

MINUTES

**REGULAR BOARD MEETING
MARIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION**

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

October 12, 2011 - 9 A.M.

EVENT CALENDER 9 A.M. Regular Board Meeting

CALL TO ORDER Chair Gladstern called the meeting to order at 9:05 A.M.

SWEARING IN OF ROY GIVEN

County Counsel Pat Faulkner administered the oath of office to Roy Given, who was appointed Director of Finance for Marin County.

ROLL CALL PRESENT: Bolger, Brenk, Given, Gladstern, Haim, McFarland, Phillips,
Richardson, Webb (retiree alternate)

ABSENT: None

MINUTES

It was M/S Bolger/Brenk to approve the September 14, 2011, Regular Board Meeting Minutes as submitted. The motion was approved by unanimous vote.

A. OPEN TIME FOR PUBLIC EXPRESSION

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

No public comment.

B. BOARD OF RETIREMENT MATTERS

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

Retirement Administrator Jeff Wickman reviewed the special safety election process and timeline. The election will take place on December 16. Plan sponsors have been notified of the election and asked to encourage interested individuals to review the nominations process. Election information is available on MCERA's Web site.

Staff continues to distribute information to retirees and host information sessions for members about the Marin County medical plan redesign effort. The fourth and final session is scheduled in November.

The annual member benefits statements were sent to active and deferred members ahead of last year's schedule.

At the September CalAPRS Administrator's Institute, Mr. Wickman participated in a communications round table with San Diego City Employees' Retirement System and CalPERS. Communications service challenges and the development of social media by larger systems to enhance customer service were discussion topics. Other presentations included updates on state and federal legislative actions, outsourcing of investment management, the challenges of software implementation, and the move to electronic Board packets.

Negotiations with Chartis for renewal of fiduciary liability insurance are complete.

A Public Records Act request for trustee expenses over the last fiscal year was received. The Finance and Risk Management Committee monitors expenses at each committee meeting. Trustee Haim stated his belief that conference attendance enhances the ability of Board members to carry out their duties.

b. See below.

c. Staffing update

Implementation of the staffing plan continues as reported in Agenda Item B.1.b.

d. Facility Use Report

Medical plan redesign sessions have been hosted by MCERA.

e. Future meetings

- October 20 Governance Committee
- November 2 Regular Board
- November 3 Investment Committee

Chair Gladstern directed deliberations to **Agenda Item F.2** at 10:05 A.M.

F. NEW BUSINESS

2. Member Request for April 1 COLA (Action)(TIME CERTAIN – 9:15 A.M.)

Consider and take possible action on retired member Bruce Stahley's request for April 1, 2011 COLA

MCERA member Bruce Stahley requested that the Board move his retirement date from April 1, 2011, to March 31, 2011, so that he would be eligible to receive the April 1,

2011, COLA. Mr. Stahley acknowledged that he was advised by MCERA staff that if retired on April 1st he would be ineligible for the annual COLA.

Mr. Wickman stated that MCERA has a consistent practice of applying the COLA and therefore staff recommends not granting the requested COLA. Documentation regarding the circumstances of Mr. Stahley's retirement was presented to the Board. It was noted that the County determines the last date of employment. Trustees Haim and Brenk acknowledged Mr. Stahley's dedication, but advised him that the Board must adhere to legal rules.

It was M/S Haim/Phillips to deny Bruce Stahley's request for an April 1, 2011, COLA. The motion was approved by unanimous vote.

Chair Gladstern directed deliberations to **Administrator's Report, Agenda Item B.1.b.**

b. Business Objectives for FY 2011/12 Quarterly Review

Mr. Wickman reported on the progress of the CPAS implementation. Staff are still on target for a January 1, 2012, implementation. Once the system is in place, the performance measures established in the FY 2011/12 budget will be implemented and reported to the Board.

The hiring of two extra hires has been completed. The third extra hire conversion is in process. The conversion of the accounting assistant to Member Services Tech has been completed. Two other position changes are still in process.

Mr. Wickman plans to attend an investment seminar that does not conflict with MCERA Board meetings.

Communications staff continues to expand the publications available on the MCERA Web site, including the Disposition of Retirement Contributions and rollover notice. The new actuarial experience study will soon be available, along with the final audited financial statements for the last fiscal year. An updated member handbook and a new disability handbook are in development. Staff will also begin focusing on the effort necessary to create a comprehensive annual financial report (CAFR).

2. Committee Reports

a. Communications and Member Services Committee

1. Approve Fall MCERA newsletter copy (Action)

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

Chair Gladstern appointed Trustee McFarland as Chair of the Communications and Member Services Committee, due to the previous Committee Chair's resignation from the Board.

Communications staff member Syd Fowler stated that newsletter topics are designed to be responsive to member interests. For example, recent survey results showed a preference for more information on Social Security.

Chair Gladstern said that the Committee gave careful consideration to the newsletter copy, made revisions per discussions, and is satisfied with the copy as presented.

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

b. Finance and Risk Management Committee

1. Administrative Budget FY 2010/11 Review

Mr. Wickman presented the budget for the prior fiscal year which came in below the allocated amount. The Committee reviewed the budget and found no concerns, according to Finance and Risk Management Committee Chair Bolger.

2. Quarterly Checklist

Ms. Bolger stated that upon the Committee's review of the Quarterly Checklist, one matter of concern was identified.

3. Ratify Change to the Short-Term Investment Fund (STIF) (Action)

Consider and take possible action to ratify Finance and Risk Management Committee action to direct Administrator to transfer investments from the current STIF fund to the U.S. Government STIF fund at State Street

Committee Chair Bolger stated that the Committee determined, based on the recommendation of staff and investment consultant, that reducing risk in the STIF, which is primarily cash, was advisable. The Committee directed Administrator Wickman to move the account to the U.S. Government STIF account, subject to the Board's subsequent ratification of its action.

Trustee Bolger explained that the original STIF account was composed primarily of foreign debt issues, which raises credit quality concerns. There was discussion about the duration and nature of assets in the STIF account. In response to Trustee Haim's inquiry, she stated that the return in the U.S. Government STIF fund will be 7 instead of 20 basis points for the current STIF. Trustee Given concurred with Trustee Phillips' assessment that the reduced return should not be a deciding factor because there is no reason to assume risk in the short-term cash account.

It was M/S Richardson/Haim to ratify the Finance and Risk Management Committee action to direct the Retirement Administrator to transfer investments from the current STIF fund to the U.S. Government STIF fund at State Street. The motion was approved by unanimous vote.

Other Committee matters included an analysis of portfolio risk presented by Callan Associates Investment Consultant Kevin Dunne. Mr. Dunne reviewed risk assessment and risk attribution by asset class and manager, and presented other risk metrics reports available from Callan Associates.

c. Investment Committee

1. Watch list (Action)

Consider and take possible action to replace Clarion Partners portfolio

Investment Committee Chair Phillips referred to prior discussions regarding Clarion Partners. Mr. Dunne indicated that concerns about Clarion Partners include the uncertainty of likely future ownership change and performance. Leverage exceeded 35% in 2009 and 2010 as the financial crisis drove valuations down, he stated.

Trustee Bolger expressed reservations about the portfolio and observed that the fund's previous owner pulled out of the United States. Trustee Phillips referred to the recent decision to hire two new core real estate managers, whose lower debt levels are a better match for the MCERA Fund. Mr. Dunne noted that if MCERA were to terminate Clarion Partners this is a notification requirement and funds would be redeemed at the end of the next quarter.

It was M/S Phillips/McFarland to approve replacement of the Clarion Partners portfolio. The motion was approved by unanimous vote.

2. Core real estate allocation (Action)

Consider and take possible action to determine allocation and funding for new core real estate managers Cornerstone and UBS Realty Investors

Trustee Phillips reviewed characteristics of the core real estate portfolios of Cornerstone and UBS Realty Investors. Board members considered potential funding levels for the portfolios based on the current real estate allocation versus the 12% target, and the timing of entry queues for each. Mr. Dunne recommended allocating less than the approximately \$50 million available to allow for market fluctuations. Trustee Haim suggested planning for potential additional contributions by MCERA.

It was M/S Richardson/Brenk to allocate a total of \$30 million to the new core real estate managers, with \$15 million to Cornerstone and \$15 million to UBS Realty Investors. The motion was approved by unanimous vote.

Chair Gladstern recessed Open Session and directed deliberations to **Agenda Items D** and **C** in Closed Session at 10:06 A.M.

Chair Gladstern adjourned Closed Session at 12:15 P.M. The meeting was recessed for lunch, and reconvened in Open Session at 1:05 P.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. Gareth Nicholas	Service and Non-Service	8/23/10	Marin County IST Dept.
Initial consideration of an application for service and non-service-connected disability retirement filed by a Miscellaneous member.			
2. Albert Flores	Service	4/5/10	Marin County Sheriff
Initial consideration of an application for service-connected disability retirement filed by a Safety member			
3. Gary Alvey	Service	6/8/10	Marin County Fire Dept.
Initial consideration of an application for service-connected disability retirement filed by a Safety member			

1. Nicholas - The Board granted non-service-connected disability retirement to Gareth Nicholas and denied his request for service-connected disability retirement subject to the applicant's right to request an administrative hearing within 90 days. Motion was by Bolger/McFarland and the vote was 7-0. Chair Gladstern recused herself, due to a potential conflict because she worked on the same team as the applicant and had participated on other various initiatives with him.
2. Flores - The Board granted non-service-connected disability retirement to Albert Flores and denied his request for service-connected disability retirement subject to the applicant's right to request an administrative hearing within 90 days. Motion was by Bolger/Phillips and the vote was 8-0.
3. Alvey - The Board granted service-connected disability retirement to Gary Alvey. Motion was by Haim/Given and the vote was 8-0.

C. LEGAL MATTERS

1. Conference with Legal Counsel--Anticipated Litigation (CLOSED SESSION)
Significant exposure to litigation pursuant to subdivision (b) of Section 54956.9: one case.

No reportable action.

2. Conference with Legal Counsel – Anticipated Litigation (CLOSED SESSION)
Potential initiation of litigation pursuant to subdivision (c) of Government Code sec. 54956.9: one case

No reportable action.

BOARD OF RETIREMENT MATTERS continued.

d. Ad Hoc CPAS Committee Report

1. Project Status Update

Mr. Wickman stated that CPAS user acceptance testing is progressing well. The last data conversion will be in the build scheduled for October 17. Parallel testing would begin at the end of October and run through the November and December business cycles subject to a successful implementation of the final build.

Staff will be developing communications to describe the new CPAS system and its benefits with regard to MCERA processes. Also underway are preparations for managing the new payroll process.

Ms. Gladstern inquired about the relationship with CPAS management, and Mr. Wickman said that the firm is providing adequate resources and is pleased that the implementation is going forward.

3. Trustee Comments

Trustee Phillips congratulated Trustee Given on his position as permanent Board member based on his new position as Director of Finance for Marin County.

E. OLD BUSINESS

1. Determine Salary of Assistant Retirement Administrator appointee (Action)

Consider and take possible action to determine salary of Assistant Retirement Administrator.

Mr. Wickman reported that Michelle Hardesty accepted the Board-approved offer of the Assistant Retirement Administrator position with a start date of October 24, 2011. Mr. Wickman recommended that the Board approve a starting salary of \$136,094, the entry salary step provided for in the Marin County salary ordinance.

It was M/S Given/Richardson to approve a salary of \$136,094 for the new Assistant Retirement Administrator. The motion was approved by unanimous vote.

Administrator Wickman recognized the significant contributions of Assistant Retirement Administrator Helen Moody over the last three years. Mr. Wickman praised Ms. Moody's skills, ability, and extensive knowledge as well as her efforts to move the organization forward. Ms. Moody remains on board to assist with the transition to

CPAS as well as be available to Ms Hardesty for transition issues. Trustee Phillips added that much is owed to Ms. Moody for her dedication and service.

3. System Risk Analysis Contract (Action)

Consider and take possible action to extend contract with SF Sentry to provide system risk analysis for MCERA for one year

Mr. Wickman said that in March a contract was approved for SF Sentry to perform a system risk analysis. An ad hoc committee guided the project over several months which culminated in presentation of a quarterly system risk report through June 30, 2011, at the Strategic Workshop. Based on the report, the Ad Hoc System Risk Committee recommended continuing SF Sentry's services for one year at \$8,000 per month to include personal reporting to the Finance and Risk Management Committee quarterly and to the Investment Committee once per year. Trustee Webb requested pre-meeting review of reports. Chair Gladstern indicated that risk study results will be analyzed by the Finance and Risk Management Committee.

It was M/S Richardson/Phillips to approve the contract extension with SF Sentry to provide system risk analysis for MCERA for one year.

AYES: Bolger, Brenk, Gladstern, Haim, McFarland, Phillips, Richardson

NOES: Given

ABSTAIN: None

ABSENT: None

4. Future Meetings

Consider and discuss agenda items for future meetings

The Board calendar for 2012 will be completed in December. Trustee Bolger requested additional discussions on commission recapture. The Ad Hoc CPAS Committee will meet between the November and December Board meetings.

G. INVESTMENT INFORMATION

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

PERIODIC REPORTS

1. Equities and Fixed Income

- | | | |
|-----|---------------------------|------------------------------|
| | Abbott Capital | -Private Equities Fund |
| * 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
- Pathway Capital -Private Equities Fund
- * X Pyramis Global Advisors -International Small Cap Equity Fund
- * X RCM -Large Cap Growth Equities Portfolio
- State Street Global Advisors -S&P 500 Flagship Non-Lending
- 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
- Clarion Partners -Core Portfolio Quarter
- RREEF -Value Added Portfolio Quarter
- Woodmont Realty Advisors -Direct Ownership Quarter
- 3. Other

H. OTHER INFORMATION

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

I. CONSENT CALENDAR (Action)

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

CONSENT CALENDAR for MCERA MEETING, WEDNESDAY, OCTOBER 12, 2011 CONSENT CALENDAR September 2011		
RETURN OF CONTRIBUTIONS		
Jodie Brooks	County of Marin	45.05
Scott Clark	County of Marin	124.78
Diana Glasco	County of Marin	5,315.49
Patricia Hammond	County of Marin	3,146.97
Brian James Karr	County of Marin	3,450.68
Leilani Victorino	County of Marin	158.06
Michelle Pata	City of San Rafael	<u>56,647.93</u>
	TOTAL	68,888.96\$
BUYBACK		
Sabrina Olson	City of San Rafael	
NEW RETIREES		

Louise Belle	Courts	County of Marin
George Hasler	Courts	County of Marin
Judith Arbini	Elections	County of Marin
Vincent Nuzzo	Elections	County of Marin
Gill Smith	Employment and Training	County of Marin
Joan Brown	HR	County of Marin
Stuart Buttlair	H&HS	County of Marin
Adrienne Plasse	H&HS	County of Marin
Linda Rouda	H&HS	County of Marin
Barbara Williamson	H&HS	County of Marin
Julie Broadwater	Sheriff	County of Marin
Stephen Debrunner	Sheriff	County of Marin
Brett Fifita-Gleeson		County of Marin
Bradley Mark		City of San Rafael
Scott Clark		City of San Rafael
Phillip Green		City of San Rafael

RESCINDED RETIREMENTS

DECEASED RETIREES

Marilyn Belin	Courts	County of Marin
Timothy Underwood	DPW	County of Marin
June Nelson	H&HS	County of Marin
Ruth Eisen	HR	County of Marin
June Lasater	Beneficiary	County of Marin

CONFERENCES/SEMINARS
CalAPRS Administrator's Institute
Administrator Wickman
CalAPRS Benefits Roundtable
J. Bamford

Chair Gladstern recessed the meeting for a break at 1:55 P.M., reconvening at 2:04 P.M. and directing deliberations to **Agenda Item F.1.**

Trustee Phillips was excused from the meeting at 2 P.M.

NEW BUSINESS continued.

1. Financial Statements for 2011 (TIME CERTAIN - 2:00 P.M.) – Brown Armstrong, Andrew Paulden
 Consider and discuss auditor’s review of audited financial statements

MCERA 2011 Financial Statements received an unqualified clean opinion by Brown Armstrong, CPA. Andrew Paulden, Partner and CPA, is responsible for auditing services and providing the written opinion on the accuracy of the MCERA financial

statements. Mr. Paulden reviewed the audit process and information contained in the statements and audit reports.

Mr. Paulden reported that the audit process went smoothly and staff cooperation was good. Audit activities include examination of internal controls for personnel and financial reporting processes. Of the approximately 300 hours to conduct the audit, between 70 and 80% are used to focus on the greatest risk which would be a material error in investment value, for example. Trustee Haim referred to real estate values, and Mr. Paulden stated that appraisals are examined to assure they are not stale. Considerable attention is given to benefit payments, the Fund's largest outflow, and the validity of active plan participants. Trustee Gladstern inquired about samples, and Mr. Paulden stated that 60 participants are selected for random studies. Additionally, Board and Committee meeting Minutes are reviewed.

Trustees Haim and Richardson commended staff for the audit report.

The Board discussed the notes to financial statements which are provided by MCERA staff. There were recommended changes to the text however none of the changes affected the financial statements themselves. Counsel Dunning's suggested that because the changes were to the text and not the underlying financial data that makes up the report the Board could adopt the audit as presented.

Mr. Wickman stated that risk management is a continual process and he expressed appreciation for the value of Brown Armstrong's audit.

It was M/S Haim/Richardson to approve the MCERA Financial Statements for 2011 as submitted. The motion was approved by unanimous vote.

There being no further business, Chair Gladstern adjourned the meeting at 2:51 P.M.

Maya Gladstern, Chair

Bernadette Bolger, Secretary