

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

**REGULAR BOARD MEETING
JUNE 21, 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 and Richard A. White, Jr.

Chriss W. Street arrived at 8:45 a.m.

Also present: Steve Delaney, Chief Executive Officer; Steve 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; Kathryn Morisette, Disability Coordinator; 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 and Andy Yeung, The Segal Company
Harvey Leiderman, Esq., Reed Smith

Mr. Lindholm 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-3, Recommendations of the Governance Committee resulting from a meeting on June 2, 2010, item D, Hearing Officer Selection and Retention Policy to state that in order to first obtain public comment the item has been scheduled for a future Regular Board meeting.

A **motion** was made by Mr. Eley, **seconded** by Mr. Baldwin to approve the Consent Agenda. The **motion carried**, with Mr. Street absent.

C-1 MATERIAL DISTRIBUTED

Application Notices - June 21, 2010
Death Notices - June 21, 2010

Recommendation: Receive and file.

C-2 BOARD MEETINGS AND COMMITTEE MEETINGS:

Approval of Meetings and Minutes

Regular Board Meeting - May 24, 2010
Governance Committee Meeting - June 2, 2010
Portfolio Review Meeting - June 8, 2010
Private Markets Committee Meeting - June 8, 2010
Portfolio Review Meeting - June 9, 2010
Investment Committee Meeting - June 14, 2010
Audit Oversight Committee Meeting - June 15, 2010

Recommendation: Authorize all meetings and approve all minutes.

C-3 RECOMMENDATIONS OF THE GOVERNANCE COMMITTEE RESULTING FROM A MEETING ON JUNE 2, 2010:

A. REVIEW OF BOARD POLICIES

Recommendation: Adopt the Data Request Policy with the following changes:

On page 1, second paragraph, second sentence, delete "COERS" insert "OCERS".

On page 1, number 4, delete "date" insert "data".

On page 1, number 5, delete "is" insert "are".

On page 1, number 6, delete "All released data shall be sanitized so that it is not personally identifiable." insert "Records exempt from disclosure under applicable law shall not be disclosed."

Recommendation: Adopt the Records Retention and Guidelines Policy.

Recommendation: Adopt the Legislative Policy.

B. PLACEMENT AGENT DISCLOSURE POLICY

Recommendation: Adopt the Placement Agent Disclosure Policy with the following changes:

On page 2, IV Responsibilities, A, 1, delete "within thirty (30) days after the initiation of investment discussions on behalf of the External Manager.," insert "in writing" before "to Staff" insert "in connection with any request for information, request for qualifications or request for proposal initiated by OCERS:" after "to Staff:".

On page 3, IV Responsibilities, A, 1, e, insert "that relate to any activities affecting OCERS." after "Placement Agent."

On page 3, IV Responsibilities, A, 2, delete "five (5)" insert "ten (10)".

On page 4, IV Responsibilities, A, 3, delete "five (5)" insert "ten (10)".

C. BOARD DISCLOSURE POLICY

Recommendation: Adopt the Board Disclosure Policy with the following changes:

On page 1, Principles, first paragraph, first sentence, delete "at a Board meeting".

D. HEARING OFFICER SELECTION AND RETENTION POLICY

Recommendation: Schedule for future Regular Board meeting.

E. EDUCATION AND TRAVEL POLICY

Recommendation: Adopt the modified OCERS Education and Travel Policy with the following changes:

On the Education and Travel Expense Reimbursement Schedule, page 7, Meals, delete second paragraph, "When attending a conference or educational event, no meal expense should be personally claimed where the meal was provided as part of the event."

F. NEXT GOVERNANCE COMMITTEE MEETING DATE

The next Governance Committee meeting will be held on Friday, November 19, 2010 at 1:30 p.m.

C-4 RECOMMENDATIONS OF THE PRIVATE MARKETS COMMITTEE RESULTING FROM A MEETING ON JUNE 8, 2010:

A. REAL RETURN ALLOCATION REVIEW

Recommendation: Approve a 1.5% position in farmland and a 1.5% position in energy related investments.

B. REAL ESTATE ALLOCATION

Recommendation: Approve a \$25 million commitment to Morgan Stanley's Prime Property Fund.

***** CLOSED SESSION *****

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

Recommendation: The Committee recommended that staff and consultant pursue the asset transfer process from separate accounts into the Morgan Stanley's Prime Property Fund ("PRIME") at the appraisal.

***** END CLOSED SESSION *****

C-5 RECOMMENDATIONS OF THE INVESTMENT COMMITTEE RESULTING FROM A MEETING ON JUNE 14, 2010:

A. SHORT LIST – U.S. SMALL CAP GROWTH

Recommendation: Authorize staff to conduct due diligence on the following managers:

- AllianceBernstein
- Eagle Asset Management
- Lord, Abbett & Company
- Stephens Investment Management Group

and bring three of the finalists to the Committee for interviews.

B. SHORT LIST – INTERNATIONAL SMALL CAP EQUITY

Recommendation: Authorize staff to conduct due diligence on the following managers:

- Acadian Asset Management LLC
- Grantham, Mayo, Van Otterloo & Company, LLC
- Mondrian Investment Partners Limited
- Putnam Investments, LLC
- Pyramis Global Advisors, LLC

and bring three or four of the finalists to the Committee for interviews.

C. POLICY – PERFORMANCE-BASED FEE ARRANGEMENTS

Recommendation: Approve the attached policy for Performance-Based Fee Arrangements.

C-6 RECOMMENDATIONS OF THE AUDIT OVERSIGHT COMMITTEE RESULTING FROM A MEETING ON JUNE 15, 2010:

A. IA0907 – PEER REVIEW REPORT

Recommendation: Receive and file.

B. 2010 AUDIT TIME REPORTING

Recommendation: Receive and file.

C. STATUS OF CURRENT AUDITS

Recommendation: Receive and file.

D. AUDIT TRACKING SCHEDULE AND OPEN ISSUES STATUS REPORT

Recommendation: Receive and file.

E. AUDIT COMMITTEE COMMUNICATIONS

Recommendation: Receive and file.

**F. COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED
DECEMBER 31, 2009**

Recommendation: Receive and file.

**G. INTERVIEW AUDIT FIRMS TO SELECT A FIRM TO CONDUCT THE AUDIT OF
OCERS' FINANCIAL STATEMENTS FOR A FIVE YEAR PERIOD BEGINNING
WITH THE YEAR ENDING DECEMBER 31, 2010**

Recommendation: Hire Macias Gini and O'Connell for a five year period beginning with the year ending December 31, 2010 and designate Mayer Hoffman McCann P.C. as the alternate in case contract negotiations fail.

H. NEXT SCHEDULED MEETING

The next Audit Committee meeting will be held on Tuesday, August 17, 2010 at 9:00 a.m.

**C-7 UNAUDITED FINANCIAL STATEMENTS FOR THE MONTH ENDING MARCH 31,
2010**

Recommendation: Receive and file.

C-8 LEGISLATIVE UPDATE – JUNE 2010

Recommendation: Receive and file.

C-9 BOARD COMMUNICATIONS

Recommendation: Receive and file.

C-10 QUIET PERIOD IN PROGRESS

Recommendation: Receive and file.

C-11 CLIENT CONFERENCE REPORTS

Recommendation: Receive and file.

**C-12 NATIONAL CONFERENCE OF PUBLIC EMPLOYEE RETIREMENT SYSTEMS
(NCPERS) PROGRAM FOR ADVANCED TRUSTEE STUDIES**

Recommendation: Approve Tony Bedolla and Chriss Street's attendance at NCPERS Program for Advanced Trustee Studies to be held July 26-28, 2010 at Harvard Law School in Cambridge, Massachusetts.

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

INDIVIDUAL ITEMS AGENDA

I-2 CHIEF INVESTMENT OFFICER'S REPORT

Mr. Thanki and Mr. Beeson reviewed the CIO's report.

Following discussion, a **motion** was made by Mr. Royalty, **seconded** by Ms. Gorczyca to receive and file the CIO's report. The **motion carried unanimously**.

Mr. Street arrived at 8:45 a.m.

I-3 PRIVATE EQUITY REPORT AS OF DECEMBER 2009 – STATE STREET CORPORATION

Ms. Diaz reviewed the changes at the Global Markets Securities Finance division.

Mr. Izquierdo reviewed the private equity report as of December 2009.

Following discussion, a **motion** was made by Mr. Royalty, **seconded** by Mr. Baldwin to receive and file the private equity report as of December 2009. The **motion carried unanimously**.

I-4 DECEMBER 31, 2009 ACTUARIAL VALUATION – METHODOLOGY OPTIONS

Mr. Angelo and Mr. Yeung reviewed the methodology options for recognizing the premium pay liability.

Following discussion, a **motion** was made by Mr. Eley, **seconded** by Mr. Baldwin to adopt Alternative B, amortizing the UAAL over the 25 year remaining amortization period from the 12/31/2004 restart of UAAL amortization for all rate groups. The **motion carried**, with Mr. Flanigan voting **No**.

Mr. Eley requested that The Segal Company add the funding ratio and unfunded liability to each plan sponsors contribution rates report.

Mr. Angelo agreed.

Mitch Tevlin from the County of Orange addressed the Board.

Rodney Johnson from OCTA addressed the Board.

Lori Zeller from OCFA addressed the Board.

Board recessed at 10:14 a.m.

Board reconvened at 10:25 a.m.

DISABILITY APPLICATIONS/MEMBER APPEALS AGENDA

10:25 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. Linares stated that item D-6 was pulled.

STAFF RECOMMENDATION IS TO GRANT SERVICE CONNECTED DISABILITY RETIREMENT WITH AN EFFECTIVE DATE OF JUNE 27, 2008. (GENERAL MEMBER) (D-1)

D-1: Paula R. Cebolski
Groundskeeper, OC Community Resources
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 June 27, 2008. 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			

Mark Singer, Attorney for Applicant, addressed the Board.

STAFF RECOMMENDATION IS TO GRANT SERVICE CONNECTED DISABILITY RETIREMENT WITH AN EFFECTIVE DATE OF APRIL 16, 2009 FOR CONDITION #1. STAFF RECOMMENDATION IS TO DENY SERVICE CONNECTED DISABILITY RETIREMENT FOR CONDITION #2 DUE TO INSUFFICIENT EVIDENCE OF JOB CAUSATION AND TO DENY

SERVICE AND NON-SERVICE CONNECTED DISABILITY RETIREMENT FOR CONDITION #3 DUE TO INSUFFICIENT EVIDENCE OF PERMANENT INCAPACITY AND JOB CAUSATION. (GENERAL MEMBER) (D-2)

D-2: Lori A. Malavenda
Fire Communications Dispatcher, OC Fire Authority
Application for service and non-service connected disability retirement

Following discussion, a **motion** was made by Mr. Eley, **seconded** by Mr. Royalty to grant service connected disability retirement with an effective date of April 16, 2009 for condition #1, deny service connected disability retirement for condition #2 due to insufficient evidence of job causation and deny service and non-service connected disability retirement for condition #3 due to insufficient evidence of job causation. The **motion carried 7 to 0**, with voting as follows:

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

Mr. Street returned at 10:35 a.m.

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. White, **seconded** by Mr. Flanigan 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. The **motion carried 7 to 2**, with voting as follows:

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

Mark Singer, Attorney for Applicant, addressed the Board.

Ms. Linares addressed the Board.

Ms. Reep addressed the Board.

STAFF RECOMMENDATION IS TO DENY SERVICE AND NON-SERVICE CONNECTED DISABILITY RETIREMENT FOR CONDITIONS #1 AND #2 DUE TO INSUFFICIENT EVIDENCE OF PERMANENT INCAPACITY AND JOB CAUSATION. (GENERAL MEMBER) (D-4)

D-4: Robert H. Kiefer
Sheriff's Special Officer, OC Sheriff's Department
Application for service and non-service connected disability retirement

Following discussion, a **motion** was made by Mr. Royalty, **seconded** by Mr. Flanigan to deny service and non-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:

<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			

Robert H. Kiefer, Applicant, 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: Dale McCown
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. Flanigan 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			

Mark Singer, Attorney for Applicant, addressed the Board.

Ms. Linares addressed the Board.

Ms. Reep addressed the Board.

STAFF RECOMMENDATION IS TO DENY SERVICE AND NON-SERVICE CONNECTED DISABILITY RETIREMENT FOR CONDITIONS #1, #2 AND #3 DUE TO INSUFFICIENT EVIDENCE OF PERMANENT INCAPACITY AND JOB CAUSATION. (GENERAL MEMBER) (D-6)

D-6: Theresa L. Nichols
Comprehensive Care Nurse, Health Care Agency
Application for service and non-service connected disability retirement

The application was pulled.

STAFF RECOMMENDATION IS TO DENY SERVICE CONNECTED DISABILITY RETIREMENT DUE TO INSUFFICIENT EVIDENCE OF JOB CAUSATION. (GENERAL MEMBER) (D-7)

D-7: Judy E. Tsong
Office Assistant, Health Care Agency
Application for 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 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			

Mr. Delaney introduced Katie Morisette, OCERS' new Disability Coordinator.

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

I-5 STATUS UPDATE – PREMIUM PAY REVIEW

Mr. Leiderman gave the Board an update on the premium pay review.

Following discussion, a **motion** was made by Mr. Royalty, **seconded** by Mr. Baldwin to receive and file the status update of the premium pay review. The **motion carried unanimously**.

With cost of concern, the Board requested that Mr. Leiderman request only relevant material for his review process.

Mr. Leiderman agreed.

I-6 STRATEGIC PLANNING – FISCAL YEAR 2011

Mr. Delaney reviewed the draft strategic planning agenda for fiscal year 2011.

Following discussion, a **motion** was made by Mr. Baldwin, **seconded** by Mr. Eley to receive and file the draft report on strategic planning for fiscal year 2011. The **motion carried unanimously**.

CLOSED SESSION

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 11:05 a.m.

Board reconvened at 12:00 p.m.

I-7 SELECTION OF CONSULTING ACTUARY

Mr. Cadena made opening remarks.

The final presentations were given by the following firms:

- The Segal Company
- Gabriel, Roeder, Smith
- Milliman USA

Following discussion, a **motion** was made by Mr. Street, **seconded** by Ms. Gorczyca to hire The Segal Company for a five year period and granted staff the authority to negotiate fees. The **motion carried unanimously**.

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

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

Active Members: David Hernandez

Retired Members: Ralph Boyer; Robert Davis; Zola Donaldson; Anna Goessens; Aline Hiles; Dean Kinoshita; Judith Mac Gilfrey; Dorothy Manes; Joe Mestre; Byron Morihara; Billie Sanford; Richard Schlesinger; Irene Solt; Paul Stewart; Edward Taylor; Evelyn Throneberry; Wiley Watson and Stanley Weintraub

Surviving Spouses: Darlene Finney; Dorothy Lucas; Lillie Patton and Ruth Wallace

Deaths (QDRO): None

PUBLIC COMMENTS

Doug Storm, Co-President of REAOC, addressed the Board regarding the recent court decision ordering OCERS to release the name, pension amount and last agency worked for certain retirees and beneficiaries as requested by the California Foundation for Fiscal Responsibility.

BOARD MEMBER COMMENTS

Mr. Baldwin stated that he would not be at July's Regular Board meeting.

CHIEF EXECUTIVE OFFICER/STAFF COMMENTS

Mr. Delaney informed the Board that he was requested to attend the Board of Supervisors meeting on Tuesday, June 22, 2010.

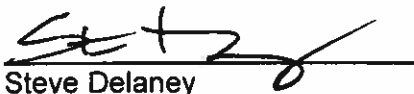
COUNSEL COMMENTS

None

ADJOURNMENT:

There being no further business to bring before the Board, a motion was made by Mr. Griffith to adjourn the meeting at 2:30 p.m. The motion carried unanimously.

Submitted by:


Steve Delaney
Secretary to the Board

Approved by:


Robert A. Griffith
Chair