INVESTMENT MCERA RETIREMENT
BOARD MEETING MINUTES
Thursday January 24, 2013

Roll Call: 8:17 AM

Board Members Present:
Mark Bodley, Jim Pacheco, David Ness, Michael Rhodes, Mary McWatters, Scott Johnson, Ron Kinchloe, Deidre Kelsey, Karen Adams. ***Counsel***: Michael Calabrese ***Staff:*** Maria L. Arevalo, Gale Garcia, and Yadira Vazquez. **Also present:** Bill Cottle
Absent: Alfonse Peterson – excused

Approval of Minutes: Motion to approve the minutes of January 10, 2012.
Bodley/McWaters. U/A

PUBLIC COMMENT: **None**

Trustee McWatters was excluded from closed session related to the AFSCME Local 2703 et al v. MCERA case.

CLOSED SESSION—CONFERENCE WITH LEGAL COUNSEL—SIGNIFICANT EXPOSURE TO LITIGATION: Government Code section 54956.9(C) one case
Existing Litigation Government Code Section 54956.9(a): AFSCME Local 2703 et al v. MCERA, Merced Sup. Ct. Case No. CV003073

RETURN TO OPEN SESSION

REPORT ON CLOSED SESSION:
Motion to engage outside counsel on one case
McWatters/Pacheco U/A

BOARD ACTION/DISCUSSION

1. **Discussion of Reclassification of Asset Class Concept.**
   Mr. Cottle presented the Board with a memo dated January 15, 2013 that discussed different approaches to building an investment portfolio. He described methodologies used to classify risk based upon different economic scenarios and how those methodologies could be incorporated when preparing the asset allocation study. More discussion will take place when the asset allocation study is begun.

2. **Farmland Update Memo: Reports.**
   Mr. Cottle discussed his findings related to an investment in farmland. He gave an overview of meetings he has had with several managers and investors regarding an investment allocation to farmland or farming related investments. Mr. Cottle noted that while these investments are relatively new and have the possibility of protecting against inflation, there is more work that he would like to do before an investment recommendation will be forthcoming.

3. **Earnest Partners China Fund.**
4. Ms. Arevalo provided the Board with a letter from Earnest Partners dated January 14, 2013 regarding an investment opportunity in the China A-Share market. Ms. Arevalo explained that this is a commingled fund within MCERA's separate account and no additional fees would be assessed. Earnest has asked the Board to approve the investment to the Earnest Partners China

Fund as documents will need to be executed. Mr. Cottle noted that this would provide additional diversification and recommended the approval.
Motion to have staff complete the documents required to fund this allocation.
Adams/Kinchloe U/A

5. **WHV Personnel Changes.**
   Mr. Cottle reported on a meeting with the firm regarding a change of the firm's Chief Executive Officer. Judy Stevens, WHV's former CEO retired mid December and Mr. Andy Turner has filled this position. Mr. Cottle noted that a follow up meeting at the WHV office should be held in three to six months to discuss the status of the firm at that time.

6. **Preliminary Valuation Results as of June 30, 2012.**
   Mr. Schmidt presented the Board with the preliminary actuarial results for fiscal year 2011/2012. Mr. Schmidt will return with final actuarial results and recommendations on February 28, 2013

7. **Flash Report of Preliminary Performance through 4th quarter 2013.**
   Mr. Cottle noted that the three (3) month return of 2.7% exceeded the fund benchmark of 2.2%. He also commented that the Fiscal year to date return of 7.7% exceeded the fund benchmark of 7.1%. Mr. Ness noted that the 3 year return of 8.8% and the return since inception (January 1995) of 8.1% has exceed the assumed rate of return of 7.75%.

8. **Confirm Retirement Board Meeting Calendar**
   Motion to confirm and accept the Board Meetings Calendar for the 2013.
   Bodley/Rhodes. U/A

9. **Approval of Proposed Trustee Education and Training Policy per the Requirements of AB 1519.**
   Motion to adopt Resolution # 2013-01
   Adams/Pacheco. U/A

INFORMATION ONLY:
Ms. Arevalo gave an update on MCERA Pension Administration System noting additional costs associated with the implementation of Tier 3 and Tier 4.
Ms. Arevalo informed the Board that the election date for the no. #2 miscellaneous seat on the Retirement Board will be held on April 9, 2013.

OTHER BUSINESS: Future Meetings, Conferences, Direction for Future Agenda Items
Investment Consulting Finalist Interviews February 14, 2013.

Pantheon Presentation at the February 28, 2013 meeting.

ADJOURNMENT 11:05 AM

Respectfully Submitted,

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David Ness, Chairman

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Al Peterson, Secretary

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Date