

MINUTES

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

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

July 11, 2012 - 9 A.M.

EVENT CALENDER 9 A.M. Regular Board Meeting

CALL TO ORDER Chair Gladstern called the meeting to order at 9:03 A.M.

ROLL CALL PRESENT: Bolger, Brenk, Cooper, Given, Gladstern, Piombo (safety alternate), Richardson, Shaw (ex-officio alternate), Stevens, Webb (retiree alternate)

ABSENT: Haim, McFarland

MINUTES

It was M/S Richardson/Bolger to approve the June 13, 2012, 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. MATTERS OF GENERAL INTEREST

1. Election of Retired and Alternate Retired Member Positions on MCERA Board
Educational session on a new CERL provision establishing the procedure to fill a vacancy in alternate retired member position

Retirement Administrator Jeff Wickman explained that staff and counsel examined further the legislative changes to the Board election process that went into effect in January 2012, as they pertain to a vacancy in the alternate retiree position on the Board. The result of the analysis was being presented to the Board by Counsel Ashley Dunning. Mr. Wickman added that this issue has come up because no candidates submitted nominations for the alternate retiree position on the Board.

Ms. Dunning reported that the provisions for the election of the alternate 8th (retired) member position were made available to MCERA by amendment to the County Employees Retirement Law (CERL) ten years ago. The initial procedure for the retiree alternate selection was for any “qualified retiree organization” whose majority consisted of MCERA retirees to provide a list from which the Board of Retirement could appoint the alternate retiree member. Subsequently the position was to be determined through a separate election held concurrently with the election for the regular 8th (retired) member.

New CERL provisions effective January 1, 2012, allow the Board to appoint an individual to the retiree alternate position if there is a vacancy to be filled, in the same manner the CERL provided when the position was initially filled. Namely, the Board is to solicit qualified retiree organizations to submit a list of candidates from which the Board may appoint the retiree alternate.

Representatives from the Marin County Association of Retired Employees (MCARE) expressed concern about not having elections for the alternate retiree position and that MCARE represents only half of the total number of MCERA retirees. Ms. Dunning observed that the legislature considered that qualified retiree organizations were the appropriate avenues for the process of nominating candidates to fill a vacancy in the alternate retired position. Mr. Wickman remarked that MCERA would seek to identify any other qualified retiree organizations that would meet the requirements to submit names of potential appointees to the position.

2. Actuarial Auditor Request for Proposal

Update on the procurement of a firm to conduct an audit of the annual actuarial valuation and experience study.

Mr. Wickman reported that staff evaluations of three candidates for the actuarial auditor will be completed by the end of the week with a recommendation expected later this month. In order to facilitate the process without delay so that contract negotiations may begin, the Administrator recommended formation of an ad hoc committee to assist with reviewing the staff recommendation. Counsel Dunning stated that the Board should act on the final recommendation at the August Board meeting. Trustees Bolger, Given, Gladstern, and Stevens were appointed by the Chair to the ad hoc Actuarial Auditor Committee which will meet early next week.

C. BOARD OF RETIREMENT MATTERS

1. Standing Committee Reports

a. Communications and Member Services Committee

1. Public Information Team

Acting Committee Chair Gladstern reported that Communications Associate Syd Fowler participated in an education session about video production at the Public Information Team meeting. Ms. Fowler also attended the CalAPRS Communications Roundtable where she presented information on MCERA participation in public forums addressing public pension issues.

2. Workload Analysis

Discussion of workload indicators

Assistant Retirement Administrator Michelle Hardesty reported that retirements are now current and staff are now working to complete the outstanding retirement estimates and buybacks. By the end of December, all outstanding items are expected to be current with the goal to process new requests within one month. Measures of workflow performance are provided regularly to the Committee by Ms. Hardesty.

3. Summer MCERA newsletter (Action)

Consider and take possible action to approve Summer newsletter copy

Mr. Wickman provided an article on annual benefit statements in place of a proposed investment article.

It was M/S Bolger/Given to approve the Summer newsletter topics and copy as submitted. The motion was approved by unanimous vote.

4. Communication Priorities

Report on upcoming communication priorities

Current communications priorities include updating the member handbook and Notes to Financial Statements.

5. CPAS

Project Status Update

Ms. Gladstern reported that CPAS payroll processing is operating smoothly. Mr. Wickman reported that staff is using the new system for all business-related activities including the processing of domestic relations orders.

6. MCERA Website

Presentation on new design features

The Committee received a presentation from Ms. Fowler on a proposed update to MCERA website. The focus of the new design was providing easier access to information for members.

2. Ad Hoc Committee Reports

a. Ad Hoc Financial Statement Notes Committee

Ad Hoc Financial Statement Notes Committee Chair Bolger stated that upon review the Committee determined that a rewrite of the Notes to Financial Statements (Notes) was in order. Ms. Fowler will take the lead on composing the new Notes

with assistance from MCERA's staff and consultants. The ad hoc committee will review the new Notes prior to their presentation to the Board.

3. Administrator's Report (Oral)

a. Administrator's update

Mr. Wickman reported that ballots for the retired member July 27 election will be distributed to retirees this week. Results of the election must be certified by the Marin County Board of Supervisors.

The California Actuarial Advisory Panel (CAAP) issued its draft model funding policies for review and comment. Staff and counsel will provide the Board with proposed comments on the model policies at the August Board meeting.

Brown Armstrong is onsite at MCERA through July 20th. Board members will receive a questionnaire from the auditors dealing with reportable interests.

MCERA participated in the Marin County Employee Opinion Survey. The survey results were very positive in the areas of customer service and employee commitment. Eighty-three percent (83%) of MCERA staff completed the survey. A team from each department of MCERA will work together to define action items that can be followed up for improvement.

Mr. Wickman reported on the recent CalAPRS Administrator's Roundtable. Topics of interest included a presentation of strategies to manage the Fund's investment portfolio including the use of joint powers arrangements. He also noted a very thorough presentation on disability investigations.

New investment manager Cornerstone called \$15 million on July 2 to fund MCERA's investment in the Cornerstone Patriot Fund. Funding for MCERA's \$15 million commitment to the UBS Trumbull Property Fund is still multiple quarters away.

One Public Records Act request for information on private equity and real estate was received from Preqin.

b. Staffing update

Mr. Wickman shared positive comments he received in a letter from a member regarding the efforts of Rachel Varao and Syd Fowler on a domestic relations order question.

Mr. Wickman noted that as planned in the FY 2012-2013 budget one extra hire position was ended on June 30, 2012. The second position would end after the completion of a short-term project.

c. Facility Use Report

The facility was used by the Marin County Department of Parks and Open Space for a public meeting on a potential tax to fund improvements. Also, the Department of Human Resources held a meeting on the employee opinion survey for management and labor organizations.

d. Future meetings

- July 12 Investment Committee
- July 23 Governance Committee
- August 8 Regular Board

4. Trustee Comments

Mr. Wickman reported that Trustee McFarland will be returning to the Board hopefully by the end of July.

Chair Gladstern recessed Open Session and directed deliberations to **Agenda Item D**, Disabilities, in Closed Session at 10 A.M. The Chair reconvened in Open Session at 11:11 A.M.

D. DISABILITY RETIREMENT APPLICATIONS (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. John Kinnear	Service	7/29/10	Marin County Health & Human Services Dept.
Initial consideration of an application for service-connected disability retirement filed by a Miscellaneous member.			
2. Millard Garrett	Service	9/1/11	San Rafael Police Dept.
Initial consideration of an application for service-connected disability retirement filed by a Safety member.			

Chair Gladstern reported that the Board denied John Kinnear's application for service-connected disability retirement and provided the applicant with the opportunity to request an administrative hearing in accordance with MCERA policy. Trustees Given and Webb recused themselves from the discussion and vote due to relationships with the applicant that could impact their decisions. Motion was by Trustee Brenk, seconded by Trustee Richardson, and approved by unanimous vote.

Chair Gladstern reported that the Board granted Millard Garrett's application for service-connected disability retirement. Trustee Piombo recused himself from the discussion and vote because the applicant was in the same service and Mr. Piombo witnessed and authored the response to MCERA

on the disability. Motion was by Trustee Given, seconded by Trustee Cooper, and approved by unanimous vote.

E. LEGAL MATTERS

1. Conference with Legal Counsel – Potential Litigation (CLOSED SESSION)
Consider initiation of litigation pursuant to Section 54956.9, subdiv. (c): 1 case

No reportable action.

F. OLD BUSINESS

1. Update on Proposed Pension-Related Legislation
Receive update on status of pension-related legislation

Counsel Ashley Dunning reported that the latest information regarding the pending PERB litigation over the pension ballot initiative that passed in the City of San Diego is the Supreme Court's denial of the City's petition for review of the Court of Appeal's June decision requiring the PERB administrative proceedings to be permitted to proceed. As a reminder, counsel noted that PERB alleges in those proceedings that the City did not comply with meet and confer requirements before the pension initiative was placed on the ballot.

No additional information has been received from the state legislative committee on pension initiatives, according to Mr. Wickman.

G. NEW BUSINESS

1. Business Objectives for FY 2012/13 (Action)
Discuss and adopt MCERA business objectives for upcoming fiscal year

Mr. Wickman presented proposed business objectives for 2012/2013 to the Board. The business objectives are part of the annual Retirement Administrator performance evaluation process. Mr. Wickman discussed business objectives for the following areas:

- Key Business Objective No. 1: Benefit Management System
- Key Business Objective No. 2: Performance Management
- Key Business Objective No. 3: Human Resource Management
- Key Business Objective No. 4: Management of Investments
- Key Business Objective No. 5: Communication and Education
- Key Business Objective No. 6: Financial Goal
- Key Business Objective No. 7: Retirement Board Meeting Materials

The Board engaged Mr. Wickman in a detailed discussion of each objective. The benefit management system goals would provide access to data in CPAS for a customized group of MCERA members. Trustee Brenk discussed items that would need to be addressed to achieve this goal including security procedures and the possibility of having third party providers test security procedures.

For performance management, the goal will be to establish measurable objectives for the core business activities like benefit estimates, payroll inceptions and service purchases. Trustee Brenk discussed the challenges of also implementing a workflow management system. He recommended creating a business case proposal prior to engaging in the development of business requirements for modifying CPAS.

Mr. Wickman stated that the human resources objectives include bringing staff evaluations up to date and identifying training opportunities for MCERA staff both on pension-related business and for leadership and growth.

The business objective to attend formal investment management training would be carried over from the prior year's objectives.

The proposed communication and education objective includes a redesigned retirement application to improve efficiency plus the development of online fillable forms where possible.

The two financial objectives would be the development of a Comprehensive Annual Financial Report (CAFR) and developing the plan to transition to a new financial accounting system. Trustee Given stated that the CAFR includes multi-year budget and financial data that should be presented and will require considerable effort. Trustee Brenk commented that a CAFR is discretionary and requested a cost estimate of staff time and resources.

The final proposed objective is to provide the ability for trustees to choose electronic board materials.

2. Future Meetings

Consider and discuss agenda items for future meetings

Chair Gladstern reviewed the process for the annual retirement administrator performance evaluation. Upon receipt of the Retirement Administrator's self-evaluation, the trustees are provided with evaluation forms to complete two weeks prior to the evaluation in executive session at the August 8 Board meeting. A consensus evaluation will be provided to the Retirement Administrator after the August meeting.

Chair Gladstern recommended a meeting of the ad hoc Education Committee to consider topics for the Fall Strategic Workshop. As Committee Chair, Trustee Webb invited the trustees to share their ideas for workshop topics.

H. INVESTMENT INFORMATION

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

PERIODIC REPORTS

1. Equities and Fixed Income

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

I. OTHER INFORMATION

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

J. CONSENT CALENDAR (Action)

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

<p>CONSENT CALENDAR for MCERA MEETING, WEDNESDAY, JULY 11, 2012</p>		
<p>CONSENT CALENDAR June 2012</p>		
<p>RETURN OF CONTRIBUTIONS</p>		
David Bartholomew	County of Marin	77.46
Joanne Buckwalter	County of Marin	269.80
Bradley Haas	County of Marin	63,644.00
Megan Horin	County of Marin	969.63
Evan Kubota	County of Marin	5,566.22
Elizabeth Pickens	County of Marin	49,973.86
Theresa Torrence-Tillman	County of Marin	679.91
Margaret Whooley	County of Marin	10,709.72
Margaret Rohrbacher	City of San Rafael	2,892.56

Michael Vergara	City of San Rafael	8,232.49
TOTAL	143,015.65	
BUYBACK		
Leticia Alcantar	County of Marin	
Amy Brown	County of Marin	
Elaine McMahon	County of Marin	
Patricia Szerlip	County of Marin	
Katherine Tiura	Courts	
NEW RETIREES		
RESCINDED RETIREMENTS		
DECEASED RETIREES		
Flora Thurber	Courts	County of Marin
Paul Faw	Community Development Agency	County of Marin
Bernard Winn	DPW	County of Marin
Helen Garvey	Beneficiary	County of Marin
Beverly Snyder	H&HS	County of Marin
CONFERENCES/SEMINARS		
CALAPRS ADMINISTRATORS ROUNDTABLE		
Retirement Administrator Wickman		
CALAPRS COMMUNICATIONS ROUNDTABLE		
Staff Fowler		
CALAPRS BENEFITS ROUNDTABLE		
Assistant Retirement Administrator Hardesty, Staff Sousa		
CALAPRS ATTORNEYS ROUNDTABLE		
Counsel Dunning		
CALAPRS OVERVIEW (May)		
Staff Varao		
CALLAN WORKSHOP		
Trustee Webb		

There being no further business, Chair Gladstern adjourned the meeting at 12:05 P.M.

Maya Gladstern, Chair

Gregory Brenk, Secretary