

MINUTES

**REGULAR BOARD MEETING
MARIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION (MCERA)**

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

November 3, 2010 - 9 A.M.

<u>EVENT CALENDAR</u>	9 A.M.	Regular Board Meeting
<u>CALL TO ORDER</u>		Chair Phillips called the meeting to order at 9:07 A.M.
<u>ROLL CALL</u>	PRESENT:	Bolger, Brenk, Gladstern, Haim, McFarland, Phillips, Richardson, Smith, Webb (non-voting)
	ABSENT:	Given (non-voting), Wofford

SWEARING IN OF KAREN WOFFORD: Chair Phillips deferred Karen Wofford's oath of office due to her absence.

SWEARING IN OF HOWARD MCFARLAND: Trustee Smith announced that Howard McFarland was elected by Miscellaneous Members to serve on the board. Trustee Smith administered the oath of office to Mr. McFarland.

Chair Phillips invited Mr. McFarland to address the Board. Mr. McFarland provided a summary of his twelve-year experience with the County, including his background in benefits eligibility with the Department of Health and Human Services.

MINUTES

It was M/S Smith/Bolger to approve the October 13, 2010, Regular Board Meeting Minutes as submitted. The motion was approved by unanimous vote.

- A. OPEN TIME FOR PUBLIC EXPRESSION**
No public comment.

B. ELECTION OF BOARD OFFICERS

Election of Board Chairperson, Vice-Chairperson and Secretary (**Action**)

Chair Phillips requested nominations for Board officers.

It was M/S Phillips/Smith to nominate Trustee Maya Gladstern as Board Chairperson. The motion was approved by unanimous vote.

It was M/S Haim/Bolger to nominate Trustee Jim Phillips as Board Vice-Chairperson. The motion was approved by unanimous vote.

It was M/S Haim/Richardson to nominate Trustee Bernadette Bolger as Board Secretary. The motion was approved by unanimous vote.

Newly-appointed Board Chairperson Maya Gladstern stated that committee appointments will be determined at the December Board meeting.

C. BOARD OF RETIREMENT MATTERS

1. Administrator's Report (Oral)

a. Administrator's update

Retirement Administrator Jeff Wickman discussed recent public record act requests for information on alternative investments, audited financial statements, the actuarial report and investment lineup.

Mr. Wickman reported that he attended the California Retired County Employees Association (CRCEA) Conference held in San Rafael. Trustees Smith, Gladstern and Webb also attended portions of the conference.

Administrator Wickman has asked MCERA's investment managers to provide complete contractual documentation for each engagement.

The Administrator also highlighted efforts to ensure MCERA staff have attended training in accordance with the County's Human Resources Department guidelines.

b. Written and oral report on impact of implementation of Interest Crediting Policy and Unrestricted Earnings Policy on ad hoc supplemental COLA consideration

In October, the Board adopted two policies: Interest Crediting and Unrestricted Earnings. Mr. Wickman gave a detailed analysis of the application of those policies. After completing the required actions, the result was that a Statutory Contingency Reserve of 1% could not be established for all Employer Groups. Because a Statutory Contingency Reserve of 1% could not be established for each Employer Group, an ad hoc supplemental COLA cannot be granted under the board's policies and applicable law. As a result, no further action is required or permitted by the

Board under its existing policies on this topic. Trustee Bolger emphasized that the policies are based on existing statutes.

Trustee Haim supported Mr. Wickman's analysis of the current constraint on an allowance for a supplemental ad hoc COLA. While Trustee Webb pointed out that affected retirees have lost over 20% of their purchasing power, Mr. Haim stated that the Board must follow a standard which cannot be met at this time. Trustee Bolger added that the Board's decision not to grant a supplemental ad hoc COLA last year was based on its fiduciary duty to the system as a whole.

Administrator Wickman indicated that the policies would be on the January Governance Committee for review and possible modification to address issues identified since their adoption.

- c. Discuss possible written response to reports on MCERA historical rate of return and assumptions

In response to recent articles questioning the system's historical rate of return, Trustee Phillips reported the 20-year return to be at the assumption rate, including recent market downturns; furthermore, the 30-year return exceeds the assumption rate, he said.

Trustee Haim advised patience and restraint through periods of market volatility in both directions, voicing confidence in the Board's fund management.

The Board directed the Administrator to draft an article on the matter for the Board's consideration.

- d. Staffing update

No staffing changes have occurred since the last meeting. Mr. Wickman stated that he is working with staff to develop short-term and long-term staffing priorities that will take into consideration the upcoming CPAS implementation.

- e. Facility Use Report

There has been no facility useage since the last Board meeting.

- f. Future meetings

- November 4 Investment Committee
- December 6 Finance and Risk Management Committee
- December 8 Regular Board

2. Committee Reports

a. Governance Committee

1. Conflict of Interest Code (Action)

Chair Gladstern reviewed proposed amendments to the Conflict of Interest Code, which include the provision that any exceptions by the Retirement Administrator be brought to the Governance Committee for its information.

Based on the action of the Governance Committee, Chair Gladstern recommended that the Board amend the Conflict of Interest Code as submitted. The motion was approved by unanimous vote.

2. Policy re Board Adoption of MCERA's Actuarial Economic Assumptions (Action)

Chair Gladstern stated that the proposed Policy re Board Adoption of MCERA's Actuarial Economic Assumptions was developed to bring visibility to the system's economic assumptions. Furthermore, the proposed policy will support the Plan Document filing by defining the structural process for consideration of actuarial assumptions.

Trustee Bolger requested a review of the economic assumption rate, and it was noted that the Board will consider the rate during its review of the new actuarial valuation report in January 2011.

Based on the action of the Governance Committee, Chair Gladstern recommended that the Board adopt the Policy re Board Adoption of MCERA's Actuarial Economic Assumptions as submitted. The motion was approved by unanimous vote.

3. Board Meeting Agenda Setting and Meeting Organization (Action)

Chair Gladstern explained the Committee's recommended modifications to the structure of the Board meeting Agenda, as follows:

- a. Disabilities to commence at 11:00 A.M., Time Certain
- b. Legal Matters to precede Disabilities
- c. Same-day Investment Committee matters, if any, will be addressed after the conclusion of Board meetings on a Special Investment Committee Agenda.

The time certain for the Disability session was amended to start at 10:00 A.M.

It was M/S Richardson/Phillips to approve the recommendations of the Governance Committee regarding Board meeting agenda setting and meeting organization as discussed. The motion was approved by unanimous vote.

Chair Gladstern recessed the meeting to Closed Session, **Agenda Items D and E**, at 10:00 A.M.

D. DISABILITIES

<u>Applications to be Heard</u>	<u>Service/Non-Service Connected</u>	<u>Date of Application</u>	<u>Employer</u>
1. Rick Russell	Service	11/11/08	County Sheriff

Consider and take possible action re Administrative Law Judge's Findings of Facts and Proposed Decision.

Chair Gladstern reported that the Board adopted the Administrative Law Judge's Findings of Facts and Proposed Decision to grant service-connected disability to Rick Russell by a vote of 5-2, with Trustees Bolger and Brenk dissenting. Trustee Smith was absent during the vote.

E. LEGAL MATTERS

1. Terris v. County of Santa Barbara, et al. (Action) (CLOSED SESSION)
(Gov. Code sec. 54956.9(c))

Consider and take possible action to authorize filing of amicus brief.

Consideration of the matter was deferred to the December Board meeting.

2. Conference with Legal Counsel -- Anticipated Litigation (CLOSED SESSION)

Exposure to litigation pursuant to subdivision (b) of Section 54956.9: one potential case

No reportable action.

Chair Gladstern reconvened the meeting in Open Session at 11:15 A.M.

3. Effective Date of Disability Retirement of Humphrey Ogg (OPEN SESSION)

In June, the Board unanimously granted Humphrey Ogg a service-connected disability retirement. The effective date of the retirement benefit as determined by staff was January 21, 2009. Mr. Wickman recommended that the Board authorize MCERA to adjust Mr. Ogg's retirement effective date to March 25, 2008 -- the date on which he initially filed his application with MCERA.

It was M/S Phillips/Richardson to change the effective date of Humphrey Ogg's disability retirement to March 25, 2008. The motion was approved by unanimous vote.

Chair Gladstern directed deliberations to **Committee Reports, Governance Committee, Agenda Item C.2.a.4.**, at 11:18 A.M.

4. Accessibility of Records Policy Review (Action)

Mr. Wickman reported that a standard review of the Accessibility of Records Policy resulted in a proposed amendment to clarify the location at which the policy will be maintained at MCERA.

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

5. Disability Retirement Process Flowchart (Action)

Administrator Wickman stated that amendments to the Disability Retirement Process Flowchart clarify the requirements surrounding independent medical examinations (IMEs) in order to create a more efficient process.

Based on the action of the Governance Committee, Chair Gladstern recommended that the Board amend the Disability Retirement Process Flowchart as submitted. The motion was approved by unanimous vote.

b. Ad Hoc CPAS Committee Report

1. Project Status Update

Trustee Phillips reported that the latest CPAS system build includes the core functionality of the system and will be tested over the next several weeks. In late November, an additional build is anticipated which will be reported on at the December Board meeting. Discussions regarding the Linea contract will occur at a later time, according to Mr. Phillips.

3. Trustee Comments

Trustee Phillips reported that recent due diligence visits to several investment managers elicited managers' views that will be valuable to Investment Committee discussions.

F. OLD BUSINESS

1. Seminar Report – CalAPRS Trustees Round Table

Chair Gladstern reported on her attendance at the CalAPRS Trustees' Round Table. She encouraged participation in future round tables by the Trustees.

2. Seminar Report – CRCEA Conference

The California Retired County Employees Association (CRCEA) conference was attended by Chair Gladstern and Trustees Smith, and Webb, who characterized it to be well-organized and beneficial.

G. NEW BUSINESS

1. Future Meetings

No discussion.

H. INVESTMENT INFORMATION

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

PERIODIC REPORTS

1. Equities and Fixed Income

X Abbott Capital -Private Equities Fund

- | | | | |
|-----|----------------------------|--|---------|
| | Analytic Investors | -Equitized US Market Neutral Portfolio | |
| * X | Artisan Funds, Inc. | -International Equities Fund | |
| | BlackRock | -Alpha Advantage Index Fund | |
| | 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 | |
| | Eaton Vance | -Emerging Markets | |
| * X | 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 | |
| | RCM | -Large Cap Growth Equities Portfolio | |
| * X | Wellington Management | -Core Domestic Fixed Income Portfolio | |
| | Western Asset Management | -Core Plus Domestic Fixed Income Portfolio | |
| 2. | <u>Real Estate</u> | | |
| | 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> | | |
| | Monthly Performance Report | -For period ending October 31, 2010 | |
| 4. | <u>Other</u> | | |

I. FINANCIAL INFORMATION

1. Treasurer's Monthly Report

Short Term Investments for period ending September 30, 2010*

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

J. OTHER INFORMATION

1. Approved Trustee Training Calendar

K. CONSENT CALENDAR (Action)

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

There being no further business, Chair Gladstern adjourned the meeting at 11:40 A.M.

Maya Gladstern, Chair

Bernadette Bolger, Secretary