

MINUTES

BOARD GOVERNANCE COMMITTEE MEETING MARIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION (MCERA)

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

June 28, 2011 - 9 A.M.

CALL TO ORDER

Chair Brenk called the meeting to order at 9:05 A.M.

ROLL CALL

PRESENT: Bolger, Brenk, Burroughs, Gladstern, Haim, McFarland

ABSENT: Webb

MINUTES

It was M/S Bolger/Gladstern to approve the April 18, 2011, Governance Committee Meeting Minutes as submitted. The motion was approved by unanimous vote.

A. OPEN TIME FOR PUBLIC EXPRESSION

Note: The public may also address the Committee regarding any agenda item when the Committee considers the item.

No public comment.

B. OLD BUSINESS

None.

C. NEW BUSINESS

1. Travel Expense Policy (Action)

Consider and make possible recommendation to Board regarding amendments to Policy

Retirement Administrator Wickman presented proposed revisions to the Travel Expense Policy designed to clarify expense reimbursement guidelines. A cap on daily expenses and alignment of overnight lodging rules with County policy were among the recommendations. Based on the proposed changes, the Committee's deliberated the use of per diem versus reimbursing expenses based on receipts up to a maximum amount that would be set at the per diem limit. The Committee also discussed reimbursement of overnight travel prior to the start of a meeting or conference. Members discussed how to maintain balance between the system's duty to defray expenses while providing that only reasonable expenses be reimbursed as the Trustees carry out their fiduciary duties. Trustee Gladstern noted that the proposed policy may be too stringent by prohibiting overnight stay in certain circumstances, thus requiring "red-eye" flights to attend conferences commencing in the afternoon.

Trustee Burroughs shared elements of the County's proposed travel expense policy, including the option of using federal per diem rates, which streamline the accounting process, in lieu of tracking receipts. There was general agreement to Mr. Wickman's recommendation to align the policy as closely as possible with Marin County's travel policy while still recognizing the unique aspects of MCERA.

Chair Brenk provided the Committee's direction to table consideration of the proposed changes to the Travel Expense Policy, and to prepare, for the Committee's consideration at its next meeting, further proposed modifications to the Policy based on the input provided. Trustee Gladstern requested that the County's policy on travel expenses be made available on the MCERA Web site.

2. Fiduciary Insurance Related Policy (Action)

Consider and make possible recommendation to Board for creation of new Policy regarding fiduciary insurance renewals and claims processing

Mr. Wickman presented a proposed Fiduciary Insurance Related Policy setting the timing for reviewing fiduciary insurance renewals as well as guidelines for claims reporting. The Committee discussed clarifying within the policy that options by alternate insurance providers should also be provided to the Finance and Risk Management Committee. The Committee also clarified the expectation for having the Retirement Administrator present insurance policy options to the Finance and Risk Management Committee.

It was M/S Brenk/Bolger to recommend that the Board adopt the Fiduciary Liability Insurance and Claims Reporting Policy, amended to include the two requested clarifications. The motion was approved by unanimous vote.

3. Government Code Section 31529.9 (Action)

Consider and make possible recommendation to Board re adoption of Section 31529.9

Mr. Wickman stated that the proposed Resolution on adoption of Government Code Section 31529.9 clarifies how the system's legal expenses are paid. Counsel Dunning explained that the statute provides the Board with the authority to pay the legal expenses from assets of the system. Trustee Haim requested clarification of the statutes and the intent of the California constitution. Counsel Dunning replied that the legislature provides, in the currently proposed Section 31529.9, for reasonable dispensation of legal expenses from system assets.

It was M/S Bolger/Gladstern to recommend that the Board adopt the Resolution Regarding Adoption of Government Code Section 31529.9 as submitted. The motion was approved, with Trustee Haim abstaining in favor of further clarification.

AYES: Bolger, Brenk, Burroughs, Gladstern, McFarland

NOES: None

ABSTAIN: Haim

ABSENT: Webb

4. Redeposits (Action)

Consider and make possible recommendation to Board re potential resolution regarding length of time to redeposit contributions by installment contract

Mr. Wickman said that the proposed Resolution clarifies the Board's authorization of MCERA practice relating to redeposits of withdrawn contributions by installment contract. The nature of both redeposits and service credit purchases was discussed, including the fact that pre-tax contracts may not be altered. Staff clarified that service purchases are required to be completed prior to retirement or death.

It was M/S Haim/Bolger to recommend that the Board adopt the Resolution Regarding Redeposits by Installment Contract as submitted. Trustee Bolger asked whether the information in the Resolution would be provided to members, and staff said it would. The motion was approved by unanimous vote.

5. Delegation of Authority to Retirement Administrator (Action)

Consider and make possible recommendation to Board re potential resolution delegating certain authority to Retirement Administrator

The Committee considered the proposed Resolution delegating limited authority to the Retirement Administrator to enter into contracts and settle claims below dollar thresholds established in the Resolution. The methods of reporting such actions according to their value were considered, and the Committee discussed proposed revisions in order to provide for proper Board and public notification.

It was M/S Gladstern/McFarland to recommend that the Board adopt the Resolution Specifying Delegation Regarding Certain Transactions to Retirement Administrator as amended according to Committee discussions. The motion was approved by unanimous vote.

6. Plan Document

Update Board re status of compilation and review of Plan Document

Mr. Wickman presented the Plan Document to the Committee, noting that while it is complete from MCERA's perspective, MCERA is continuing to work with plan sponsors to determine whether any additional documents can be identified to be added to it. In addition, Mr. Wickman noted that as the legislature, plan sponsors and/or the MCERA Board take actions that impact the terms or interpretations of the Plan, those actions will be included in the Plan Document. Thus, it remains a "living" document that will come before the Committee at least annually for review. Mr. Wickman commended the efforts by Counsel Ashley Dunning, Assistant Retirement Administrator Helen Moody, and Communications Associate Syd Fowler to document this comprehensive record. The ultimate goal for the electronically maintained document is to have a searchable PDF.

Chair Brenk recessed the meeting for a break at 11:23 A.M., reconvening at 11:30 A.M.

7. Policy Guidelines for Retirement Security

Discuss the creation of guidelines that define MCERA position on providing retirement security through defined benefit retirement plans.

Chair Brenk brought the CalPERS Policy Guidelines for Retirement Security to the Committee's attention, and he requested background on why the Policy was developed by CalPERS. Mr. Brenk said that since CalPERS undertook the guidelines, it is an appropriate discussion for MCERA to consider whether it should have similar guidelines. Trustee Gladstern said that discussions have occurred on the fact that defined benefit plans are expected to provide retirement security.

Counsel Dunning pointed out the need to balance the Board's role as administrator of the plan and educator, versus an advocacy role. Trustee Gladstern observed that members of the Board are responsible for managing the current defined benefit plan as established by the Plan Sponsors. Trustee Burroughs recommended the Board take a neutral position regarding defined benefit versus defined contribution plans, and Trustee Gladstern agreed, observing that MCERA's relationship with plan sponsors differs from that of CalPERS and the legislature.

Based on the discussion the Committee did not recommend developing similar policy guidelines for MCERA.

8. Next Committee meeting

Consider possible agenda topics, including without limitation, possible senior management contingency policy, compensation earnable resolution clarifying exclusion of severance pay, and proxy voting policies, and set date for next meeting

The Committee discussed several topics for potential consideration, including a plan to set forth a structure for executive succession planning. Administrator Wickman presented an example of a Senior Management Contingency Plan for the Committee's review, and the Committee agreed to agendaize the matter for discussion at the next Committee meeting.

The discussion turned to proxy voting, with Trustee Gladstern recommending improving proxy voting guidelines. An ad hoc committee comprised of Trustees Bolger and Gladstern will work with the Retirement Administrator and counsel to develop enhanced proxy voting guidelines.

Another potential agenda topic considered by the Committee was the concept of clarifying the Board's interpretation of compensation earnable with respect to severance pay if it is paid to an employee before his or her separation date. The Committee agreed to consider the topic at its next meeting.

There being no further business, Chair Brenk adjourned the meeting at 12:12 P.M.

Greg Brenk, Chair

Attest: Jeff Wickman, Retirement Administrator