MCERA RETIREMENT BOARD INVESTMENT MEETING MINUTES Thursday February 9, 2012

Roll Call: 8:15 AM

Board Members Present:

Sandy Teague, David Ness, Michael Rhodes, Al Peterson, Karen Rodriguez, Mark Bodley, Mary McWatters, Jim Pacheco, Deidre Kelsey, Karen Adams and Ron Kinchloe. *Counsel*: Michael Calabrese *Staff:* Maria L. Arevalo, Gale Garcia and David Liu. *Also present*: Jim Brown, Dr. Fracchia, and John Carlisle.

Kelsey arrived at 8:26 am.

Approval of Minutes: Motion to approve the minutes of January 26, 2012

Rodriguez/Teague. U/A

PUBLIC COMMENT:

None (public comment was made at the time of discussion of Board agenda item #2).

<u>CLOSED SESSION</u>—CONFERENCE WITH LEGAL COUNSEL—SIGNIFICANT EXPOSURE TO LITIGATION: Government Code Section 54956.9 (c) one case

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:

Seven Cases: Susan Cummings, Karen Jackson-Smith, Stella Sanchez, Terry Hays, Vanessa Wigley, Vicky Frank Informal Hearing – Hue Moua Formal Hearing – None

RETURN TO OPEN SESSION

REPORT ON CLOSED SESSION: Motion to deny disability application to Hue Moua Rodriguez/Teague. U/A

BOARD ACTION/DISCUSSION

1. Review of Fiduciary Principles: Calabrese

As part of training for new Board members and ongoing education for other members, counsel reviewed the principals of being a fiduciary on the Retirement Board. Trustee Board members owe a duty of loyalty to all members of the system, both active and retired and have the plenary authority to insure the viability of the retirement fund. Trustees are held to a standard that requires them to obtain knowledge and expertise in the areas related to the retirement system.

Fiduciary duties are based on Article XVI, section 17 of the California Constitution, also known as Proposition 162 and the Pension Protection Act

2. Third Review of Preliminary Actuarial Valuation Report and direction of Actuary

Board members continued the discussion of the preliminary valuation report prepared by EFI Actuaries and the County's request to increase the amortization period from 17 to 18 years. Administrator Arevalo noted the retirement payroll continues to grow and increasing the amortization period would result in less contribution paid by the County which would negatively impact the retirement fund. Arevalo noted the County has requested and received a longer amortization period on three occasions and asked the Board to take action based on what was best for the retirement fund. Trustee Adams and Kelsey felt that the County's budget shortfall and possible additional employee layoffs should be considered. Trustee Rodriguez noted as an employee in County management and as a Board trustee, she had conflicting duties but had to act in the best interest of the retirement fund. There was further discussion and comments from other trustees and staff.

Public Comment: Mr. Carlisle from REMCO commented that the Board had the fiduciary duty to insure the viability of the retirement fund and asked the Board not to increase the amortization period.

Jim Brown, County CEO, again expressed his concern regarding the County's budget shortfall and requested a longer amortization period to reduce the County's contribution to the retirement fund; he asked the Board to strive for better investment returns and noted he thought the current Board was diligent about the fund's investment plans.

Motion to increase the amortization period from 17 to 18 years. Adams/Kelsey.
Yes-Adams, Ness, Rhodes, Kelsey, Pacheco
No-Bodley, Peterson, Teague, Rodriguez

3. Review of 700 Filing Requirements

Arevalo reported there are new gift disclosure requirements for 2012 and that the FAQs on the new rules would be posted on the 700 State website on February 11, 2012. Arevalo reviewed the gift amount limitations and the gift reporting from more than one source rule. Board members will receive the forms from the County and she reminded Board members to file their 700 form by April 2, 2012 on the Merced County website. She noted new Board members are required to file 30 days from taking office and asked all Board members to provide MCERA with hard copies of their 700 form.

4. Approval of COLA rate: Setting COLA for April 1, 2012 pursuant to recommendation of Actuarial report

In accordance with Section 31870.1 of the County Employees Retirement Law of 1937, MCERA shall determine whether there has been an increase or decrease in the cost of living as provided in this section. EFI recommended a 3% increase in COLA to non-Tier 2 members on April 1, 2012. After discussion, the Board approved the 3% increase.

Motion to approve and adopt a COLA of 3% for April 1, 2011. Adams/Bodley U/A

5. Approval for Attendance at CALAPRS General Assembly March 3 to 6, Palm Springs No Trustee asked to attend the CALAPRS General Assembly conference.

Trustees Ness and Bodley indicated an interest in attending the SACRS Spring Conference, the approval for that conference will be placed on the next meeting agenda.

6. Appointment of Ad Hoc Funding Policy Committee: Committee Meeting to follow Board meeting

Trustees Bodley, Kinchloe and Ness volunteered to be on the ad hoc committee.

INFORMATION ONLY

Report from Administrators' Round Table-Ms. Arevalo reported on the discussions at the Administrators Round Table in Burbank.

Update on Contra Costa litigation: Arevalo described the action taken by the Contra Costa Board of Retirement and the Action filed in the Alameda Superior Court.

Update on EB News Public Records Request: Ms. Arevalo noted the records were released January 23, 2012

DEATH BENEFIT: NONE

CORRESPONDENCE: NONE

OTHER BUSINESS: Future Meetings, Conferences, Direction for Future Agenda Items
Arevalo asked if any Trustee was interested in attending the investment Pension Bridge conference on
April 10-12, to contact her.

Respectfully Submitted

David Ness, Chairman

Arevalo reminded Trustees that Black Rock and Wells Cap Finalist presentations will be held at the Board meeting February 23, 2012

ADJOURNMENT 10:05am