

**GENERAL and INVESTMENT MCERA RETIREMENT
BOARD MEETING MINUTES
Thursday November 8, 2012**

Roll Call: 8:20 AM

Board Members Present:

Mark Bodley, Deidre Kelsey, Karen Adams, Karen Rodriguez, David Ness, Michael Rhodes, Al Peterson, Mary McWatters, Scott Johnston and Ron Kinchloe. **Counsel:** Michael Calabrese **Staff:** Maria L. Arevalo, Gale Garcia, Brenda Mojica, Yadira Vasquez and David Liu. **Also present:** Bill Cottle, Dr. Fracchia

Absent: Jim Pacheco - Excused

Mary McWatters – arrived 8:25

Deidre Kelsey – left 11:50

Karen Adams – left 11:50

Approval of Minutes: Motion to approve the minutes of October 25, 2012

Adams/Peterson. U/A

PUBLIC COMMENT: NONE

BOARD ACTION/DISCUSSION

1. Presentation UBS Trumbull Fund, Review of real estate portfolio: Ron Lanier

Ron Lanier reviewed the firm's Trumbull Property Fund performance as well as the firm's organization and investment process with the Board. Mr. Lanier presented an update of MCERA's investment results as of September 30, 2012. The fund has returned an average of 9.2% since inception. The Board requested an update on the UBS Farmland Fund.

2. Investment Reports: Bill Cottle

a. Transaction Cost Report: for period July 1, 2012 to September 30, 2012

Mr. Cottle discussed the Third Quarter Transaction Cost report and noted equity trading volume and cost both increased during the quarter. The Board received and reviewed the Transaction Cost Report. After discussion, the Board agreed with Milliman's proposal to replace the quarterly cost report with an annual report.

b. Performance Analysis Report: for period July 1, 2012 to September 30, 2012

Mr. Cottle discussed the Third Quarter performance report and noted that in the third quarter, the equity market rose due to the additional stimulus by the Federal Reserve. The MCERA portfolio returned a 4.8% during the quarter, outperforming the benchmark return of 4.7% and ranked in the 34th percentile of the total fund universe. Market value increased \$22 million from June 30, 2012 and since inception, the fund has returned 8.0%. Mr. Cottle also reviewed the watch list noting that AXA was placed on watch due to the departure of the firm's senior and founding partners. The Board decided to retain AXA but closely monitor its performance. AXA's results have outperformed its benchmark and Milliman recommended AXA be removed from the watch list. Due to recent poor performance, the Board decided to add WHV the watch list.

Motion to remove AXA from watch list

Rodriguez/Bodley. U/A

**Motion to place WHV on watch list
Rhodes/Peterson. U/A**

CLOSED SESSION—CONFERENCE WITH LEGAL COUNSEL—SIGNIFICANT EXPOSURE TO LITIGATION:

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 retirements for:

Four Cases – Lawrence Carvalho, Jenny Juarez
Informal Hearing – Randy Coker
Formal Hearing – Susan Cummings

RETURN TO OPEN SESSION – BOARD ACTION/DISCUSSION CONTINUED

3. Report on closed session:

- **Motion to deny service and non service connect disability to Susan Cummings Rodriguez/Kinchloe. U/A**
- **Motion to grant service connected disability to Randy Coker Rodriguez/Kelsey. U/A**

4. Approval of the inclusion and exclusion of specified pay items from “pensionable compensation” under AB 340 and “compensation earnable” under AB 197

The Board reviewed and discussed the pay codes for compensation earnable to comply with AB 340 and AB 197. The Board discussed the legislation and policies underlying the new pension provisions including reducing pension costs and eliminating pension spiking. The Board reviewed each pay code and determined that pay codes must apply equally to all similarly situated employees in a group or class and to the extent that a member may not be included in a particular class, the application of the pay code should be similar to the most comparable group or class. The Board acknowledged that clarifying legislation may cause further review of pay codes. After discussion the Board approved the new pay code schedule as amended. Amendments included:

Pay code 393: Vacation Sell Back (Mgmt 25th Pay Period) approved up to the limit applicable to the specific group or class of management employees or a comparable class if the employee is in a class of one.

Pay Code 404: excluded for new employees

No code: Bar Association dues excluded for both legacy and new members

Motion to approve pay code schedule as amended for inclusion and exclusion from pensionable compensation

Kinchloe/Rodriguez

Yes: Rhodes, Ness, Rodriguez, Bodley, Kinchloe and Peterson

No: McWatters

Absent: Adams, Kelsey, Pacheco

5. Discussion and approval for Trustee attendance: Board Leadership Institute January 29-31, 2013, UCLA, application due December 31, 2012

Motion to approve attendance for Trustee Ness and as alternate, Peterson McWatters/Bodley. U/A

INFORMATION ONLY: None

CORRESPONDENCE: None

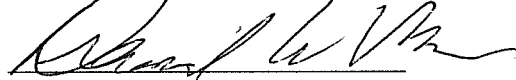
OTHER BUSINESS: Future Meetings, Conferences, Direction for Future Agenda Items

Meeting cancelled for November 22, 2012 (Thanksgiving)

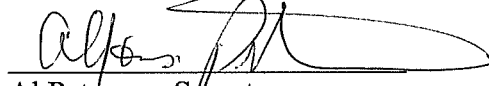
SACRS conference: November 13 to 16, 2012

ADJOURNMENT 12:30 PM

Respectfully Submitted,



David Ness, Chairman



Al Peterson, Secretary

12/13/2012
Date