.

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Cabral discussed the effect of furlough on contributions vs. benefits, noting this item will be on a future agenda. Other '37 Act counties will be faced with this issue as well, as other systems initiate furloughs for their employees.

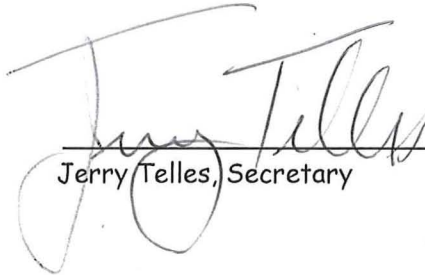
Hast noted he will not be at the August 5<sup>th</sup> meeting.

It was **M/S/C** to adjourn in INTECH's Client Service Manager, Russell Bjorkman's memory.  
(Yes: Cabral, Gaynor, Hast, Katz, Naramore, Pollacek, Remick, and Viramontes)



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Brian Hast, Chairman



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Jerry Telles, Secretary