

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

**REGULAR BOARD MEETING  
MARCH 22, 2010**

**MINUTES**

The Chair called the meeting to order at 8:30 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; Frank E. Eley; Thomas E. Flanigan; Wayne S. Lindholm; Keith Rodenhuis, the Treasurer/Tax Collector's Board alternate and Richard A. White, Jr.

**Absent:** Reed L. Royalty and Anthony Bedolla

**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; 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

Mr. Eley led the Pledge of Allegiance. Mr. White requested a moment of silence in remembrance of Ira G. Essoe from the Orange County Sheriff's Department.

**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. White pulled items C-3 and C-4.**

**Mr. Griffith pulled item C-7.**

**Mr. Flanigan pulled item C-8.**

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

**C-1 MATERIAL DISTRIBUTED**

Application Notices  
Death Notices

- March 22, 2010  
- March 22, 2010

**Recommendation:** Receive and file.

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

**Approval of Meetings and Minutes**

Regular Board Meeting	- February 16, 2010
Special Board Meeting	- February 17, 2010
Portfolio Review Meeting	- February 23, 2010
Portfolio Review Meeting	- February 24, 2010
Governance Committee Meeting	- March 3, 2010

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

**C-3 RECOMMENDATIONS OF THE GOVERNANCE COMMITTEE RESULTING FROM A MEETING ON MARCH 3, 2010:**

**A. PLACEMENT AGENT DISCLOSURE POLICY**

**Recommendation:** Recommend adoption of the Placement Agent Disclosure Policy to the full Board.

**B. FIDUCIARY TRAINING OVERVIEW**

**Recommendation:** Adopt the modified OCERS Education and Travel policy, together with Mr. Delaney and Mr. Eley's recommended additions.

**C. BOARD SERVICE PROVIDERS FEEDBACK POLICY**

**Recommendation:** Approve the modified Service Provider Selection policy.

**D. DUE DILIGENCE POLICY MANUAL**

**Recommendation:** Approve the changes to the Due Diligence Policy Manual with the recommended changes.

**E. CHIEF EXECUTIVE OFFICER PERFORMANCE EVALUATION POLICY**

**Recommendation:** Revise policy to require the evaluation of CEO be completed by each November.

**F. BUDGET APPROVAL POLICY – PURCHASES EXCEEDING \$25,000**

**Recommendation:** Allow CEO to determine when a purchase exceeding \$25,000 will be capitalized.

**G. POLICY REVIEW SCHEDULE**

**Recommendation:** No recommendation.

**H. NEXT GOVERNANCE COMMITTEE MEETING DATE**

**Recommendation:** The next Governance Committee meeting will be held on Wednesday, June 2, 2010 at 9:00 a.m.

**C-4 FINANCIAL STATEMENTS FOR THE MONTH ENDING DECEMBER 31, 2009**

**Recommendation:** Receive and file.

**C-5 LEGISLATIVE UPDATE – MARCH 2010**

**Recommendation:** Receive and file.

**C-6 STAR COLA POSTING**

**Recommendation:** In accordance with Government Code Section 7507, call a public meeting for April 19, 2010 to consider the ad hoc adjustment (STAR) to applicable retirement allowances.

**C-7 HISTORY OF UAAL**

**Recommendation:** Receive and file.

**C-8 BOARD COMMUNICATIONS**

**Recommendation:** Receive and file.

**C-9 OPTION 4 – BENEFIT PAYMENT ELECTION FOR RETIRING MEMBER DAVID ORTIZ**

**Recommendation:** Grant election of retirement benefit payment Option 4 based on The Segal Company's actuarial report.

**C-10 OPTION 4 – BENEFIT PAYMENT ELECTION FOR RETIRING MEMBER JOSEPH MISHICA**

**Recommendation:** Grant election of retirement benefit payment Option 4 based on The Segal Company's actuarial report.

**C-11 OPTION 4 – BENEFIT PAYMENT ELECTION FOR RETIRING MEMBER ROBERT EASON**

**Recommendation:** Grant election of retirement benefit payment Option 4 based on The Segal Company's actuarial report.

**C-12 TRAVEL EXPENSES FOR TONY BEDOLLA**

**Recommendation:** Approve Tony Bedolla's attendance at the SEI 2010 Executive Conference held March 21-24, 2010 in Phoenix, Arizona.

**C-13 TRAVEL EXPENSES FOR TOM FLANIGAN**

**Recommendation:** Approve Tom Flanigan's attendance at the Pension Bridge Annual Conference to be held April 6-7, 2010 in San Francisco.

**C-14 TRAVEL EXPENSES FOR RICH WHITE**

**Recommendation:** Approve Rich White's attendance at the AEW Client Conference to be held April 28-29, 2010 in Boston, Massachusetts.

**C-15 CALAPRS PRINCIPLES OF PENSION MANAGEMENT COURSE**

**Recommendation:** Accept invitation for Rich White to serve as an instructor in the California Association of Public Retirement Systems (CALAPRS) Principles of Pension Management course.

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

**INDIVIDUAL ITEMS AGENDA**

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

**C-3 RECOMMENDATIONS OF THE GOVERNANCE COMMITTEE RESULTING FROM A MEETING ON MARCH 3, 2010:**

**A. PLACEMENT AGENT DISCLOSURE POLICY**

**Recommendation:** Recommend adoption of the Placement Agent Disclosure Policy to the full Board.

**C-4 FINANCIAL STATEMENTS FOR THE MONTH ENDING DECEMBER 31, 2009**

**Recommendation:** Receive and file.

**C-7 HISTORY OF UAAL**

**Recommendation:** Receive and file.

**C-8 BOARD COMMUNICATIONS**

**Recommendation:** Receive and file.

Mr. White pulled item C-3, Recommendations of the Governance Committee resulting from a meeting on March 3, 2010, item A, Placement Agent Disclosure Policy, to state his concerns on AB 1584. He requested that OCERS' legal counsel draft a policy that is equal to all parties. He also posed the question, at what stage does an investment manager have a legal obligation to disclose a payment to a placement agent?

Mr. Leiderman reviewed the basis of why AB 1584 was written. He also stated that the legal obligation to disclose the use of a placement agent begins 45 days after the first conversation about an investment product.

Mr. Eley stated that this item will be agendized for the June 2, 2010 Governance Committee meeting.

A **motion** was made by Mr. Eley, **seconded** by Mr. White to approve the remainder of the Governance Committee recommendations and refer the Placement Agent Disclosure Policy back to the Governance Committee. The **motion carried unanimously**.

Staff requested that item I-2 be heard before completing item I-1.

## **I-2 DISCUSSION – TRENDS IN THE U.S. ECONOMY**

Ms. Chary introduced Diane Swonk from Mesirow Financial

Ms. Swonk discussed trends in the U.S. economy.

***Board recessed at 9:50 a.m.***

***Board reconvened at 10:15 a.m. for the time certain agenda.***

Keith Rodenhuis, the Treasurer/Tax Collector's Board alternate left at 9:50 a.m.

## **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.**

**STAFF RECOMMENDATION IS TO GRANT SERVICE CONNECTED DISABILITY RETIREMENT WITH AN EFFECTIVE DATE OF FEBRUARY 14, 2009. (GENERAL MEMBER) (D-1)**

**D-1: Margaret J. Barnes**  
Coach Operator, OC Transportation Authority  
Application for service and non-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 14, 2009. The **motion carried 6 to 0**, with voting as follows:

**AYES**

Mr. Lindholm  
Mr. White  
Ms. Gorczyca  
Mr. Eley  
Mr. Baldwin  
Mr. Griffith

**NAYS**

**ABSTAIN**

Mr. Flanigan

**ABSENT**

Mr. Royalty  
Mr. Rodenhuis

Mark Singer, Attorney for Applicant, addressed the Board.

**STAFF RECOMMENDATION IS TO GRANT SERVICE CONNECTED DISABILITY RETIREMENT WITH AN EFFECTIVE DATE OF OCTOBER 23, 2008. (GENERAL MEMBER) (D-2)**

**D-2: Betty Bradford**

Coach Operator, OC Transportation Authority

Application for service and non-service connected disability retirement

Following discussion, a **motion** was made by Mr. Eley, **seconded** by Mr. Flanigan to grant service connected disability retirement with an effective date of October 23, 2008. The **motion carried 7 to 0**, with voting as follows:

**AYES**

Mr. Lindholm  
Mr. Flanigan  
Mr. White  
Ms. Gorczyca  
Mr. Eley  
Mr. Baldwin  
Mr. Griffith

**NAYS**

**ABSTAIN**

**ABSENT**

Mr. Royalty  
Mr. Rodenhuis

**STAFF RECOMMENDATION IS TO GRANT SERVICE CONNECTED DISABILITY RETIREMENT WITH AN EFFECTIVE DATE OF OCTOBER 10, 2008. (SAFETY MEMBER) (D-3)**

**D-3: Mark L. Menier**

Fire Apparatus Engineer, OC Fire Authority

Application for service connected disability retirement

Following discussion, a **motion** was made by Mr. White, **seconded** by Mr. Eley to grant service connected disability retirement with an effective date of October 10, 2008. The **motion carried 7 to 0**, with voting as follows:

**AYES**

Mr. Lindholm  
Mr. Flanigan  
Mr. White  
Ms. Gorczyca  
Mr. Eley  
Mr. Baldwin  
Mr. Griffith

**NAYS**

**ABSTAIN**

**ABSENT**

Mr. Royalty  
Mr. Rodenhuis

Mr. White voted in Mr. Bedolla's absence.

**STAFF RECOMMENDATION IS TO GRANT SERVICE CONNECTED DISABILITY RETIREMENT WITH AN EFFECTIVE DATE OF JUNE 2, 2009. (SAFETY MEMBER) (D-4)**

**D-4: Kenneth W. Stills**  
Investigator, OC Sheriff's Department  
Application for service connected disability retirement

Following discussion, a **motion** was made by Mr. White, **seconded** by Mr. Baldwin to grant service connected disability retirement with an effective date of June 2, 2009. The **motion carried 5 to 0**, with voting as follows:

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

**STAFF RECOMMENDATION IS TO GRANT NON-SERVICE CONNECTED DISABILITY RETIREMENT WITH AN EFFECTIVE DATE OF JANUARY 15, 2010. (GENERAL MEMBER) (D-5)**

**D-5: Kyle L. Moya**  
Mechanic, OC Sanitation District  
Application for non-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 January 15, 2010. The **motion carried 7 to 0**, with voting as follows:

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

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

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

Mr. White pulled item C-4, Unaudited Financial Statements for the month ending December 31, 2009 to note that the contribution additions reflected on page 3, exceed the benefit deductions, demonstrating that OCERS is presently cash flow positive.

A **motion** was made by Mr. White, **seconded** by Mr. Eley to receive and file the Unaudited Financial Statements for the month ending December 31, 2009. The **motion carried unanimously**.

Mr. Griffith pulled item C-7 for a verbal review of OCERS' UAAL history.

Mr. Delaney reviewed OCERS' UAAL history.

Mr. Griffith requested that staff add another column for a running total of gains and losses.

Mr. Eley requested that staff add a footnote on page 8 that shows the reverse pickup calculation. He also requested that page numbers be added to the document.

A **motion** was made by Mr. White, **seconded** by Ms. Gorczyca to receive and file OCERS UAAL. The **motion carried unanimously**.

Mr. Flanigan pulled item C-8, Board Communications, to recommend informational articles to the Board.

### **I-3 COLA BANK**

Mr. Leiderman reviewed legal counsel's opinion on the COLA Bank.

A **motion** was made by Mr. Eley, **seconded** by Mr. White to not include a negative adjustment to the COLA Bank for members who retire prior to April 1, 2010 and to adjust the COLA Bank to accumulate a negative value only when there is a greater than 3% decline in the prior year's CPI. The **motion carried unanimously**.

Lorraine Mills from OCTA addressed the Board in support of the COLA Bank motion.

### **I-4 CHIEF INVESTMENT OFFICER'S REPORT**

Ms. Chary reviewed the CIO's report, an asset allocation priorities report, and material presented by Bridgewater Associates.

A **motion** was made by Mr. Flanigan, **seconded** by Mr. Baldwin to receive and file the CIO's reports. The **motion carried unanimously**.

### **I-5 SACRS' OFFICER NOMINATIONS**

Ms. Wyne reviewed SACRS' officer nominations.

The Board did not take action on this item.

### **I-6 2009 FOCUS GROUPS**

Mr. Kinsler reviewed the 2009 Focus Groups presentation.

A **motion** was made by Mr. Baldwin, **seconded** by Mr. Eley to receive and file the 2009 Focus Groups presentation. The **motion carried unanimously**.

Mr. Griffith requested that staff reach out to the Plan Sponsors with regard to mass retirements or layoffs so OCERS can be equipped to properly prepare the members.

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

**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 did not go into Closed Session.**

**APPOINTMENT OF COMMITTEES:**

**AUDIT COMMITTEE**

Russ Baldwin, Chair  
Tony Bedolla  
Tom Flanigan  
Rich White

**GOVERNANCE COMMITTEE**

Frank Eley, Chair  
Bob Griffith  
Reed Royalty  
Chriss Street

**INVESTMENT COMMITTEE**

Rich White, Chair  
Russell Baldwin  
Tom Flanigan  
Reed Royalty

**PRIVATE MARKETS COMMITTEE**

Patti Gorczyca, Chair  
Frank Eley  
Wayne Lindholm  
Chriss Street

**AD HOC COMPENSATION COMMITTEE**

Bob Griffith, Chair  
Patti Gorczyca  
Frank Eley

**AD HOC ASSISTANT CEO, INVESTMENTS SEARCH COMMITTEE**

Bob Griffith, Chair  
Patti Gorczyca  
Rich White

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

**Active Members:**

Katherine Litchfield; Sandra Strawn

**Retired Members:**

Carl Armbrust; Doris Beaupre; Albert Black; James Canady; Catherine Cardarpoli; Robert Cobb; Phyllis Cuseo; Ira Essoe; Robert Frazier; Carol Gandy; William Heiden; Carol King; Manuel Lopez; Carmen Maldondo; Justo Mares; Marjorie Norman; Barbara Reid; Eleanore Robinson; Phillip Sanderson; Barbara Seymour; Frederick Sheffield; Elfriede Sisario; Orvella Smith; Ann Sneden; Janet Spinney; Carolyn Stanton; Jerry Strong; Keith

Tannler; Betty Taylor; Phyllis Warren; Steve Williams; Ramon Winter; Willie Mae Young; Walter Bailey; John Jacobs; Martin Savage; John Thompson and Virgie Vanderberg

**Surviving Spouses:** None

**Deaths (QDRO):** None

#### **PUBLIC COMMENTS**

None

#### **BOARD MEMBER COMMENTS**

None

#### **CHIEF EXECUTIVE OFFICER/STAFF COMMENTS**

Mr. Delaney informed the Board that they would be receiving "OCERS by the Numbers as of December 31, 2009" in the regular mail. He also thanked Mr. Kinsler and Ms. Ritchey for their work on the document.

#### **COUNSEL COMMENTS**

None

#### **ADJOURNMENT:**

There being no further business to bring before the Board, a **motion** was made by Mr. Baldwin, **seconded** by Mr. Flanigan to adjourn the meeting at 11:40 a.m. The **motion carried unanimously.**

Submitted by:

  
Steve Delaney  
Secretary to the Board

Approved by:

  
Robert A. Griffith  
Chair