

MINUTES

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

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

September 8, 2010 - 9 A.M.

EVENT CALENDAR

9 A.M. Regular Board Meeting

CALL TO ORDER

Chair Phillips called the meeting to order at 9:07 A.M.

ROLL CALL

PRESENT: Bolger, Brenk, Given (non-voting), Gladstern, Haim, Hufford, Phillips, Richardson, Smith, Webb (non-voting), Wofford (non-voting)

ABSENT: None

MINUTES

It was M/S Gladstern/Richardson to approve the August 11, 2010, Regular Board Meeting Minutes as submitted.

AYES: Bolger, Brenk, Gladstern, Haim, Phillips, Richardson, Smith

NOES: None

ABSTAIN: Hufford

ABSENT: None

A. OPEN TIME FOR PUBLIC EXPRESSION

No public comment.

B. BOARD OF RETIREMENT MATTERS

1. Administrator's Report (Oral)

a. Administrator's update

Retirement Administrator Jeff Wickman stated that he is looking at a more cost effective way to manage large printing and mailing projects. The Administrator and Syd Fowler, MCERA Communication staff, recently met with the County's Printing Department to learn about the services they provide.

The Administrator said that the external auditors wrapped up their work and would report to the Board later this year. He also reported completion of portfolio rebalancing under the guidance of Senior Accountant Lisa Jackson.

Mr. Wickman is looking at establishing regular meetings with sponsors to enhance communications. The goal of the meetings would be information sharing. The Board discussed the need to make sure the meetings had an appropriate focus.

The Administrator discussed Assembly Bill 609 which has been delivered to the Governor. The bill would change the way MCERA develops its administrative budget, specifically a budget base of 21 basis points of actuarial accrued liability instead of 18 basis points of total assets, exclusion of information technology items, and inclusion of legal costs. A briefing on the matter will be provided by Counsel Dunning at the request of Chair Phillips.

b. Staffing update

Mr. Wickman reported that the recruitment for the position of Assistant Retirement Administrator is in the initial planning stage. He also stated that mitigation of potentially negative impacts to staff and member parking due to the new building tenant is being pursued.

c. Facility Use Report

Mr. Wickman reported that no facility use occurred since the August Regular Board meeting.

d. Supplemental Ad Hoc Cost of Living Increase: discussion continued to October meeting to allow actuary to complete valuation work necessary for presentation.

e. Future meetings

- September 9 Investment Committee
- September 15 Fall Strategic Workshop
- October 5 Communications and Member Services Committee
- October 13 Regular Board meeting
- October 20 Governance Committee

2. Committee Reports

a. Finance and Risk Management

1. Administrative Budget FY 2009-10 (Action)

Based on the action of the Finance and Risk Management Committee, Committee Chair Bolger recommended that the Board approve the final Administrative Budget for FY 2009-10. The motion was approved by unanimous vote.

2. Administrative Budget FY 2010-11 (Action)

Based on the action of the Finance and Risk Management Committee, Committee Chair Bolger recommended that the Board adopt the Administrative Budget for FY 2010-11. The motion was approved by unanimous vote.

b. Governance Committee

1. Trustee and Staff Travel Expense Policy (Action)

The Trustees reviewed cost-containment provisions in the Policy for possible international travel, and were satisfied as to their adequacy.

Based on the action of the Governance Committee, Committee Chair Gladstern recommended that the Board amend the Trustee and Staff Travel Expense Policy as submitted. The motion was approved by unanimous vote.

2. Whistleblower Policy (Action)

Based on the action of the Governance Committee, Committee Chair Gladstern recommended that the Board adopt the Whistleblower Policy as submitted. The motion was approved by unanimous vote.

3. Trustee Education Policy (Action)

Based on the action of the Governance Committee, Committee Chair Gladstern recommended that the Board amend the Trustee Education Policy as submitted. It was M/S Richardson/Smith to approve the recommendation as amended. The motion was approved by unanimous vote.

4. Key Service Provider Policy (Action)

Based on the action of the Governance Committee, Committee Chair Gladstern recommended that the Board expand the review period for the Key Service Provider Policy from two to three years. The motion was approved by unanimous vote.

5. Policy re Annual Affirmation Regarding Key Policies (Action)

Trustee Gladstern reviewed the proposed Policy re Annual Affirmation Regarding Key Policies, which delineates six policies requiring annual affirmations by the Trustees and executive staff.

Based on the action of the Governance Committee, Chair Gladstern recommended that the Board adopt the Policy re Annual Affirmation Regarding Key Policies. The motion was approved by unanimous vote.

6. Retirement Administrator Performance Evaluation Policy (Action)

Based on the action of the Governance Committee, Chair Gladstern recommended that the Board expand the review period of the Retirement Administrator Performance Evaluation Policy from two to three years. The motion was approved by unanimous vote.

c. Ad Hoc CPAS Committee Report

Chair Phillips stated that based on the recommendations provided by staff to the Ad Hoc CPAS committee, the Committee recommends moving the CPAS implementing date to April 1, 2011. Trustee Haim expressed disappointment in the delay and a concern about possible ancillary additional expenditures. As to cost concerns, Chair Phillips stated that the biggest risk to the system would be a faulty implementation. He also stated that as the vendor's resources are stretched, it is advisable to give them more time; furthermore, additional preparation time for MCERA staff is advisable. The Chair emphasized the need to maintain positive working relationships. Trustee Hufford expressed disappointment in the delay, but affirmed the Chair's opinion that getting the project right is imperative.

It was M/S Gladstern/Brenk to move the CPAS implementation date to April 1, 2011, without current authorization of additional funds, other than the additional \$100,000 authorized last year. The motion was approved by unanimous vote.

The Trustees continued to discuss the CPAS project, and Trustee Haim inquired about impacts to staffing expense. Trustee Brenk noted the complex nature of the project. Chair Phillips reiterated that staff and plan sponsor preparations will benefit from the additional time and that no MCERA staff have been hired specifically to work on the CPAS implementation.

d. Ad Hoc System Risk Committee Report

Investment Committee Chair Richardson reported that the Ad Hoc System Risk Committee was formed to consider tools that would help the Board assess investment risk. The Committee is aware that there are software applications that will assess portfolio risk. Trustee Hufford recommended including counter-party risk in such studies. Trustees Smith and Bolger discussed portfolio risk factors and affirmed the importance of risk assessment. The Board will consider the matter at the Fall Strategic Workshop.

3. Trustee Comments

Chair Phillips stated that reports on several recent due diligence site visits will be provided at the Investment Committee meeting. Additional due diligence trips are planned soon, according to the Chair.

C. DISABILITIES

No disability cases.

D. LEGAL MATTERS

No legal matters.

E. OLD BUSINESS

1. Public employee salary revision for appointed position of Assistant Retirement Administrator (Action)

Retirement Administrator Wickman explained that the reason for the proposed salary modification for the position of Assistant Retirement Administrator is that the previously approved salary range resulted in an unanticipated reduction in pay for the current extra hire Assistant Retirement Administrator. The modification restores the entry step salary to the prior level.

It was M/S Smith/Richardson to revise the salary range of the appointed position of Assistant Retirement Administrator from \$135,013-\$150,000 to \$136,094-\$150,000, and to apply the revision from the date of the original appointment, consistent with the salary then in effect. The motion was approved by unanimous vote.

2. Seminar Report - Program for Advanced Trustees Studies - Bernadette Bolger

Trustee Bolger presented a report based on her attendance at the Program for Advanced Trustees Studies at Harvard, adding that additional seminar materials are available. Trustee Smith expressed encouragement about the potential viability of sustainable investing. (Please refer to August Regular Board Meeting Minutes, Agenda Item B.4, for additional comments by Ms. Bolger on the seminar.)

F. NEW BUSINESS

1. SACRS Voting Proxy (Action)

Board vote to select delegates for SACRS November meeting

It was M/S Haim/Smith to select Trustee Gladstern as MCERA delegate for the SACRS November meeting. The motion was approved by unanimous vote.

It was M/S Richardson/Smith to select Trustee Haim as MCERA alternate delegate for the SACRS November meeting. The motion was approved by unanimous vote.

2. Future Meetings

No comment.

3. Client Conferences and Other Educational Opportunities

- a. Sustainable Investing 9-14-10 San Francisco, CA
 World Affairs Council –
 Arnerich Massena

b. CRCEA Fall Conference 10-25-10 San Rafael, CA

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

G. INVESTMENT INFORMATION

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

PERIODIC REPORTS

1. Equities and Fixed Income

- | | | | |
|---|-----------------------------|--|--|
| | Abbot Capital | -Private Equities Fund | |
| | Analytic Investors | -Equitized US Market Neutral Portfolio | |
| | 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 | |
| | First Quadrant, LP | -Equitized European Market Neutral Portfolio | |
| * | X 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 | |

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 August 31, 2010 |
|---|----------------------------|------------------------------------|

4. Other

H. FINANCIAL INFORMATION

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

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

I. OTHER INFORMATION

1. Approved Trustee Training Calendar
2. *Keeping in Touch* – September Issue, Retired Employees Association newsletter
3. SACRS Fall Conference, Preliminary Agenda
4. CalAPRS Update, Summer 2010

J. CONSENT CALENDAR (Action)

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

There being no further business, Chair Phillips adjourned the meeting at 10:12 A.M.

James Phillips, Chair

Michael Smith, Secretary