

**MINUTES**

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

**One McInnis Parkway, 1<sup>st</sup> Floor  
Retirement Board Chambers  
San Rafael, CA**

**August 10, 2011 - 9 A.M.**

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<b><u>EVENT CALENDER</u></b>	9 A.M.	Regular Board Meeting
<b><u>CALL TO ORDER</u></b>	Chair Gladstern called the meeting to order at 9:09 A.M.	
<b><u>ROLL CALL</u></b>	PRESENT:	Bolger, Brenk, Given, Gladstern, Phillips, Richardson, Webb, Wofford
	ABSENT:	Haim, McFarland

**MINUTES**

It was M/S Richardson/Wofford to approve the July 13, 2011, Regular Board Meeting Minutes as submitted. The motion was approved by unanimous vote.

It was M/S Phillips/Wofford to approve the July 14, 2011, Investment Committee Meeting Minutes as submitted, subject to an administrative correction provided by Trustee Bolger. The motion was approved by unanimous vote.

**A. OPEN TIME FOR PUBLIC EXPRESSION**

Note: The public may also address the Board regarding any agenda item when the Board considers the item.

No public comment.

**B. BOARD OF RETIREMENT MATTERS**

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

Retirement Administrator Jeff Wickman announced that Trustee Roy Given has been appointed Interim Director of the Department of Finance for Marin County.

Mr. Wickman reported that a link to an online survey will be included in the *Summer 2011 FUNDamentals* newsletter. The survey seeks input on the value of the articles and the layout of the information being provided.

The MCERA response to the Grand Jury report was submitted on July 22, 2011.

MCERA received a Public Records Act (PRA) request from the *Los Angeles Times* requesting pension information for all MCERA retirees including names, monthly retirement allowances, and other information used for the benefit calculation. MCERA has provided an initial response and will respond fully to the request later in September. In compliance with MCERA's Accessibility of Records policy, retirees will be notified of the request prior to releasing the information. Counsel Dunning reported that recent court decisions affirm the Board's earlier conclusion as expressed in its policy that the requested information is a public record. Trustee Richardson asked if it was possible to look at a blanket notification to retirees notifying them that retirement allowances are public records. Trustee Bolger observed that responding to the request consumes staff time and asked whether the cost could be recovered from the requestor. Counsel Dunning explained that under the PRA only the cost of copying documents can be charged to the requestor.

The CalAPRS Administrative Institute planning committee asked Mr. Wickman to participate in a panel discussion on communications issues facing public retirement systems at the Administrator's Institute in September.

b. Staffing update

The recruitment for a permanent Accounting Assistant position is being completed. The recruitment completes one of the goals for addressing extra hire positions identified in the 2011/2012 budget plan.

c. Facility Use Report

The Marin County Health and Human Services Department used the computer Training Room to conduct classes for their staff.

d. Future meetings

- August 30 Finance and Risk Management Committee  
The meeting will be rescheduled to September.
- September 14 Regular Board
- September 15 Investment Committee

2. Committee Reports

a. Ad Hoc CPAS Committee Report

1. Project Status Update

Mr. Wickman reported that the July 29 build was successful, and discussions continue with CPAS on remaining items needed to successfully implement the new system. A decision about whether to begin User Acceptance Testing (UAT) will be made the week of August 15. If UAT begins as planned it will

continue through September. Upon successful completion of UAT the decision will be made whether to begin parallel processing.

b. Ad Hoc Assistant Retirement Administrator Committee Report

Interviews with final candidates will be conducted August 16, with Trustees Bolger, Brenk, and Gladstern and Assistant Retirement Administrator Helen Moody joining Mr. Wickman in the interview panel.

c. Ad Hoc Education Committee

1. Discussion of potential topics for Fall Board Strategic Workshop

Mr. Wickman presented a proposed agenda for the Strategic Workshop for the Board's consideration. Committee Chair Richardson reviewed the scheduled topics, which include the new actuarial experience and asset-liability studies, among others, to the Board's general approval.

3. Trustee Comments

Chair Gladstern encouraged the Trustees to participate in MCARE luncheons.

Chair Gladstern directed deliberations to **Agenda Item F.1.**

**F. NEW BUSINESS**

1. Consider and take possible action on Amendment to Investment Policy Statement re: General Investment Objectives and Guidelines, Fixed Income Portfolios to give bond managers discretion to maintain grade of bond portfolio to the level of the aggregate index. (Action)

Investment consultant Kevin Dunne presented Callan Associates' recommended revisions to fixed income guidelines in response Standard & Poor's downgrade of U.S. Treasuries from triple-A to double-A plus. The proposed guidelines are designed to allow MCERA fixed income managers to maintain holdings when benchmark ratings change. The guidelines were being presented to the Board to avoid the situation where managers would be out of compliance with current guidelines thus forcing them to sell bonds during a volatile market.

The revised guidelines were developed through discussions with Investment Committee Chair Phillips, Retirement Administrator Wickman and Callan Associates. Mr. Dunne said that the other option would be to provide the fixed income managers with a specific timeframe by which they could be out of compliance with the guidelines in order to assess the impact of having to sell securities under the current guidelines. Trustee Phillips supported the proposed revisions to the Investment Policy Statement (IPS) as they will allow the fixed income managers the flexibility to continue trading as they would normally.

Western Asset Management Portfolio Manager Julien Scholnick supported the proposed fixed income guidelines, stating that measuring ratings relative to benchmarks aligns

with gauging duration and other facets of the fixed income portfolios. Wellington Management Relationship Manager Sue Bonfeld concurred, stressing the importance of avoiding forced selling and giving portfolio managers leeway as they navigate a dynamic fixed income environment going forward.

Further discussions included questions from Trustees Brenk and Bolger about creating a rating floor. Ms. Bonfeld discussed the protections in place that insure that limits in the current guidelines do not allow the managers to invest in significant below-investment-grade securities.

It was M/S Richardson/Webb to approve as submitted amendments to the Investment Policy Statement re: General Investment Objectives and Guidelines, Fixed Income Portfolios to give bond managers discretion to maintain an average weighted credit quality of the bond portfolios within 2 notches relative to the level of the aggregate index. The motion was approved by unanimous vote.

Trustee Phillips invited further comment. Ms. Bonfeld stated that the European Union's sovereign debt problem is the fundamental issue, pointing to a September vote on emergency funding to support the debt of countries such as Greece and Italy. For the U.S., her firm is not forecasting a recession.

Trustee Phillips inquired about the status of corporate bonds, and Mr. Scholnick singled out the bifurcation of Industrials versus Financials.

Chair Gladstern recessed Open Session and directed deliberations to **Agenda Item D, DISABILITIES**, followed by **Agenda Item C, LEGAL MATTERS**, in Closed Session at 10:15 A.M. The Chair noted, as an administrative correction to the Agenda, that Brandy Carrier's application is for non-service-connected disability.

Trustee Wofford was excused from the meeting at 12:35 P.M.

The Chair reconvened the meeting in Open Session at 12:37 P.M.

**D. DISABILITIES**

All disability applications are considered in Closed Session unless applicant specifically waives confidentiality and requests that his or 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. Carmen Vasquez-Lind	Service	12/4/06	Marin County Health & Human Services

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



Charles O'Neill

The Board approved, by a vote of 7-0-1, Charles O'Neill's application for non-service-connected disability retirement and denied application for service-connected disability retirement subject to the applicant's right to a request an administrative hearing in accordance with MCERA procedures. Trustee Wofford did not vote on the application because she serves in the same service as the applicant.

Cheri Desemas

The Board granted a request for a 120-day extension of time in which to conduct an administrative hearing by a vote of 7-0-1, with Trustee Webb abstaining.

**C. LEGAL MATTERS**

1. Conference with legal counsel – anticipated litigation (CLOSED SESSION)  
Potential initiation of litigation pursuant to subdivision (c) of Government Code sec. 54956.9: two cases

No reportable action.

**E. OLD BUSINESS**

None.

**Agenda Item F, NEW BUSINESS, continued.**

2. Class Action Securities Litigation Presentation  
Review of recent developments in securities litigation by Blair Nicholas, Esq.

Blair Nicholas, Esq., from Bernstein Litowitz Berger & Grossmann, LLP, discussed his firm's work monitoring class action securities litigation for MCERA. He stated that current class action securities litigation stems, in large part, from the 2008 financial crisis with related settlements totaling over \$3.1 billion. Mr. Nicholas said that some cases are based on the misrepresentation of the quality of the underwriting of mortgage-backed securities. Due to the large size of damages in cases such as Countrywide, individual actions are common.

Failure to comply with fiduciary duties is also the basis for certain litigation. Securities lending litigation rests on the concept that certain securities used as collateral were inappropriate because of their long-term nature.

Mr. Nicholas indicated that the U.S. Supreme Court has been relatively active in securities litigation. Recent decisions he reported include:

- Applying a reasonable investor test regarding materiality of disclosure
- Limiting claims to securities traded on U.S. exchanges
- Relaxing the statute of limitations on securities fraud actions

Mr. Nicholas advised that a lower policy threshold (currently \$10 million) for considering class action securities litigation, as most SACRS systems have, would allow the Board to consider MCERA’s potential involvement in more cases of material value. He also discussed MCERA’s other policy guidelines for determining whether to pursue an active role in litigation.

Trustee Phillips inquired about whether the litigation environment at the SEC has changed in view of tightened regulations arising from the financial crisis. In response, Mr. Nicholas said that there has not been much change, and that he perceives a lack of forward momentum on SEC cases.

Trustee Bolger asked whether Mr. Nicholas expects Congress to limit banks’ exposure to mortgage lawsuits, and he expressed doubt about a reprieve for banks due to the size of the claims.

Chair Gladstern requested policy guidance on selecting a law firm for a class action case, and Mr. Nicholas indicated that obtaining second opinions about whether and how to participate in particular cases, and proceeding with the firm deemed most qualified, is good practice.

3. Future Meetings

Consider and discuss agenda items for future meetings

No discussion.

Trustee Wofford rejoined the meeting at 1:10 P.M.

**G. INVESTMENT INFORMATION**

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

**PERIODIC REPORTS**

1. Equities and Fixed Income

	Abbott Capital	-Private Equities Fund
* X	Artisan Funds, Inc.	-International Equities Fund
* X	The Clifton Group	-Futures Overlay Program
* X	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
	Pathway Capital	-Private Equities Fund
* X	Pyramis Global Advisors	-International Small Cap Equity Fund
X	RCM	-Large Cap Growth Equities Portfolio
	State Street Global Advisors	-S&P 500 Flagship Non-Lending
X	Wellington Management	-Core Domestic Fixed Income Portfolio

- X Western Asset Management -Core Plus Domestic Fixed Income Portfolio
- 2. Real Estate
  - Woodmont Realty Advisors -Direct ownership – Monthly report
  - AEW Capital Management -Value Added Portfolio Quarter
  - \* X Clarion Partners -Core Portfolio Quarter
  - \* X RREEF -Value Added Portfolio Quarter
  - X Woodmont Realty Advisors -Direct Ownership Quarter
- 3. Other

**H. OTHER INFORMATION**

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

**I. CONSENT CALENDAR (Action)**

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

<p>CONSENT CALENDAR for  MCERA MEETING, WEDNESDAY, AUGUST 10, 2011</p>		
<p>CONSENT CALENDAR  July 2011</p>		
<p><u>RETURN OF CONTRIBUTIONS</u></p>		
Gianna Craviotto	County of Marin	33,226.88
Mary Donovan	County of Marin	4,742.31
Alfred Rodoni	County of Marin	13.28
Blythe Wilhelm	County of Marin	<u>3,919.04</u>
	TOTAL	\$41,901.51
<p><u>BUYBACK</u></p>		
Stuart Buttlair	County of Marin	
Suzanne Kauffman	County of Marin	
Michael D. Smith	County of Marin	
Kitty Mackay	City of San Rafael	
Barbara Denson	Southern Marin Fire	
<p><u>NEW RETIREES</u></p>		
Laura Cummins	H&HS	County of Marin
Maureen Lindelli	H&HS	County of Marin
Christopher Henderson	Sheriff	County of Marin



Janice Rippe	Sheriff	County of Marin
Larry Elliott	Cultural & Visitor Services	County of Marin
Philip Fifita	DPW	County of Marin
Kathleen Govi	County Counsel	County of Marin
Kim Luddy	Community Development	County of Marin
Jan Nakashige	IST	County of Marin
Gareth Nicholas	IST	County of Marin
Theodore Pierson		City of San Rafael
Kevin Spiller		City of San Rafael
Michael Sisemore		City of San Rafael
Catherine Wright		City of San Rafael
Chris Canterbury		Mosquito Abatement
<u>RESCINDED RETIREMENTS</u>		
<u>DECEASED RETIREES</u>		
John Mc Namee	Beneficiary	County of Marin
<u>CONFERENCES/SEMINARS</u>		
UC BERKELEY INVESTMENT THEORY		
Trustee McFarland		

Chair Gladstern adjourned Open Session and directed deliberations to **Agenda Item F.4** in Closed Session at 1:12 P.M.

**Agenda Item F, NEW BUSINESS, continued.**

4. Public Employee Performance Evaluation. Title: Retirement Administrator (CLOSED SESSION pursuant to Government Code section 54957)  
No reportable action.

There being no further business, Chair Gladstern adjourned the meeting at 2:26 P.M.

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Maya Gladstern, Chair

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Bernadette Bolger, Secretary