

MINUTES

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

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

December 8, 2010 - 9 A.M.

<u>EVENT CALENDAR</u>	9 A.M.	Regular Board Meeting
<u>CALL TO ORDER</u>		Chair Gladstern called the meeting to order at 9:05 A.M.
<u>ROLL CALL</u>	PRESENT:	Bolger, Brenk, Given (non-voting), Gladstern, McFarland, Phillips, Richardson, Haim, Smith, Webb (non-voting), Wofford
	ABSENT:	None

SWEARING IN OF KAREN WOFFORD

Trustee Smith announced that Karen Wofford was elected as Safety Member to serve on the Board. Trustee Smith administered the oath of office to Ms. Wofford.

MINUTES

It was M/S Phillips/Brenk to approve the November 3, 2010, Regular Board Meeting Minutes as submitted. The motion was approved by unanimous vote.

It was M/S Richardson/Bolger to approve the November 4, 2010, Investment Committee Meeting Minutes as submitted. The motion was approved by unanimous vote.

A. OPEN TIME FOR PUBLIC EXPRESSION

Joe Nation spoke to the Board about MCERA's actuarial assumptions. Mr. Nation suggested that the Board use a "risk-free" rate for discounting its liabilities and that it also voluntarily follow recently adopted legislation that requires CalPERS to calculate its liabilities using alternative assumptions.

Trustee Haim commented on the transparency of the MCERA Board's process when determining actuarial assumptions; he also requested actuarial data to support Mr. Nation's claims, which Mr. Nation agreed to provide. Mr. Haim said that, given periods of historical market annual returns of between 10 and 18%, Mr. Nation is going against the tide.

Trustee Phillips invited Mr. Nation to attend the Board’s public deliberations on MCERA’s actuarial assumptions. Mr. Phillips observed that the capital markets have returned an average annual return of over 8% over the last 100 years, but that risk is required if that return is to be achieved.

Trustee Bolger asked Mr. Nation to explain how he conducted his study. Mr. Nation responded that two policy briefs were developed by his graduate students, and the second study was released recently after peer review.

Trustee Smith observed that MCERA’s method of funding liabilities is a disciplined approach that private organizations would do well to follow.

Chair Gladstern presented departing Trustee Michael Smith with a plaque and expressed the Board’s appreciation for his many years of dedicated service to MCERA. Trustees Phillips, Bolger and Given along with the remaining Trustees commended Mr. Smith for his integrity, mentorship, and friendship, as well as his service to the community. Mr. Smith said that he has been honored to work with the Board and is thankful for its stewardship, and commended its decision-making process.

B. APPOINTMENT OF BOARD COMMITTEES

Appointment of Committees and Committee Chairs (**Action**)

Chair Gladstern appointed chairs and members of committees as follows:

<u>Standing Committees</u>	<u>Chair</u>	<u>Members</u>
Investment	Phillips	Trustees - all
Finance and Risk Management	Bolger	Brenk, Given, Phillips, Richardson, Webb
Governance	Brenk	Bolger, Haim, McFarland, Walsh, Webb
Communications and Member Services	Wofford	Brenk, McFarland, Phillips, Webb

Ad Hoc Committees

Ad Hoc Education	Richardson	Bolger, Brenk, Gladstern
Ad Hoc Assistant Administrator	Bolger	Gladstern, Haim
Ad Hoc Administrator Performance Evaluation	Gladstern	Bolger, Phillips, Webb
Ad Hoc System Risk	Richardson	Bolger, Brenk, Phillips
Ad Hoc CPAS	Phillips	Brenk, Given, Gladstern

C. BOARD OF RETIREMENT MATTERS

1. Administrator’s Report (Oral)
 - a. Administrator’s update

Administrator Wickman stated the draft 2010 actuarial report is scheduled to be presented to the Board at its January 2011 meeting.

In the investment portfolio, Mr. Wickman reported that the transition from BlackRock to the SSgA S&P 500 Index Fund was completed in November.

Mr. Wickman reported that the contract with MCERA's media advisor was being extended through June 30, 2011, with no change in the maximum dollar limit.

Requests for public records on real estate and alternative investments have been provided to Preqin.

Mr. Wickman is continuing his work with staff and outside advisors to develop recommendations for improvements to the disability application process.

b. Staffing update

Mr. Wickman stated that the development of a long-term staffing plan is predicated on the successful implementation of the new CPAS software system.

c. Facility Use Report

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

d. Future meetings

- January 4 Communications and Member Services Committee
- January 12 Regular Board
- January 13 Investment Committee
- January 27 Governance Committee

2. Committee Reports

a. Finance and Risk Management Committee

Finance and Risk Management Committee Chair Bolger reported that the Committee is monitoring the administrative budget and concluded it is on track and under budget. She said that Assembly Bill (AB) 609, which changes the administrative cap for calculating MCERA's budget from 18 basis points of accrued assets to 21 basis points of the total accrued liability, will be reflected in MCERA's Fiscal Year 2011 budget.

Trustee Bolger further reported that the additional disclosures required under the Board's Placement Agent Disclosure Policy have been received from all MCERA investment managers, and the Committee had no concerns about those disclosures.

Regarding the Board's actuarial decisions, the Committee was recommending that the Board hold one additional special meeting to discuss the actuarial report before its adoption by the Board.

Trustee Bolger also reported that the Committee reviewed a summary of the Form 700s, excluding investment managers, that had been submitted to MCERA and had no concerns about those disclosures.

b. Ad Hoc CPAS Committee Report

1. Project Status Update

CPAS Committee Chair Phillips stated that the November 30 build was successful, with two builds remaining. User testing will begin in January 2011, he said. Testing by the benefits staff is proceeding with a 25% time commitment under the supervision of Principal Systems Analyst Alex Levin. Trustee Phillips said that adequate resources are supporting the implementation. An increasing work load on staff is expected in the next several months. The Committee will meet again in January and continue to monitor and report on the CPAS implementation.

Chair Gladstern recessed Open Session and directed deliberations to **Agenda Item E, Disabilities**, in Closed Session at 10 A.M., reconvening in Open Session at 10:43 A.M.

E. DISABILITIES - (TIME CERTAIN: 10 A.M.)

All disability applications are considered in Closed Session unless applicant specifically waives confidentiality and requests that his/her application be considered in Open Session.

(Action)

<u>Applications to be Heard</u>	<u>Service/Non-Service Connected</u>	<u>Date of Application</u>	<u>Employer</u>
1. Denis Walsh	Service	6/09/09	Southern Marin Fire Dept
Initial consideration of an application for service-connected disability retirement filed by a Safety member			

Chair Gladstern reported that the Board denied Denis Walsh’s initial application for service-connected disability retirement by a vote of 8-1, with Trustee Bolger dissenting, and advised the applicant of his right to request a hearing before the Administrative Law Judge in accordance with MCERA policy.

Chair Gladstern redirected deliberations to **Agenda Item C.3, Trustee Comments**.

3. Trustee Comments

a. Seminar Report – SACRS Fall Conference

Reporting on his attendance at the SACRS conference, Trustee Haim found a shareholder rights discussion to be enlightening with regard to potential limitations on shareholders’ ability to sue foreign national corporations. It was noted that options are available which affect the ability to sue when investing internationally.

Trustee Brenk commented that he found a presentation on risk assessment to be worthwhile.

b. Other

Trustee Brenk reported that the University of California, Berkeley, Haas School of Business conference on Public Pension Investment Management included practical and technical insight into investment return, risk and its proper measurement, and active versus passive management. Mr. Brenk also said that, according to presenters, passive management would be most suited to large cap domestic portfolios. Trustee Phillips encouraged the trustees to attend this yearly conference.

Trustee Phillips advised that the Ad Hoc System Risk Committee continues to meet with risk consultants regarding the total investment portfolio.

D. 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.

No reportable action.

2. *Richard Shelden v. MCERA, et al.* (CLOSED SESSION) (Gov. Code sec. 54956.9(a))
Consider petitioner's petition for California Supreme Court review.

Karen Wofford disclosed a potential conflict based on her employment in the Sheriff's Department and recused herself from Agenda Item D.2 and was excused from the meeting, returning for subsequent agenda items.

No reportable action.

F. OLD BUSINESS

No items.

G. NEW BUSINESS

1. Fiduciary Insurance Education

Administrator Wickman introduced Ray Folger of MacCorkle Insurance Services and Ashley Dunning of Manatt, Phelps and Phillips. Mr. Folger and Counsel Dunning provided a review of the system's fiduciary insurance program. With several new trustees on the Board, Mr. Wickman felt it an appropriate time for an overview of the program. The presentation covered statutory protections, insurance coverages and MCERA's specific insurance policy.

Counsel Dunning explained fiduciary insurance and the applicable statutes.

Ray Folger of MacCorkle Insurance Service reviewed the fiduciary insurance policy carried by MCERA. Mr. Folger explained that the policy is limited to \$10 million per year and covers claims against the plan, the Retirement Board and its trustees, as well as officers and employees, for most discretionary and ministerial acts.

In response to Trustee Smith inquiry, Mr. Folger stated that MCERA's insurance provider is an independent company and is rated separately as a financial institution.

2. Response to reports on MCERA historical rate of return and assumptions
Administrator Wickman presented a draft response to recent public dialogue about MCERA's historical rate of return and actuarial assumptions, in accordance with the Board's direction. Mr. Wickman recommended that the response be provided as a newsletter communication to address member and retiree concerns. The Board agreed with the Administrator's assessment.

Administrator Wickman emphasized the transparency of the system's actuarial assumptions determination process. Discussions continued about the content of the draft response and refinements thereto, so that the Board's process of deliberations on actuarial assumptions is made clear.

Administrator Wickman stated that staff will rework the draft response in accordance with discussions and bring it before the Communications and Member Services Committee.

3. Board, Investment Committee and Strategic Workshop 2011 Meeting Schedule (Action)
The Board determined to continue convening regular Board meetings on the second Wednesday of each month, with the May and November meetings held one week earlier due to SACRS conferences. No changes to the Investment Committee meeting schedule were proposed. Chair Gladstern tentatively scheduled the spring Strategic Workshop for March 29 and 30, 2011.

4. Client Conferences and Other Educational Opportunities

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| a. Boards Forum
Public Fund | 12/11-14/10 | San Francisco, CA |
| b. Callan Conference
Callan Investments
Institute | 1/31-2/2/11 | San Francisco, CA |
| c. DFA Investment
Symposium
Dimensional Fund
Advisors | 1/31-2/2/11 | Austin, TX |
| d. Public Funds RT
Institutional Investor | 4/6-8/11 | San Diego, CA |

* *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 Bolger/Wofford to approve the client conferences as submitted. The motion was approved by unanimous vote.

5. Future Meetings
Meetings and schedules are addressed in Agenda Item G.3.

H. INVESTMENT INFORMATION

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

PERIODIC REPORTS

1. Equities and Fixed Income

	Abbott Capital	-Private Equities Fund	
	Analytic Investors	-Equitized US 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	
	Eaton Vance	-Emerging Markets	
* 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	

2. Real Estate

	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. Market Neutral

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

Trustee Bolger asked Kevin Dunne from Callan Associates about recent articles suggesting insider trading occurred at Wellington Management. Mr. Dunne replied that Wellington is involved because they receive research work from a company that has been accused of insider trading. Wellington sent a letter to MCERA expressing that it is cooperating with the investigation.

Trustee Phillips asked Mr. Dunne about recent litigation regarding currency trading by State Street Bank. Mr. Dunne explained that the allegations have to do with a lack of time stamps on currency trades which brought proper pricing into question. Because MCERA has no international equity or fixed accounts with State Street and all its international equity accounts are in commingled funds, Mr. Dunne stated that there does not appear to be an impact on MCERA. Mr. Dunne said, however, that Callan is gathering additional information on the situation.

I. FINANCIAL INFORMATION

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

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

J. OTHER INFORMATION

1. Approved Trustee Training Calendar
2. *Keeping in Touch* – December Issue, Retired Employees Association newsletter

K. CONSENT CALENDAR (Action)

It was M/S Phillips/Haim 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 12:42 P.M.

Maya Gladstern, Chair

Bernadette Bolger, Secretary