

MINUTES

REGULAR BOARD MEETING MARIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

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

August 8, 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, Haim, McFarland, Piombo (safety alternate), Shaw (ex-officio alternate), Stevens, Webb (retiree alternate)

ABSENT: Richardson

MINUTES

It was M/S Bolger/Brenk to approve the July 11, 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. Model Actuarial Funding Policies and Practices From the California Actuarial Advisory Panel (CAAP) (Action)
Review and discuss comments to the draft model policies

Retirement Administrator Wickman presented a memo from staff outlining recommended responses to the Model Actuarial Funding Policies proposed by the California Actuarial Advisory Panel (CAAP). The CAAP asked pension systems to provide comments on the model policy prior to issuing their final recommendations. A full review and discussion on the model funding policies is scheduled for the Board's October Strategic Workshop.

Trustee Given joined the meeting at 9:10 A.M.

Mr. Wickman addressed the need for clarity in defining acceptable actuarial practices for public pension systems. Another important consideration is the timing for transitioning to new funding practices. In summary, Mr. Wickman recommended that the Board respond to CAAP as follows: 1) CAAP should consider further whether the methodologies it currently has included in the category "Acceptable but Not Generally Recommended Practices," should be changed either to "acceptable" or "not recommended;" 2) CAAP should develop "acceptable" transition methodologies for moving from "not recommended" methodologies to "acceptable" methodologies.

It was M/S Brenk/McFarland to approve staff's recommended responses to the California Actuarial Advisory Panel (CAAP) regarding its Model Actuarial Funding Policies and Practices as summarized above. The motion was approved by unanimous vote.

2. Retired Member Positions on MCERA Board

Update on the election of the 8th member position and on process for appointment of alternate

Mr. Wickman reported that according to the Registrar of Voters Michael Smith received 378 votes and Sean Webb received 191 votes in the election for the Eighth (retiree) position on the MCERA Board. The turnout was larger than recent elections with 23% of retirees voting. Results of the election will become final upon the approval of the Board of Supervisors at their August 14, 2012 meeting.

As provided for in the County Employees Retirement Law of 1937 (CERL), since there were no candidates for the alternate retiree member, the Board can appoint the alternate Eighth member from among candidates nominated by qualified retiree organizations.

3. Ad Hoc Actuarial Auditor Committee (Action)

Consider and take possible action on staff recommendation to retain actuarial services firm to conduct an audit of MCERA's actuarial valuation and experience study of June 30, 2011.

Mr. Wickman reported that three of six firms receiving RFPs for actuarial services responded with proposals: Cheiron, Milliman, and The Segal Company. An evaluation team comprised of the Retirement Administrator, Assistant Retirement Administrator Michelle Hardesty, Special Assistant Helen Moody, and Communications Associate Syd Fowler scored the proposals in weighted categories of experience and capabilities (30%), methodology and work plan (30%), professional staffing (20%), and fees (20%). Upon review of the evaluation by the Ad Hoc Actuarial Auditor Committee and confirmation of fees, the evaluation team recommended Milliman to perform the actuarial audit based on its fee proposal and relevant experience with CERL systems.

It was M/S Haim/Given to retain actuarial service provider Milliman to conduct an audit of MCERA's actuarial valuation and experience study dated June 30, 2011, for a not-to-exceed contract price of \$60,000. The motion was approved by unanimous vote.

C. BOARD OF RETIREMENT MATTERS

1. Standing Committee Reports

a. Governance Committee

1. Contributions Collections Policy (Action)

Consider and take possible action on Governance Committee's recommendation regarding draft contributions collections policy

Governance Committee Chair Brenk stated that the proposed policy defines the timing of payment of required contributions by plan sponsors.

Based on the action of the Governance Committee, Governance Committee Chair Brenk recommended that the Board adopt the Timing of Employer Payment of Required Contributions to MCERA Policy as submitted. The motion was approved by unanimous vote.

2. Actuarial Equivalence Determinations for Modified Retirement and Survivor Allowances (Action)

Consider and take possible action on Governance Committee's recommendation regarding optional form factors used to calculate modified retirement and survivor allowances

Committee Chair Brenk explained that the Committee received an educational presentation by MCERA's consulting actuary Graham Schmidt on actuarial equivalence and the use of factors to calculate optional survivor benefits. This question of which optional form factors to use to calculate survivor options was recently discussed at Contra Costa County Employees' Retirement Association. Factors used to determine actuarial equivalence of optional survivor benefits are known as form factors. Mr. Schmidt stated it would be hard to argue that the plan is underfunded based on the current optional form factors. Counsel Dunning advised that MCERA's current practice of not including COLAs in the determination of actuarial equivalence to calculate options is appropriate under the CERL, given the statutory provisions regarding how COLAs are to be funded under the CERL. She noted that if the system experiences an actuarial loss as a result of COLAs that are paid to survivors under the optional settlements, then the appropriate action under the CERL would be to adjust the employers' and employees' normal cost for the COLA.

Mr. Wickman stated that staff will develop a separate policy regarding the implementation and use of optional form factors and bring that policy along with the Adoption of Actuarial Economic Assumptions policy to a future meeting for approval.

3. Actuarial Economic Assumptions Policy (Action)

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

Mr. Brenk stated that updates to the Actuarial Economic Assumptions Policy define the timing of implementation of changes to the economic assumptions. As noted above, these updates will be considered together with the policy on optional form factors at a future meeting.

4. Code of Fiduciary Conduct, Ethics, and Governance (Action)

Consider and take possible action on Governance Committee's recommendation regarding triennial policy review

Mr. Brenk reported that upon review the Committee determined no changes were indicated for the Code of Fiduciary Conduct, Ethics, and Governance. Trustee Haim remarked that the Code is based on the California Constitution and describes an appropriately high standard for conduct.

Based on the action of the Governance Committee, Governance Committee Chair Brenk recommended that the Board accept the review of the Code of Fiduciary Conduct, Ethics, and Governance. The motion was approved by unanimous vote.

5. Investment Manager Agreements (Action)

Consider and take possible action on Governance Committee's recommendation on model investment management agreement

Mr. Brenk stated that the model investment management agreement (IMA) was developed for use in separate accounts with investment managers. Provisions of the agreement include the favored nation status for MCERA, and acknowledgment of the manager's fiduciary role. In response to a question, Counsel Dunning observed that the IMA terms were developed using the Wellington agreement, which both Manatt and county counsel had developed, as a model.

Mr. Wickman recommended creating a side letter similar to the model IMA for use in comingled account arrangements and with private equity funds. Trustee Haim expressed approval of the model IMA as appropriate for the system.

Based on the action of the Governance Committee, Governance Committee Chair Brenk recommended that the Board approve the Model Investment Management Agreement as submitted. The motion was approved by unanimous vote.

6. Trustee Education Policy (Action)

Consider and take possible action on Governance Committee's recommendation on update to Policy in compliance with Assembly Bill No. 1519

Mr. Brenk reported that the Trustee Education Policy was updated to align with new continuing education requirements for trustees mandated by Assembly Bill No. 1519 which goes into effect January 2013. The new law requires 24 hours of training every two years. Mr. Wickman explained that much of the education

could be achieved through educational presentations at Board and Strategic Workshop meetings as well as pension-related conferences sponsored by SACRS and CalAPRS.

Based on the action of the Governance Committee, Governance Committee Chair Brenk recommended that the Board adopt updates to the Trustee Education Policy in compliance with Assembly Bill No. 1519 as submitted. The motion was approved by unanimous vote.

2. Ad Hoc Committee Reports

a. Ad Hoc Education Committee

1. Discussion of potential topics for Fall Board Strategic Workshop

Ad Hoc Education Committee Chair Webb presented a proposed agenda for the Fall Strategic Workshop. Mr. Wickman noted there were proposed changes that did not make it into the draft presented to the Board. The changes include a review of current economic assumptions following the outlook for capital markets. For capital markets forecasts, Mr. Brenk suggested including the views of other well known commenters such as Bill Gross.

3. Administrator's Report (Oral)

a. Administrator's update

Marin County has asked Mr. Wickman to assist with the procurement of a company to manage its retiree medical trust.

Ms. Hardesty discussed work being done by staff that would provide an option to retirees to receive the monthly pension benefit on a debit card. The service would be provided by Bank of America at no charge to MCERA. One benefit for this option would be reduced staff time spent locating retirees who frequently move.

Mr. Wickman reported that the MCERA contract with State Street Bank for custodial services expires in October. He is reviewing fees and provisions of the contract to determine whether to recommend renewal.

Three Public Records Act requests were received since the last Board meeting: one for data on real estate and private equity investments; the others relating to July retiree payroll data, and current pension benefits for retirees from Marin Sonoma Mosquito and Vector Control District.

Actuary Schmidt and Administrator Wickman will be presenting information about MCERA to Marin Sonoma Mosquito and Vector Control District at their September Board meeting.

The presentation on risk parity has been rescheduled to the September 20 Investment Committee meeting.

b. Staffing update

None.

c. Facility Use Report

None.

d. Future meetings

- August 23 Finance Committee
- September 12 Regular Board
- September 20 Investment Committee

4. Trustee Comments

Trustees Haim, Bolger and Richardson will meet over lunch with former trustees Jim Phillips and Pete Arrigoni. Mr. Haim invited fellow trustees to a September 11 MCARE luncheon.

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)

None.

Chair Gladstern directed deliberations to **Agenda Item F.1.**

F. OLD BUSINESS

1. Update on Proposed Pension-Related Legislation

Receive update on status of pension-related legislation

Mr. Wickman reported that staff and counsel expect to see the final pension reform proposals sometime in the coming weeks now that the legislature is back in session. He noted a recent article by Assemblyman Michael Allen outlining the difficulty of designing a universal plan for all public pension systems.

2. Future Meetings

Consider and discuss agenda items for future meetings

No discussion.

Chair Gladstern directed deliberations to **Agenda Item H.1.**

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	
	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

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

3. Other

I. OTHER INFORMATION

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

J. CONSENT CALENDAR (Action)

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

CONSENT CALENDAR for MCERA MEETING, WEDNESDAY, AUGUST 8, 2012		
CONSENT CALENDAR July 2012		
RETURN OF CONTRIBUTIONS		
Matthew Ballinger (Partial)	County of Marin	2,052.55

Jeffrey Carroll (Partial)	County of Marin	210.08
Erik Rohrs (Full)	County of Marin	54,029.47
Deborah Shea (Full)	County of Marin	8,147.49
Kristina Tierney (Full)	County of Marin	17,008.57
Karin Buffenbarger (Full)	City of San Rafael	26,446.36
	TOTAL	107,894.52
BUYBACK		
Jody Branham	County of Marin	
Brian Burkhard	County of Marin	
Michelle Hardesty	County of Marin	
Erin Lynch	County of Marin	
Martha Petrini	County of Marin	
Lee Prebil	County of Marin	
Austin Sack	County of Marin	
Lynda Triplett	County of Marin	
NEW RETIREES		
Donald Lilley	H&HS	County of Marin
Janet Mann	H&HS	County of Marin
Linda Saunders	H&HS	County of Marin
Richard Clary	City of San Rafael	
Bruce Martin	City of San Rafael	
Adelena Rodriguez	City of San Rafael	
RESCINDED RETIREMENTS		
DECEASED RETIREES		
Linda Dukes	Beneficiary	County of Marin
John Rucker	Marin Sonoma Mosquito Abatement	County of Marin
CONFERENCES/SEMINARS		

Chair Gladstern recessed Open Session and directed deliberations to **Agenda Items E.1** and **G.1** in Closed Session at 10:45 A.M., reconvening in Open Session at 2:03 P.M.

E. LEGAL MATTERS

1. Effective Date of Disability Retirement of Stephen Bateman (CLOSED SESSION)
Consider and take possible action on staff recommendation to change effective date of disability retirement to October 19, 2009.

Chair Gladstern reported that the Board authorized MCERA to adjust Mr. Bateman's disability retirement effective date from May 26, 2010, to October 19, 2009, and to provide him with the corresponding retroactive benefit payment.

G. NEW BUSINESS

1. Public Employee Performance Evaluation. Title: Retirement Administrator (CLOSED SESSION pursuant to Government Code section 54957)

No reportable action.

There being no further business, Chair Gladstern adjourned the meeting at 2:08 P.M.

Maya Gladstern, Chair

Gregory Brenk, Secretary