

**MCERA RETIREMENT BOARD  
INVESTMENT MEETING MINUTES  
Thursday October 28, 2010**

**Roll Call: 8:15 AM**

**Board Members Present:**

Karen Rodriguez, Tom Mackenzie, Mark Bodley, Karen Adams, Michael Rhodes, Deidre Kelsey, Ron Kinchloe, Dwayne McCoy, and David Ness. **Counsel:** Michael Calabrese **Staff:** Maria L. Arevalo, Gale Garcia and David Liu. **Also present:** Bill Cottle

**Absent:** Deidre Kelsey arrived at 8:33 a.m.  
Karen Adams left at 8:35 a.m.  
Absent: Sandy Teague-excused  
Absent: Al Peterson-excused

**Approval of Minutes: Motion to approve the minutes of October 14, 2010  
Rodriguez/Bodley. U/A**

**PUBLIC COMMENT:**

Trustee Adams presented a written note to the Administrator and Board regarding the hiring of a Benefit Specialist to refill a current position. Ms. Arevalo noted Roseann Fitzherbert, MCERA's senior Retirement Benefit Specialist had terminated employment with MCERA to join her new husband in San Diego.

**CLOSED SESSION—CONFERENCE WITH LEGAL COUNSEL—SIGNIFICANT EXPOSURE  
TO LITIGATION:** Government Code section 54956.9(c)

**RETURN TO OPEN SESSION**

- **REPORT ON CLOSED SESSION- NONE**

**BOARD ACTION/DISCUSSION**

1. **Earnest Partners Presentation: Paul Viera and Yash Patodia; review of MCERA's domestic and international portfolios; response to questions for Earnest Partners**  
Paul Viera, CEO and Partner and Yash Patodia, Investment Manager, of Earnest Partners discussed international equity investments in general and MCERA's domestic and international portfolio in particular. Mr. Patodia is new to the company and is responsible for research and portfolio management at Earnest Partners. Mr. Viera presented the 3<sup>rd</sup> quarter performance for both International and Domestic portfolios to the Board and noted the International portfolio significantly outperformed its index in the quarter and continued to outperform on a year to date basis. The Domestic portfolio posted a strong absolute return for the quarter but underperformed the benchmark by 76 basis points. There was discussion on the global nature of equity investment and the different factors producing current superior international returns. Mr. Viera reviewed the firm's investment process including risk control and discussed current superior performing securities in both portfolios. The Board took no action with regards to Earnest Partners.

**2. Flash Report: Preliminary Performance through Third Quarter 2010**

Bill Cottle, Investment Consultant, presented the preliminary performance report through the third quarter and noted MCERA's total Equities returned 11% for the quarter but underperformed the Benchmarks of 11.5% for the Russell 3000 and 11.3% for the S&P 500. Total International Equity returned 18.5%; outperforming the Benchmark of 16.5%. Both Fixed Income and Real Estate also outperformed their Benchmark for the quarter. MCERA's total fund return is 9.5% matching the Benchmark at 9.5%.

**3. Discussion of INVESCO Private Capital Memo**

Mr. Cottle noted on 9/13/2010, Invesco announced its newest senior investment professional, Henry Robin who will be co-head with Phil Shaw of the group handling MCERA's portfolio. In view of the change in personnel and the Board's inquiry into further investment into private equity, Mr. Cottle recommends the Board request Invesco attend the Board's next Investment Board meeting in November or December. The memo also noted Mary Kelly's new role with the portfolio and Mr. Cottle suggested asking Ms. Kelly to discuss the developments in the firm. A detailed private equity questionnaire will be sent to the firm and a summary will be provided to the Board. Staff will schedule a meeting with Invesco.

**4. Private Equity Fund of Funds Questionnaire and discussion of further action with regards to possible allocation to private equity**

Mr. Cottle presented the Private Equity Fund of Funds questionnaire to the Board which is being sent to all MCERA's private equity managers for updated information on the firms and private equity investment opportunities.

**5. Delta & Earnest Partners Transaction Cost Review-September 2, 2010 through September 9, 2010**

Mr. Cottle discussed the cost report for the Delta and Earnest Partners transactions which were undertaken pursuant to the Board's direction. Both Delta and Earnest completed the transitions on cost effective terms and the new asset allocations were completed on September 9, 2010 in accordance with the directions given to the managers.

**6. Discussion of Delta Asset Management Memo and due diligence visit to Delta**

Mr. Cottle discussed the Delta Asset Management personnel memo and noted on October 4, 2010, Milliman received notice from Delta that David Garza, a member of the portfolio management team was leaving the firm. Mr. Cottle noted that Delta's performance, their status on MCERA's Watch List and current personnel departures dictated an on-site visit to be held in the next two months. Staff will make arrangements for a due diligence visit to Delta's firm.

**7. Review of MCERA budget: First Quarter expenditures and balances**

Mr. Arevalo presented MCERA's first quarter budget status report and noted the administrative expenses for the first quarter totaled 17.4% of the administrative budget, well within the administrative cap limit. Ms. Arevalo also noted with the passage of AB 609, MCERA expects little difficulty in maintaining administrative expenses well within the new administrative cap limit.

**8. Direction to SACRS delegates for SACRS Business Meeting, November 12, 2010**

The Board reviewed the agenda for the SACRS Business meeting to be held November 12, 2010 during the SACRS conference. The Board directed the voting delegates to vote in favor of the legislative proposals contained in Board Action Item #8. There were no other action items on the agenda.

**Motion to direct MCERA's voting delegates to vote in favor of SACRS Legislative Proposal action item #8**

**Kinchloe/Rodriguez. U/A**

**CORRESPONDENCE: NONE**

Ms. Arevalo read the notice from SACRS announcing the departure of San Bernardino CERA's CEO Tim Barrett.

**OTHER BUSINESS: Future Meetings, Conferences, Direction for Future Agenda Items**

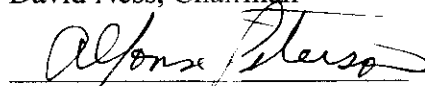
- Combined meeting on 11/18/2010
- One meeting on 12/9/2010

**INFORMATION ONLY: NONE**

**ADJOURNMENT 10:40 AM**

Respectfully Submitted,

  
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David Ness, Chairman

  
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Al Peterson, Secretary

11/18/2010  
\_\_\_\_\_  
Date