

MINUTES

REGULAR BOARD MEETING MARIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

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

January 12, 2011 - 9 A.M.

<u>EVENT CALENDER</u>	9 A.M.	Regular Board Meeting
<u>CALL TO ORDER</u>	Chair Gladstern called the meeting to order at 9:05 A.M.	
<u>ROLL CALL</u>	PRESENT:	Bolger, Brenk, Given (non-voting), Gladstern, Haim, McFarland, Richardson, Walsh, Webb (non-voting), Wofford
	ABSENT:	Phillips

Chair Gladstern requested a moment of silence in observance of the shootings in Arizona.

SWEARING IN OF MARK WALSH

County Counsel Pat Faulkner administered the oath of office to Mark Walsh, County Treasurer, as Ex Officio Trustee to the Retirement Board.

MINUTES

It was M/S Wofford/McFarland to approve the December 8, 2010, Regular Board Meeting Minutes as submitted. The motion was approved by unanimous vote.

A. OPEN TIME FOR PUBLIC EXPRESSION

No public comment.

B. BOARD OF RETIREMENT MATTERS

1. Administrator's Report (Oral)
 - a. Administrator's update

Retirement Administrator Jeff Wickman reported that the IRS Plan Document Cycle E filing is nearing completion. The Administrator commended Assistant Retirement Administrator Helen Moody, Counsel Ashley Dunning, and Communications Associate Syd Fowler for their work on the project.

The Administrator will attend the CalAPRS Administrator's Roundtable in light of pertinent agenda topics.

The Strategic Workshop will be held at the Marin Community Center on March 30 and 31.

Administrator Wickman and the Senior Accountant are developing the budget for the next fiscal year based on Assembly Bill (AB) 609.

The MCERA office building at One McInnis Parkway will be fully occupied when the new tenant completes renovations. Mr. Wickman continues to address parking lot, signage, and procedural security matters.

The Administrator expects a heavier work load over the next few months due to the County's Voluntary Separation Incentive Program. Assistant Retirement Administrator Helen Moody reported that backlogs for retirement estimates and purchases have been addressed and benefit calculations are current.

The recent pre-retirement seminar was well attended.

One public records request including benefit amounts on twelve disability cases was recently fulfilled.

b. Staffing update

None.

c. Facility Use Report

The Marin County Association of Retired Employees (MCARE) held a meeting at the facility.

d. Future meetings

- January 13 Investment Committee
- January 27 Governance Committee
- February 9 Regular Board

2. Committee Reports

a. Communications and Member Services Committee

1. Approve Winter MCERA newsletter copy (Action)

Consider and take possible action to approve Winter MCERA newsletter copy.

It was M/S Brenk/Wofford to approve the Winter MCERA newsletter copy as submitted. The motion was approved by unanimous vote.

b. Ad Hoc CPAS Committee Report

1. Project Status Update

Administrator Wickman reported that October and November system builds received from CPAS contained the expected functionality and performed well.

The build delivered in December did not contain all the agreed upon functionality. All remaining functions would have to be included in the January build along with the high and medium system fixes identified by staff from the previous builds. Staff engaged CPAS in a discussion of whether this was a reasonable expectation that could be met. CPAS proposed to deliver the remaining functionality in the January build, and schedule two additional builds that would include all high and medium system fixes. Administrator Wickman noted that the two additional builds could impact the current go live date of April 1, 2011. MCERA staff and consultants are analyzing the schedule with a goal to report back to the Board at the February meeting whether there will be a schedule adjustment. This will also allow staff to receive and evaluate the January build.

There was general agreement in favor of Chair Gladstern and Trustee Walsh's assessment that a potential CPAS schedule delay may be necessary to safeguard the quality of the product and to ensure that its scope encompasses the desired result. Administrator Wickman agreed, explaining that initiation of user acceptance testing requires full functionality. He also affirmed that he is emphasizing project quality with CPAS as they coordinate resource allocation due to multiple clients.

c. Ad Hoc System Risk Committee Report

Ad Hoc System Risk Committee Chair Jerry Richardson stated that the Committee met with a third vendor and will bring a recommendation to the Board upon review of its research on the matter.

3. Trustee Comments
No comments.

C. LEGAL MATTERS

1. Conference with legal counsel -- anticipated litigation
Exposure to litigation pursuant to subdivision (b) of Section 54956.9: one potential case

No reportable action was taken on the item.

Chair Gladstern recessed Open Session at 9:40 A.M. and directed discussion to **Agenda Item D, Disabilities**, in Closed Session. Chair Gladstern reconvened the meeting in Open Session at 11:17 A.M.

D. DISABILITIES - (TIME CERTAIN: 10 A.M.)

All disability applications are considered in Closed Session unless applicant specifically waives confidentiality and requests that his or her application be considered in Open Session.
(Action)

<u>Applications to be Heard</u>	<u>Service/Non-Service Connected</u>	<u>Date of Application</u>	<u>Employer</u>
1. Steven Nash Initial consideration of an application for service-connected disability retirement filed by a Safety member.	Service	12/16/08	Marin County Sheriff
2. Wendy Collier Consider and take possible action re Administrative Law Judge's Findings of Facts and Recommended Decision.	Non-Service	8/10/07	Health & Human Services
3. Robert King Initial consideration of an application for service-connected disability retirement filed by a Miscellaneous member.	Service	5/29/09	Tamalpais Community SD

Chair Gladstern reported the following Board actions:

1. The Board granted Steven Nash's application for service-connected disability by unanimous vote. Trustee Wofford recused due to her employment in the same service.
2. The Board approved and adopted the Administrative Law Judge's Findings of Facts and Recommended Decision and denied Wendy Collier's request for non-service connected disability by unanimous vote. Trustee McFarland recused as he works for the same department.
3. The Board granted Robert King's application for service-connected disability retirement by a vote of 5-3, with Trustees Bolger, McFarland, and Richardson dissenting.

E. OLD BUSINESS

None.

F. NEW BUSINESS

1. FY 2010 Draft Annual Valuation Report
Consider Draft Valuation Report for FY 2010

Consulting Actuary Graham Schmidt of EFI Actuaries presented preliminary data from the fiscal year June 30, 2010 actuarial valuation for the Board's consideration and discussion.

Mr. Schmidt said that employer contribution rates increased by approximately 1% of payroll due to investment losses being smoothed into the valuation for fiscal years 2008-09, which resulted in lower funding levels. A lower payroll base for certain MCERA employers also put pressure on contribution rates.

Mr. Schmidt reviewed projected funding levels for each plan sponsor. Funding levels were calculated using existing economic assumptions including an assumed rate of return of 7.75%, amortization of 17 years and five-year smoothing, and 29-year amortization of 50% of investment losses. The actuary projects funding levels to decline for a few years during amortization of investment losses, and then increase as investment losses are all recognized in the valuation. Mr. Schmidt observed that significant increases in contribution, above the annually required contributions that must be adopted by the Board, would be required to prevent the short-term decline in funding levels.

A scenario posed by Trustee Walsh whereby the assumed rate of return is lowered in concert with a lower projected salary increase assumption would have minimal impact on funding levels, according to the actuary.

Mr. Schmidt noted that a permanent and significant reduction in covered payroll base would increase employer contribution rates. Likewise, he said, changes to the expected investment return or a significant change in asset allocation would affect contribution rates.

Mr. Schmidt reviewed the valuation report parameters and recommended retaining the current assumptions for the valuation report. Administrator Wickman confirmed the actuary's view. The next actuarial experience study will be conducted this summer and the information from the study combined with new capital market projections will give the Board the opportunity to have meaningful discussion about the economic assumptions and recommend any changes well in advance of the next valuation report. Mr. Schmidt also proposed standardizing amortization of asset rates across tiers within separate member classes in order to smooth rates for this year's report.

Trustee Bolger referred to the methodology for determining assumption rates, and Counsel advised that the Governance Committee will consider revisions to the Actuarial Economic Assumptions Policy to clarify the actuarial assumptions determination process.

Further discussions included the possibility of stress testing using different assumed rates of return, including real rates of return. Trustee Bolger voiced concern about other state pension systems experiencing financial difficulties. Mr. Schmidt acknowledged that he could not speak to the ability of plan sponsors to sustain regular payments to the plan but he also acknowledged that a significant factor in the management of the system is the employer's ability to pay required contributions. Administrator Wickman pointed out that MCERA has never suffered from a plan sponsor failing to pay its contributions.

Counsel Dunning observed that retirement benefits are protected by the California Constitution, and that a balance between the funding level and contributions is appropriate to control volatility, while maintaining prudent plan management.

Administrator Wickman emphasized the goal of generational equity and the recurring, long-term nature of Plan funding.

2. Client Conferences and Other Educational Opportunities

Approve and authorize expenditures for listed events

- a. Introduction to Investments 4/12-13/11 San Francisco, CA
Callan Investments Institute

* *additional information and agenda will follow at a later date*
 X *approve for attendance by hourly staff or counsel*
 X* *approve for attendance by executive staff*

Conference pre-approved.

3. Future Meetings

Consider and discuss agenda items for future meetings

No comments.

G. INVESTMENT INFORMATION

“X” indicates report distributed; * indicates report distributed electronically

PERIODIC REPORTS

1. Equities and Fixed Income

	Abbott Capital	-Private Equities Fund	
	Analytic Investors	-Equitized US Market Neutral Portfolio	
* X	Artisan Funds, Inc.	-International Equities Fund	
* X	The Clifton Group	-Futures Overlay Program	
	Columbus Circle Investors	-Small Cap Growth Portfolio	
* X	Dimensional Fund Advisors	-Small Cap Value Fund	
* X	Dodge & Cox	-Large Cap Value Portfolio	
	Eaton Vance	-Emerging Markets	
* X	Morgan Stanley	-International Equities Fund	
* X	Numeric Investors	-Equitized US Market Neutral Portfolio	
	Pathway Capital	-Private Equities Fund	
* X	Pyramis Global Advisors	-Equitized US Market Neutral Fund	
* X	Pyramis Global Advisors	-International Small Cap Equity Fund	
	RCM	-Large Cap Growth Equities Portfolio	
* X	Wellington Management	-Core Domestic Fixed Income Portfolio	
	Western Asset Management	-Core Plus Domestic Fixed Income Portfolio	

2. Real Estate

X	Woodmont Realty Advisors	-Direct ownership – Monthly report	
	AEW Capital Management	-Value Added Portfolio	Quarter
	ING Clarion	-Core Portfolio	Quarter
X	RREEF	-Value Added Portfolio	Quarter

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|----|--------------------------|----------------------------|--------------------------------------|
| | Woodmont Realty Advisors | -Direct Ownership | Quarter |
| 3. | <u>Market Neutral</u> | | |
| | X | Monthly Performance Report | -For period ending December 31, 2010 |
| 4. | <u>Other</u> | | |

H. OTHER INFORMATION

1. Approved Trustee Training Calendar
2. *Keeping in Touch* – January Issue, Retired Employees Association newsletter

I. CONSENT CALENDAR (Action)

It was M/S Haim/Brenk to approve the Consent Calendar as submitted. The motion was approved by unanimous vote.

There being no further business, Chair Gladstern adjourned the meeting at 1:02 P.M.

Maya Gladstern, Chair

Bernadette Bolger, Secretary