

MINUTES

SPECIAL BOARD MEETING MARIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

One McInnis Parkway, 1st Floor
Retirement Board Chambers
San Rafael, CA

May 6, 2009, 9:00 A.M.

<u>EVENT CALENDAR</u>	9:00 A.M.	Retirement Board Meeting
<u>CALL TO ORDER</u>	Chairperson Phillips called the meeting to order at 9:10 A.M.	
<u>ROLL CALL</u>	Present:	Arrigoni, Bolger, Given, Gladstern, Haim, Hufford, Phillips, Richardson, Sweet, Webb, Wofford (non-voting)
	Absent:	Smith
<u>MINUTES</u>	None	

A. OPEN TIME FOR PUBLIC EXPRESSION

None.

B. OLD BUSINESS

1. Recommendations of Ad Hoc Committee Regarding MCERA Internal Operations (Action)

- a. Following the recommendations of the ad hoc committee, John Maher, CPA, of Maher Accountancy was retained to review and report on departmental procedures. He clarified that his report differed from the external auditor's annual report because it focused on evaluating internal controls and procedures rather than an overview of financial statements. Maher noted that there were no limits placed on his accessibility to information but that his scope was limited to the items in the report. He opined that the financial transactions studied appeared both reasonable and necessary. He recommended that additional internal controls be implemented and that the Board increase their involvement with the department.

Maher summarized the five areas of his report, as follows:

- 1) Review process for collecting and accounting for allegedly missing contributions from plan sponsor agencies.

Maher reported that staff members responsible for receiving, recording, and depositing plan sponsor contributions were no longer employed by MCERA, and that the department had proactively implemented a process for verifying receipt of plan sponsor contributions. Maher recommended procedural

modifications to reinforce segregation of duties and control procedures to detect and prevent omissions.

- 2) Review of credit card use by the Retirement Administrator.
Maher reported that there was no indication that the credit card was used by anyone other than the Retirement Administrator or her assistant, and that there were no transactions that he considered to be improper. Maher recommended that a additional detail be provided for transactions and that the board consider establishing a process for periodic review by a Board or Finance Committee member.
- 3) Internal controls over capital calls.
Maher indicated that current capital call control procedures were limited, and could be improved by implementing procedures to further verify request authenticity. He also recommended that duties be further segregated in the process to allow for activity to be reviewed by a staff member other than the one initiating the transaction, and periodic review by a Board representative to ensure that control measures are in place.
- 4) Internal controls over margin calls.
Maher reported that the risk of loss with MCERA's current procedures is very low, and that the inherent controls relating to fund transfers appear to be sufficient. He recommended that the authorized verifier of fund transfers additionally document dates, times, and names of individuals who call on behalf of the Custodian when transfers are requested.
- 5) Internal controls over non-payroll expenditures.
Following interviews with accounting personnel as well as review of cash disbursement transaction records, Maher determined that all transactions selected appeared to be properly supported by adequate documentation and reasonable in nature. MCERA's cash disbursement procedures contain a number of controls that sufficiently document transaction approval and prevent alteration and preparation of fraudulent checks. Maher's recommendations for improvement included further segregation of duties as well as periodic review of records on a sample basis by a designated Board member.

The Board accepted the report of the independent accountant, and the Chair continued the discussion of internal operations and the possible creation of standing Board committees.

It was the recommendation of the ad hoc committee that two or more standing committees be established: 1) a Finance and Risk Management Committee, and 2) a Governance and/or Member Services Committee. Ms. Dunning commented that the intent of establishing standing committees would be to take on a portion of the responsibilities that the Board as a whole normally would assume, with recommendations from those committees appearing as items on a consent calendar at regular meetings.

Trustee Richardson was in agreement with establishing a Finance and Risk Management Committee, but felt a Member Services Committee was unnecessary. The possibility of combining the Board Governance and Member Services Committees was raised by Trustee Gladstern. Trustee Haim felt that a Member Services Committee would provide members with a forum for expression and disclosure with regard to customer service issues. Trustee Arrigoni suggested that the Board consider retaining John Maher to assist the Finance and Risk Management Committee in determining which items should be included in their review. Trustee Hufford agreed, adding that it would be helpful to have an independent accountant prepare documentation prior to Committee review.

It was M/S Arrigoni/Bolger to establish a standing Finance and Risk Management Committee.

AYES: Arrigoni, Bolger, Given, Gladstern, Haim, Hufford,
Phillips, Richardson, Sweet
NOES: none
ABSTAIN: none
ABSENT: Smith

The Chair appointed Trustee Arrigoni as committee Chair. Trustees Smith, Bolger, Richardson and Sweet will also serve.

It was M/S Gladstern/Richardson to combine the Board Governance and Member Services Committees.

Trustee Webb opined that a separate Member Services Committee should be constituted as a committee of the whole. Several trustees expressed concern regarding the challenges of convening a quorum. Trustee Given requested that the committees first establish charters to clearly outline the goals of each committee before they were formally convened.

Trustee Wofford reported that she continues to receive complaints about customer service in the department and that she had reached voice mail when she called recently. Trustee Webb echoed her concern stating that it took four minutes for staff to provide him with Counsel's telephone number when he last called. The Administrator responded, noting that although the retirement office has a receptionist continually on duty 8AM – 5PM, she may not be available to answer an incoming call if she is assisting another member. She also reported that a call log was established in February 2008 to record all incoming calls, and that the current receptionist, Rachel Varao, was doing an exceptional job of keeping the log current and capturing member requests. She stated that the office receives approximately 300 calls per month to the main number, plus dozens if not hundreds more to direct extensions.

Trustee Hufford noted the need for establishing reasonable customer service standards and Trustee Sweet suggested that individual member concerns be brought before the committee.

Counsel recommended creation of an ad hoc committee composed of the appointed Committee chairs to create proposed charters and bring them to the Board for adoption at the regular meeting.

Trustee Gladstern withdrew her initial motion.

It was M/S Gladstern/Sweet to separate Board Governance and Member Services standing committees, with an hoc committee comprised of the appointed chairs to establish committee charters.

AYES: Arrigoni, Bolger, Given, Gladstern, Haim, Hufford,
Phillips, Richardson, Sweet
NOES: none
ABSTAIN: none
ABSENT: Smith

The Chair appointed Trustee Gladstern as Chair of the Board Governance Committee. Trustees Haim and Webb agreed to serve.

The Chair appointed Trustee Wofford as Chair of the Member Services Committee. Trustees Given, Haim, Hufford and Webb agreed to serve.

- b. The Board discussed the content of the Chair's proposed letter to members and offered several changes for clarity and emphasis.

It was M/S Given/Haim to authorize distribution of the Chair's proposed letter to members as amended.

AYES: Arrigoni, Bolger, Given, Gladstern, Haim, Hufford,
Phillips, Richardson, Sweet
NOES: none
ABSTAIN: none
ABSENT: Smith

- c. Ms. Dunning explained that in response to requests that MCERA had received from the Marin Independent Journal and a general desire to improve MCERA's external communications, the ad hoc committee recommended that MCERA retain Marty Boyer, media consultant, on a limited-term basis, to assist Board members and staff who communicate with the press. Although the final contract was still in review, the negotiated rate for services was \$150/hour with a total expenditure cap of \$15,000. The Chair noted that the services provided by the media consultant were for external communications, while those of the recently created position of Administrative Services Technician would focus on member communications.

It was M/S Hufford/Gladstern to ratify the requested limited term contract.

Counsel clarified that the media consultant would assist Board members and staff with media communications to ensure that communications were clear, and that

they would not be communicating directly with the press. Trustee Gladstern and Trustee Haim opined that training in this area would improve Board communications. Trustee Given stated that he did not oppose the proposal, but would have preferred to review the final contract before approving. Counsel responded that contracts for limited-term assignments are not always presented to the Board.

The Chair called for the vote.

It was M/S Hufford/Gladstern to enter into a limited term contract for media consulting services with Marty Boyer.

AYES: Arrigoni, Bolger, Gladstern, Haim, Hufford, Phillips,
Richardson, Sweet
NOES: Given
ABSTAIN: none
ABSENT: Smith

The Board recessed at 10:47 A.M. and reconvened in open session at 11:00 A.M.

2. Mid-year Informal Performance Discussion – Retirement Administrator
(Closed Session)

The Board adjourned to closed session at 11:00 A.M, recessed for lunch between 12:30 and 1:15PM, then reconvened in closed session.

Trustees Haim, Hufford, and Wofford were excused from the meeting at 2:50 P.M.

The Board reconvened in open session at 2:58 P.M.

The Chair announced that no reportable action was taken during closed session.

3. Contract for Legal Services (Action)

Ms. Dunning disclosed a personal financial interest in the discussion, recused herself, and left the room at 2:59 P.M.

The Chair reported that the proposed 17% discount on legal fees was a result of negotiations between MCERA – represented by the Chair, Trustee Haim, and the Administrator – and General Counsel at Manatt, Phelps & Phillips in response to their initial fee proposal. The proposed rate schedule represented a 10% increase in current fees, but still provided for a discount from standard rates.

It was M/S Arrigoni/Webb to approve the amended contract for legal services with Manatt, Phelps and Phillips, LLP.

AYES: Arrigoni, Bolger, Given, Gladstern, Phillips, Richardson,
Sweet, Webb
NOES: none

ABSTAIN: none
ABSENT: Haim, Hufford, Smith

Ms. Dunning rejoined the meeting in progress at 3:02 P.M.

C. NEW BUSINESS

1. MCERA Code of Fiduciary Conduct, Ethics and Governance (Action)

- a. The Chair reported that following a response to a request by Trustee Webb to have a personal phone number printed on MCERA business cards, the matter was agendized for discussion to evaluate potential applicability of MCERA's Code of Fiduciary Conduct, Ethics and Governance. Counsel opined that the Code did not explicitly limit the type of information that should be printed on business cards, but that a printed personal phone number might imply that an individual member of the Board had authority to speak on behalf of the Board as a whole. Discussion included past and current practice, pros and cons of the inclusion of personal information on the printed cards, and alternatives.

It was M/S Arrigoni/Richardson to deny the request to have a personal phone number printed on MCERA trustee business cards.

AYES: Arrigoni, Bolger, Phillips, Richardson
NOES: Webb
ABSTAIN: Given, Gladstern, Sweet
ABSENT: Haim, Hufford, Smith

The motion failed for lack of a majority vote. The Chair directed staff to reagendaize the matter for the regular meeting scheduled 5/20/09 in order to bring the issue for a new vote in front of the full board.

- b. Ms. Dunning provided a brief update on the April 2009 California Supreme Court decision regarding political activities of public entities which prohibits the use of public funds to provide certain types of campaign materials, and inquired as to whether the Board felt the Code of Fiduciary Conduct, Ethics and Governance should be updated to include a paragraph on the topic.

It was M/S Bolger/Given to direct Counsel to revise the Code of Fiduciary Conduct, Ethics and Governance to include the matter of prohibiting the use of public funds for campaign materials and to bring it to the Board for approval at a future meeting.

AYES: Arrigoni, Bolger, Given, Gladstern, Phillips, Richardson, Sweet, Webb
NOES: none
ABSTAIN: none
ABSENT: Haim, Hufford, Smith

2. MCERA Travel Expense Policy (Action)

To comply with the provisions of the 2009 Political Reform Act, Ms. Dunning recommended amending the Trustee and Staff Travel Expense Policy to include an increase in the travel and education cap from \$390 to \$420. Ms. Dunning also

recommended that the board consider adding a provision that travel and lodging costs are not reimbursable if an event is within 50 miles of either MCERA's offices or the individual's residence. She noted that these changes were not mandated but were consistent with tax rules and state regulations related to employees and reimbursement.

Trustee Sweet expressed concern that the amendments did not adequately take into account multi-day training events with lengthy agendas and the inherent fatigue such events could cause for trustees required to drive long distances after a full day. Trustee Arrigoni agreed, and several trustees suggested excluding pre-approved events from the rule. Alternative travel options were presented by Ms. Benner such as the provision of van service. The Chair recommended that the Board adopt the recommendation of Counsel to show good faith in light of the current economic climate.

It was M/S Given/Arrigoni to approve the amended travel and expense policy as submitted.

AYES: Arrigoni, Bolger, Given, Gladstern, Phillips, Richardson, Sweet, Webb
NOES: none
ABSTAIN: none
ABSENT: Haim, Hufford, Smith

3. Appointment of Ad Hoc Committee (Action)

The Chair appointed Trustee Hufford as Chair of the ad hoc committee to assist with selection of an Assistant Retirement Administrator. Trustees Bolger and Smith will also serve, along with the Chair.

4. CPAS Implementation Progress Report and Related Information from Linea Solutions (Action)

Ms. Benner reported that although the CPAS project was slightly ahead of schedule, MCERA staff lacked adequate time to review the 1200+ page specification document prior to the anticipated signoff date. Akio Tagawa, President of Linea Solutions, suggested two possible courses of action: 1) halt the project for several months to give staff adequate time to review the specification documentation, or 2) rely upon the Linea Business Analyst and Project Manager's knowledge of the project and MCERA operations to continue forward with the project. It was staff's recommendation to authorize Linea to proceed with the project, opining that halting the project at this juncture presented a significantly higher financial risk than proceeding, given the ongoing involvement of the Linea team from inception.

It was M/S Richardson/Arrigoni to accept the recommendation and authorize MCERA staff to instruct Linea Solutions to proceed with CPAS implementation.

AYES: Arrigoni, Bolger, Given, Gladstern, Phillips, Richardson, Sweet, Webb
NOES: none
ABSTAIN: none
ABSENT: Haim, Hufford, Smith

5. SACRS Voting Proxy (Action)

It was M/S Arrigoni/Richardson to select Trustee Gladstern as SACRS voting delegate at the Spring Conference.

AYES: Arrigoni, Bolger, Given, Gladstern, Phillips, Richardson,
Sweet, Webb
NOES: none
ABSTAIN: none
ABSENT: Haim, Hufford, Smith

6. Voting Instructions to MCERA Delegate to SACRS Business Meeting, May 15, 2009
a. Election of SACRS Board of Directors (Action)

It was M/S Arrigoni/Bolger to instruct the MCERA voting delegate to vote the slate of nominees submitted by the SACRS Nominating Committee.

AYES: Arrigoni, Bolger, Given, Gladstern, Phillips, Richardson,
Sweet, Webb
NOES: none
ABSTAIN: none
ABSENT: Haim, Hufford, Smith

b. Copy of meeting agenda
Nothing to report.

7. Conference with Legal Counsel pursuant to Government Code §54956.9(b) – possible exposure to litigation. One case. (CLOSED SESSION)

The board adjourned to closed session at 3:40 P.M. and reconvened in open session at 4:00 P.M.

The Chair announced that no reportable action was taken during closed session.

There being no further business, the meeting was adjourned at 4:00 P.M.

James Phillips, Chairperson

Michael Smith, Secretary