

**MCERA RETIREMENT BOARD  
INVESTMENT MEETING MINUTES**

**Thursday April 28, 2011**

**Roll Call: 8:15 AM**

**Board Members Present:**

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

**Absent:** Deidre Kelsey-excused

**Approval of Minutes: Motion to approve the minutes of April 14, 2011.  
Rodriguez/Teague. U/A**

**PUBLIC COMMENT: None**

**CLOSED SESSION:**

It is the intention of the Retirement Board to meet in Closed Session pursuant to Government Code Section 31532 regarding the confidentiality of member records. Update on the status of or deliberation and action on the application of disability retirement for:

1. Doug Jensen
  2. Susan Cummings
  3. Randy Coker
  4. Hue Moua
  5. Karen Jackson-Smith
  6. James Weaver
- Informal Hearing – Kevin Pierce

**RETURN TO OPEN SESSION**

**1. REPORT ON CLOSED SESSION**

**Motion to grant service connected disability to Kevin Pierce  
Rodriguez/Bodley. U/A**

**BOARD ACTION/DISCUSSION**

1. **Review of domestic equity portfolio structure and managers, discussion and possible action**  
Mr. Cottle reviewed MCERA's domestic equity manager structure with the Board and noted MCERA's large cap equity managers have been under close watch over the past year. During this time period Earnest Partner's performance has rebounded and the firm was taken off the watch list. Delta Asset Management remained on the watch list and was required to generate consistent monthly excess returns above its benchmark. Delta fell short of this requirement therefore, Milliman's analysis recommends terminating the relationship with Delta Asset Management. It was decided that the assets from Delta Asset Management be transitioned to MCERA's Large Cap Growth Index Fund until the manager search for the mid cap mandate is complete. Mr. Cottle noted that he will be evaluating possible allocations to micro cap and emerging markets mandates.

**Motion to terminate Delta Asset Management for underperformance and transition the funds to MCERA's Large Cap Growth Index.  
Adams/Teague U/A**

**2. Review of UBS real estate, Trumbull Property Fund and report on conference**

Mr. Cottle reviewed his memo dated April 20, 2011 regarding the many changes that have occurred since MCERA made its initial commitment to UBS Trumbull Property Fund at the end of the first quarter, 1999 (name changes, legal structure). Mr. Cottle noted MCERA's goal was to obtain broad real estate exposure to institutional real estate properties throughout the U.S. and to diversify MCERA's investment structure. Mr. Cottle explained to the Board the reason for the benchmark changes over the years and noted that the NCREIF ODCE Index will be the benchmark going forward. Mr. Cottle discussed the key points made at the UBS conference and the most recent performance of the fund. Mr. Cottle noted that while this fund has underperformed for the 1 year period ending December 2010 they are the top performing open-end real estate fund in the ODCE Index over the trailing three-through ten-year periods. While the fund has had acceptable performance over the long term, MCERA will be watching for better performance.

**3. Report on Pantheon meeting**

Mr. Cottle discussed his memo dated April 20, 2011 regarding his meeting on April 14, 2011 with Rob Wright, Matthew Curran and April Yee of Pantheon. Mr. Cottle discussed the investment team, background of MCERA's investments with Pantheon and MCERA's new commitments to Pantheon. Mr. Cottle noted that Mr. Wright is a partner of the firm and a member of the European Primary team. Mr. Wright noted that while the return of 1.3% for European Fund IV is quite modest, the Fund moved into a profitable return posture in 2011 and is in the top quartile. Mr. Cottle noted that Pantheon's expectation for the European Fund VII will have a significantly better environment to make investments and therefore, is expected to generate higher rates of return.

**4. Presentation of proposed Budget for Fiscal year 2011/2012, discussion and adoption**

Ms. Arevalo presented the proposed Budget for FY 2011/2012 to the full Board. Ms. Arevalo reported the proposed budget was reviewed and approved by the ad hoc audit committee at their meeting on 4/14/2011. The Board also reviewed correspondence from the County CEO related to the administrative budget. The budget was presented in three categories, Professional, Capital Asset and Administrative expenses. The administrative expenses are 18% lower than last year due to the change in what can now be excluded from the administrative cap pursuant to the new Government Section 31580.2. Ms. Arevalo also noted the total budget for FY 2011/2012 is less than FY 2010/2011 mainly due to a decrease in capital asset expenses. There were moderate increases in salary and benefits and in Board training expenses. The total administrative expense amount is in compliance with the new administrative limit provided in Government Code Section 31580.2.

**Motion to approve MCERA proposed budget for FY2011/2012 as recommended by the ad hoc audit committee**

**Rodriguez/Bodley.**

**Yes: Bodley, Rodriguez, Mackenzie, Peterson, Teague, Ness**

**No: Adams**

**Abstain: Rhodes**

**Absent: Kelsey**

**5. Adoption of Employer and Employee contribution Rates as recommended by Actuarial Report.**

Ms. Arevalo noted EFI's completion of MCERA's Experience Study and the Valuation Report after adoption of new assumptions and discussion at three prior Board meetings. Ms. Arevalo

reported the employer's average contribution rate for the total group is 36.14% and the member's contribution rate will increase on average 1.85% over the current contribution rates.

**Motion to adopt Employer and Employee contribution rates as recommended by the Actuarial Report**

**Rodriguez/Teague.**

**Yes: Sandy Teague, Karen Rodriguez, Karen Adams, Tom Mackenzie, Mark Bodley, Al Peterson, David Ness.**

**No: Michael Rhodes**

**Absent: Deidre Kelsey**

**6. Annual Evaluation of Investment Consultant**

The annual investment consultant evaluation form was provided to each Trustee to fill out and return to Mr. Ness. The results will be discussed with the consultant and then placed on the next investment agenda for discussion with the Board.

**CORRESPONDENCE:**

April 5, 2011 letter from Bank of Montreal

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


1. The ad hoc audit committee meeting will be held after the regular Board meeting of April 28, 2011.
2. Trustees were reminded of the Milliman conference to be held September 14 to 16, Monterey.

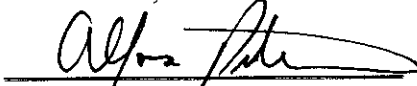
**INFORMATION ONLY**

1. Milliman Flash Report: Preliminary performance through 1<sup>st</sup> quarter 2011
2. MCERA Preliminary Monthly Report for March 2011

**ADJOURNMENT 10:05 AM**

**Respectfully Submitted,**

  
David Ness, Chairman

  
Al Peterson, Secretary

6/23/11  
Date