

MINUTES

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

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

February 8, 2012 - 9 A.M.

EVENT CALENDER 9 A.M. Regular Board Meeting

SWEARING IN OF KIM STEVENS

Kim Stevens was sworn in by the County of Marin on February 6, 2012.

CALL TO ORDER Chair Gladstern called the meeting to order at 9:02 A.M.

ROLL CALL PRESENT: Bolger, Brenk, Given, Gladstern, Haim, McFarland,
Richardson, Stevens, Webb

ABSENT: None

MINUTES

It was M/S Haim/Richardson to approve the January 11, 2012, Regular Board Meeting Minutes as submitted. The motion was approved by unanimous vote.

It was M/S Richardson/Brenk to approve the January 12, 2012, Investment Committee Meeting Minutes as amended. 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.

F. NEW BUSINESS

1. Draft Actuarial Valuation Report, FY 2010/11 – Graham Schmidt, EFI (TIME CERTAIN: 9:10 A.M.)

Consider and provide direction re draft Valuation Report

Retirement Administrator Jeff Wickman introduced Graham Schmidt of EFI Actuaries to present the preliminary Actuarial Valuation results. Mr. Schmidt explained that the preliminary results were based on the assumption changes adopted by the Board from

the recent Experience Study and the data provided by MCERA as of June 30, 2011. The final Actuarial Valuation which will be presented to the Board in April will contain the required member and employer contribution rates effective from June 30, 2012.

Mr. Schmidt stated that the valuation shows that the Plan's funding level improved due to significant investment returns during the fiscal year. Based on actuarial smoothing of assets and liabilities, the total Plan funded ratio is 72%, with most plan sponsors showing improved funding. Mr. Schmidt noted that the market value of assets was now roughly equal to the projected actuarial value of assets.

Mr. Schmidt reviewed the projected employer contribution rates, which increased in part due to assumption changes and deferred recognition of prior-year investment losses. He reminded the Board that it had deemed one-half of fiscal year 2009 investment losses to be extraordinary, and thus those losses are being amortized on a separate schedule.

Mr. Schmidt provided a detailed review of each economic assumption and how changes effectively increase and/or decrease required contributions. In concluding his review, he projected future contributions rates for each plan sponsor using the recently adopted changes in the investment and inflation assumption. Trustee Brenk observed that amortization and actuarial smoothing serve to minimize volatility in contribution rates.

In response to Trustee Steven's inquiry, Mr. Schmidt explained the amortization structure for the unfunded actuarial liability. As part of the June 30, 2009 valuation, Board adopted a 17 year amortization schedule for the non-extraordinary portion of the unfunded liability. The Board determined that this amortization period would remain at the same period of 17 years for five years (temporary rolling amortization period) and then decrease by one year increments until reaching 10 years. The Board also decided to amortize the extraordinary investment losses over a fixed 30 year period.

Audience member David Brown inquired about the concept of fiduciary duty, and requested information on contribution rates and funded ratio values resulting from the actuary's simulations. Counsel Dunning advised that the fiduciary duty of trustees is to the overall best interest of the members and beneficiaries of the Plan. She noted that under the California Constitution, that duty is identified as "primary", and that there is a secondary duty identified in the state Constitution to minimize employer contributions, so long as the primary duty is met. Mr. Schmidt directed Mr. Brown to the Experience Study for results of the actuary's simulations.

2. Annual Cost of Living Adjustment as of April 1, 2012 (Action)
Consider and take possible action to affirm actuarial calculation of annual cost of living increase for retirees.

Mr. Wickman reviewed his memo to the Board explaining that the Board is not granting a cost of living adjustment (COLA), but is instead reviewing and affirming the actuary's calculation of post-retirement COLA benefits, as set forth in the '37 Act, that MCERA plan sponsors previously granted their employees. Mr. Wickman noted that the COLA a

retiree receives is based on his or her retirement tier. The COLA is subject to a capped amount of 2%, 3% or 4% depending on tier, but that some retirees may be able to use previously “banked” amounts to increase the COLA they receive, up to their capped amount, even if the applicable CPI has not reached that capped amount in a given year.

Mr. Schmidt reported an annual COLA of 2.5% as of April 1, 2012. The value is the two-year average annual CPI for the San Francisco Bay Area rounded to the nearest half percent. The Board reviewed COLA calculations presented by the actuary.

It was M/S Haim/McFarland to affirm the actuarial calculation of the Annual Cost of Living Adjustment for retirees as of April 1, 2012. The motion was approved by unanimous vote.

The Chair recessed Open Session and directed deliberation to **Agenda Item B, Disabilities**, and **Agenda Item D, Legal Matters**, in Closed Session at 10:05 A.M.

B. 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. Don Florence Member request to defer initial consideration of an application for service-connected disability retirement to March meeting. | Service | 4/7/10 | Marin County Fire Dept. |
| 2. Christopher Dwyer Initial consideration of an application for service-connected disability retirement filed by a Safety member. | Service | 2/22/11 | Marin County Fire Dept. |

Chair Gladstern recessed Closed Session and reconvened in Open Session at 11:00 A.M.

It was M/S Richardson/Brenk to grant a 30-day extension for Don Florence’s application for service-connected disability retirement. The motion was approved by unanimous vote.

It was MS Richardson/Given to grant Christopher Dwyer’s application for service-connected disability retirement. The motion was approved by unanimous vote.

D. LEGAL MATTERS

1. Conference with Legal Counsel – Pending Litigation (CLOSED SESSION)
In re AXA Rosenberg Investor Litigation, Master File No. CV 11-00536 JSW (N.D. Cal.)

It was M/S Bolger/McFarland to approve filing of the Proof of Claim and Release, *In re AXA Rosenberg Investor Litigation*. The motion was approved by unanimous vote.

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

No reportable action.

The Chair directed deliberations to **Agenda Item C.**

C. BOARD OF RETIREMENT MATTERS

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

Mr. Wickman reported Michelle Hardesty is fully transitioned into her role of managing MCERA benefit services. Helen Moody will continue on with MCERA and serve as Special Assistant to the Retirement Administrator.

The multi-year program to implement a new benefits management system, CPAS, crossed the key milestone of producing the January retiree payroll. Chair Gladstern commended the staff for this notable accomplishment.

New members of the Board include Board of Supervisors appointee Kim Stevens, elected Safety member Chris Cooper, and Safety alternate Alan Piombo. Safety members will join the Board at the March meeting after the Board of Supervisors affirms the election results.

A new request for retiree payroll data was received from a Bay Area news group.

Mr. Wickman briefed the Board on deadlines for administrative items such as Annual Affirmations and Form 700.

Staff will present an analysis of the Governor’s proposed 12-point plan for pension reform at the March Board meeting.

- b. Staffing update

A member services technician position was approved by the Board of Supervisors for this year’s budget.

- c. Facility Use Report

No facility use.

- d. Future meetings

- February 16 Finance and Risk Management Committee
- March 14 Regular Board

2. Committee Reports

a. Governance Committee

1. Plan Document

Review staff updates to Plan Document

Governance Committee Chair Brenk stated that the Committee reviewed updates to the Plan Document provided by staff.

2. Economic Assumptions Policy (Action)

Consider and take possible action on Governance Committee's recommendation regarding updates to the Economic Assumptions Policy

Mr. Brenk reviewed proposed revisions to the Economic Assumptions Policy that clarify the adoption process and include recently revised economic assumptions.

Based on the action of the Governance Committee, Chair Brenk recommended that the Board adopt revisions, as amended, to the Policy Regarding Adoption of Actuarial Economic Assumptions. The motion was approved by unanimous vote.

3. Accessibility of Records Policy (Action)

Consider and take possible action on Governance Committee's recommendation regarding possible amendments to the Accessibility of Records Policy

Counsel Dunning stated that proposed revisions to the Accessibility of Records Policy align with Court of Appeals decisions, and a recent Los Angeles Superior Court decision that analyzed the Court of Appeals decision, regarding non-confidentiality of service credit information and non-confidentiality of retirement option selections by a member.

Based on the action of the Governance Committee, Committee Chair Brenk recommended that the Board adopt revisions to the Accessibility of Records Policy as submitted. The motion was approved by unanimous vote.

4. MCERA Officer Selection

Discuss procedure for selection of MCERA officers

Upon consideration of an example of a formal process for selection of MCERA officers, the Committee determined to retain a more informal and flexible approach, and will review potential revisions presented by staff at future meetings.

5. Investment Code of Conduct and Insider Trading Policy Review (Action)

Consider and take possible action on Governance Committee's recommendation regarding amendments to the Investment Code of Conduct and Insider Trading Policy

Mr. Brenk reported that the Committee conducted a triennial review of the Investment Code of Conduct and Insider Trading Policy, as provided in the Policy, without revision.

Based on the action of the Governance Committee, Chair Brenk recommended that the Board affirm review of the Investment Code of Conduct and Insider Trading Policy. The motion was approved by unanimous vote.

6. Class Action Securities Litigation Mid-Year Report
Review report per subject Policy

Mr. Wickman reported minimal impact to staff as the result of the lowered threshold for considering lead plaintiff or other active participation in class action litigation. Staff will review developments regarding related overseas activity with securities litigation monitoring firms.

b. Ad Hoc Education Committee
1. Strategic Planning Workshop Agenda
Consider and review agenda topics

The Board accepted proposed topics for the Spring Strategic Planning Workshop, as reviewed by Ad Hoc Education Committee Chair Webb.

3. Trustee Comments

Trustees Brenk and McFarland reported on their attendance at the Dimensional Fund Advisors conference, which included discussions of investment analysis techniques and proprietary trading methods. Associated materials from the conference are available.

Chair Gladstern and Trustee Webb attended the Callan Associates National Conference, which included presentations on global issues affecting the capital markets. Trustee Webb said that the conference reinforced his confidence in MCERA's investment consultant.

Ms. Gladstern offered informative materials from a global fixed income presentation she attended at the CalAPRS Trustee's Round Table. While there she learned of pending litigation involving a retirement system's objection to the reduction of employee benefits by its related county. Ms. Gladstern encouraged members of the Board to attend the next Trustee's Round Table on the 8th of June.

At the CalAPRS Attorney's Round Table, Counsel Dunning attended a discussion about the United States Supreme Court's "*Morrison*" decision, which no longer permits securities litigation over securities purchased on foreign exchanges to be filed in federal court in the United States. Such suits would need to be filed either in foreign jurisdictions, or in State court. Staff is analyzing the potential effect of the Court's decision on the Fund's risk profile.

E. OLD BUSINESS

1. Due Diligence

Consider and discuss investment manager and related site visit schedule for 2012

The due diligence schedule lists investment managers that are due for an on-site review. Planning for the visits will be discussed when a replacement for the Callan Associates investment representative is available, based on the recommendation of Investment Committee Chair Richardson.

The Chair directed deliberations to **Agenda Item F.4.**

NEW BUSINESS, continued.

4. Notification of SACRS Board of Director Elections 2012-2013

Consider and discuss election process and deadlines

Chair Gladstern reviewed the SACRS election notification to limited discussion.

The Chair directed deliberations to **Agenda Items G, H, and I.**

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 | |
| * X | Columbus Circle Investors | -Small Cap Growth Portfolio | |
| * X | Dimensional Fund Advisors | -Small Cap Value Fund | |
| * X | Dodge & Cox | -Large Cap Value Portfolio | |
| * X | 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

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

3. Other

H. OTHER INFORMATION

1. **Trustee Training Calendar (Action)**

It was M/S Richardson/McFarland to approve the LA Trustee Network Pension Trustee Round Up, the RREEF Client Conference, and the Wharton Portfolio Management course. The motion was approved by unanimous vote.

2. *Keeping in Touch* – February Issue, Retired Employees Association newsletter

I. CONSENT CALENDAR (Action)

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

CONSENT CALENDAR for
MCERA MEETING, WEDNESDAY, FEBRUARY 8, 2012

CONSENT CALENDAR
January 2012

RETURN OF CONTRIBUTIONS
TOTAL -\$

BUYBACK

Ivonne Van Buuren
Betty Ann Jackson

County of Marin
County of Marin

NEW RETIREES

Michael Hawks
Stacey Hunter
William Johnson
Marguerite McTaggart-Heyn
Elaine Rooney
Linda Bodwin
Louis Lupo
Margaret Manuel
Dorothy Vollmer

Parks & Open Space County of Marin
Courts County of Marin
Fire County of Marin
H & HS County of Marin
H & HS County of Marin
Operations COM/CMSA
Novato Fire
City of San Rafael
City of San Rafael

RESCINDED RETIREMENTS

DECEASED RETIREES

Dorothy Brauntz
Francesca Curtis

H & HS County of Marin
Treasurer-Tax Collector County of Marin

| | | |
|----------------|-------------|--------------------|
| Susie Gibbs | H & HS | County of Marin |
| Theodore Hiatt | H & HS | County of Marin |
| Edith Mahaney | H & HS | County of Marin |
| Pearl Trivett | Beneficiary | City of San Rafael |

CONFERENCES/SEMINARS
 CalAPRS Administrator's Round Table
 Retirement Administrator Wickman

The Chair directed deliberations to **Agenda Item F.3.**

NEW BUSINESS, continued.

3. Update on Future Form 700 Reporting Requirements – Ashley Dunning
 Education session on requirements effective January 1, 2012

Counsel Ashley Dunning presented an update on Form 700 reporting requirements effective during the 2012 calendar year, which has changed a number of rules relating to the reporting of gifts. Ms. Dunning provided detailed examples of each of the new gift rules, many of which expanded exceptions to the reporting requirements and some of which tightened them. In summary, Counsel Dunning stated that gift reporting requirements have been revised in a manner that reflects greater reasonableness with respect to reporting requirements.

The Chair directed deliberations to **Agenda Item F.6.**

6. Future Meetings
 Consider and discuss agenda items for future meetings

The trustees discussed potential discussion items for future meetings include formalizing the selection process for new investment managers and trade finance.

The Chair adjourned Open Session and reconvened the meeting in Closed Session.

5. Public Employee Performance Evaluation (CLOSED SESSION)
Title: Retirement Administrator
 In accordance with MCERA's Retirement Administrator Annual Performance Evaluation Policy Section 3(b), conduct mid-year informal performance review

No reportable action.

There being no further business, Chair Gladstern adjourned the meeting at 2:00 P.M.

Maya Gladstern, Chair

Gregory Brenk, Secretary