

## MINUTES

### REGULAR BOARD MEETING MARIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

One McInnis Parkway, 1<sup>st</sup> Floor  
Retirement Board Chambers  
San Rafael, CA

March 10, 2010 - 9 A.M.

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**EVENT CALENDAR**      9 A.M.      Retirement Board Meeting

**CALL TO ORDER**    Chair Phillips called the meeting to order at 9:06 A.M.

**ROLL CALL**            PRESENT:    Bolger, Gladstern, Haim, Phillips, Richardson, Smith, Sweet  
(late arrival), Webb (non-voting)

ABSENT:      Given (non-voting), Hufford, Wofford (non-voting)

**MINUTES**              February 10, 2010      Regular Board Meeting Minutes

It was M/S Richardson/Smith to approve the February 10, 2010, Regular Board Meeting Minutes as submitted. The motion was approved by unanimous vote.

#### A. **OPEN TIME FOR PUBLIC EXPRESSION**

Chair Phillips invited public comment. Jody Branham, certified nurse midwife for Marin County, read a statement on behalf of her co-workers requesting that the MCERA Board expedite service audits. Delays of several months to, in her case, nearly three years, makes decision-making difficult, she said. Ms. Branham asserted that she would have been in a better position to make career choices had she had the information sooner. Trustee Smith thanked the member for her comments and referred her to the Member Services Committee, which provides for an avenue to address members' concerns. The Acting Retirement Administrator and the Board are committed to improving service, and are prioritizing members who intend to retire soon, he said. Trustee Haim also thanked Ms. Branham, assuring her that the calculations backlog is being addressed. Chair Phillips explained that MCERA has been working diligently to modernize its computer system (see Item B.1.b), which will dramatically speed calculations and obviate the need for currently-required hand calculations.

Alexis McBride, Vice-President of MCARE, Marin County Association of Retired Employees, appeared to request reconsideration of the group's prior request to hold meetings in the Board chambers. The prior request was denied based on the premise that such meetings would be a gift of public funds, she said. Trustee Gladstern asked Ms. McBride whether all

employee groups would also be able to meet in the Board chambers, and she responded that would be a possibility. Chair Phillips offered to meet with Ms. McBride on the matter.

**B. BOARD OF RETIREMENT MATTERS**

1. Administrator's Report (Oral)

a. Administrator's update

Acting Retirement Administrator Tom Ford thanked Trustees Gladstern, Haim, Sweet, and Richardson, for participating in the CALAPRS conference. He reported that the petition initiative to remodel California public employees' benefits has been suspended, with legislative action to put the issue on the November ballot unlikely. Regarding the recruitment of the Retirement Administrator, Mr. Ford reported that a working draft of the position description will be available shortly. Mr. Ford also reported that, to improve efficiency, Small World Solutions has been selected to provide weekly updates of deceased members. Progress toward the goal of requesting and receiving a Determination Letter from the IRS continues, with Mr. Ford and Counsel Dunning attending a SACRS IRS compliance task force meeting. The task force has progressed to Phase III, he reported. The system's Plan Document has a filing deadline of January 31, 2011, and is in the later stages of completion, according to Counsel Dunning.

Trustee Sweet joined the meeting at 9:22 A.M.

The Acting Retirement Administrator reported that soon there will be a more welcome feeling to the MCERA reception area, as the bullet-proof glass will be removed in order to enhance communication with retirees. Chair Phillips as well as several other Trustees expressed support for Mr. Ford's decision. Upcoming events include the Manatt Fiduciary Forum, the ING Clarion conference, and the SACRS Spring Conference.

b. CPAS update - Mary Ann Walker

CPAS Project Consultant Mary Ann Walker reported that she met with the CPAS President and other CPAS executives in order to prioritize the implementation, because a recent new build contained open critical issues. Upon pressing hard for additional staff resources, Ms. Walker stated that improvements have been achieved, with the September 1, 2010, end date maintained. Due to problems in data conversion from SAP, Ms. Walker added a consultant to the team.

Trustee Smith said that the new system will improve member services exponentially. Calculations will occur in minutes, according to Mr. Ford. The new system is sophisticated in that it validates all data on an ongoing basis, he said, with rules modeled in the data base as opposed to being custom-coded. The system adapts to software changes well, advised Ms. Walker.

Chair Phillips inquired as to the level of staff participation in data conversion and Acting Retirement Administrator Ford stated that most of the staff is participating. Ms. Walker stressed that the system's requirements are materially more complex than that of San Diego CERA's, which is also currently implementing CPAS. The schedule calls for parallel live testing in July and August, with September 1, 2010, as the official live date to issue retiree checks, according to the Acting Retirement Administrator Ford. Mr. Ford and Chair Phillips commended the consultant for assuring that maximum attention by the CPAS team is devoted to the implementation.

c. Staffing update

Mr. Ford provided a current organization chart, stating that a revised chart presenting staffing recommendations aligned with the FY 2010/11 budget will follow. He also reported on special training to be provided to staff, as appropriate.

d. Other

Counsel Dunning noted that NAPPA approved the use their report for today's Board meeting. (See Item I.7.)

Chair Phillips appointed Trustee Bolger as Chair of the Finance and Risk Management Committee, replacing outgoing Committee Chair Peter Arrigoni.

2. Committee Reports

a. Finance Committee

1. Budget Policy

Acting Retirement Administrator Ford reviewed the working budget policy, which synchronizes with the County's budget schedule. He stated that the policy will be considered at the next Governance Committee meeting, and that a tentative budget for FY 2010/11, based on estimated fiscal year-end plan assets, will be available in May for Board action.

2. Form 700

Counsel Dunning noted that the Committee had reviewed its annual Form 700 Summary, which identifies sources of income to MCERA's statutory filers and institutes a new internal control on this topic.

b. Governance Committee

1. Resolution 2009/10-04 – Resolution Pertaining to the Treatment of Executive Bonuses in the Calculation of Retirement Allowances for MCERA Members Retired Prior to April 8, 2009 (Action)

Consider and take possible action to approve Resolution 2009/10-04 per Committee recommendation

Committee Chair Gladstern explained the revisions to the existing policy by the Governance Committee, which resulted in the proposed Resolution 2009/10-04.

Based on the action of the Governance Committee, Committee Chair Gladstern recommended that the Board approve Resolution 2009/10-04 – Resolution Pertaining to the Treatment of Executive Bonuses in the Calculation of Retirement Allowances for MCERA Members Retired Prior to April 8, 2009. The motion was approved by unanimous vote.

2. Communications Committee Charter (Action)

Consider and take possible action to approve Communications Committee Charter per Committee recommendation

Based on the action of the Governance Committee, Committee Chair Gladstern recommended that the Board approve the Communications Committee Charter. The motion was approved by unanimous vote.

3. Retirement Administrator Evaluation Policy (Action)

Consider and take possible action to approve edits to Retirement Administrator Evaluation Policy

Committee Chair Gladstern reviewed the Retirement Administrator Evaluation Policy revisions proposed by the Governance Committee. Trustee Smith offered several amendments which were well-received by the Board. Upon considerable discussion, there was general agreement that the incentive-based paragraph should remain in the policy, in tune with the Committee's recommendation.

Based on the action of the Governance Committee, Trustee Richardson moved to approve edits to the Retirement Administrator Evaluation Policy as amended. The motion was approved by unanimous vote.

c. Communications Committee

1. Development of Spring MCERA newsletter copy

Communications Committee Chair Allen Haim reported that the scheduled meeting was deferred until April. The meeting will be coordinated with the receipt of articles from the Board Chair and the Investment Committee Chair, according to Acting Retirement Administrator Ford.

3. Trustee Comments

Counsel Dunning's successful argument in the *Lexin* case should be commended in the newsletter, in the opinion of Trustee Haim. Prior Board member Peter Arrigoni's recent decision to step down from the MCERA Board was noted, with discussion about adopting a resolution commending him at a subsequent MCERA Board meeting that Mr.

Arrigoni could attend. Chair Phillips requested an update on the web site development. Communications Associate Sydney Fowler reported that the MCERA site (mcera.org) will remain integrated with the County's web site. A portal will provide for CPAS access, according to Mr. Ford. Web site security was a topic of discussion. Chair Phillips welcomed the return of Marin Independent Journal reporter Nels Johnson.

Chair Phillips recessed the meeting to Closed Session for deliberations on **Item C, DISABILITIES**, and **Item D, LEGAL MATTERS**, at 10:36 A.M., reconvening in Open Session at 12:23 P.M.

**C. DISABILITIES**

All disability applications are heard in Closed Session unless applicant specifically waives confidentiality and requests that their application be heard in Open Session. Member records are confidential (Government Code Section 31532). (Action)

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|------------------------|---------|---------|-------------|
| 1. Carolyn Tonnemacher | Service | 8/16/06 | County H&HS |
|------------------------|---------|---------|-------------|
- Reconsideration of an application for disability retirement filed by a Miscellaneous member

Chair Phillips reported the Board's unanimous decision to refer Carolyn Tonnemacher's reconsideration of an application for disability retirement to the Administrative Law Judge with instructions for further proceedings, pursuant to Government Code Section 31534(c). Instructions will be provided by the Acting Retirement Administrator and the Board's legal counsel.

**D. LEGAL MATTERS**

1. Conference with legal counsel -- anticipated litigation pursuant to subdivision (b) of Section 54956.9: two cases. (CLOSED SESSION)

No reportable action.

**E. OLD BUSINESS**

1. Conference Report – Trustee Bolger  
Consider and discuss Trustee report on Dimensional Fund Advisors Symposium

Presented as a matter of record. Trustee Bolger referred the Trustees to her report on the trip at the February Board meeting.

2. Due Diligence – Investment Manager Site Visits Report – Chair Phillips  
Consider and discuss Trustee report on site visits to Abbott Capital, Columbus Circle, and Morgan Stanley

Chair Phillips described the due diligence visit as outstanding, with the formal report deferred until the March Strategic Workshop. Acting Retirement Administrator Ford referred to Abbott Capital's investment team as impressive, resulting in an informative and productive meeting; the system is fortunate to be invested with the firm, he added. Investment Committee Chair Richardson also participated in the trip.

**F. NEW BUSINESS**

1. MCERA Portfolio Analysis  
Financial Report for period ending December 31, 2009

The report was reviewed without discussion. Acting Retirement Administrator Ford informed the Trustees that the report is available on a monthly basis.

2. Due Diligence Consultant  
Consider and provide direction to Retirement Administrator regarding due diligence services

Seeking the Board's direction on performance of the due diligence function, Acting Retirement Administrator Ford posed the option of engaging a due diligence consultant. Counsel Dunning explained that retirement systems are increasingly examining the most effective ways to perform due diligence, with one option including use of a due diligence consultant who would work collaboratively with the Board and MCERA staff. If the Board were inclined to consider a due diligence consultant, Counsel Dunning recommended issuing a Request for Information (RFI). Expressing interest, Trustee Haim allowed that the time savings would be helpful to the Trustees; he also welcomed the additional expertise. Acknowledging the Board's fiduciary responsibility, Chair Phillips stated that it is in the best interest of the system to maintain direct staff and Trustee involvement in the due diligence site visits under any circumstances. Chair Phillips authorized Mr. Ford to research due diligence services by issuing an RFI.

3. Client Conferences and Other Educational Opportunities (Action)  
Approve and authorize expenditures for listed events
  - a. Private Equity Client    6-10/11-10    New York City  
Abbott Capital

The Board discussed the conference without taking action.

4. Future Meetings  
Consider and discuss agenda items for future meetings

Acting Retirement Administrator Ford welcomed ideas from the Trustees for future agenda items. He noted that a facilities use policy will be a topic of discussion. It was agreed that a due diligence meeting with State Street would be combined with the firm's Securities Lending presentation. In April, tax counsel Bob Blum will discuss the IRS determination letter process and other tax-related matters with the Board.

## G. INVESTMENT INFORMATION

“X” indicates report distributed; \* indicates report distributed electronically

### **PERIODIC REPORTS**

1. Equities and Fixed Income

	Abbot Capital	-Private Equities Fund	
X	Analytic Investors	-Equitized US Market Neutral Portfolio	
X	Analytic Investors	-Equitized Japan Market Neutral Portfolio	
* X	Artisan Funds, Inc.	-International Equities Fund	
* X	AXA Rosenberg	-International Small Cap Equities Fund	
* X	BlackRock	-Alpha Advantage Index Fund	
* X	The Clifton Group	-Futures Overlay Program	
	Columbus Circle Investors	-Small Cap Growth Portfolio	
* X	Dimensional Fund Advisors	-Small Cap Value Fund	
X	Dodge & Cox	-Large Cap Value Portfolio	
* X	First Quadrant, LP	-Equitized European Market Neutral Portfolio	
	Morgan Stanley	-International Equities Fund	
* X	Numeric Investors	-Equitized US Market Neutral Portfolio	
* X	Pathway Capital	-Private Equities Fund	
* X	Pyramis Global Advisors	-Equitized US Market Neutral Fund	
* X	Pyramis Global Advisors	-International Small Cap Equity Fund	
* X	RCM	-Large Cap Growth Equities Portfolio	
* X	Wellington Management	-Core Domestic Fixed Income Portfolio	
X	Western Asset Management	-Core Plus Domestic Fixed Income Portfolio	
2. Real Estate

* X	Woodmont Realty Advisors	-Direct ownership – Monthly report	
	AEW Capital Management	-Value Added Portfolio	Quarter
* X	ING Clarion	-Core Portfolio	Quarter
	RREEF	-Value Added Portfolio	Quarter
	Woodmont Realty Advisors	-Direct Ownership	Quarter
3. Market Neutral

X	Monthly Performance Report	-For period ending February 28, 2010	
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4. Other

## H. FINANCIAL INFORMATION

1. Treasurer’s Monthly Report  
Short Term Investments for period ending January 30, 2010

The Board accepted the Treasurer’s monthly report on Short Term Investments for the period ending January 30, 2010.

**I. OTHER INFORMATION**

1. Approved Trustee Training Calendar
2. *Keeping in Touch* – March Issue, Marin County Association of Retired Employees newsletter
3. CALAPRS Update, Winter 2010
4. Callan Associates, “SEC Approves Short Selling Restrictions,” 2-24-10
5. Callan Associates, *Insights* re Dodge & Cox’s Olivier to Succeed Gunn as CEO
6. Dodge & Cox memo re Olivier Named CEO, 2-24-10
7. The NAPPA Report, February 2010  
*NAPPA granted MCERA permission to use the NAPPA February Report in the MCERA Board’s agenda materials.*
8. Artisan International Fund, Month End Summary, January 31, 2010
9. RCM Informed, February 2010, Global View

**J. CONSENT CALENDAR (Action)**

It was Smith/Haim to approve the Consent Calendar as submitted. The motion passed by unanimous vote.

There being no further business, the meeting was adjourned at 12:40 P.M.

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James Phillips, Chair

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Michael Smith, Secretary