

**MCERA RETIREMENT BOARD
INVESTMENT MEETING MINUTES
Thursday February 25, 2010**

Roll Call: 8:15 AM

Board Members Present:

Sandy Teague, Mark Bodley, Karen Rodriguez, Tom Mackenzie, Al Peterson, Michael Rhodes, Karen Adams, Deidre Kelsey and David Ness. **Counsel:** Michael Clabrese **Staff:** Maria L. Arevalo, Gale Garcia and David Liu. **Also present:** Bill Cottle, Tim Price, Graham Schmidt, James Fincher and James Brown

Absent: Dwayne McCoy-excused

**Approval of Minutes: Motion to approve the minutes of February 11, 2010.
Rodriguez/Rhodes. U/A**

PUBLIC COMMENT: None

CLOSED SESSION: No item scheduled

BOARD ACTION/DISCUSSION

- 1. Approval of amendments to the MCERA Investment Policy and Objectives: including adding descriptions of new asset classes, third party disclosure provisions and other proposed amendments.**

Mr. Cottle presented the updated MCERA Investment Objectives and Policy statement to the Board which included the changes reviewed at the last Board meeting. Trustees discussed the changes made to each section of the updated policy statement. In addition to the amendments proposed by staff and Mr. Cottle, Trustees agreed to make certain training for the Board a requirement in section 3.5 of the policy.

Mr. Cottle also discussed the review of real estate benchmarks and private equity benchmarks. and recommended changing the benchmark for UBS Trumbull property fund to NCREIF ODCE and changing the Private equity benchmark to S&P 500 + 5%. With regards to the due diligence provisions of the Policy. Mr. Cottle has scheduled a due diligence visit with AXA Management and GMO on March 4- 5, 2010, and Barrow Hanley in Dallas for April 2010. Staff will make arrangements to attend with Mr. Cottle and follow up with Trustee Mackenzie on also attending.

**Motion to approve the amendments to the MCERA Investment Policy and Objectives
Rodriguez/Adams. U/A**

- 2. Approval of Placement Agent Disclosure Policy: Resolution to adopt procedures to disclose any relationships with placement agents, gate keepers and other third party agents.**

Trustees discussed changes made to section 3.7-Placement Agent Fee Policy. To comply with AB 1584, Trustees adopted MCERA resolution #2010-02 pertaining to disclosure of placement agents.

**Motion to Approve Placement Agent Disclosure Policy
Rodriguez/Bodley. U/A**

- 3. Investment Reports: Transaction Cost Report 4th quarter and Performance Analysis Report 4th quarter**

Mr. Cottle presented the 4th Quarter Transaction Cost report to the Board and noted equity trading volume for MCERA increased 14.2%, from 1,982,294 shares in the third quarter of 2009, to 2,264,861 shares in the fourth quarter. Total trading costs increased 70.5%, from \$75,250 in the third quarter of 2009, to \$128,317 in the fourth quarter. This quarter, the total average price penalty for all portfolios increased from 1 cent to 3 cents per share. The total average commission cost was unchanged at 3 cents per share, for both purchases and sales. Mr. Cottle also presented the Performance Analysis Report as of December 31, 2009 to the Board. Mr. Cottle noted MCERA had a total market value of \$433,547,206 as of December 31, 2009, which represents an increase of \$14,091,643 from the September 30, 2009 market value of \$419,455,563. The overall increase in the Fund's market value was the result of \$14,307,478 in investment gains and \$215,837 in net withdrawals. MCERA had a return of 3.4% during the fourth quarter of 2009, and ranked in the 38th percentile of the total fund universe. Over the past year, the Retirement Association's return was 20.7% , which was above the 20.6% return of the Fund's benchmark and ranked in the 38th percentile in the universe of total funds. Over the past ten years, the Retirement Association returned 3.2%, above the 2.9% return of the benchmark, and ranked in the 63rd percentile. Total domestic equity returned 5.1% during the fourth quarter of 2009, and ranked in the 63rd percentile of the total domestic equity universe. Mr. Cottle also noted NorthPointe's small cap growth portfolio return of 0.8% was significantly below the 4.1% return of its benchmark, and ranked in the 94th percentile of equity managers. Mr. Cottle recommended NorthPointe be terminated due to poor performance. Trustees noted NorthPointe had been on MCERA's Watch list for a number of quarters and discussed the firm's performance.

Motion to terminate NorthPointe and transition the small cap portfolio to the international allocation.

Adams/Rodriguez. U/A

4. Approval of Proposed MCERA 2010-2011 Budget: Summary of the budget to be submitted to County

Ms. Arevalo presented the proposed preliminary budget for FY 2010/2011. Ms. Arevalo reported the proposed total budget amount for FY 2010/2011 increased due to the new Pension Administration System (PAS) and noted that without the costs associated with the PAS, the budget for FY 10/11 is less than FY 09/10. Trustees asked for changes to the report to include the total expended amount for all fund manager fees to date and that the report include the date of the reported present expenditures.

Motion to Approve MCERA proposed preliminary budget of 2010/2011

Rodriguez/Kelsey. U/A

5. Discussion and possible action regarding Collection of Contributions for Tier Changes for Members

Ms. Arevalo reported that County Counsel had conflicted on advising the Board with regards to the issue of the purchase of Tier 1 benefit time. After discussion and public comment from an affected member, Trustees agreed to continue this item to the next Board Meeting.

6. Approval of fees for Phase II of the review of the County Employees Retirement Law by law firm of Hanson Bridgett.

Ms. Arevalo noted in regards to the IRS determination letter process, the SACRS Board of Directors decided to conduct further review of County Employees Retirement Laws and hired Hanson Bridgett Law firm to complete the review. The additional fee charged to each system for the review is based on the membership fee for SACRS.

Motion to Approve legal fees of \$4000.00 for Phase II review

Rodriguez/Bodley. U/A

7. Report from EFI on 2008 Actuarial Valuation

Mr. Schmidt presented EFI's preliminary results from their audit of Buck's MCERA 2008 Actuarial Valuations and will include the results in the 2009 Valuation to be presented to the Board at the April 8 meeting.

CORRESPONDENCE: N/A

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

There is one combined general and investment meeting for March 11, 2010, the March 25, 2010 meeting will be cancelled due to CALAPRS Trustee Training

INFORMATION ONLY

1. Report on Meeting with UBS

Mr. Cottle discussed the memo on UBS on-site due-diligence meeting on 2/8/2010. Mr. Cottle noted the meeting was worthwhile; UBS remains steadfast in its real estate investment process. UBS feel that the Trumbull Property fund is strong and will continue to perform well versus its peers.

2. Pantheon Memo

Mr. Cottle discussed the memo on AMG acquisition of Pantheon Ventures. Mr. Cottle noted on 2/10/2010, Pantheon Ventures announced that the firm would be acquired by Affiliated Managers Group, Inc (AMG). The sale was a business decision. Mr. Cottle feels that holding an equity stake in the firm will be beneficial and it does not warrant placing Pantheon on watch and recommends that Pantheon make a presentation to the Board at a future investment meeting.

ADJOURNMENT 11:30 AM

Respectfully Submitted,

David Ness, Chairman

Al Peterson, Secretary

Date