

MINUTES

SPECIAL BOARD MEETING MARIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

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

April 22, 2010 - 9:00 A.M.

CALL TO ORDER Chair Phillips called the meeting to order at 9:20 A.M.

ROLL CALL PRESENT: Bolger, Given (non-voting), Gladstern, Richardson, Smith, Sweet, Webb

ABSENT: Brenk, Haim, Hufford, Phillips, Wofford (non-voting)

A. OPEN TIME FOR PUBLIC EXPRESSION

No public comment.

B. Consider and take action regarding MCERA investment position with AXA Rosenberg and international small cap investment options (Action)

Retirement Administrator Tom Ford reported that the system has lost faith in the management of the investment firm AXA Rosenberg. Mr. Ford stated that AXA Rosenberg recently provided notice of a programming error in their system which occurred in June 2009 and was corrected in October 2009. He said that while the specific error has not been identified, it is suspected that the error in the firm's quantitative strategy caused negative investment results due to errors in stock selection. The Administrator stated that the delayed notification is a cause of concern, as well as the additional red flag that several members of the firm resigned.

The Retirement Administrator recommended that the Board terminate the relationship with AXA Rosenberg based on current information and on the advice of Investment Consultant Jim Callahan. Investment Committee Chair Richardson expressed his agreement and led a discussion of redemption timing and liquidity status of the \$16 million portfolio. Trustee Richardson cautioned against delaying a decision in the event that the redemption queue is closed.

Trustee Smith said that he is very concerned, and recalled his 2006 due diligence visit to AXA, stating that he was led to believe that there is a code of ethics at AXA which prohibited misleading clients. Trustee Smith said that the important thing is that the coding error should have brought immediately to our attention.

It was M/S Smith/Webb to terminate the relationship with AXA Rosenberg and transfer the assets to Pyramis.

The Chair called for discussion. Trustee Sweet inquired as to potential lawsuits. County Counsel Dorothy Jones advised waiting until determining the amount of any losses.

Administrator Ford said the protection of the system's capital is important, and he proposes to terminate the manager immediately. Mr. Ford said that AXA is in survival mode at this time. He agreed with Trustee Bolger's statement that transition costs should be borne by AXA, and that AXA should determine what our position would have been if no error had occurred.

The motion was approved by unanimous vote.

Trustee Smith thanked Retirement Administrator Ford for acting quickly to avert a potentially larger problem. Trustee Webb stated that the lack of transparency should be transmitted in the letter of termination. Mr. Ford said that he would leave it up to State Street as to whether transition management is appropriate.

There being no further business, the Chair adjourned the meeting at 9:41 A.M.

James Phillips, Chair

Michael Smith, Secretary