MCERA RETIREMENT BOARD
INVESTMENT MEETING MINUTES
Thursday January 28, 2010

Roll Call: 8:15 AM

Board Members Present:
Sandy Teague, Mark Bodley, Karen Rodriguez, Tom Mackenzie, Al Peterson, Michael Rhodes, Karen Adams, and David Ness. ***Counsel***: Roger Matzkind ***Staff:*** Maria L. Arevalo, Gale Garcia and David Liu. **Also present:** Bill Cottle

Deidre Kelsey arrived 8:22 AM
Absent: Dwayne McCoy-excused

Approval of Minutes: Motion to approve the minutes of January 14, 2010.
Rodriguez/Bodley. U/A

PUBLIC COMMENT: None

CLOSED SESSION: No item scheduled

BOARD ACTION/DISCUSSION

1. **Update on Fixed Income Portfolio transition: AXA Management and Barrow Hanley**
   Mr. Cottle reported that Delta Asset Management had liquidated assets on January 26, 2010 and the cash will be transferred to MCERA's cash account on January 29, 2010 to fund the AXA mandate and complete the funding of the Barrow Hanley mandate. Ms. Garcia reported a net gain of $4.5 million from the Delta trade.

2. **Review of MCERA Investment Objectives and Policy Statement**
   Mr. Cottle reviewed MCERA's existing Investment Objectives and Policy Statement of April 2008 with the Board and proposed changes and updates to a number of the provisions. After discussion of the proposed changes, Mr. Cottle agreed to incorporate the changes and will present the updated MCERA Investment Objectives and Policy statement to the Board for adoption at the next Investment meeting.

3. **Due Diligence/Fund Manager Visit Calendar**
   The Board discussed Section 10.0 of MCERA's Investment Objectives and Policy statement on Board Review and Due Diligence travel policy. The Board noted the provision stated the need to conduct due diligence meetings with existing managers in Merced once a year and additional meetings at the firms' place of business. The Board discussed the logistical possibility of seeing each manager each year now that the number of managers has increased to fifteen. The Board determined that due diligence was a significant responsibility and requested that meetings continue to be scheduled but over an eighteen month period of time. Mr. Cottle and Ms. Arevalo will contact UBS, GMO, AXA Management and Barrow Hanley to make arrangements for possible onsite visits. Mr. Cottle, Ms. Arevalo, possible other staff and Board trustees would attend these visits.

4. **SACRS Election Notice**

Ms. Arevalo noted that the memo regarding the SACRS Board of Director Elections dated December 10, 2009 was included in the Board packets for trustee's review.

INFORMATION ONLY

1. **Flash Report, 4th Quarter, 2009**
   Mr. Cottle presented to the Board the preliminary performance flash report for 4th quarter, 2009. Mr. Cottle noted both North Pointe and GMO had significantly underperformed their benchmark. There will be further discussion on this at the next investment meeting. MCERA total fund returned 3.3% for the quarter compared to 3.4% for the Benchmark. For the 10 year period, MCERA returned 3.2% compare to 2.9% for the Benchmark.

CORRESPONDENCE: N/A

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

1. CALAPRS General Assembly: March 7-9, Palm Springs, Ms. Arevalo will be attending this meeting.
2. The Board should consider an alternate Board meeting date for the March Investment meeting.

3. Principles for Trustees: March 23-26, Palo Alto
   Trustees Teague and Mackenzie will be attending the Trustee at Stanford University with Trustee Kelsey designated as the alternate.

ADJOURNMENT 9:30 AM

Respectfully Submitted,

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David Ness, Chairman

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Al Peterson, Secretary

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Date