

MINUTES

REGULAR BOARD MEETING MARIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

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

September 12, 2012 - 9 A.M.

EVENT CALENDAR 9 A.M. Regular Board Meeting

CALL TO ORDER Chair Gladstern called the meeting to order at 9:04 A.M.

ROLL CALL PRESENT: Bolger, Cooper, Given, Gladstern, Haim, McFarland, Stevens, Webb (retiree alternate)

ABSENT: Brenk, Piombo (safety alternate), Richardson, Shaw (ex officio alternate)

MINUTES

It was M/S Haim/Given to approve the July 12, 2012, Investment Committee Meeting Minutes as submitted. The motion was approved by unanimous vote.

It was M/S Given/Bolger to approve the August 8, 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.

See comments by members of the public in Agenda Item B.1 below.

B. MATTERS OF GENERAL INTEREST

1. Presentation on Public Employees' Pension Reform Act of 2013
Staff presentation summarizing pension reform legislation

Retirement Administrator Wickman announced that the California State Legislature enacted Assembly Bill 340 creating the Public Employees' Pension Reform Act of 2013 (PEPRA) and Assembly Bill 197. Staff and counsel put together the presentation summarizing the provisions based on initial analysis of the bills.

Counsel Dunning explained that PEPRA applies to public retirement systems in California with the exception of the University of California and charter cities and counties that are not participating employers in retirement systems governed by state statute. Most provisions apply to new non-reciprocal members first hired by a public employer on or after January 1, 2013. Ms. Dunning highlighted key provisions of the new pension legislation as they apply to new members:

- Pensionable compensation is capped at 120% or 100% of the Social Security contribution and benefit base depending on the member's participation in Social Security. The cap is adjusted annually for inflation based on the CPI for all Urban Consumers takes effect on January 1 each year.
- At least a three-year final average compensation measuring period is mandated.
- The pension formula for new general members ranges from 1% at age 52 to a maximum of 2.5% at age 67.
- For new safety members, the range is 2% at age 50 up to a maximum of 2.7% at age 57.
- Five years of service are required to receive a pension. COLAs are not affected by the legislation.
- Normal cost contributions are shared equally by the employer and employee. PEPRA contains a contract, including a memorandum of understanding (MOU), "savings clause." This essentially allows an existing MOU in place prior to December 31, 2012, with a different cost sharing allocation that would be impaired by the cost sharing requirement of PEPRA, to remain in force as to that provision and as to new members hired under that MOU, until the MOU expires or is amended or renewed.
- Pensionable compensation is generally constrained to that earned during normal working hours with numerous specific exclusions such as severance pay, for example, as well as – notably – allowances for uniforms, vehicles, and housing and leave cashouts. At MCERA, many of these items are already not included in the pension calculation.

In response to Trustee Stevens' inquiry, Mr. Wickman reviewed how MCERA receives payroll data from employers and reviews and validates the pay items reported.

Trustee Haim expressed concern that increasing the retirement age for safety employees is likely to impair service provided.

Turning to the effect of PEPRA on current members, Ms. Dunning explained that exclusions to compensation earnable are generally consistent with MCERA's current

policies. Staff is examining provisions with respect to service purchases with tax counsel.

PEPRA also affects retirees who seek to return to work after January 1, 2013. A retiree who returns to work after January 1, 2013 cannot continue to receive their MCERA benefit and work unless certain exceptions are met or they have waited 180 days before returning to employment. Public safety officer retirees are excluded from the new post retirement restrictions.

In response to the inquiry of Ken Martin of the San Rafael Fire Department, Actuary Graham Schmidt of EFI Actuaries explained that normal cost is the portion of the projected service credit allocated to the current valuation year. Gregg Adam of Carroll, Burdick & McDonough, labor attorney for San Rafael Fire Department employees, inquired about the division of normal cost between employer and employee. Ms. Dunning replied that the new standard for new members shall be that the employer's portion will not be greater than 50%.

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 one nomination was received from the Marin County Association of Retired Employees for the alternate retired member position on the Board. The nominee is Sean Webb, who currently occupies the position. The Board will make the appointment at its October meeting.

Chair Gladstern recessed Open Session at 10:24 A.M., directing deliberations to **Agenda Item D** in Closed Session and reconvening in Open Session at 2:31 P.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. Michael Kirby Initial consideration of an application for service-connected disability retirement filed by a Safety member.	Service	1/6/10	Marin County Sheriff
2. Albert Flores Consider and take possible action on Administrative Law Judge's proposed findings of fact and recommended decision to grant application for service-connected disability retirement	Service	4/5/10	Marin County Sheriff

3. Marlene Philley Service 3/27/09 Marin County Health & Human Services Dept.
 Consider and take possible action on Administrative Law Judge's proposed findings of fact and recommended decision to deny application for service-connected disability retirement
4. Marta Ventura Non-service 12/20/11 Marin County Health & Human Services Dept.
 Initial consideration of an application for non-service-connected disability retirement filed by a Miscellaneous member.
5. James Mathiesen Service 10/24/11 Marin County Sheriff
 Further consideration of an application for service-connected survivor's death benefits filed by a Safety member's surviving spouse, Cynthia Mathiesen, following April 11, 2012 remand to counsel for additional briefing.

Chair Gladstern reported as follows:

The Board referred Michael Kirby's application for service-connected disability retirement to the Administrative Law Judge with instructions for further proceedings, pursuant to Government Code section 31534(c). Motion was by Trustee McFarland, seconded by Trustee Stevens. Voting to approve on the 4-3 vote were Trustees Gladstern, Haim, McFarland, and Stevens; voting to deny, Trustees Bolger, Cooper and Given.

The Board approved and adopted the Administrative Law Judge's Findings of Facts and Proposed Decision to grant service-connected disability retirement for Albert Flores. Motion was by Trustee Bolger, seconded by Trustee Stevens and approved by unanimous vote.

The Board approved and adopted the Administrative Law Judge's Findings of Facts and Proposed Decision to deny service-connected disability retirement for Marlene Philley. Trustee McFarland recused himself, disclosing a potential conflict because he works in the same department as the applicant. Motion was by Trustee Given, seconded by Trustee Stevens and approved by unanimous vote.

The Board granted Marta Ventura's application for non-service-connected disability retirement. Motion was by Trustee Haim, seconded by Trustee McFarland, and approved by unanimous vote.

The Board granted the application for service-connected survivor's death benefits filed by a safety member's surviving spouse, Cynthia Mathiesen. Motion was by Trustee Cooper, seconded by Trustee Stevens. Voting to approve on the 5-2 vote were Trustees Bolger, Cooper, Haim, McFarland, and Stevens; voting to deny, Trustees Given and Gladstern.

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

C. BOARD OF RETIREMENT MATTERS

1. Standing Committee Reports
 - a. Finance and Risk Management Committee

1. Administrative Budget FY 2011/12 Quarterly Review
Consider and review budget for quarter ending June 30, 2012

Finance and Risk Management Committee Chair Bolger stated that the Committee found the administrative budget through June 30, 2012, to be reasonable and well presented.

2. Quarterly Checklist
The Committee found the quarterly checklist to be satisfactory.
3. Corporate Governance Presentation – William McGrew, CalPERS
Education session on corporate governance issues

Ms. Bolger reported that Mr. McGrew's educational presentation on CalPERS corporate governance was well received by the Committee. Mr. McGrew reviewed how CalPERS handles proxy voting and has expanded its influence on a variety of corporate governance issues such as financial market reforms and building investor coalitions.

4. System Risk Quarterly Review
Preliminary system risk analysis discussion

The Committee determined that the system risk analysis should also be presented to the Investment Committee at its September meeting.

5. SF Sentry Contract Renewal
Review Finance Committee's recommendation regarding renewal of contract with SF Sentry

Ms. Bolger reported that the Committee was split on whether to renew the contract with SF Sentry for system risk studies and, therefore, determined that the Investment Committee should consider the matter after receiving the quarterly presentation by SF Sentry.

6. Fiduciary Liability Insurance Renewal (Action)
Consider and take possible action on Finance Committee's recommendation regarding renewal of fiduciary liability insurance

Ms. Bolger reviewed the Committee's consensus to continue with the current provider for fiduciary liability insurance in view of the exhaustive comparison of policies conducted by the Committee last year.

Based on the action of the Finance and Risk Management Committee, Finance and Risk Management Committee Chair Bolger recommended that the Board direct the Retirement Administrator to renew the Chartis fiduciary liability insurance policy. The motion was approved by unanimous vote.

2. Ad Hoc Committee Reports

a. Ad Hoc Financial Statement Notes Committee

Trustee Bolger reported that the ad hoc Financial Statement Notes Committee reviewed the final draft of Notes to Basic Financial Statements (Notes) and is satisfied with staff's revisions. Mr. Wickman commended Communications Associate Syd Fowler, Senior Accountant Lisa Jackson, and Assistant Retirement Administrator Michelle Hardesty for their efforts in researching and developing the Notes.

3. Administrator's Report (Oral)

a. Administrator's update

Mr. Wickman referred to the November SACRS conference and the due date for reservations.

Mr. Wickman, Counsel Dunning, and actuary Graham Schmidt will attend a meeting of the Marin/Sonoma Mosquito and Vector Control District Board to discuss the new PEPRA law, pension funding and discuss MCERA's role in managing the pension system. A similar presentation on PEPRA will be conducted for the Marin Association of Public Employees (MAPE) next week.

Agreements have been completed with Bank of America to provide bank debit cards as an alternative to receiving retirement checks.

A Public Records Act request by the Marin Independent Journal for top ten holdings was received and the data provided.

Mr. Wickman reported on the action plans developed to address items from the Employee Opinion Survey conducted by the County. He reported that additional cross-divisional team meetings have been instituted to improve internal communications and enhance business knowledge. He is meeting regularly with the supervisor and managers to discuss strategic issues and expectations for leaders. In addition, a team-building session is planned to focus on how communications styles vary. Finally, long-term career plans will be developed as part of overall career planning.

b. Staffing update

None.

c. Facility Use Report

Next Monday evening the Retirement Administrator and staff will present an information session on pension reform legislation to members of the Marin Association of Public Employees (MAPE).

d. Future meetings

- September 20 Investment Committee
- October 2 Communications and Member Services Committee
- October 10 Regular Board

4. Trustee Comments

Trustee Haim expressed his appreciation to Mr. Wickman for delivering the Board packet over the weekend. Trustees and staff were invited by Trustee Cooper to experience the life of a firefighter by participating in the San Rafael Fire Department's Firefighting 101. Trustee Given commended Trustee Bolger for her leadership as Chair of the Finance and Risk Management Committee.

E. LEGAL MATTERS

None.

F. OLD BUSINESS

None.

G. NEW BUSINESS

1. Final Public Employee Performance Evaluation. Title: Retirement Administrator

Chair Gladstern reported that each Board member's ratings of Retirement Administrator Jeff Wickman's performance over the past year were combined to form a Consensus Evaluation, as provided for in the Retirement Administrator Annual Performance Evaluation Policy. It is the consensus of the Board that Mr. Wickman is performing in an excellent manner. On behalf of the Board, staff, retirees, employees, and plan sponsors, Chair Gladstern thanked Mr. Wickman for his adept and exemplary leadership of MCERA over the past year.

2. Annual Consideration of Retirement Administrator Compensation (Action)

Consider and take possible action on Retirement Administrator compensation.

Chair Gladstern reported that the ad hoc Retirement Administrator Compensation Committee recommends that the Retirement Administrator's compensation be increased to the next step.

It was M/S Bolger/McFarland to approve an increase in the Retirement Administrator's compensation to Step 3 as provided for in the Marin County salary schedule. The motion was approved by unanimous vote.

3. SACRS Voting Proxy (Action)

Board vote to select delegates for SACRS November meeting

Chair Gladstern requested nominations for delegates to the November SACRS meeting.

It was M/S Haim/Bolger to nominate Chair Gladstern and Trustee Webb as delegate and alternate delegate, respectively, to the November SACRS meeting. The motion was approved by unanimous vote.

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

H. INVESTMENT INFORMATION

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

PERIODIC REPORTS

1. Equities and Fixed Income

* X	Abbott Capital	-Private Equities Fund	Quarter
* 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	Quarter
* 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	
* X	AEW Capital Management	-Value Added Portfolio	Quarter
* X	Cornerstone	-Core	Quarter
* X	RREEF	-Value Added Portfolio	Quarter
	Woodmont Realty Advisors	-Direct Ownership	Quarter

3. Other

I. OTHER INFORMATION

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

J. CONSENT CALENDAR (Action)

Mr. Wickman presented a memo explaining the adjustment of Stephen Bateman’s retirement date from October 19, 2009, to October 18, 2009, on the Consent Calendar.

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

CONSENT CALENDAR for
MCERA MEETING, WEDNESDAY, SEPTEMBER 12, 2012

CONSENT CALENDAR
August 2012

RETURN OF CONTRIBUTIONS

Martha Petrini (Partial)	County of Marin	78.10
David Truong (Full)	Courts	2,423.48
Andrew McCullough (Full)	City of San Rafael	449.37
	TOTAL	2,950.95

BUYBACK

Deborah Borusso		County of Marin
Catherine McDonough		County of Marin
Cynthia Fox		City of San Rafael
NEW RETIREES		
Evan Hughes	Sheriff	County of Marin
Ermita Atkins	H&HS	County of Marin
Rosalyn Miller	H&HS	County of Marin
Bobbe Rockoff	H&HS	County of Marin
Martha Petrini	Child Support Services	County of Marin
Millard Garrett		City of San Rafael
Frank Matteucci		City of San Rafael

RESCINDED RETIREMENTS

DECEASED RETIREES

Helen Abel	H&HS	County of Marin
Reva Littman	Courts	County of Marin
Dianne Jones	Sheriff	County of Marin
Adrian Taylor	Assessor-Recorder	County of Marin
Frances Wolohan	Beneficiary	County of Marin

CONFERENCES/SEMINARS

OTHER

Stephen Bateman	Effective Disability Retirement Date	October 18, 2009
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There being no further business, Chair Gladstern adjourned the meeting at 3:02 P.M.

Maya Gladstern, Chair

Gregory Brenk, Secretary