

Retirement Administrator Ford thanked the Trustees for their comments, and applauded the staff for accomplishing the work for which he is receiving credit.

B. BOARD OF RETIREMENT MATTERS

1. Administrator's Report (Oral)

a. Administrator's update

Retirement Administrator Tom Ford stated that there will be a CalAPRS Administrator's Institute in late September which will be an opportunity for new Retirement Administrator Jeff Wickman to enhance his knowledge of the California system, and also to become acquainted with other system administrators. Mr. Ford noted that the firm date for the Fall Workshop needs to be determined.

b. CPAS update

Linea Solutions Consultant Mary Ann Walker reported that project momentum continues. She outlined four categories of the implementation:

- Data conversion
- Plan sponsor and active payroll data inbound
- System configuration with vendor
- Integration

Ms. Walker stated that the primary goal, as stated by the Retirement Administrator, is to conduct retiree payroll with precision. The consultant focused her comments on data conversion and integration with external stakeholders. Additional staff is assisting with data conversion, she said. She also reported system configuration changes allowing for integration of complex rate structures, and progress with vendors and plan sponsors to prepare inbound files. The consultant said that she has challenged the CPAS implementation team to be creative in order to achieve the objectives.

The Trustees, including Trustees Brenk, Gladstern and Sweet, probed key data conversion areas with Ms. Walker. In response, she as well as Retirement Administrator Ford emphasized the challenge of the CPAS system requirement to validate all incoming data. Other areas of discussion included retiree payroll check design and benefit calculation verification. Trustee Given expressed an interest in payroll verification. Trustee Smith was assured by Ms. Walker that staff continuity was not a current project risk factor.

MCERA Principal Systems Analyst Alex Levin outlined security procedures for the CPAS system, including but not limited to the following:

- System administration is separate from member and employer data, so as to assure inaccessibility from one group to the other;
- Plan sponsors may only access their own data;
- Authentication and authorization of access policies are in place;
- Employee web access will be available through a firewall port;

- All data will be encrypted to provide for additional security.

Mr. Levin summarized by stating that all data is segregated in order to provide for security. Mr. Ford pointed out that the CPAS security system is also used for banking transactions.

c. Staffing update

Retirement Administrator Ford reported that Alex Levin, Principal Systems Analyst, was now a permanent member of staff. He also stated that the new Retirement Administrator expects to hire an Assistant Retirement Administrator.

d. Other

2. Committee Reports

a. Communications Committee

1. Approve Summer MCERA newsletter copy (Action)

Consider and take possible action to approve Summer MCERA newsletter copy.

It was Sweet/Gladstern to approve the Summer MCERA newsletter copy as amended. The motion was approved by unanimous vote.

b. Finance and Risk Management Committee

1. Budget Update

Mr. Ford said that the current year budget is on track, with final figures, as well as the budget for the next fiscal year, to be presented to the Finance and Risk Management Committee in August, and then to the Board in September.

c. Governance Committee

1. Corporate Governance Policy (Action)

Review and take possible action to amend Corporate Governance Policy.

Trustee Gladstern explained that the Governance Committee updated the MCERA Corporate Governance Policy to incorporate CII revisions.

Based on the action of the Governance Committee, Committee Chair Gladstern recommended that the Board approve the amendments to the Corporate Governance Policy. The motion was approved by unanimous vote.

2. Budget Policy (Action)

Review and take possible action to adopt Budget Policy.

The Trustees considered the timing of the budget process, as well as the level of detail contained in the Budget Policy.

Based on the action of the Governance Committee, Committee Chair Gladstern recommended that the Board approve the Budget Policy and Adoption Process. The motion was approved by unanimous vote.

3. Due Diligence Policy (Action)

Review and take possible action to accept Governance Committee review of Due Diligence policy.

Based on the action of the Governance Committee, Committee Chair Gladstern recommended that the Board accept the review of the Due Diligence Policy. The motion was approved by unanimous vote.

The Chair directed proceedings to **Agenda Items C and D** in Closed Session at 10:14 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)

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|----|---|---------|---------|-------------------------|
| 1. | Cheri Desemas | Service | 5/28/09 | Health & Human Services |
| | Initial consideration of an application for service-connected disability retirement filed by a Miscellaneous member | | | |
| 2. | Carol Thomas | Service | 10/7/05 | Health & Human Services |
| | Reconsideration of an application for disability retirement filed by a Miscellaneous member | | | |

D. LEGAL MATTERS

1. Shelden v. MCERA, First Appellate District Case No. A124912 (CLOSED SESSION)

2. Stevenson v. Board of Retirement of the Orange County Employees' Retirement System, Fourth District Court of Appeal Case No. G041816 (OPEN SESSION)
Consider requesting publication of opinion

The Chair recessed the meeting for the **Investment Committee** meeting at 11:20 A.M., reconvening in Open Session at 3:01 P.M. (Note: **Agenda Items C and D** resumed in Closed Session following Agenda Item J.)

4. Committee Consolidation (Action)

Consider and take possible action to consolidate Communications and Member Services Committees and Charters of same.

Governance Committee Chair Gladstern said that the Committee's discussions, over several meetings, regarding merging the Communications Committee with the Member Services Committee included scheduling meetings so as to accommodate the quarterly newsletter deadlines. Member Services Committee Chair Wofford concurred with the proposal to merge the two committees.

Based on the action of the Governance Committee, Committee Chair Gladstern recommended that the Board approve the consolidation of the Communications and Member Services Committees into one committee to be named the Communications and Member Services Committee and the Charter of same. The motion was approved by unanimous vote.

Chair Phillips appointed Trustee Wofford as Chair, with himself and Trustees Brenk, Smith, and Webb as members of the new committee.

d. Member Services Committee

1. MCERA Communications Plan (Action)

Consider and take possible action on the Member Services Committee recommendation to direct staff to proceed with creating an MCERA Communications Plan.

Member Services Committee Chair Wofford related that Communications Associate Syd Fowler has researched communications plans and attended seminars on the matter as a result of her association with the Committee's discussions on improving member services.

Based on the action of the Member Services Committee, Committee Chair Wofford recommended that the Board direct staff to create an MCERA Communications Plan. The motion was approved by unanimous vote.

Trustee Gladstern initiated discussions regarding development of consolidated financial reports. Retirement Administrator Ford recommended starting with a PAFR, with the goal of publishing a CAFR in the future.

2. Disability information for members (Action)

Consider and take possible action on the Member Services Committee recommendation to provide for a Disability section in the MCERA Communications Plan.

Administrator Ford reviewed recent improvements to the system's disability process, including a consultant's recommendations to improve forms and develop a more formal process. He said that staff is currently attending disability hearings, with those meetings to be conducted on site in the future. The current proposal reflects efforts to improve communications with disability applicants, he stated.

Based on the action of the Member Services Committee, Committee Chair Wofford recommended that the Board direct staff to provide for a Disability section in the MCERA Communications Plan. The motion was approved by unanimous vote.

3. Trustee Comments

Referring to the system's transition to a new Retirement Administrator as of August 1, Chair Phillips reported that he formalized the new Retirement Administrator's

paperwork and provided him with introductions to colleagues. Current Retirement Administrator Ford stated that he will remain in the office for a minimum of one week to consult with the new Administrator as needed so as to provide for a smooth transition.

E. OLD BUSINESS

1. MCERA Facility Use and Reservation Policy (Action)

Consider and take possible action on Trustee Sweet's requested motion for reconsideration of the group classification "A" definition in the MCERA Facility Use and Reservation Policy.

It was M/S Sweet/Gladstern to replace the word 'and' with 'or' in the group classification "A" definition.

The Trustees considered the ramifications of the change in facility use, with Trustee Smith noting that the proposed change would maintain control over who uses the facilities, but not the purpose of the meetings. Retirement Administrator Ford gave several examples of possible meetings given the definition change. Trustee Brenk sought and received Administrator Ford's assurance that computer systems' security would not be compromised due to Training Room access by facility users.

Following the discussion above, the motion was approved by unanimous vote.

F. NEW BUSINESS

1. Placement Agent Payment Disclosures (Action)

Review and determine completion of placement agent payment disclosure forms by investment managers.

Counsel Dunning reviewed the recently-enacted Placement Agent Policy, and explained that a determination needs to be made as to whether the in-house staff of investment managers need to disclose under this policy. She advised that a reasonable interpretation of the statute would require disclosure by such staff members, and furthermore, that pending legislation provides that internal marketing staff need to disclose unless they spend 33% of their time managing investments. California law regarding placement agents applies only to new investment managers, she noted. Upon in-depth discussions of the policy definitions, there was general agreement that the MCERA policy should follow the wording in the pending legislation.

It was M/S Richardson/Gladstern to: (1) determine that the placement agent payment disclosure forms are not complete; (2) determine that the definition of "placement agent" for purposes of the Policy includes the 1/3 time limitation as currently expressed in AB 1743, and that the minutes of this meeting reflect the Board's decision on this point; (2) direct staff to inform MCERA's external managers in writing that the Policy applies to the external managers' in-house staff as well as third-party agents (with or without the 1/3 time limitation) and ask them, if needed, to correct their disclosure statements in light of that information by a date certain. The motion was approved by unanimous vote.

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

Trustee Wofford, Chair of the new Communications and Member Services Committee, said that the most likely date for the Committee’s next meeting is October 5, 2010.

3. Client Conferences and Other Educational Opportunities
Approve and authorize expenditures for listed events

None.

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 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	
	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
	ING Clarion	-Core Portfolio	Quarter
	X RREEF	-Value Added Portfolio	Quarter
	Woodmont Realty Advisors	-Direct Ownership	Quarter

3. Market Neutral

X	Monthly Performance Report	-For period ending June 30, 2010
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4. Other

H. FINANCIAL INFORMATION

1. Treasurer's Monthly Report
Short Term Investments for period ending May 31, 2010*

The Board accepted the Treasurer's monthly report on short Term Investments for the period ending May 31, 2010.

I. OTHER INFORMATION

1. Approved Trustee Training Calendar
2. *Keeping in Touch* – July Issue, Retired Employees Association newsletter
3. MCERA Press Release, June 9, 2010 re appointment of Jeff Wickman as Retirement Administrator

J. CONSENT CALENDAR (Action)

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

Chair Phillips returned deliberations to **Agenda Items C and D** in Closed Session, reconvening in Open Session at 4:30 P.M. to report the following:

Agenda Item C.1: Chair Phillips reported that the Board granted Cheri Desemas' request for extension of time of up to 60 days in which to conduct a hearing by unanimous vote.

Agenda Item C.2: Chair Phillips reported that the Board took action to approve and adopt the proposed findings and recommendations of the Administrative Law Judge and denied Ms. Thomas' application for disability retirement.

Agenda Item D.1: No reportable action.

Agenda Item D.2: No action, as the matter resolved itself.

There being no further business, Chair Phillips adjourned the meeting at 4:35 P.M., in honor of retiring Retirement Administrator Tom Ford.

James Phillips, Chair

Michael Smith, Secretary