

CONTRA COSTA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

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July 9, 2008

The Board of Retirement met in regular session at 10:00 a.m. on Wednesday, July 9, 2008 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, John Gioia, Brian Hast, Paul Katz, 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; Kathy Somsen, Retirement Benefits Manager; Toni Warren, Retirement Administration Manager.

Outside Professional Support: **Representing:**
Harvey Leiderman Reed Smith LLP
Bob Helliessen Milliman
Tim Price Milliman

Other Attendees:

Luz Casas	Contra Costa County Employees' Retirement Association (CCCERA) Staff
Tracy Kroll	CCCERA Staff
Joelle Luhn	CCCERA Staff
Chih-Chi Chu	CCCERA Staff
Mary Lou Williams	CCC Retirees
David Boland	Self
Ron Zuzack	BlackRock
Phillip Mader	BlackRock
Cathy Ebert	BlackRock
Dan McLaughlin	BlackRock
Damian Gancman	CityView
Chuck Dragicevich	CityView
Henry Cisneros	CityView
Victor Miramontes	CityView
Bob Rey	Self

1. Public Comment

No members of the public offered comment.

2. Board Reorganization

In Hast's absence, Pollacek, as acting Chair, noted the incumbents were Hast, Chair; Pollacek, Vice Chair; and Telles, Secretary.

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Hast was nominated for Chair; it was **M/S/C** to close the nominations and cast a unanimous ballot for Hast as Chair. (Yes: Buck, Cabral, Gaynor, Gioia, Katz, Pollacek, Telles, and Viramontes)

Pollacek was nominated for Vice Chair; it was **M/S/C** to close the nominations and cast a unanimous ballot for Pollacek as Vice Chair. (Yes: Buck, Cabral, Gaynor, Gioia, Katz, Pollacek, Telles, and Viramontes)

Telles was nominated for Secretary; it was **M/S/C** to close the nominations and cast a unanimous ballot for Telles as Secretary. (Yes: Buck, Cabral, Gaynor, Gioia, Katz, Pollacek, Telles, and Viramontes)

3. Routine Items

It was **M/S/C** to approve the routine items of the July 9, 2008 meeting. (Yes: Buck, Cabral, Gaynor, Gioia, Katz, Pollacek, Telles, and Viramontes)

Hast was present for subsequent discussion and voting.

Viramontes was not present for subsequent discussion and voting.

The Board moved into closed session pursuant to Govt. Code Section 54957 to consider the Medical Advisor and or staff's recommendation regarding disability retirement applications and under Gov. Code Section 54957 to consider ceasing the disability allowance under Section 31733.

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) Thomas Egan Service Connected (Yes: Buck, Cabral, Gaynor, Hast, Gioia, Katz, Pollacek, and Telles)
- (b) Barbara Williams Service Connected (Yes: Cabral, Gaynor, Hast, Gioia, Katz, Pollacek, Remick and Telles)

4.1. Disability Recipient - Diane Wilson

It was **M/S/C** to accept staff's recommendation to accept the physician's report, determine that Ms. Wilson is no longer incapacitated and stop the disability allowance, effective June 30, 2008, to allow for re-employment with the County. This action is based on the assumption that Ms. Wilson will re-enter County service in July 2008. (Yes: Buck, Cabral, Gaynor, Hast, Gioia, Katz, Pollacek, and Telles)

5. Compensation Consultant for Unrepresented Positions

Leedom reviewed her memo to retain Fox Lawson & Associates, LLC, for a Compensation Study. It was *M/S/C* to accept staff's recommendation to approve retaining Fox Lawson & Associates, LLC, to perform a compensation survey for total compensation for unrepresented positions, pending successful contract and final cost negotiations. (Yes: Buck, Cabral, Gaynor, Hast, Gioia, Katz, Pollacek, and Telles)

Viramontes was present for subsequent discussion and voting.

6. BlackRock Residential Opportunity Fund - Ron Zuzack, Cathy Ebert, Dan McLaughlin, Philip Mader

In public comment, Leiderman, CCCERA's General Counsel, noted his firm, Reed Smith, represents certain BlackRock entities in other matters and that he had not participated and will not participate in any of the Board's consideration whether to engage BlackRock. There was some discussion regarding potential negotiation of the contract if the Board were to hire BlackRock.

McLaughlin began by providing an overview, noting BlackRock is a global provider of investment and risk management services, headquartered in NYC, with offices in 19 countries. BlackRock was established in 1988, is a public company with no majority owners and the majority of their Board of Directors are independent.

BlackRock has over 5,600 employees in 19 countries, including more than 750 investment professionals. They have investment centers in the U.S., U.K., Europe, Asia and Australia, over 50 marketing and client service offices plus regional wholesalers and clients located in over 60 countries.

Ebert discussed their global integrated real estate fund, noting BlackRock is a value-added opportunistic fund with over \$30 billion in private real estate equity and debt across the U.S., Europe and Asia Pacific. They have 26 years experience in the U.S. and Europe and 17 years in Australia/Asia. Their team approach has approximately \$7 billion in global transactions annually.

Zuzack noted BlackRock Realty and predecessor firms, have partnered together with CCCERA since 1991 and the Association has entrusted BlackRock with over \$45 million in four real estate strategies. Three funds have gone full cycle and been liquidated. The last fund is in liquidation mode. He stated BlackRock has generated strong returns in each of the strategies over the last 17 years. Zuzack then provided an overview of BlackRock Residential Opportunity Fund.

Mader noted distress in residential capital markets creates a compelling investment opportunity through the selection of investment opportunities; e.g., land, partially completed residential developments, broken condos and debt. Their strategy is to focus inside the beltway in major markets where demand is proven and recovery expected to be earliest. He noted these were not the deepest discounts, but the best risk-adjusted

terms. They will prepare to sell into recovery and add value by completing entitlement and development as needed.

Mader concluded by reviewing different holdings, with site and aerial plans for various opportunities within the fund.

7. **CityView Development Investors Fund I** - Damian Gancman, Chuck Dragicevich, Henry Cisneros, Victor Miramontes

CityView agreed to waive the confidentiality of their presenting materials.

Cisneros began by providing CityView's background. They were formed in April 2003, have actively managed three separate investment funds; they currently have an equity allocation of \$725 million from four public pension funds. He reviewed the CityView Team and track record, noting they have 45 projects with over 7,000 homes in 12 states financed in 4 years. They have generated \$725M equity/\$2B capacity; and have \$608 million invested. They specialize in workforce houses in urban areas, noting as gas prices bring people into these areas, more houses are needed.

Miramontes provided market characteristics, investment strategy, and the five steps involved with procuring properties.

He concluded by noting the proposed fund size is \$400 million, not to exceed \$575 million, with 2% of aggregate capital commitments, not to exceed \$11.5 million. Their principal purpose is to acquire land and maximize its value through the entitlement process with the option of lot development or home building. Their target gross IRR is 18-20%, with the commitment period to extend four years after the fund's final closing, and a term of eight years from the funds final closing, subject to two one-year extensions at the discretion of the General Partners.

- LUNCH -

Telles was not present for subsequent discussion and voting.

8. **Action on BlackRock Residential Opportunity Fund and/or CityView Development Investors Fund I**

After discussion on the merits of both funds, and staff noting that some additional requested information had not been received, action on this item was tabled until August, when more information should be available.

9. **Action on Morgan Stanley Real Estate Fund VII Global, L.P.**

The Board briefly discussed the Board's policies and guidelines applicable to the investment manager selection process including the fact that a previous Board member is involved with this company. When asked which Board members in attendance had contact with Morgan Stanley regarding this investment before this meeting, it was noted that Pollacek, Hast, Cabral and Gaynor had met with Wedington, former Board

Chairman. Counsel advised it did not appear a serial meeting occurred. It was **M/S/C** to accept staff's recommendation to make a capital commitment of \$75 million to Morgan Stanley Real Estate Fund VII Global L.P. (Fund VII), subject to a satisfactory on-site visit, negotiation of contract and to authorize the Chief Executive Officer to sign any necessary documents. (Yes: Buck, Cabral, Gaynor, Hast, Gioia, Pollacek, and Viramontes; Abs: Katz)

It was the consensus of the Board to agendaize a future discussion on the policies and guidelines appropriate to the investment manager selection process, including the need to maintain flexibility in capitalizing on opportunities presented by non-traditional alternative investment managers.

10. Fair Political Practices Commission (FPPC) Regulations

Leedom reviewed her memo and Leiderman reviewed his hand-out "Quick Facts" concerning the July 1, 2008 changes in FPPC regulation 18944.2, re: Limits and Reporting of Gifts and Payments to Public Officials.

After discussion, it was **M/S/** to appoint the Chief Executive Officer as "Agency Head" on behalf of the Board with legal authority to determine and control the decision about who uses the payment of gifts. **The motion was withdrawn.**

It was the consensus of the Board that the Association will accept no gifts as related to conference fees, meals and lodging. Costs will be determined and funds from the Association will be sent to cover all costs associated with conferences. After further discussion, staff was directed to work with counsel to return with recommendations and changes, if needed, to Board Regulations.

11. Manager Allocation Targets for Rebalancing

It was **M/S/C** to accept staff's recommendation to adopt the manager targets as noted in the CIO's memo. (Yes: Buck, Cabral, Gaynor, Gioia, Hast, Katz, Pollacek, and Viramontes)

12. Western Asset Portfolio Transition

It was **M/S/C** to accept staff's recommendation to authorize staff to contract with one of CCCERA's fixed income managers to advise and manage a portion of the Western portfolio which may need to be prudently liquidated over a period of time. (Yes: Buck, Cabral, Gaynor, Gioia, Hast, Katz, Pollacek, and Viramontes)

13. Conference Seminar Attendance

- (a) It was **M/S/C** to authorize the attendance of four Board members and one staff member at the Institutional Investors Roundtable, Institutional Investor, October

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20 - 22, 2008, Chicago, IL (Yes: Buck, Cabral, Gaynor, Gioia, Hast, Katz, Pollacek, and Viramontes)

- (b) It was *M/S/C* to authorize the attendance of four Board members and one staff member at the International Investing and Emerging Markets, Wharton West, August 25 - 27, 2008, San Francisco, CA. (Yes: Buck, Cabral, Gaynor, Gioia, Hast, Katz, Pollacek, and Viramontes)

14. Miscellaneous

- (a) Staff Report - Leedom noted the Valuation Report will be reviewed at the July 23, 2008 meeting. A "Y'all Come" letter was sent to all employers and interested parties.

An RFI for Disability/Occupational Health Consultancy Services should be mailed next week.

Leedom noted she has received a public record request to review and potentially have copies made of Board agendas and backup dating back to 1970.

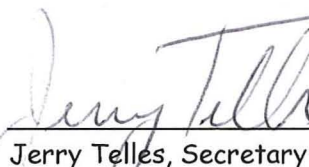
She noted the County's Internal Operations (IO) Committee has recommended to the Board of Supervisors that David Boland be appointed as the Board of Supervisor's Alternate Board Member.

- (b) Outside Professionals' Report - Nothing further to report
- (c) Trustees' Comments - Cabral requested that the New America's Pension Conference be placed on the next agenda.

Pollacek discussed the change in the FPPC regulations discussed earlier in the meeting. He commented this change was discussed during a recent SACRS Legislation Committee.

Viramontes commented on the Emerald on-site visit she and Hally will be attending in Pennsylvania. She will be attending the Wharton School while in Pennsylvania through another entity, noting this course will complete the Wharton Investment Program for her.


Brian Hast, Chairman *vice chair*


Jerry Telles, Secretary