

CONTRA COSTA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

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July 26, 2012

The Board of Retirement met in special session at 9:00 a.m. on Thursday, July 26, 2012 in the Conference Room of the Contra Costa County Employees' Retirement Association, 1355 Willow Way, Suite 221, Concord, CA.

Present: Debora Allen, Terry Buck, Brian Hast, Jerry Holcombe, John Phillips, Gabe Rodrigues, Jerry Telles, Maria Theresa Viramontes and Russell Watts

Absent: Richard Cabral, John Gioia and Sharon Naramore

Staff: Marilyn Leedom, Retirement Chief Executive Officer; Kurt Schneider, Retirement Deputy Chief Executive Officer; Tim Price, Retirement Chief Investment Officer; and Karen Levy, General Counsel

Outside Professional Support:	Representing:
Bob Helliesen	Milliman
Jeffrey Youngman	Milliman

Other Attendees:

Luz Casas	Contra Costa County Employees' Retirement Association (CCCERA) Staff
Chih-Chi Chu	CCCERA Staff
Christina Dunn	CCCERA Staff
Justine Rossini	CCCERA Staff
Jim Hamel	Artisan Partners
Chip Ridley	Artisan Partners
Robert Fortin	Self
Peter Baughan	Harding Loevner
Stephen Gannon	Harding Loevner
Brett Fleishman	MFS
Karen Jordan	MFS

1. Pledge of Allegiance

Viramontes led all in the *Pledge of Allegiance*.

2. Public Comment

No members of the public offered comment.

Hast was present for subsequent discussion and voting.

3. Discussion with consultant regarding Global Equity High Conviction managers scheduled to present.

Helliesen reported due to terminating Tradewinds as a money manager, Milliman was instructed to search for a global high conviction equity manager to replace Tradewinds and to complement the low volatility strategy managed by First Eagle.

Helliesen gave an overview of the finalists scheduled to present. Youngman reviewed the finalists' three-year rolling returns in excess of the MSCI ACWI Index. He also reviewed the correlation of their excess returns to First Eagle.

4. **Manager Presentations:**

Artisan - Chip Ridley, Jim Hamel

Ridley waived the confidentiality disclaimer on the presentation material.

Ridley gave an overview of the firm noting the only reason portfolio managers left the firm was for retirement. He reported the firm was founded in 1994 with approximately \$64 billion of assets under management. He stated they have 5 autonomous investment teams managing twelve investment strategies for institutional investors.

Hamel gave an overview of the team noting they are all dedicated to the strategy. The team consists of experienced portfolio managers and Hamel noted that the analysts have been sector specialists for over a decade. He reviewed their investment philosophy, noting they seek to compound client assets by exposing their portfolio to growth and to avoid permanent capital losses. He also reviewed their investment process and the key elements to their security selections. He reviewed their capital allocation and portfolio holdings.

Hamel reviewed their portfolio construction, noting they invest a maximum of 35% in countries outside the U.S. and a maximum of 25% in any one industry. He also reviewed regional and sector weights noting they are overweight in emerging markets and the U.S. He also noted they are currently biased to the U.S. due to the attractiveness of technology and healthcare. Hamel provided an example of their investment process.

Harding Loevner - Peter Baughan, Stephen Gannon

Gannon gave an overview of the firm, noting it was founded in 1989 and the first strategy was in global equities. He stated half of their clients are now based outside the U.S. Gannon reported they have approximately \$20 billion in assets under management.

Baughan reported Harding Loevner is a boutique type firm and is 40% employee owned. The other 60% is owned by Affiliated Managers Group (AMG). He described Harding Loevner as a global, long-term disciplined and transparent firm with very little employee turnover. He reviewed their philosophy, noting that they believe investing in shares of high-quality growth businesses at fair prices leads to superior risk-adjusted returns.

Baughan reviewed the investment team, noting they have an average of 19 years experience in the industry. He reviewed their investment process and described the four-stage process to narrow the investable universe, first according to their fundamental insights, and then according to valuation. He also reviewed the key criteria used in buying and selling stocks noting their portfolio decision-making structure promotes transparency and accountability.

He reviewed how they managed risk, their portfolio performance and their portfolio profile.

MFS - Brett Fleishman, Karen Jordan

Jordan waived the confidentiality disclaimer on the presentation material.

Jordan reported corrections on pages 6 and 16 of the presentation material. On page 6, the average quarterly relative performance total should be +1.2% and on page 16, the Portfolio and MSCI World Index for the IBES long-term EPS growth should be 0%.

Jordan gave an overview of the firm noting they manage \$283 billion in assets for clients in 75 countries. She noted the firm is 78% owned by Sun Life with a main office is in Boston. She reviewed the firm's assets and global equity performance.

Fleishman described the distinguishing characteristics of the team. He reviewed the consistent historical performance in diverse market environments. He also reviewed the firm's philosophy, investment approach and investment process. He reported there are 78 research analysts in 8 global sector teams. He reviewed the top 10 portfolio holdings and sector weights noting they do not own utilities and communications or energy because they are not sustainable. He reviewed their portfolio characteristics stating they use a high quality bias consistent through every strategy over a long period of time.

Jordan reported they have consistently outperformed the MSCI World benchmark on rolling 3 year annualized excess returns since inception. She also reviewed their global concentrated equity composite peer universe rankings as of March 31, 2012.

5. Consider and take possible action on Global Equity High Conviction managers

After the Board discussed the managers presentations, it was *M/S/C* to select Artisan Partners as the global high conviction equity manager subject to on-site visits and due diligence and to authorize the CEO to sign the contracts. (Yes: Allen, Buck, Hast, Holcombe, Phillips, Telles, Viramontes and Watts)

6. Miscellaneous

(a) Staff Report -

Leedom reported the common areas in the Willows Office building will be recarpeted this year.

(b) Outside Professionals' Report - None

(c) Trustees' Comments - None

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



Maria Theresa Viramontes, Chairman



John Phillips, Secretary