

CONTRA COSTA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

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September 1, 2010

The Board of Retirement met in special session at 9:00 a.m. on Wednesday, September 1, 2010 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, Brian Hast, Jerry Holcombe, Sharon Naramore, William J. Pollacek, Jerry Telles, Maria Theresa Viramontes.

Staff: Marilyn Leedom, Retirement Chief Executive Officer; Silvina Leroux, Retirement Deputy Chief Executive Officer; Cary Hally, Retirement Chief Investment Officer; Karen Levy, General Counsel.

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

Other Attendees:

Luz Casas	Contra Costa County Employees' Retirement Association (CCCERA) Staff
Christina Dunn	CCCERA Staff
Chih-Chi Chu	CCCERA Staff
Justine Oyler	CCCERA Staff
Brendan Bradley	Acadian Asset Management
Jeff Doran	Acadian Asset Management
Jack Gastler	Acadian Asset Management
George Matthews	Analytic Investors
Harindra de Silva	Analytic Investors
John Calamos, Sr.	Calamos Investments
Scott Becker	Calamos Investments
Kamila Kowalke	Calamos Investments
John Arnhold	First Eagle Investment Management
Greg Cassano	First Eagle Investment Management
Matthew McLennan	First Eagle Investment Management
Lorna Thomson	Self

1. Pledge of Allegiance

Gaynor led all in the *Pledge of Allegiance*.

2. Public Comment

No members of the public offered comment.

3. Global Low Volatility Equity Investment Manager Presentations

Introduction and Overview by Milliman

Price provided a summary of the process used to identify a global equity manager to pursue a low volatility investment strategy. This portfolio will be an offset to the high conviction manager search also in progress. It is intended to act as a risk reducing component of the new overall global equity program. All of the products being presented today are expected to trail the market's performance when there are large positive returns. It is expected performance will significantly exceed the market in negative market environments.

The Board discussed managers' fees and whether or not they are negotiable.

Acadian Asset Management - Brendan Bradley, Jeff Doran, Jack Gastler

Telles noted Acadian's presentation materials contained a confidentiality disclaimer and that this is a public meeting. Gastler waived confidentiality of the presentation materials.

Gastler gave an organizational and investment team overview, stating they have over 20 years investment experience in global markets. The company's focus is on risk and return. He also reviewed a representative list of clients.

Doran stated their strategy is a long-only global strategy that is actively managed, adding they are able to offer a low fee for their services.

Bradley reviewed the strategy and how it is focused on identifying stocks which have historical low volatility. The returns of low volatility portfolios for global markets are similar to US portfolios. He reviewed the process of how portfolios are constructed, further stating they don't hedge currency as a rule, but they can if it is requested by their clients. He concluded by reviewing the regional and industry allocations in their portfolio.

Analytic Investors - George Matthews, Harindra de Silva

Matthews gave an overview of the firm and research team stating they are a boutique investment firm located in Los Angeles, with very innovative research strategies. He stated they have a diverse group of clients and have managed low volatility strategies since 2004.

De Silva summarized the objectives of this investment approach was to obtain market returns with significantly less variability. The goal is to have a standard deviation 20% to 30% less than the market. He continued to discuss the investment process, how portfolios are constructed, and portfolio characteristics. He reviewed their regional

and industry allocations; and added they are in the process of developing an emerging market list. He concluded by giving a representative list of their clients.

It was the consensus of the Board to move into Closed Session.

CLOSED SESSION

The Board moved into closed session pursuant to Govt. Code Section 54956.9(b).

The Board moved into open session.

6. Other Litigation

No reportable action taken.

3. Global Low Volatility Equity Investment Manager Presentations (Continued)

Calamos Advisors - John Calamos, Sr., Scott Becker, Kamila Kowalke

Kowalke introduced herself stating she is the Vice President of Institutional Sales. She also gave a brief introduction of the other presenters.

Calamos gave an overview of the company including a history of the firm and their corporate/investment team structure. He reviewed the representative list of their institutional clients, as well as their investment approach. Their investment process has both top-down and bottom-up analysis. He briefly reviewed the pricing characteristics of convertible bonds and how the firm incorporates convertible bonds into the global equity portfolio.

Becker reported on intrinsic value and price history, stating intrinsic value is calculated based upon various scenarios for company and industry growth. He reviewed portfolio construction, along with portfolio characteristics. A majority of their exposure in the energy sector is through equities.

Calamos concluded by reviewing the rolling 3-year returns on their global opportunities strategy.

Cabral was not present for subsequent discussion and voting.

First Eagle Investment Management - John Arnhold, Matthew McLennan, Greg Cassano

Cassano gave an introduction of the presenters and a brief overview of the firm, including a list of institutional clients and total assets under management.

Arnhold gave a more detailed overview of the firm, including the history which dates back to the early 1800s. He stated the primary objective of the strategy was to preserve investor capital while achieving attractive real returns. He stated expectations should be: performance may slightly trail the market in strong positive markets, while exceeding the market in negative markets due to the focus on preservation of capital. This strategy includes non-equity securities, such as gold, fixed income and cash. He reviewed how the firm incorporates gold exposure into the portfolio and that there may be periods when cash level is increased, if the firm doesn't find stocks at a reasonable price level.

McLennan gave an overview of their investment teams, and reiterated the objective is to achieve attractive real returns while preserving investors' capital over time. He reviewed the investment process and portfolio construction. He summarized the current characteristics of the portfolio, including country and industry exposures, concluding by reviewing the historical performance of the product.

4. Consider and take possible action on Global Low Volatility Equity Investment Manager(s)

The Board discussed the strengths and weaknesses of each of the firms that made a presentation.

It was **M/S/C** to hire First Eagle Investment Management as the Global Low Volatility Equity Investment Manager, subject to further due diligence, satisfactory review of legal documents, and to authorize the Retirement CEO to sign the contract. (Yes: Buck, Gaynor, Hast, Holcombe, Pollacek, Telles, Viramontes)

It was the consensus of the Board to move to Item 7.

7. Consider and take possible action to change October 27, 2010 Board Meeting.

The Board discussed eliminating the October 27, 2010 meeting and adding a meeting in September due to a scheduling conflict.

It was **M/S/C** to cancel the October 27, 2010 meeting and tentatively schedule a meeting on September 29, 2010. (Yes: Buck, Gaynor, Hast, Holcombe, Pollacek, Telles, Viramontes)

5. Review of total portfolio performance

CCCERA's second quarter return of -5.3% was below the median total fund but matched the median public fund. Performance was strong over the past year. CCCERA slightly trailed the median funds over the past two through four-year periods. CCCERA has outperformed both medians over trailing time periods five years and longer.

CCCERA total domestic equities returned -11.2% for the quarter, slightly better than the -11.3% return of the Russell 3000®, but trailing the -10.4% return of the median manager. Of CCCERA's domestic equity managers, Emerald had the best absolute return at -8.0%, better than the -9.2% return of the Russell 2000® Growth Index. Progress returned -8.9%, better than the -9.9% return of the Russell 2000® Index. Rothschild returned -10.2%, matching the Rothschild Small/Mid Value benchmark return of -10.2%. Intech Large Cap Core returned -10.2%, better than the -11.4% return of the S&P 500 Index. Intech Enhanced Plus returned -10.7%, also better than the S&P 500 Index. PIMCO returned -11.0%, above the S&P 500 return of -11.4%. Delaware returned -11.2%, better than the Russell 1000® Growth Index return of -11.4%. Boston Partners returned -11.7%, below the -11.1% return of the Russell 1000® Value Index. Finally, Wentworth Hauser returned -15.4%, trailing the S&P 500.

CCCERA's international equities returned -13.3%, better than the -13.7% return of the MSCI EAFE Index, but trailing the -12.1% return of the median international manager. The GMO Intrinsic Value portfolio returned -14.0%, slightly trailing the -13.8% return of the S&P Citi PMI EPAC Value Index. The legacy McKinley Capital portfolio returned -12.6%, trailing the MSCI ACWI ex-US Growth Index return of -12.3%. McKinley has been terminated and William Blair has been selected to manage the portfolio prospectively, pending successful contract negotiations.

CCCERA's total domestic fixed income returned 2.9% for the second quarter, trailing the 3.1% return the Barclays Universal, but better than the 2.7% return of the median fixed income manager. The ING Clarion II fund returned 6.5%, better than the ML High Yield II Index return of -0.1% and the high yield fixed income median return of -0.5%. The ING Clarion Fund III returned 3.9% in the second quarter, better than the Merrill Lynch High Yield II Index. The workout portfolio overseen by Goldman Sachs returned 3.4%, slightly below the Barclays Aggregate return of 3.5%. Goldman Sachs returned 3.3%, trailing the Barclays U.S. Aggregate Index, but exceeding the median fixed income manager. PIMCO returned 3.1%, below the Barclays U.S. Aggregate, but above the median. Lord Abbett returned 2.9%, trailing the Barclays U.S. Aggregate, but better than the median fixed income manager. AFL-CIO returned 2.8% which trailed the Barclays U.S. Aggregate, but slightly exceeded the median fixed income manager. Allianz Global (formerly Nicholas Applegate) returned 0.2%, which was better than the -0.1% return of the ML High Yield II Index and the -0.5% return of the median high yield manager.

Lazard Asset Management returned -0.2% in the second quarter, trailing the Barclays Global Aggregate return of 0.0% and ranked in the 59th percentile of global fixed income portfolios.

CCCERA's total alternative investments returned 1.5% in the second quarter. Paladin III returned 4.4%, Nogales returned 3.6%, Adams Street Partners returned 3.3%, Bay Area Equity Fund returned 2.7%, Energy Investor Fund II returned 2.1%, Pathway returned 1.9%, Energy Investor Fund returned -1.1%, Carpenter Community Bancfund

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returned -1.9%, Energy Investor Fund III returned -2.0% and Hancock PT Timber Fund returned -7.9%.

The median real estate manager returned 1.2% for the quarter while CCCERA's total real estate returned -0.9%. BlackRock Realty returned 27.2%, Fidelity III returned 16.0%, Invesco Fund II returned 14.8%, Invesco Fund I returned 10.1%, Fidelity II returned 5.9%, DLJ's RECP II returned 1.6%, DLJ's RECP IV returned 1.1%, Willows Office Property returned 1.1%, DLJ RECP I returned 0.9%, DLJ RECP III returned 0.2%, Adelante Capital REIT returned -2.4% and Invesco International REIT returned -11.2%.

(a) Consideration of any managers already under review or to be placed under review.

Price reported there was another departure from Goldman Sachs, and recommended a watch status for Goldman based on recent personnel changes.

It was *M/S/C* to put Goldman Sachs on the watch list for personnel changes. (Yes: Buck, Gaynor, Hast, Holcombe, Pollacek, Telles, Viramontes)

(b) Consideration of any changes in allocations to managers.

Helliesen reported the only one on the watch list that fell behind their benchmark was *GMO*. The board discussed the probability of terminating *GMO* and directed staff to have options available to move assets if the Board decided to terminate at the next quarterly review meeting.

8. Miscellaneous

(a) Staff Report -

Leedom asked if the Board would like outside fiduciary counsel to give the Board a legal analysis on how AB 1987 should be implemented, if it is passed, since it is on the Governor's desk for signature. Discussion followed on the participation by Leiderman in discussions on AB 1987.

Leedom noted Ice Miller will be attending the September 8, 2010 Board meeting to report on service purchase and service conversion installment contracts on a pre-tax basis. The Segal Company will also report on the results of the depooling study.

The October 13, 2010 meeting will be an important meeting with presentations from both The Segal Company and Ice Miller.

She reported the current market rent at the Willows has decreased dramatically from a few years ago. One tenant has defaulted on their lease and a 15-day notice to vacate has been issued.

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She reviewed recent public records requests from the Contra Costa Times and from Risk Management.

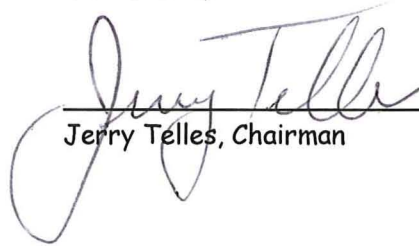
It was the consensus of the Board to schedule a meeting on September 29, 2010.

(b) Outside Professionals' Report -

Price reported they will be providing the semi-finalist report for a high conviction manager. There will be 5 candidates listed in the report.

(c) Trustees' Comments - None

It was *M/S/C* to adjourn the meeting. (Yes: Buck, Gaynor, Hast, Holcombe, Pollacek, Telles, Viramontes)



Jerry Telles, Chairman



Brian Hast, Secretary