

ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM  
BOARD OF RETIREMENT  
2223 E. WELLINGTON AVENUE, SUITE 100  
SANTA ANA, CALIFORNIA

REGULAR BOARD MEETING  
FEBRUARY 16, 2010

MINUTES

The Chair called the meeting to order at 8:40 a.m. and read the opening statement into the record. Attendance was as follows:

Present: Robert A. Griffith, Chair; Patti Gorczyca, Vice Chair; Russell Baldwin; Anthony Bedolla; Frank E. Eley; Thomas E. Flanigan; Wayne S. Lindholm; Reed L. Royalty; Chriss W. Street and Richard A. White, Jr.

Also present: Steve Delaney, Chief Executive Officer; Shanta Chary, Chief Investment Officer; Stephen Cadena, Assistant Chief Executive Officer, Internal Operations; Julie Wyne, Assistant Chief Executive Officer, External and Legal Operations; Dr. Michelle Williamson, Director of Finance; Sally Koltunik, Manager, Human Resources; Suzanne Jenike, Member Services Director; Patricia Mazzeo, Internal Auditor; Amit Thanki, Investment Analyst; Dave Beeson, Investment Analyst; Isabel Linares, Disability Investigator; Jackie Reep, Disability Investigator; David Lantzer, Staff Attorney; Robert Kinsler, Manager, Communications; Anthony Beltran, Audio/Visual Technician and Tracy Ayres, Recording Secretary

Harvey Leiderman, Esq., Reed Smith  
Michael O'Leary, CFA, Callan Associates

Mr. White led the Pledge of Allegiance.

Mr. Griffith welcomed newly appointed Board Member, Wayne S. Lindholm.

CONSENT AGENDA

All matters on the Consent Agenda are to be approved by one action unless a Board Member or a member of the public requests separate action on a specific item.

**Mr. Eley pulled item C-3.**

A motion was made by Mr. White, seconded by Mr. Eley to approve the remainder of the Consent Agenda. The motion carried unanimously.

**C-1 MATERIAL DISTRIBUTED**

Application Notices  
Death Notices

- February 16, 2010  
- February 16, 2010

**Recommendation:** Receive and file.

**C-2 BOARD MEETINGS AND COMMITTEE MEETINGS:**

**Approval of Meetings and Minutes**

Audit Committee Meeting	- January 12, 2010
Private Markets Committee Meeting	- January 13, 2010
Regular Board Meeting	- January 19, 2010

**Recommendation:** Authorize all meetings and approve all minutes.

**C-3 RECOMMENDATIONS OF THE AUDIT COMMITTEE RESULTING FROM A MEETING ON JANUARY 12, 2010:**

**A. IA0901- ORANGE COUNTY FIRE AUTHORITY TRANSMITTAL REVIEW – FINAL REPORTS FOR OCFA AND MEMBER SERVICES DIVISION**

**Recommendation:** Receive and file.

**B. IA0904- STATE STREET BANK CUSTODIAL REVIEW - FINAL REPORT**

**Recommendation:** Receive and file.

**C. IA0905- INVESTMENT MANAGER FEES REVIEW - FINAL REPORT**

**Recommendation:** Receive and file.

**D. IA0906- STATE STREET BANK PORTFOLIO MONITORING REVIEW - FINAL REPORT**

**Recommendation:** Receive and file.

**E. OPEN ISSUES TRACKING**

**Recommendation:** Receive and file.

**F. 2009 AUDIT PLAN YEAR REVIEW, PROPOSED 2010 AUDIT PLAN**

**Recommendation:** Receive and file 2009 Audit Plan Year Review and Approve the 2010 proposed audit plan.

**G. RFP EXTERNAL AUDIT SERVICES**

**Recommendation:** Receive and file.

**H. VERBAL REPORT - RECENT SECURITY TESTING BY IT**

**Recommendation:** Receive and file.

**I. RFP FOR ACTUARIAL AND CONSULTING SERVICES**

**Recommendation:** Receive and file.

**C-4 RECOMMENDATIONS OF THE PRIVATE MARKETS COMMITTEE RESULTING FROM A MEETING ON JANUARY 13, 2010:**

**A. DISCUSSION ON FARMLAND INVESTING**

**Recommendation:** Receive and file.

**B. DISCUSSION ON INFRASTRUCTURE**

**Recommendation:** Receive and file.

**C. STATE STREET – 2009 SECOND QUARTER TPEG PERFORMANCE**

**Recommendation:** Receive and file.

**CLOSED SESSION**

**D. CLOSED SESSION TO DISCUSS THE PURCHASE AND SALE OF SPECIFIC REAL ESTATE HOLDINGS**

**Recommendation:** Approve the Annual Budget and Management Plans provided by American Realty Advisors and CB Richard Ellis Investors.

**E. CLOSED SESSION PURSUANT TO GOVERNMENT CODE SECTION 54956.81 REGARDING PURCHASE OR SALE OF A PENSION FUND INVESTMENT**

**Recommendation:** Retire the \$20 million loan for the Montgomery Corporate Center investment in March 2010.

**\*\*\*\*\* END OF CLOSED SESSION \*\*\*\*\***

**F. CALLAN ASSOCIATES – 2009 THIRD QUARTER REAL ESTATE PERFORMANCE REPORT**

**Recommendation:** Receive and file.

**C-5 FOURTH QUARTER 2009 EDUCATION AND TRAINING REPORT**

**Recommendation:** Receive and file.

**C-6 FINANCIAL STATEMENTS FOR THE MONTH ENDING NOVEMBER 30, 2009**

**Recommendation:** Receive and file.

**C-7 DISABILITY STATISTICS REPORT**

**Recommendation:** Receive and file.

**C-8 BOARD COMMUNICATIONS**

**Recommendation:** Receive and file.

**C-9 QUIET PERIOD IN PROGRESS**

**Recommendation:** Receive and file.

**C-10 SECURITIES LITIGATION UPDATE**

**Recommendation:** Receive and file.

**C-11 APPROVE TRAVEL EXPENSES FOR PATTI GORCZYCA**

**Recommendation:** Approve Patti Gorczyca's attendance at the 2010 Bank of America Merrill Lynch Global Hedge Fund Conference to be held March 1 and 2, 2010 in New York City.

\*\*\*\*\* END OF CONSENT AGENDA \*\*\*\*\*

**INDIVIDUAL ITEMS AGENDA**

**I-1 INDIVIDUAL ACTION ON ANY ITEM TRAILED FROM THE CONSENT AGENDA**

**C-3 RECOMMENDATIONS OF THE AUDIT COMMITTEE RESULTING FROM A MEETING ON JANUARY 12, 2010:**

**B. IA0904 - STATE STREET BANK CUSTODIAL REVIEW - FINAL REPORT**

**Recommendation:** Receive and file.

Mr. Eley pulled item C-3, Recommendations of the Audit Committee resulting from a meeting on January 12, 2010, item B, IA0904 – State Street Bank Custodial Review – Final Report, page 4, to question staff on OCERS' current disaster recovery and contingency plans.

Mr. Cadena reviewed the recent changes within OCERS' operations that led to the revisions of the disaster recovery and contingency plans.

A **motion** was made by Mr. Eley, **seconded** by Ms. Gorczyca to receive and file the recommendations of the Audit Committee resulting from a meeting on January 12, 2010. The **motion carried unanimously.**

**I-2 ANNUAL COST OF LIVING ADJUSTMENT**

Ms. Wyne reviewed the adjusted retirement allowances in accordance with the -1.0% change in the CPI.

Following discussion, a **motion** was made by Mr. Royalty, **seconded** by Mr. White to adjust all applicable retirement allowances in accordance with the -1.0% change in CPI, as follows:

1. For benefit recipients who began receiving benefits prior to April 1, 2008 with a COLA bank of at least 1.0% as of April 1, 2009, reduce the COLA bank by

- 1.0% and grant up to a 3% COLA if there is a sufficient balance in the COLA bank.
2. For benefit recipients who began receiving benefits between April 2, 2008 and April 1, 2009, reduce the COLA bank by .50% (which is the entire balance), and reduce all benefit allowances by .50%
3. For benefit recipients who began receiving benefits between April 2, 2009 and April 1, 2010, no adjustment to the COLA bank and no adjustment to benefit allowances.

Following further discussion, a substitute motion was made by Mr. Street, seconded by Mr. Royalty to adjust all applicable retirement allowances in accordance with the -1.0% change in CPI, as follows:

1. For benefit recipients who began receiving benefits prior to April 1, 2008 with a COLA bank of at least 1.0% as of April 1, 2009, reduce the COLA bank by 1.0% and grant up to a 3% COLA if there is a sufficient balance in the COLA bank.
2. For benefit recipients who began receiving benefits between April 2, 2008 and April 1, 2009, reduce the COLA bank by .50% (which is the entire balance), and reduce all benefit allowances by .50%
3. For benefit recipients who began receiving benefits between April 2, 2009 and April 1, 2010, no adjustment to benefit allowances.
4. Provide legal opinion on COLA bank at the March Regular Board Meeting.

The motion carried unanimously.

### **I-3 CHIEF INVESTMENT OFFICER'S REPORT**

Ms. Chary reviewed the CIO's report.

Following discussion, a motion was made by Mr. White, seconded by Mr. Flanigan to receive and file the CIO's report. The motion carried unanimously.

### **I-4 QUARTERLY PERFORMANCE REVIEW – CALLAN ASSOCIATES**

Mr. O'Leary reviewed the current economic environment.

***Board recessed at 10:00 a.m.***

***Board reconvened at 10:13 a.m. for the time certain agenda.***

### **DISABILITY APPLICATIONS/MEMBER APPEALS AGENDA**

10:13 a.m.

**NOTE: WHEN CONSIDERING DISABILITY RETIREMENT APPLICATIONS, THE BOARD MAY FIND IT NECESSARY TO DISCUSS MATTERS RELATING TO THE EVALUATION OF THE WORK PERFORMANCE OF AN EMPLOYEE WHO HAS APPLIED FOR DISABILITY RETIREMENT, OR DISCUSS COMPLAINTS OR CHARGES MADE AGAINST SUCH EMPLOYEE. IF THIS OCCURS, THE BOARD MAY ADJOURN TO A CLOSED SESSION TO DISCUSS SUCH MATTERS PURSUANT TO GOVERNMENT CODE SECTION 54957, UNLESS THE EMPLOYEE REQUESTS THAT THE DISCUSSION BE IN PUBLIC. WHEN ADDRESSING THE BOARD, PLEASE STATE YOUR NAME FOR THE RECORD PRIOR TO PROVIDING YOUR COMMENTS. SPEAKERS WILL BE LIMITED TO THREE (3) MINUTES.**

Ms. Reep requested that item D-3 be moved to the end of the Disability Applications/Member Appeals Agenda.

The Board agreed.

**STAFF RECOMMENDATION IS TO GRANT SERVICE CONNECTED DISABILITY RETIREMENT WITH AN EFFECTIVE DATE OF FEBRUARY 13, 2009. (GENERAL MEMBER) (D-1)**

**D-1: Mike Hess (deceased)**  
Administrative Manager II, OC Public Works  
Application for service connected disability retirement

Following discussion, a motion was made by Mr. Eley, seconded by Mr. Baldwin to grant service connected disability retirement with an effective date of February 13, 2009. The motion carried 9 to 0, with voting as follows:

<u>AYES</u>	<u>NAYS</u>	<u>ABSTAIN</u>	<u>ABSENT</u>
Mr. Lindholm			
Mr. Flanigan			
Mr. White			
Ms. Gorczyca			
Mr. Eley			
Mr. Royalty			
Mr. Baldwin			
Mr. Street			
Mr. Griffith			

**STAFF RECOMMENDATION IS TO GRANT NON-SERVICE CONNECTED DISABILITY RETIREMENT WITH AN EFFECTIVE DATE OF OCTOBER 20, 2008 AND DENY SERVICE CONNECTED DISABILITY RETIREMENT DUE TO INSUFFICIENT EVIDENCE OF JOB CAUSATION. (GENERAL MEMBER) (D-2)**

**D-2: Donald G. Mohler**  
Coach Operator, OC Transportation Authority  
Application for service and non-service connected disability retirement

Following discussion, a motion was made by Mr. Royalty, seconded by Mr. Street to grant non-service connected disability retirement with an effective date of October 20, 2008 and deny

service connected disability retirement due to insufficient evidence of job causation. The **motion carried 9 to 0**, with voting as follows:

<b><u>AYES</u></b>	<b><u>NAYS</u></b>	<b><u>ABSTAIN</u></b>	<b><u>ABSENT</u></b>
Mr. Lindholm			
Mr. Flanigan			
Mr. White			
Ms. Gorczyca			
Mr. Eley			
Mr. Royalty			
Mr. Baldwin			
Mr. Street			
Mr. Griffith			

**STAFF RECOMMENDATION IS TO DENY SERVICE CONNECTED DISABILITY RETIREMENT DUE TO INSUFFICIENT EVIDENCE OF PERMANENT INCAPACITY AND JOB CAUSATION. (GENERAL MEMBER) (D-4)**

**D-4: Raymond R. Navarro**  
Coach Operator, OC Transportation Authority  
Application for service and non-service connected disability retirement\*

\*Applicant does not have sufficient years of service and therefore is not eligible for a non-service connected disability retirement.

Following discussion, a **motion** was made by Mr. Royalty, **seconded** by Mr. Street to deny service connected disability retirement due to insufficient evidence of permanent incapacity and job causation. The **motion carried 9 to 0**, with voting as follows:

<b><u>AYES</u></b>	<b><u>NAYS</u></b>	<b><u>ABSTAIN</u></b>	<b><u>ABSENT</u></b>
Mr. Lindholm			
Mr. Flanigan			
Mr. White			
Ms. Gorczyca			
Mr. Eley			
Mr. Royalty			
Mr. Baldwin			
Mr. Street			
Mr. Griffith			

Mark Singer, Attorney for Applicant, addressed the Board.

**STAFF RECOMMENDATION IS TO DENY SERVICE CONNECTED DISABILITY RETIREMENT DUE TO INSUFFICIENT EVIDENCE OF JOB CAUSATION. (SAFETY MEMBER) (D-5)**

**D-5: Scott R. Nelson**  
Fire Captain, OC Fire Authority  
Application for service connected disability retirement

Following discussion, a **motion** was made by Mr. Bedolla, **seconded** by Mr. Eley to deny service connected disability retirement due to insufficient evidence of job causation. The **motion carried 9 to 0**, with voting as follows:

<b><u>AYES</u></b>	<b><u>NAYS</u></b>	<b><u>ABSTAIN</u></b>	<b><u>ABSENT</u></b>
Mr. Bedolla			
Mr. Lindholm			
Mr. Flanigan			
Ms. Gorczyca			
Mr. Eley			
Mr. Royalty			
Mr. Baldwin			
Mr. Street			
Mr. Griffith			

**STAFF RECOMMENDATION IS TO ADOPT THE FINDINGS AND RECOMMENDATIONS OF THE REFEREE AND GRANT APPLICANT'S APPLICATION FOR SERVICE CONNECTED DISABILITY RETIREMENT WITH AN EFFECTIVE DATE OF DECEMBER 27, 2006. (GENERAL MEMBER) (D-6)**

**D-6: Cindy Garrison**  
Court Clerk, OC Superior Court  
Application for service and non-service connected disability retirement

Following discussion, a **motion** was made by Mr. Baldwin, **seconded** by Mr. Eley to adopt the findings and recommendations of the referee and grant applicant's application for service connected disability retirement with an effective date of December 27, 2006. The **motion carried 8 to 0**, with voting as follows:

<b><u>AYES</u></b>	<b><u>NAYS</u></b>	<b><u>ABSTAIN</u></b>	<b><u>ABSENT</u></b>
Mr. Lindholm		Mr. Flanigan	
Mr. White			
Ms. Gorczyca			
Mr. Eley			
Mr. Royalty			
Mr. Baldwin			
Mr. Street			
Mr. Griffith			

**STAFF RECOMMENDATION IS TO ADOPT THE FINDINGS AND RECOMMENDATIONS OF THE REFEREE AND DENY APPLICANT'S APPLICATION FOR SERVICE AND NON-SERVICE CONNECTED DISABILITY RETIREMENT. (GENERAL MEMBER) (D-7)**

**D-7: John B. Williams**  
Heavy Equipment Operator, OC Waste and Recycling (formerly IWMD)  
Application for service and non-service connected disability retirement

Following discussion, a **motion** was made by Mr. Royalty, **seconded** by Mr. White to adopt the findings and recommendations of the referee and deny applicant's application for service and non-service connected disability retirement. The **motion carried 9 to 0**, with voting as follows:

<u>AYES</u>	<u>NAYS</u>	<u>ABSTAIN</u>	<u>ABSENT</u>
Mr. Lindholm			
Mr. Flanigan			
Mr. White			
Ms. Gorczyca			
Mr. Eley			
Mr. Royalty			
Mr. Baldwin			
Mr. Street			
Mr. Griffith			

Mark Singer, Attorney for Applicant, addressed the Board.

David Lantzer, OCERS' Staff Attorney, addressed the Board.

**STAFF RECOMMENDATION IS TO CONFIRM THE STAFF DETERMINATION THAT THE GENERAL MEMBER SERVICE EARNED BY THIS MEMBER IS NOT SUBJECT TO THE 2.7% AT 55 BENEFIT FORMULA. (GENERAL MEMBER) (D-8)**

**D-8: Gary J. Cyr**  
Member appeal of benefit calculation

Following discussion, a motion was made by Mr. White, seconded by Mr. Flanigan to confirm the staff determination that the general member service earned by this member is not subject to the 2.7% at 55 benefit formula. The motion carried 8 to 0, with voting as follows:

<u>AYES</u>	<u>NAYS</u>	<u>ABSTAIN</u>	<u>ABSENT</u>
Mr. Lindholm			Mr. Street
Mr. Flanigan			
Mr. White			
Ms. Gorczyca			
Mr. Eley			
Mr. Royalty			
Mr. Baldwin			
Mr. Griffith			

Gary J. Cyr, Member, addressed the Board.

Julie Wyne, OCERS' Assistant CEO, External and Legal Operations, addressed the Board.

**STAFF RECOMMENDATION IS TO DENY SERVICE CONNECTED DISABILITY RETIREMENT FOR CONDITIONS #1 AND #2 DUE TO INSUFFICIENT EVIDENCE OF PERMANENT INCAPACITY AND JOB CAUSATION. (SAFETY MEMBER) (D-3)**

**D-3: Daniel J. Martini**  
Assistant Sheriff, OC Sheriff's Department  
Application for service connected disability retirement

Mr. White recused himself from the Board deliberation and decisions concerning this application.

Following discussion, a **motion** was made by Mr. Bedolla, **seconded** by Mr. Baldwin to deny service connected disability retirement for conditions #1 and #2 due to insufficient evidence of permanent incapacity and job causation. The **motion carried 9 to 0**, with voting as follows:

**AYES**

Mr. Bedolla  
Mr. Lindholm  
Mr. Flanigan  
Ms. Gorczyca  
Mr. Eley  
Mr. Royalty  
Mr. Baldwin  
Mr. Street  
Mr. Griffith

**NAYS**

**ABSTAIN**

**ABSENT**

**\*\*\* END OF DISABILITY APPLICATIONS/MEMBER APPEALS AGENDA\*\*\***

**I-4 QUARTERLY PERFORMANCE REVIEW – CALLAN ASSOCIATES**

Mr. O'Leary continued his review of the current economic environment.

Following discussion, a **motion** was made by Mr. Street, **seconded** by Mr. Baldwin to receive and file the report by Callan Associates. The **motion carried unanimously**.

**I-5 CUSTODIAN SERVICES**

Mr. O'Leary reviewed the Global Custody Evaluation.

Following discussion, a **motion** was made by Mr. White, **seconded** by Mr. Street to continue with the 5 year Custodial Contract OCERS entered with State Street Bank on October 1, 2009. The **motion carried unanimously**.

**I-6 INVESTMENT DIVISION STAFFING**

Mr. Delaney reviewed the reorganization of the Investment Division.

Following discussion, a **motion** was made by Ms. Gorczyca, **seconded** by Mr. White to approve the addition to the Investment Division, direct CEO to create a new position, charged with developing a multi-year comprehensive strategic vision for the OCERS' Investment portfolio, modify the 2010 budget to provide for a salary range of \$200 – 300,000, and modify 2010 budget and begin Executive Search firm search. The **motion carried 7 to 2**, with voting as follows:

**AYES**

Mr. Lindholm  
Mr. Flanigan  
Mr. White  
Ms. Gorczyca  
Mr. Royalty  
Mr. Street  
Mr. Griffith

**NAYS**

Mr. Eley  
Mr. Baldwin

**ABSTAIN**

**ABSENT**

\*\*\*\*\* END OF INDIVIDUAL ITEMS AGENDA \*\*\*\*\*

**CLOSED SESSION**

Mr. White recused himself from the Board deliberation and decisions concerning *County of Orange v. Association of Orange County Deputy Sheriffs*.

***The Board entered into Closed Session at 12:20 p.m.***

**E-1 CONFERENCE WITH LEGAL COUNSEL REGARDING SIGNIFICANT EXPOSURE TO LITIGATION INITIATED AGAINST ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM (GOVERNMENT CODE SECTION 54956.9 (a))**

Adjourn pursuant to subdivision (a) of Government Code Section 54956.9 (one case: County of Orange, California v. Association of Orange County Deputy Sheriff's)

**Recommendation:** Take appropriate action.

***The Board reconvened from Closed Session at 12:48 p.m.***

The Board took no reportable action.

\*\*\*\*\* END OF CLOSED SESSION \*\*\*\*\*

**(IN MEMORY OF THE ACTIVE MEMBERS, RETIRED MEMBERS, AND SURVIVING SPOUSES WHO PASSED AWAY THIS PAST MONTH)**

**Active Members:** None

**Retired Members:** Carol Jolivette; Geraldine Kane; Pat Markley; Alfhild Mills; Anthony Nevarez; Lillian Perea; Bernice Sharp; Thomas Tomlinson and Odile Velten

**Surviving Spouses:** None

**Deaths (QDRO):** None

**PUBLIC COMMENTS**

None

**BOARD MEMBER COMMENTS**

Mr. White applauded Callan Investments Institute's Annual Conference. Mr. White also acknowledged SACRS' Annual Spring Conference's featured speakers, Marcus Luttrell and Bill Gross.

**CHIEF EXECUTIVE OFFICER/STAFF COMMENTS**

Mr. Delaney welcomed back OCERS' employee Justin Cervantes from military duty.

**COUNSEL COMMENTS**

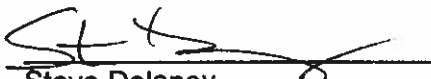
None

**ADJOURNMENT:**

There being no further business to bring before the Board, a motion was made by Mr. Griffith, seconded by Mr. Eley to adjourn the meeting at 1:01 p.m. The motion carried unanimously.

Submitted by:

Approved by:

  
Steve Delaney  
Secretary to the Board

  
Robert A. Griffith  
Chair