

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

REGULAR BOARD MEETING
APRIL 19, 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; 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; 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

Paul Angelo, The Segal Company
Sarah Angus, Callan Associates
Harvey Leiderman, Esq., Reed Smith

Mr. Royalty led the Pledge of Allegiance.

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. Delaney pulled item C-9.

Mr. Lindholm abstained on item C-10. He stated that his wife is a member of the Transportation Corridor Agencies Board.

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

- April 19, 2010
- April 19, 2010

Recommendation: Receive and file.

C-2 BOARD MEETINGS AND COMMITTEE MEETINGS:

Approval of Meetings and Minutes

Portfolio Review Meeting	- March 16, 2010
Portfolio Review Meeting	- March 17, 2010
Regular Board Meeting	- March 22, 2010
Private Markets Committee Meeting	- March 31, 2010
Investment Committee Meeting	- April 1, 2010

Recommendation: Authorize all meetings and approve all minutes.

C-3 RECOMMENDATIONS OF THE PRIVATE MARKETS COMMITTEE RESULTING FROM A MEETING ON MARCH 31, 2010:

A. DISCUSSION ON MASTER LIMITED PARTNERSHIPS

Presentation by H. Kevin Birzer, Senior Managing Director of Tortoise Capital Advisors

Recommendation: The Committee did not make a recommendation.

B. DISCUSSION ON DIRECT INVESTMENTS IN OIL & GAS

Presentation by Meghan Cuddihy, Director of Investor Relations of Merit Energy Company

Recommendation: The Committee did not make a recommendation.

C. DISCUSSION ON DIRECT ENERGY

Recommendation: The Committee did not make a recommendation.

C-4 RECOMMENDATIONS OF THE INVESTMENT COMMITTEE RESULTING FROM A MEETING ON APRIL 1, 2010:

A. DOMESTIC FIXED INCOME MANAGERS – REVIEW INVESTMENT GUIDELINES

Recommendation: Maintain existing investment guidelines.

B. PIMCO SECTOR FUND FOR CASH MANAGEMENT

Recommendation: Approve the use of PIMCO's Sector Fund for cash management.

C. REVIEW – PIMCO's TIPS ALLOCATION

Recommendation: Maintain the current investment guidelines for PIMCO's TIPS allocation.

D. BRIDGEWATER ASSOCIATES – REVIEW OF PERFORMANCE

Recommendation: Set the benchmark for the absolute return class at T-Bill + 5% and the managers as follows:

- Bridgewater T-Bill + 5%
- BlackRock T-Bill + 5%
- PAAMCO 3 month Libor + 5%

E. REVIEW – SMALL CAP GROWTH MANAGER

Recommendation:

1. Continue monitoring Washington Capital Management;
2. Initiate a search and approve the attached investment manager candidate profile.

F. WILLIAM BLAIR – REVIEW OF FEE PROPOSALS

Recommendation: Receive and file.

G. DISCUSSION ON INDEX REVIEW

Recommendation: Receive and file.

H. DISCUSSION ON PERFORMANCE – BASED FEES

Recommendation: Receive and file.

I. TRANSITION MANAGEMENT REVIEW

Recommendation: Receive and file.

C-5 UNAUDITED FINANCIAL STATEMENTS FOR THE MONTH ENDING JANUARY 31, 2010

Recommendation: Receive and file.

C-6 FIRST QUARTER 2010 EDUCATION AND TRAINING REPORT

Recommendation: Receive and file.

C-7 LEGISLATIVE UPDATE – APRIL 2010

Recommendation: Receive and file.

C-8 BOARD COMMUNICATIONS

Recommendation: Receive and file.

C-9 GOVERNMENT FINANCE OFFICERS ASSOCIATION (GFOA) AWARD

Recommendation: Receive and file.

C-10 TRANSPORTATION CORRIDOR AGENCIES EARLY RETIREMENT INCENTIVE PROGRAM

Recommendation: Approve the Early Retirement Incentive Agreement between OCERS and the Transportation Corridor Agencies.

C-11 OPTION 4 – BENEFIT PAYMENT ELECTION FOR RETIRING MEMBER LARRY J. FORRESTER

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

C-12 QUIET PERIOD IN PROGRESS

Recommendation: Receive and file.

C-13 AUTHORIZATION FOR TOM FLANIGAN TO ATTEND ALTEGRIS 7TH ANNUAL STRATEGIC INVESTMENT CONFERENCE

Recommendation: Authorize Tom Flanigan's attendance at the Strategic Investment Conference, April 22-24, 2010 in La Jolla, CA.

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

INDIVIDUAL ITEMS AGENDA

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

C-9 GOVERNMENT FINANCE OFFICERS ASSOCIATION (GFOA) AWARD

Recommendation: Receive and file.

Mr. Delaney pulled item C-9, Government Finance Officers Association (GFOA) Award, to acknowledge staff.

Dr. Williamson presented Mr. Delaney and Mr. Griffith with the GFOA award and thanked the Finance Division and the Communication Division for their contributions.

Mr. Griffith also acknowledged staff.

A **motion** was made by Mr. Eley, **seconded** by Ms. Gorczyca to receive and file the Government Finance Officers Association (GFOA) Award. The **motion carried unanimously**.

Mr. Griffith stated that the individual items would not be heard in order.

I-5 REAL ESTATE PERFORMANCE REVIEW – CALLAN ASSOCIATES

Ms. Angus discussed the Real Estate Performance Review.

Following discussion, a **motion** was made by Mr. White, **seconded** by Mr. Baldwin to receive and file the Real Estate Performance Review. The **motion carried unanimously**.

Mr. Eley questioned Ms. Angus on stress testing the leverage being used in the real estate portfolio for future cycles.

Ms. Angus stated that Callan Associates will look into stress testing the leverage being used in the real estate portfolio.

I-3 STAR COLA

Ms. Wyne reviewed STAR COLA.

Following discussion, a **motion** was made by Mr. White, **seconded** by Mr. Flanigan to approve payment of STAR COLA for the period April 1, 2010 through March 31, 2011. The **motion carried unanimously**.

I-4 CHIEF INVESTMENT OFFICER'S REPORT

Ms. Chary informed the Board about AXA Rosenberg's coding error.

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-6 SACRS' OFFICER NOMINATIONS

Ms. Wyne reviewed the SACRS' officer nominations.

Following discussion, a **motion** was made by Mr. Flanigan, **seconded** by Mr. Eley to direct OCERS' voting delegate to vote SACRS Nominating Committee's nominees. The **motion carried unanimously**.

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.

Board recessed at 9:40 a.m.

Board reconvened at 9:54 a.m.

I-2 UPDATE ON CONTRIBUTION RATES

Mr. Delaney updated the Board on the data variance related to the pensionable salary reported to the actuary for future pension benefit projections.

DISABILITY APPLICATIONS/MEMBER APPEALS AGENDA

10:00 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 SEPTEMBER 10, 2008. (SAFETY MEMBER) (D-1)

D-1: Jorge G. Pineda
Deputy Juvenile Correctional Officer II, OC Probation Department
Application for service and non-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 September 10, 2008. The **motion carried 7 to 1**, with voting as follows:

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

Mark Singer, Attorney for Applicant, addressed the Board.

STAFF RECOMMENDATION IS TO GRANT NON-SERVICE CONNECTED DISABILITY RETIREMENT WITH AN EFFECTIVE DATE OF AUGUST 29, 2008 AND DENY SERVICE CONNECTED DISABILITY RETIREMENT DUE TO INSUFFICIENT EVIDENCE OF JOB CAUSATION. (GENERAL MEMBER) (D-2)

D-2: Loxie Peterson
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. Lindholm to grant non-service connected disability retirement with an effective date of August 29, 2008 and deny service connected disability retirement due to insufficient evidence of job causation.

Following further discussion, a **substitute motion** was made by Mr. White, **seconded** by Mr. Flanigan to refer the matter to a hearing officer. The **motion failed 2 to 7**, with voting as follows:

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

The **original motion** made by Mr. Eley, **seconded** by Mr. Lindholm to grant non-service connected disability retirement with an effective date of August 29, 2008 and deny service connected disability retirement due to insufficient evidence of job causation **carried 8 to 1**, with voting as follows:

AYES

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

NAYS

Mr. Flanigan

ABSTAIN

ABSENT

Mark Singer, Attorney for Applicant, addressed the Board.

Ms. Linares addressed the Board.

STAFF RECOMMENDATION IS TO GRANT NON-SERVICE CONNECTED DISABILITY RETIREMENT WITH AN EFFECTIVE DATE OF NOVEMBER 18, 2008 AND DENY SERVICE CONNECTED DISABILITY RETIREMENT DUE TO INSUFFICIENT EVIDENCE OF JOB CAUSATION. (GENERAL MEMBER) (D-3)

D-3: Kathleen J. Pierson

Court Reporter, Superior Court

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 November 18, 2008 and deny service connected disability retirement due to insufficient evidence of job causation.

Following further discussion, a **substitute motion** was made by Mr. White, **seconded** by Mr. Flanigan to refer the matter back to staff for further staff development. The **motion carried 9 to 0**, with voting as follows:

AYES

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

NAYS

ABSTAIN

ABSENT

Mark Singer, Attorney for Applicant, addressed the Board.

Ms. Reep addressed the Board.

Mr. Lantzer addressed the Board.

STAFF RECOMMENDATION IS TO DENY SERVICE AND NON-SERVICE CONNECTED DISABILITY RETIREMENT FOR THE AMENDED CONDITIONS DUE TO INSUFFICIENT EVIDENCE OF PERMANENT INCAPACITY. (GENERAL MEMBER) (D-4)

D-4: Shirley Harrelson
Information Processing Technician, OC Public Defender
Application for service and non-service connected disability retirement

Following discussion, a motion was made by Mr. Street, seconded by Mr. Royalty to deny service and non-service connected disability retirement for the amended conditions due to insufficient evidence of permanent incapacity. The motion carried 8 to 1, with voting as follows:

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

Richard Silber, Attorney for Applicant, addressed the Board.

Ms. Reep addressed the Board.

STAFF RECOMMENDATION IS TO DENY SERVICE AND NON-SERVICE CONNECTED DISABILITY RETIREMENT DUE TO INSUFFICIENT EVIDENCE OF PERMANENT INCAPACITY AND JOB CAUSATION. (GENERAL MEMBER) (D-5)

D-5: Michele M. Perreault
Data Entry Technician, OC Public Libraries
Application for service and non-service connected disability retirement

Following discussion, a motion was made by Mr. Street, seconded by Mr. Royalty to deny service and non-service connected disability retirement due to insufficient evidence of permanent incapacity and job causation. 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 ADOPT THE FINDINGS AND RECOMMENDATIONS OF THE REFEREE AND GRANT APPLICANT'S APPLICATION FOR SERVICE CONNECTED DISABILITY RETIREMENT WITH AN EFFECTIVE DATE OF APRIL 28, 2008. (GENERAL MEMBER) (D-6)

D-6: John J. Berry III
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 adopt the findings and recommendations of the referee and grant applicant's application for service connected disability retirement with an effective date of April 28, 2008. The motion carried 5 to 3, with voting as follows:

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

Mark Singer, Attorney for Applicant, addressed the Board.

Mr. White addressed the Board.

STAFF RECOMMENDATION IS TO ADOPT THE FINDINGS AND RECOMMENDATIONS OF THE REFEREE PERTAINING TO PERMANENT INCAPACITY AND JOB CAUSATION AND DENY APPLICANT'S APPLICATION FOR SERVICE CONNECTED DISABILITY RETIREMENT. (SAFETY MEMBER) (D-7)

D-7: Mark C. Murphy
Sergeant, OC Sheriff's Department
Application for service connected disability retirement

Following discussion, a motion was made by Mr. Baldwin, seconded by Mr. Royalty to adopt the findings and recommendations of the referee pertaining to permanent incapacity and job causation and deny applicant's application for service and connected disability retirement.

Following further discussion, a substitute motion was made by Mr. Street to send the matter to a Hearing Officer. The motion failed for lack of second.

The original motion made by Mr. Baldwin and seconded by Mr. Royalty carried 6 to 2, with voting as follows:

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

Mark Singer, Attorney for Applicant, addressed the Board.

Mr. White addressed the Board.

Mr. Lantzer addressed the Board.

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

Board recessed at 10:57 a.m.

Board reconvened at 11:04 a.m.

I-2 UPDATE ON CONTRIBUTION RATES

Mr. Angelo reviewed the data variance.

Following discussion, a **motion** was made by Mr. Eley, **seconded** by Ms. Gorczyca to receive and file the update on contribution rates. The **motion carried unanimously**.

The Board requested that The Segal Company provide the following reports:

- 15 year amortization of the additional pensionable pay items;
- 30 year amortization of the additional pensionable pay items;
- 3 year implementation for rate groups 7 and 8;
- GASB requirements

Mitch Tevlin from the County of Orange addressed the Board.

Lori Zeller from OCFA addressed the Board.

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

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

Active Members: Terry Stepp and Kevin Sullivan

Retired Members: Eunice Beck; Erwin Beckwith; Andre Blum; Peter Brautovich; Lenore Brown; Mari Burrell; James Daugherty; Murray Fiset; Gloria Foreman; Edna Goya; Rose Lee Harvey; Joseph Jacobs; Shirley La Mora; Clark Marks; Charles Mcraney; Jane Moreno; Bettie Ortego; Betty Ringer; Charles Sacket; Emanuel Sargent; Kendall Sanders; Hilka Snow; Cora Swearingen and Harriet Wieder

Surviving Spouses: Carl Biggs; Leonila Evans; Rachel Hertenstien; Edward O'Brian; John Patterson; Elizabeth Smisek; Malcom Thompson and Janet Yingling

Deaths (QDRO): None

PUBLIC COMMENTS

None

BOARD MEMBER COMMENTS

Mr. White thanked staff and consultants for their support during his tenure as SACRS President.

Mr. Eley thanked staff for the early outreach to OCERS' Plan Sponsors regarding the contribution rates.

CHIEF EXECUTIVE OFFICER/STAFF COMMENTS

Mr. Delaney informed the Board that Michele Mendoza, Susan Parrino and Susan Spietz will be retiring in the next few months.

COUNSEL COMMENTS

None

ADJOURNMENT:

There being no further business to bring before the Board, a motion was made by Mr. Baldwin, seconded by Mr. Lindholm to adjourn the meeting at 12:00 p.m. The motion carried unanimously.

Submitted by:



Steve Delaney
Secretary to the Board

Approved by:



Robert A. Griffith
Chair