

MINUTES

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

**One McInnis Parkway, 1st Floor
Retirement Board Chambers
San Rafael, CA**

April 14, 2010 - 9 A.M.

EVENT CALENDAR 9 A.M. Retirement Board Meeting

CALL TO ORDER Chair Phillips called the meeting to order at 9:05 A.M.

ROLL CALL: PRESENT: Bolger, Brenk (newly appointed and sworn in below), Given (non-voting) (late arrival), Gladstern, Hufford, Phillips, Richardson, Smith, Sweet, Webb

ABSENT: Haim, Wofford (non-voting)

SWEARING IN OF GREGORY BRENK: Trustee Smith announced that the Marin County Board of Supervisors appointed Gregory Brenk as Trustee to serve retired Trustee Peter Arrigoni's term of office. Trustee Smith administered the oath of office to Mr. Brenk. Newly appointed Trustee Brenk reviewed his experience, saying that he retired last year from Wells Fargo bank, and that he also has experience in the technology industry. Mr. Brenk stated that he looked forward to making positive contributions and being an effective member of the Board. Chair Phillips welcomed the new Trustee and expressed the Board's appreciation for Mr. Brenk's commitment to the retirement system.

MINUTES March 10, 2010 Regular Board Meeting Minutes
March 16-17, 2010 Board Strategic Workshop Minutes

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

The Chair deferred consideration of the March 16-17, 2010, Board Strategic Workshop Minutes until the May Regular Board meeting.

A. OPEN TIME FOR PUBLIC EXPRESSION
No public comment.

B. BOARD OF RETIREMENT MATTERS

1. Administrator's Report (Oral)

a. Administrator's update

Acting Retirement Administrator Tom Ford introduced Consultant Eric Middleton, Managing Partner of Alliance Resources, who presented the newly composed Retirement Administrator recruiting brochure. Mr. Middleton reviewed the hiring process, and reported that numerous resumes for the Retirement Administrator position have been received. Upon his firm's completion of a thorough evaluation of the applications, he said that he will return to the Board with a recommendation of the strongest candidates two weeks after the resume deadline of April 23. Following the Board's review and selection of preferred applicants, interviews with the final candidates are expected to begin in the middle of May, he said. Mr. Ford and several Trustees expressed their approval of the Retirement Administrator recruiting brochure, commending Communications Associate Sydney Fowler for her professional contribution to the publication.

Mr. Ford reported that he provided authorized funds for Phase III of the SACRS IRS task force. He said that the State's retirement system administrators are exploring the purchase of pooled fiduciary insurance in order to secure reduced prices.

The Acting Retirement Administrator reported that the Form 700's have been filed and ethics training certificates are due by the end of April. He reported that the newly-developed Placement Agent Representations to provide for compliance with legislative requirements have been received from several investment managers as requested.

Mr. Ford reported that available space in the MCERA office building at One McInnis Parkway would be rented soon. Mr. Ford also presented several educational opportunities for the Trustees.

b. CPAS update

Mr. Ford reported that the CPAS implementation is moving forward, with the 'go live' date of September 2010 intact. Two staff members, Alex Levin and David Sousa will attend the CPAS West Coast users group, he said; later this month, staff member Cookie Shamrock will conduct intensive testing at CPAS headquarters. Chair Phillips requested a CPAS update from staff, and Mr. Ford said that Consultant Mary Ann Walker will provide the CPAS presentation at the May Board meeting.

Trustee Given joined the meeting at 9:20 A.M.

c. Staffing update

Mr. Ford stated that staffing modifications will be presented with the proposed budget update next month.

d. Future meetings

No discussion.

2. Committee Reports

a. Finance Committee

1. Budget Update – Lisa Jackson

Senior Accountant Lisa Jackson reported that by June 30 the current budget will be at 86% of the approved budget and within the 18 basis point legislative limitation. Trustee Smith thanked Ms. Jackson for the detailed information in the budget report. Trustee Smith asked if CPAS will track Medicare and it was explained that the system reports that information currently. Trustee Bolger asked the Senior Accountant if there were any areas which might be expected to exceed the budget, and Ms. Jackson responded that she did not believe there were any.

Chair Phillips appointed Trustee Brenk to the Finance and Risk Management Committee and to the Member Services Committee.

b. Governance Committee

No meeting to report.

c. Communications Committee

1. Approve Spring MCERA newsletter copy (Action)

Consider and take possible action to approve Spring MCERA newsletter copy

Chair Phillips and Trustee Hufford expressed approval of the copy for the Spring newsletter. The Trustees commended Communications Associate Syd Fowler for the newsletter content.

It was M/S Webb/Gladstern to approve the Spring MCERA newsletter copy. The motion passed by unanimous vote.

3. Trustee Comments

Please refer to Section E, Items 1 and 2, and Section F, Item 10.

Chair Phillips recessed the meeting to Closed Session at 9:30 A.M., reconvening in Open Session at 11:30 A.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)

- 1. Samuel Brown Service 5/4/09 County Sheriff
Initial consideration of an application for service-connected disability retirement filed by a Safety member
- 2. Michael Ortelle Service 4/15/09 Southern Marin Fire
Initial consideration of an application for service-connected disability retirement filed by a Safety member
- 3. Robert Krause Service 4/6/09 Mosquito Vector
Initial consideration of an application for disability retirement filed by a member

The Chair reported the Board’s decision by a vote of 9-0 to deny service-connected disability and to grant non-service-connected disability to Samuel Brown and to advise the applicant of his right to request a hearing before an Administrative Law Judge.

The Chair reported the Board’s decision by a vote of 9-0 to deny service-connected disability and to grant non-service-connected disability to Michael Ortelle and to advise the applicant of his right to request a hearing before an Administrative Law Judge.

The Chair reported the Board’s decision by a vote of 9-0 to deny service-connected disability to Robert Krause and to advise the applicant of his right to request a hearing before an Administrative Law Judge.

D. LEGAL MATTERS

- 1. Conference with legal counsel -- anticipated litigation pursuant to subdivision (b) of Section 54956.9: four cases. (CLOSED SESSION)
No reportable action.
- 2. Conference with Legal Counsel pursuant to Government Code §54956.9(a) – existing litigation - MCERA v. Wooten-Brown, et al.; Marin County Superior Court Case No. CV085325 (CLOSED SESSION)
No reportable action.

The Chair directed deliberations to **Agenda Items F.2 and F.3.**

F. NEW BUSINESS

- 2. State Street Standard Services Review (TIME CERTAIN: 11:00 A.M.)
Mr. Ford stated that the Board’s interest in expanding investments internationally prompted a review of State Street’s services. He introduced Karen Jacobs, State Street Senior Vice President and Managing Director of the firm’s Alameda, California office. Ms. Jacobs described the firm’s Alameda office as “full-service” and reviewed the history and clientele of State Street. Ms. Jacobs introduced State Street presenters Travis

Calabio, Vice President of Public Funds; Henry Disano, Vice President of Securities Finance; and Paula Troy, Assistant Vice President of Public Funds.

Mr. Calabio provided a review of the firm's client service model. Trustee Smith asked whether there are any outstanding issues in income collection, and Mr. Calabio stated that there no income collection issues.

Ms. Troy provided an overview of Global Markets, stating that currently no assets were held at State Street for active global management. She advised the Trustees that for developed countries accounts could be active within 48 to 72 hours. For emerging markets, she gave examples to illustrate that more time is required due to various requirements. Trustee Gladstern inquired about the currency transaction process, and Ms. Troy explained that currency transactions are dependent on the investment manager's preference. She responded in like fashion to Trustee Brenk's query regarding currency hedging. Ms. Jacobs assured the Trustees that MCERA investments are separate from State Street assets.

3. State Street Securities Lending and International Trading Review (TIME CERTAIN: 11:00 A.M.)

Mr. Disano described the securities lending process as the temporary transfer of idle securities, in a collateralized transaction, to a borrower for the purpose of revenue generation. He said that State Street holds 102% of the security's value as collateral which is invested in a commingled pool, generating returns of approximately 45 basis points after rebates. It was noted that securities lending income is reported separately from investments.

Trustee Smith inquired if the assets are protected from a possible bankruptcy proceeding. Mr. Disano stated the loaned securities are protected by cash collateral. He said that State Street has avoided some of the problems experienced by their competitors in the securities lending process, and that the firm's clients have never experienced losses due to operational risks. Mr. Disano said that State Street indemnifies MCERA from counter-party risk by setting aside capital for that purpose. He said that cash pool is diversified and is not invested with broker-dealers to minimize risk. There was discussion as to the liquidity of cash investments, with Mr. Disano explaining that maturities could extend out to 5 years for a portion of the cash.

Mr. Ford expressed appreciation for State Street's services, acknowledging Dave Beach's provision of efficient transition management services for the relatively new Columbus Circle Investors account.

4. IRS Determination Letter Review and Update - Judy Boyette, Hanson Bridgett (TIME CERTAIN: 11:45 A.M.)

Judy Boyette of Hanson Bridgett provided a presentation on the IRS Determination Letter process. She stated that most private firms have a determination letter from the IRS as it acts as an insurance policy against retroactive IRS audits. In the public sector, however, she noted that legacy systems typically have not sought determination letters.

She said that the IRS more recently identified public plans as the focus of its renewed attention. For systems that wish to seek a determination letter, Ms. Boyette emphasized the importance of meeting the application deadline of January 31, 2011, as she does not expect the deadline to change. She said the SACRS task force has already gathered all the information on the 1937 Act and provided the resulting document to the systems involved. She said that identification of MCERA-specific plan rules will be drafted by August 31, 2010, in order to provide time for the Board's consideration and final approval by the end of this year. She said that feedback on model regulations from the IRS is being sought currently.

Acting Administrator Ford explained that the task force has performed the majority of the work, with needed legislative changes in process. He said that he expects the MCERA filing to be timely. Trustee Gladstern inquired as to CERL requirements, and Ms. Boyette explained that the items will be reviewed for tax compliance by the IRS prior to implementation. Counsel Dunning explained the parallel process of reviewing 1937 Act provisions that have been adopted by MCERA or its plan sponsors, and compiling related documents. Ms. Boyette recommended seeking a Determination Letter in order to assure that the system is in compliance with federal tax laws.

The Chair directed deliberations to **Agenda Item F.6.**

6. Waiver of Conflict of Interest for Hanson Bridgett regarding County of Marin Section 125 Cafeteria Plan services (ACTION)

Consider and take possible action to waive any potential conflict of interest upon the County of Marin's service agreement with Bob Blum and the law firm of Hanson Bridgett to review and revise the County's Section 125 Cafeteria Plan document.

Mr. Ford requested that the Board grant a conflict waiver arising from a potential contract for services between the County of Marin and Hanson Bridgett regarding work for the County on a Section 125 Cafeteria Plan document, as the law firm is currently under contract with MCERA on tax-related matters.

It was M/S Richardson/Bolger to approve the Waiver of Conflict of Interest for Hanson Bridgett regarding the County of Marin's service agreement with Bob Blum and the law firm of Hanson Bridgett to review and revise the County's Section 125 Cafeteria Plan document. The motion was approved by unanimous vote.

The Chair recessed the meeting for lunch at 12:39 P.M., reconvening at 1:00 P.M.

The Chair directed deliberations to **Agenda Item F.5.**

5. Actuarial Valuation Report, FY 2009 - Graham Schmidt, EFI (TIME CERTAIN: 1:00 P.M.)

Actuary Graham Schmidt of EFI Actuaries provided a schedule of plan sponsor contribution rates by Tier for approval by the Board. He stated that the rates were calculated based upon new assumptions of standardizing plan sponsor amortization rates

to 17 years. Trustee Smith asked what factors caused the rates to change. Mr. Schmidt said that rate increases due to investment losses were contained due to the increased amortization period for half of the extraordinary investment losses. Chair Phillips asked if there were any questions on the rate information.

It was M/S Sweet/Webb to approve the employer contribution rates as submitted by Mr. Schmidt. The motion was approved by unanimous vote.

Mr. Ford explained that a full report by the Actuary on rates will be available in the coming weeks. Several plan sponsors expressed appreciation to the Board for its efforts to decrease the volatility in their contributions rates by increasing the amortization period of a portion of investment losses.

The Chair directed deliberations to **OLD BUSINESS, Agenda Item E.1.**

E. OLD BUSINESS

1. Conference Report – Principles of Pension Management - Trustees Webb and Wofford
Consider and discuss Trustee conference report

Trustee Webb reported that the Principles of Pension Management it was an outstanding seminar which he found to be well-worth attending. The information was well-constructed and informative, he said.

2. Conference Report – Manatt Fiduciary Forum 2010 – Trustees Gladstern and Haim
Consider and discuss Trustee conference report

Trustee Gladstern stated that she highly recommended the Manatt Fiduciary Forum. She said that there are four separate topics presented, followed by discussions in smaller groups which allowed for valuable and informative interaction with peers from other systems.

3. Notification of SACRS Board of Director Final Ballot - Elections 2010-2011
Consider and discuss Nominating Committee's final ballot

Mr. Ford presented the SACRS Board of Directors Final Ballot to limited discussion. He said that the vacancy was unusual at this time of year, and that the ballot was presented for the Board's information.

The Chair directed deliberations to **Agenda Item F.1.**

1. PUBLIC EMPLOYEE APPOINTMENT, Title: Retirement Administrator
Consider and take possible action to appoint Assistant Retirement Administrator (Acting Retirement Administrator) to Retirement Administrator position and determine salary of same.

Acting Retirement Administrator Tom Ford announced that he was recusing himself from the meeting prior to discussion in consideration of his financial interest in the matter, and he left the room.

Chair Phillips stated that, until the current recruitment for a new permanent Retirement Administrator is complete, he recommends that the Board appoint Acting Retirement Administrator Tom Ford as Retirement Administrator. Mr. Phillips requested discussion and consideration of a salary of \$200,000 for the position, advising that Mr. Ford's current salary is \$150,000. The salary range for the permanent position will be \$195,000 to \$225,000, he said. Trustee Smith recommended a salary of \$195,000 for Mr. Ford, stating that Mr. Ford has done an outstanding job under difficult circumstances, and that the system has benefited from his knowledge and administrative skills.

It was M/S Hufford/Gladstern to appoint Assistant Retirement Administrator (Acting Retirement Administrator) Tom Ford to the Retirement Administrator position at an annual salary of \$195,000. The motion was approved by unanimous vote.

Chair Phillips congratulated Mr. Ford on his promotion, expressing the Board's appreciation of his efforts on behalf of the retirement system. Mr. Ford thanked the Board.

The Chair directed deliberations to **Agenda Item F.7.**

7. Authorize Disability Services Review by Annette Paladino (ACTION)

Consider and take possible action to authorize a maximum of \$2,000 for the review of MCERA disability services by Annette Paladino

Mr. Ford described disability consultant Annette Paladino to the Board as an expert in the disability application process who is recognized for her expertise state-wide. He recommended that the Board approve a disability service review by Ms. Paladino in order to enhance the disability process for members. Chair Phillips voiced his confidence in Ms. Paladino, and agreed that continuing to improve the disability process for members would be beneficial. Mr. Ford announced plans for a one-day disability seminar for members and plan sponsors. Trustee Hufford requested that an invitation to the disability seminar be extended to the membership through their unions.

It was M/S Smith/Richardson to authorize a maximum of \$2,000 for the review of MCERA disability services by Annette Paladino. The motion was approved by unanimous vote.

8. Approve FY 2009 Condensed Annual Financial Report (ACTION)

Consider and take possible action to adopt FY 2009 Condensed Annual Financial Report

It was M/S Hufford/Sweet to adopt the Fiscal Year 2009 Condensed Annual Financial Report. The motion was approved by unanimous vote.

9. 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

* *additional information and agenda will follow at a later date*

X *approve for attendance by hourly staff or counsel*

X_* *approve for attendance by executive staff*

It was M/S Hufford/Gladstern to approve the client conference as submitted. The motion was approved by unanimous vote.

10. Future Meetings

Consider and discuss agenda items for future meetings

Mr. Ford announced that the April 20 Member Services Committee meeting will be delayed until further notice at the request of the Committee Chair.

The Trustees agreed to conduct the Retirement Administrator candidate interviews May 19 at the Embassy Suites. The meeting structure was discussed.

Trustee Bolger, Chair of the Finance and Risk Management Committee, requested a change in the Committee’s next meeting date so that the meeting would precede the May Board meeting. It was agreed that the Committee would meet on April 28.

Trustee Hufford requested assistance for the numerous veterans on active duty who are unable to execute service-time repurchases. Counsel Dunning offered to look into the matter and Mr. Ford agreed to put the matter on the agenda.

Chair Phillips reported a temporary arrangement made, as a result of his meeting with retired employee’s advocate Alexis McBride of MCARE, to allow the group to hold their next meeting in the MCERA conference room at no cost. Mr. Ford said that a building use policy is in development to define future use. Trustee Webb expressed thanks for the accommodation of MCARE’s meeting space needs.

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
Columbus Circle Investors | -Futures Overlay Program
-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 | |
| | 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. | <u>Real Estate</u> | | |
| * X | Woodmont Realty Advisors | -Direct ownership – Monthly report | |
| | AEW Capital Management | -Value Added Portfolio | Quarter |
| * X | ING Clarion | -Core Portfolio | Quarter |
| * X | RREEF | -Value Added Portfolio | Quarter |
| | Woodmont Realty Advisors | -Direct Ownership | Quarter |
| 3. | <u>Market Neutral</u> | | |
| X | Monthly Performance Report | -For period ending March 31, 2010 | |
| 4. | <u>Portfolio</u> | | |
| X | Asset Allocation and Fees | -For period ending December 31, 2009 | |

H. FINANCIAL INFORMATION

1. Treasurer's Monthly Report*

Short Term Investments for period ending February 28, 2010

The Board accepted the Treasurer's monthly report on short Term Investments for the period ending February 28, 2010.

I. OTHER INFORMATION

1. Approved Trustee Training Calendar
2. *Keeping in Touch* – April Issue, Marin County Association of Retired Employees newsletter
3. AEW memo re Real Estate Manager of the Year, April 2010
4. RREEF Annual Investor Conference memo, Callan, 3/18/10
5. Artisan Month End Summary, February 2010
6. Dimensional Quarterly Institutional Review, Fourth Quarter 2009

J. CONSENT CALENDAR (Action)

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

There being no further business, the Chair adjourned the meeting at 1:46 P.M.

James Phillips, Chair

Michael Smith, Secretary