

MINUTES

REGULAR BOARD MEETING MARIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

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

October 10, 2012 - 9 A.M.

EVENT CALENDAR 9 A.M. Regular Board Meeting

CALL TO ORDER Chair Gladstern called the meeting to order at 9:00 A.M.

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

ABSENT: Shaw (ex officio alternate)

MINUTES

It was M/S Bolger/Given to approve the September 12, 2012, Regular Board Meeting Minutes as submitted. The motion was approved by unanimous vote.

It was M/S Bolger/Brenk to approve the September 20, 2012, Investment Committee 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.

Chair Gladstern presented Trustee Allen Haim with a plaque commemorating his ten years of service as a member of the Retirement Board. Ms. Gladstern commended Mr. Haim for his generosity and devotion to his duties as a trustee. Several fellow trustees expressed appreciation for Mr. Haim's wisdom, thoughtful legal analysis and willingness to devote considerable time on behalf of the employees of Marin County. Administrator Jeff Wickman thanked Mr. Haim for his knowledge of the retirement system and for his advice. Mr. Haim thanked the trustees, staff, and advisors, and commended the trustees for being one of the most involved Boards on which he has served.

Joan Brown, MCERA retiree and former head of the Marin County volunteer program, addressed the Board to express concern about investment in tobacco companies. Ms. Brown encouraged the Board to limit investments to those not injurious to public health.

B. MATTERS OF GENERAL INTEREST

1. 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 (Action) (OPEN SESSION)

Consider and take possible action regarding further consideration of application for death benefits

Trustee Piombo recused himself from the discussion because of his concern about a bias in favor of the applicant and was excused from the meeting.

Counsel Dunning provided the Board with a memo outlining the procedure for the Open Session consideration of this matter. Ms. Dunning reviewed the procedure by which the Board would determine, by majority vote, whether the applicant had established by a preponderance of the evidence that Mr. Mathiesen's death was service-connected.

Chair Gladstern invited public comment on the matter. Members of the public speaking on behalf of the applicant were:

- Deborah Barry, formerly of the Marin County Sheriff's office, who believes that Deputy Mathiesen was responsible for taking action due to a clear and imminent threat to life.
- Greg Geide, San Rafael Fire Captain, who requested the Board's vote reflect support for safety members' families when they need it, as in this case.
- Andy Rogerson, San Rafael Captain, who explained that firefighters are here to help others, whether on duty or not, every day wherever they may be.
- Jill Peelor, Marin County employee, who related a personal experience that she said exemplified Deputy Mathiesen's eagerness to "...help anyone at any time to protect and serve every person that he could."

The attorneys then presented their arguments.

Craig Dykman, applicant's attorney, argued that a peace officer is a peace officer 24 hours a day and 7 days a week. While acknowledging that Deputy Mathiesen was not on duty at the time of his death, Mr. Dykman stated that Deputy Mathiesen had a mandate to protect and serve the public at that time. Mr. Dykman read a portion of his brief regarding a legal provision for providing the same benefits as if on duty in the event a peace officer dies by reason of attempted preservation of life anywhere in the state, but is not at the time on duty.

Mr. Dykman recited the evidence to support his claims regarding the events that preceded Deputy Mathiesen's death.

Deputy County Counsel Pat Richardson argued that while Deputy Mathiesen's death was a tragic event, he was not on duty at the time, but instead was just acting as a friend. He argued against the imminent threat theory by stating that help could have been requested by calling 911. Mr. Richardson reviewed further arguments given the evidence presented in the case, concluding that evidence is lacking on whether Deputy Mathiesen was acting in the course and scope of his employment at the time of his death.

The attorneys in turn commented on each other's arguments.

Questions posed by Board members included an inquiry about a temporary injury Deputy Mathiesen incurred and related recovery period prior to returning to work, the expected behavior of an off-duty peace officer in a similar situation, and whether counsel agreed that Deputy Mathiesen had gone to his friends' house to discuss their seeking a restraining order against the man who killed Deputy Mathiesen later that evening.

Counsel submitted the case, and Chair Gladstern requested deliberation by the trustees.

It was M/S Cooper/Stevens to grant service-connected survivor's death benefits to Cynthia Mathiesen.

Trustee Cooper requested the floor and posed the question of what is expected of public safety officers in life-threatening situations. The public, Mr. Cooper stated, relies on safety officers to protect life and property, which is why Deputy Mathiesen was called by his friend that evening. Mr. Cooper stated that Deputy Mathiesen was vested with all the rights and duties of a police officer, he was asked for advice on keeping property safe, and he was at the house when the assailant showed up. He stated that first responders should be able to help in dangerous situations without worrying about whether their families will be taken care of.

Trustee Haim argued that peace officers have state-wide jurisdiction to act at any time under the penal code. There is evidence, he said, of a continuing threat to the daughter from the assailant who created imminent danger by trespassing. Therefore, according to Mr. Haim, Deputy Mathiesen should be considered a hero and the Board's action should reflect this fact.

Trustee Bolger believes Deputy Mathiesen was killed in the line of duty while helping scared women control and defuse a dangerous situation, and should be considered a hero. Trustees McFarland and Webb made similar arguments.

Trustee Richardson expressed his view that Deputy Mathiesen was acting as a peace officer when he was killed and the Board's action should reflect this fact.

Trustee Given believes the facts of the case would be better resolved by referring the matter to a hearing officer for consideration.

AYES: Bolger, Brenk, Cooper, Gladstern, Haim, McFarland, Richardson, Stevens

NOES: Given

ABSTAIN: None

ABSENT: None

Chair Gladstern recessed Open Session and directed deliberations to **Agenda Item D.1** in Closed Session at 10:43 A.M., reconvening in Open Session at 11:05 A.M. Trustee Piombo rejoined the meeting.

D. DISABILITY RETIREMENT APPLICATIONS (TIME CERTAIN: 10:30 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.

Consider and take possible action on applicant's request for an extension of time in which to conduct an administrative hearing.

2. Carol McClendon	Service	6/23/09	Marin Co. Superior Court
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Consider and take possible action on applicant's request for an extension of time in which to conduct an administrative hearing.

3. David Carr	Service	7/12/11	Marin County Fire Dept.
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Initial consideration of an application for service-connected disability retirement filed by a Safety member.

The Board granted John Kinnear's request for an extension of time in which to conduct an administrative hearing. Motion was by Trustee Richardson, seconded by Trustee Given, and approved by unanimous vote.

The Board granted Carol McClendon's request for an extension of time in which to conduct an administrative hearing. Motion was by Trustee Brenk, seconded by Trustee Richardson, and approved by unanimous vote.

The Board granted David Carr's application for service-connected disability retirement. Trustee Cooper recused himself from the discussion and vote because of a personal relationship with the applicant. Motion was by Trustee Richardson, seconded by Trustee McFarland, and approved by unanimous vote.

Chair Gladstern directed deliberations to **NEW BUSINESS, Agenda Item G.2.**

G. NEW BUSINESS

2. Transition of RCM Portfolio (Action)

Consider and take possible action to determine timing for termination and transition of RCM program

Jim Callahan, Callan Associates investment consultant, discussed options for the timing and transition of assets from the RCM Capital Management (RCM). In September the Investment Committee voted to terminate MCERA's investment management agreement with RCM.

Alternatives considered included moving funds to the S&P 500 Index, where a majority of holdings could be transferred, or to a new manager. The lower fees of investing in an index were noted. Mr. Callahan advised against using the Russell 1000 Growth Index for the long term in response to Trustee Bolger's inquiry.

He advised the Board to consider the balance of large cap assets between growth and value as well as active versus passive management during the Board's Strategic Workshop scheduled for October 17 and 18.

It was M/S Brenk/Richardson to consider the timing for termination and transition of the RCM assets at the October 17 and 18 Strategic Workshop. The motion was approved by unanimous vote.

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

1. Financial Statements for 2012 (TIME CERTAIN - 11:30 A.M.) – Brown Armstrong, Andrew Paulden

Consider and discuss auditor's review of audited financial statements

Andrew Paulden, CPA with Brown Armstrong, presented the audited financial statements for the fiscal year ending June 30, 2012. Brown Armstrong rendered a clean opinion of the financial statements, which is the highest opinion allowed. Mr. Paulden recommended the Management Discussion and Analysis as a good resource for the public to understand how the finances of the pension system work. Administrator Wickman noted that the final Board-approved financial statements will be posted on the MCERA website.

Mr. Paulden reviewed the audit process which includes an analysis of the efficiency of inflows and outflows, evaluation of internal controls through inquiry and observation, confirmation of account balances, and review of active and retired member accounts. In addition to reporting on financial statements, there is a report on internal controls over financial reporting and on compliance and other matters based on Government Auditing Standards. Finally, a report to the Board on professional standards and an Agreed Upon Conditions Report is provided.

Mr. Paulden stated that internal controls are good. Matters for corrective action were minor and are intended to make the organization better. Last year it was determined that the Notes to Financial Statements (Notes) needed updating which staff accomplished in a smooth process.

Trustee Haim complimented Mr. Paulden on the audit report and commended the committee that reviewed the revised Notes to Financial Statements. Mr. Wickman commented that revising the Notes was a valuable process as a result of the hard work of Michelle Hardesty, the Assistant Retirement Administrator, Syd Fowler, Communications Associate, Lisa Jackson, Senior Accountant, and accounting staff Denise Lee and Anne Battaglia. Mr. Wickman thanked Mr. Paulden for his report and suggestions for improving MCERA processes.

In response to Trustee Brenk's inquiry, Mr. Paulden explained that audit committees commonly verify the accuracy of the financial auditor.

It was M/S Given/Brenk to accept the audited financial statements for the fiscal year ending June 30, 2012. The motion was approved by unanimous vote.

Chair Gladstern recessed the meeting for a working lunch at 12:17 P.M., reconvening at 12:50 P.M. and directing deliberations to **Agenda Item B.2.**

2. Appointment of Alternate Retired Member Position on MCERA Board (Action)
Consider and take possible action to appoint alternate retired member to fill vacant position on Board

Mr. Wickman presented a memo outlining the process for filling the alternate retired member position on the Board, which would otherwise be vacant after the current term expires October 31, 2012. The vacancy occurred when no candidates were nominated for the position for the election in July.

The County Employees Retirement Law of 1937 (CERL) provides that when there is a vacancy in the alternate retiree position, the MCERA Board is to appoint the alternate retired member from a list of nominees submitted by one or more qualified retiree organizations. A qualified organization is one in which a majority of the members of the organization are retired members of the MCERA. On August 16 potential qualified organizations were notified of the process for filling the position, and, if qualified, invited to submit nominees. One nominee, Sean Webb, was submitted by the Marin County Association of Retired Employees (MCARE).

It was M/S Given/Haim to appoint Sean Webb as alternate retired member on the MCERA Board for the term commencing November 1, 2012. The motion was approved by unanimous vote.

C. BOARD OF RETIREMENT MATTERS

1. Standing Committee Reports

a. Communications and Member Services Committee

1. Public Information Team

Howard McFarland, Communications and Member Services Committee Chair, reviewed the Committee's discussions on the Marin County Public Information Team. Communications Associate Syd Fowler added that the group conducts monthly meetings to provide basic training for communications staff on public service announcements and videos, for example.

2. Workload Analysis

Discussion of workload indicators

Assistant Retirement Administrator Michelle Hardesty is continuing her efforts to increase benefits team efficiencies.

3. Communication Priorities

Report on upcoming communication priorities

Committee Chair McFarland stated that the focus of discussions was to provide members with as much information on new pension legislation, the Public Employees' Pension Reform Act, or PEPRA, as possible. Mr. Wickman stated that staff is working through its interpretation of the law with counsel and he expects newsletter copy to be finalized at the Strategic Workshop.

4. CPAS

Project Status Update

Ms. Hardesty stated that remaining processes for the new benefit management system include producing 1099 forms at the end of the calendar year.

Mr. Wickman addressed the issues that are causing annual member statements to be delayed. He also reported on a recent server outage that caused a minor delay in business processing. He noted that formal procedures have been developed to allow staff to address specific server issues. Trustee Webb recommended running an emergency mode test to ensure procedures are being properly followed. Mr. Wickman responded that this was an excellent idea that is being considered along with conducting an independent security review.

5. MCERA Website

Presentation on new design features

Ms. Fowler is looking at the possibility of developing an instructional video for members on how to use the retirement estimator.

2. Administrator's Report (Oral)

a. Administrator's update

Mr. Wickman reported on the agenda items discussed at the CalAPRS Administrators' Institute. He noted that the sponsor of AB 340, Assemblyman Furutani participated in a panel discussion of the new pension reform law. Assemblyman Furutani noted that legislators sought to address real and perceived abuses in the pension systems in the reform bill. Mr. Wickman and Trustee Given commented on the short turnaround to implement the new legislation, which will be discussed at next week's Strategic Workshop.

Also presented at the Administrators' Institute was an analysis of security issues by the Chief Information Officer of LACERA. In addition, the administrators participated in the Strengths Deployment Indicator (SDI) which provides practical methodology for empowering people to improve relationships and manage conflict more effectively.

Staff, counsel and MCERA's consulting actuary are continuing to meet with different groups to discuss the new pension reform law. Mr. Wickman reported that sessions have been conducted with the Tamalpais Community Services District and the Marin Association of Public Employees (MAPE).

Mr. Wickman reported the MCERA's custodial contract with State Street Bank has been extended 90 days to allow for a more thorough review of the contract provisions. He still expects to enter into a new three-year agreement with State Street Bank for custodial services.

MCERA received a Public Records Act request for information related to its investment consulting contact with Callan Associates.

As a follow-up to the recently completed Employee Opinion Survey MCERA staff are working with an external consultant to develop a curriculum for a one-day off-site team-building session on November 19.

b. Business Objectives for FY 2012/13 Quarterly Review

Benefit Management System

Prior to starting the effort to allow member access to CPAS the staff need to ensure that proper security procedures are in place.

Performance Management

Performance management is under way that includes regular reporting to the Communication and Education Committee to provide visibility to planned efficiencies.

Human Resource Management

There has been some progress on staff evaluations. Outstanding evaluations should be completed by the end of the year. Staff have started to attend CalAPRS training events to expanding their knowledge of different aspects of pension system issues.

Management of Investments

No progress on investment seminar attendance.

Communication and Education

The focus for the near term will be communicating the changes resulting from the new PEPRRA law.

Financial Goal

No progress on financial goals due to attention diverted to PEPRRA.

Retirement Board Meeting Materials

Mr. Wickman, Alex Levin, Principal Systems Analyst, and Dale Barre, Clerk of the Board, will meet with a representative of the Marin County Information Systems Technology Department to explore options on the use of electronic board packets.

In light of the impact that PEPRRA will have on MCERA's workload over the next six to nine months Trustee Bolger indicated that it would be reasonable to review the current Business Objectives at the January Board meeting.

c. Staffing update

None.

d. Facility Use Report

None.

e. Future meetings

- October 17-18 Strategic Planning Workshop
- October 22 Governance Committee
- November 7 Regular Board

3. Trustee Comments

Chair Gladstern reminded the Board of officer elections at next month's Board meeting.

Trustee Haim commented briefly on potential follow up to the tobacco stock question raised during open public comment. Chair Gladstern and Trustee Stevens are concerned that investment returns would be lower if MCERA were to divest from such holdings. Mr. Wickman encouraged the Board to explore a process for addressing the concerns that were raised by the public comment. Options discussed included Ms. Gladstern's

suggestion to invite someone in who had previously addressed social investing with the Board. Trustee Bolger suggested the board continue to strengthen its corporate governance approach by enhancing proxy voting processes and developing an environmental, social and corporate governance (ESG) strategy similar to what was presented to the Governance committee by representatives from CalPERS.

Trustees Bolger and Brenk reported on governance matters discussed at the Council of Institutional Investors (CII) meeting they attended in Seattle. While there Ms. Bolger participated in the on-site due diligence meeting at Eaton Vance.

Trustee Given reported that Mr. Wickman presented information on PEPRA to the Marin County Management Council.

E. LEGAL MATTERS

None.

F. OLD BUSINESS

1. Update on Public Employees' Pension Reform Act of 2013 (PEPRA)
Counsel Dunning and Mr. Wickman will provide a presentation on PEPRA at the Strategic Workshop next week.

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

NEW BUSINESS, continued

3. SF Sentry Contract Renewal (Action)
Consider and take possible action regarding contract with SF Sentry

Mr. Wickman presented a memo outlining the conditions for an agreement with SF Sentry for continued system risk studies, which include a fiduciary acknowledgement and Registered Investment Advisor status for SF Sentry. Trustee Brenk expressed approval of the proposed agreement.

It was M/S Richardson/McFarland to approve as presented the contract with SF Sentry for risk reporting and advisory services at a cost of \$8,000 per month.

AYES: Bolger, Brenk, Cooper, Gladstern, Haim, McFarland, Richardson, Stevens

NOES: Given

ABSTAIN: None

ABSENT: None

Mr. Given recommended an RRF process for an investment consultant that includes system risk.

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

No discussion.

H. INVESTMENT INFORMATION

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

PERIODIC REPORTS

1. Equities and Fixed Income

	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	
	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.	<u>Real Estate</u>		
* X	Woodmont Realty Advisors	-Direct ownership – Monthly report	
	AEW Capital Management	-Value Added Portfolio	Quarter
* X	Cornerstone	-Core	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* – October Issue, Retired Employees Association newsletter

J. CONSENT CALENDAR (Action)

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

CONSENT CALENDAR for
MCERA MEETING, WEDNESDAY, OCTOBER 10, 2012

CONSENT CALENDAR
September 2012

RETURN OF CONTRIBUTIONS

Gary Burroughs (Full)	County of Marin	30,949.13
Nicholas Codioli (Full)	County of Marin	14,482.22
Monique Damroth (Full)	County of Marin	15,783.33
Irene Delaney (Partial)	County of Marin	7,114.47
Kristen Miller (Full)	County of Marin	77.86
Elizabeth Munoz-Rosas (Full)	County of Marin	1,694.69
Gregory Ocello (Partial)	County of Marin	460.23
Louise Pagone (Partial)	County of Marin	100.66
Shelly Scott (Partial)	County of Marin	115.07
Linda De Waard (Partial)	Courts	124.27
Satjeet Dhaliwal (Partial)	Courts	4,111.11
Noelle Evangelho (Full)	City of San Rafael	24,702.69
Philip D. Smith (Partial)	Marin/Sonoma Mosquito	2,164.80
TOTAL		\$101,880.53

BUYBACK

Eithne Bullick	County of Marin
Domenico Giampaoli	County of Marin
Maria Rodriguez	County of Marin
Joanne Van Cleave	County of Marin
Lynette Keller	City of San Rafael

NEW RETIREES

Gregory Ocello	IST	County of Marin
Ximena Pacull	H&HS	County of Marin
Harvey Goldfine	Courts	
Steve Fontaine	City of San Rafael	
Cynthia Fox	City of San Rafael	
Kenneth Poelman	City of San Rafael	

RESCINDED RETIREMENTS

DECEASED RETIREES

Marion Bode	Sheriff	County of Marin
James Riddell	Sheriff	County of Marin
John Fleming	Fire	County of Marin
Joseph Teixeira	DPW	County of Marin
Shirley Anderson	Assessor/Recorder	County of Marin
Randall Harrison	Beneficiary	County of Marin
Richard Becker		City of San Rafael

CONFERENCES/SEMINARS

CALAPRS BENEFITS ROUNDTABLE

Staff Hardesty and Highfill

CALAPRS ATTORNEY'S ROUNDTABLE

Counsel Dunning

CALAPRS ADMINISTRATOR'S INSTITUTE

Retirement Administrator Wickman

CALAPRS INFORMATION TECHNOLOGY ROUNDTABLE

Staff Levin

GFO CAFR TRAINING

Staff Jackson

SACRS PENSION REFORM WORKSHOP

Retirement Administrator Wickman and Counsel Dunning

OTHER

There being no further business, Chair Gladstern adjourned the meeting at 2:06 P.M.

Maya Gladstern, Chair

Gregory Brenk, Secretary