

**CONTRA COSTA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION**

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January 27, 2010

The Board of Retirement met in regular session at 9:00 a.m. on Wednesday, January 27, 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, John Gioia, Brian Hast, Jerry Holcombe, Paul Katz, Sharon Naramore, William J. Pollacek, Jim Remick, Jerry Telles, and 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, Counsel; Rick Koehler, Retirement Accounting Manager; Kathy Somsen, Retirement Benefits Manager.

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

**Other Attendees:**

|                      |  |
|----------------------|--|
| Margie Breen         | Contra Costa County Employees' Retirement Association (CCCERA) Staff |
| Luz Casas            | CCCERA Staff   |
| Joelle Luhn          | CCCERA Staff   |
| Chih-Chi Chu         | CCCERA Staff   |
| Bill Cullen          | Retiree  |
| Mary Lou Williams    | Contra Costa County Retired Employees' Association (CCCREA)          |
| Gene Dangel          | Retiree  |
| Satomi Cadena        | CCCREA   |
| Kerry Yoshitomi      | Self   |
| Bob Rey              | Self   |
| Ron Walker           | Local 1230   |
| Cathryn Freitas      | Contra Costa County Sanitary District                                |
| Sue Casey            | Moraga-Orinda Fire Protection District                               |
| Marla Ferrara        | Child and Family Services  |
| Gil Caravantos       | Local 1230   |
| Petronilo A. Cariaso | Self   |

**1. Pledge of Allegiance**

Hast led all in the *Pledge of Allegiance*.

**2. Public Comment**

No members of the public offered comment.

**3. Approval of Minutes**

It was *M/S/C* to approve the January 13, 2010 meeting minutes. (Yes: Buck, Cabral, Gaynor, Hast, Holcombe, Katz, Pollacek, Telles, and Viramontes)

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

**4. Potential Litigation**

Gioia was present for subsequent discussion and voting.

No reportable action taken.

**5. Special Board Meeting Date**

It was *M/S/C* to add this agenda item to the 2/10/10 Board meeting: Consider and take possible action regarding elements of pay to be considered in final compensation for the calculation of retirement benefits for new hires. (Yes: Buck, Cabral, Gaynor, Gioia, Hast, Pollacek, Telles, and Viramontes; No: Katz)

Katz and Gioia were not present for subsequent discussion and voting.

**6. Global Equity Implementation and possible action- Bob Helliesen, Milliman**

Helliesen reviewed the Global Equity implementation update. It was noted that CCCERA Board selected J.P. Morgan to manage its first global equity strategy in late 2009. This mandate was funded in early January, 2010. The next step is to turn attention to expanding the global equity program. The recommendation is to first identify a stable, core global equity manager and then add two complementary strategies. Another possible approach is to add an aggressive, concentrated manager as well as a low absolute volatility manager. Both approaches, going with growth/value or going with other complementary managers, have their merits and shortcomings.

It was *M/S/C* to authorize staff to issue RFP's for both a low absolute volatility global manager and a high conviction global manager. (Yes: Buck, Cabral, Gaynor, Hast, Holcombe, Pollacek, Telles, and Viramontes)

Gioia was present for subsequent discussion and voting.

**7. Oaktree Private Investment Fund 2009 - Bob Helliesen, Milliman**

Helliesen reviewed Milliman's recommendation for the Board to fund a \$40 million investment in the Oaktree Private Investment Fund 2009, L.P. (PIF 2009). The PIF invests in three credit-oriented Oaktree strategies within a private equity-type structure.

The proposed fund is unique in that it allows CCCERA the ability to invest in three different Oaktree strategies through one investment vehicle, structured as a "fund of funds". The Fund will invest in three closed-end private investment partnerships: 60% in Opportunities Fund VIII, 30% in Principal Fund V and 10% in Mezzanine Fund III (allocations are proportional to the size of the underlying funds).

The Opportunities Fund VIII is being established primarily to take advantage of opportunities arising from financial distress (distressed debt). The Principle Fund V is being established to primarily invest in middle-market companies via the purchase of distressed debt or private equity investments (distress control). The Mezzanine Fund III is being established to build a diversified portfolio comprised of mezzanine and other junior debt and equity investments.

The fund-of-funds will pass along the underlying fund fees, not imposing any additional fees and will require only one subscription agreement. The PIF can accept commitments until February 25, 2010. The term of the Fund is eight years and will expire when the last underlying fund expires.

It was *M/S* to accept Milliman's recommendation to invest \$40 million in the Oaktree Private Investment Fund 2009 L.P. (PIF 2009)

Gioia was not present for subsequent discussion and voting.

It was *M/S/C* to amend the previous motion to give expression of interest to invest \$40 million in the Oaktree Private Fund 2009 L.P. (PIF 2009) contingent on further approval based on presentation by Oaktree at the 2/10/10 Board meeting, legal review of contract and successful on-site visit. (Yes: Buck, Gaynor, Hast, Holcombe, Pollacek, Telles, and Viramontes; Abs: Cabral)

**8. Review of Historical Watch List - Bob Helliesen, Milliman**

Helliesen presented a review the Managers' watch list. The study compared the managers' performance to that of relevant indexes to determine if placing a manager on a watch list (rather than terminating the manager) added value overall to the investment program compared to investing in the Index.

Milliman's findings did not show any pattern with respect to performance for the managers after being placed on watch. Some managers continued to underperform their respective benchmarks (and were eventually terminated), while other managers outperformed their benchmark in subsequent quarters and were retained by the Board and in some cases taken "off watch". Analysis showed that on average there is no clear benefit to firing a manager early compared to placing that manager on watch at the onset of poor performance or structural changes.

Milliman continues to believe the watch list program is a useful tool for the Board's use in highlighting and monitoring managers not meeting expectations. Though no definitive conclusion can be drawn from the data presented, it is prudent to keep close watch of structural changes and performance when a manager is significantly trailing a benchmark.

**9. Conference Seminar Attendance**

- (a) It was *M/S/C* to authorize the attendance of all Board and appropriate staff at the General Assembly, CALAPRS, March 7-9, 2010, Palm Springs, CA. (Yes: Buck, Cabral, Gaynor, Hast, Holcombe, Pollacek, Telles, and Viramontes)
- (b) It was *M/S/C* to authorize the attendance of Cabral, Hast, and Remick at the Client Conference, Klausner & Kaufman, March 21-24, 2010, Ft. Lauderdale, FL. (Yes: Buck, Cabral, Gaynor, Hast, Holcombe, Pollacek, Telles, and Viramontes)

**10. Miscellaneous**

- (a) Staff Report - Leedom noted the COLA figures have been received from Segal, showing a 2.5% increase. This will be on the next Board meeting agenda. The County terminated the part of the Employee Service Award program that included anniversary gifts in July 2009. CCCERA has not adopted a separate employee award program and will stop the gift portion of the award program effective January 2010.

Leedom also informed the Board the minutes for January 11, 2010 are being transcribed. Staff is currently interviewing for the Administrative/HR Coordinator position.

Levy distributed a copy of the Accessibility of Records Policy and noted the following correction: The option chosen by retirees at retirement appears in the public Board agenda materials regarding "Service and Disability Retirement Allowances" and will therefore be added to the public information section of the Policy, on page 4.

Levy noted the California Supreme Court's decision in the Lexin case, dismissing the criminal conflict of interest charges against all the defendants with the exception of Saathoff. The Court reasoned that these defendants were recipients of the increased pension benefits on the same terms and conditions as other City employees, and are not deemed to have a disqualifying interest. Mr. Leiderman filed an amici brief on behalf of CCCERA and OCERS in this case, and will elaborate on the significance of the ruling.

Hally reported the Goldman Sachs onsite visit went well and stated he will be going on more onsite visits, including a visit to Energy Investors Fund on February 9, 2010 in Mill Valley, CA.

- (b) Outside Professionals' Report - Leiderman provided a memorandum summarizing the unanimous Supreme Court decision in the Lexin case, and noted that the ruling offers important conflict of interest guidance to public employee retirement systems. The ruling provides an important level of comfort to those pension fund trustees who are active and retired members of the retirement systems for which they serve as fiduciaries. The Court cautioned that its decision did not mean the defendants were excused from exposure to other legal liability, including liability for breach of their fiduciary duties. The Court explained that its holding is only that, where retirement board trustees approve contracts in which their only financial interest is an interest in benefits shared generally with their constituency at large, section 1091.5(a)(3)

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excludes such actions from the purview of section 1090, i.e., they are not deemed to have a disqualifying interest.

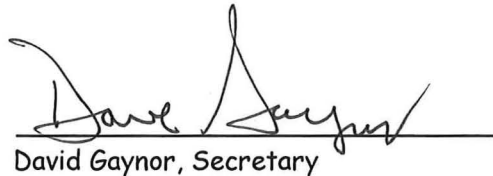
- (c) Trustees' Comments - Buck reported meeting with Jeff Coburn from Wentworth, Hauser and Violich.

Remick reported attending the Climate Summit Conference and did not consider it productive. The meeting was held at the United Nations and the focus was on problem solving in Haiti, rather than investment related.

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



William J. Pollacek, Chairman



David Gaynor, Secretary