

MINUTES

BOARD GOVERNANCE COMMITTEE MEETING MARIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION (MCERA)

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

October 22, 2012 – 9 A.M.

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

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

ABSENT: None

MINUTES

It was M/S Bolger/Gladstern to approve July 23, 2012, Governance 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 Committee regarding any agenda item when the Committee considers the item.

No public comment.

B. OLD BUSINESS

None.

C. NEW BUSINESS

1. Resolution Regarding Elections Process in MCERA Bylaws (Action)

Consider and possibly recommend to Board adoption of resolution to amend Part VIII, Elections, in MCERA Bylaws

Mr. Wickman presented proposed revisions to the MCERA Bylaws dealing with the election of members to the Board. As explained the proposal would extend the time available for voting members to return ballots to one month. In the recent election members were challenged to complete and return ballots within the two weeks provided. Trustee Gladstern also recommended that in the newsletter MCERA notify members of vacancies on the Retirement Board in a timely manner. As provided by the County Employees Retirement Law of 1937 (CERL), regulations such as these that are in the MCERA Bylaws are submitted to the Marin County Board of Supervisors for approval.

It was M/S Gladstern/Piombo to recommend that the Board adopt revisions to Part VIII, Elections, in MCERA Bylaws as submitted. The motion was approved by unanimous vote.

2. Eaton Vance and Artisan Side Letter Agreements (Action)

Consider and take possible action to complete side letter agreement with regard to manager's fiduciary role

Mr. Wickman presented a model side letter agreement developed by Manatt, Phelps, & Phillips that would be used to supplement agreements with MCERA investments in commingled accounts such as mutual funds and limited partnership. In addition the model would be used as part of new manager searches by MCERA's investment consultant, Callan Associates. One of the primary goals of the agreement is to affirm the fiduciary role of managers. According to Ms. Dunning, the model agreement would be useful to establish MCERA's contractual expectations of potential managers before they are selected, which should result in shortening post-RFP contract discussions.

Discussions included the structures of separate accounts and a comparison of limited partnerships with master limited partnerships by Ms. Bolger. Trustee Haim commented on being able to limit requirements for existing accounts. Clarifications of language in the model agreement on items such as fiduciary status and manager notifications were discussed.

It was M/S McFarland/Gladstern to recommend that the Board adopt the model side letter agreement as revised per discussions. The motion was approved by unanimous vote.

3. Retirement Administrator Evaluation Policy (Action)

Consider and possibly recommend to Board updates to policy

Mr. Wickman explained that the subject policy is revised to enumerate evaluation rating levels.

It was M/S Haim/Stevens to recommend that the Board adopt revisions to the Retirement Administrator Annual Performance Evaluation Policy as submitted. The motion was approved by unanimous vote.

4. Anticipated Time Commitments for Retirement Board Members

Consider updates to time commitments

Mr. Wickman presented updates to the Anticipated Time Commitments for Retirement Board Members based on new state legislation formalizing trustee education requirements and reporting.

It was M/S McFarland/Stevens to recommend that the Board adopt revisions to the Anticipated Time Commitments for Retirement Board members as submitted. The motion was approved by unanimous vote.

5. Records Retention Policy and Guidelines (Action)

Conduct triennial policy review

The Records Retention Policy and Guidelines was presented for review in accordance with the standard three-year review. Discussions included the records retention process that, as Mr. Wickman explained, includes an off-site facility for older records that are frequently

accessed. Chair Brenk discussed limitations for retaining records with Mr. Wickman who explained the need to retain financial records for extended periods of time.

It was M/S Haim/Gladstern to recommend that the Board accept the review of the Records Retention Policy and Guidelines. The motion was approved by unanimous vote.

6. Conflict of Interest Code (Action)
Conduct biannual policy review

The Conflict of Interest Code was presented for standard review in accordance with the review schedule. The purpose of the policy and its relation to the reporting by selected public officials of sources of economic interests were discussed by Ms. Dunning.

In her response to Trustee Stevens' inquiry about investments overlapping with the Fund's S&P 500 Index holdings, Ms. Dunning explained that normally personal holdings of stocks are not material so as to require Board member recusal, though Form 700 disclosure of such holdings is generally required. Whether recusal on an action item is in order is determined on a case-by-case basis. Ms. Dunning reviewed the process of internal controls that includes an annual review of Form 700 disclosures by the Finance and Risk Management Committee.

It was M/S Bolger/McFarland to recommend that the Board accept the review of the Conflict of Interest Code, subject to administrative revisions. The motion was approved by unanimous vote.

7. Investment Committee Charter (Action)
Consider and possibly recommend to Board update to Investment Committee Charter regarding participation of alternate trustees on the Investment Committee

Mr. Wickman presented the Investment Committee Charter with revisions clarifying the voting process for alternate trustees. All trustees, including alternates, are members of the Investment Committee. According to Ms. Dunning, the County Employees Retirement Law of 1937 (CERL) provides that on Committees alternates may be active unless Bylaws state otherwise. For Committees made up of fewer than all Board members, alternates have voting status. However, the intent for the Investment Committee is that the trustees would vote in the same manner as provided for on the Board.

Reducing the size of the Committee was discussed including the advantages and disadvantages of having all trustees serve on the Investment Committee. Mr. Wickman spoke to the benefit of having all trustees engaged in strategic investment discussions. Trustee Haim spoke in favor of maintaining the current structure and schedule in view of the fiduciary duty of trustees to be familiar with the investment of the trust fund assets. Trustee Bolger agreed due to the prudent expert threshold. In support of these views, Trustee Piombo proposed quarterly meetings and reducing in-person reporting by managers. Trustee Stevens observed that managers may not need to attend every meeting unless the Committee identified an issue that needed to be addressed. A panel format for managers was proposed by Trustee Gladstern, who expressed a preference for more focus on the quarterly investment report produced by Callan Associates.

Mr. Wickman will discuss the various ideas with the investment consultant and the Chair of the Investment Committee to determine an appropriate structure and process for the Investment Committee in accordance with Trustee Bolger's recommendation.

It was M/S Piombo/Gladstern to recommend that the Board adopt updates to the Investment Committee Charter as revised per discussions. The motion was approved by unanimous vote.

8. Procedures for Hearings on Non-Disability Retirement Related Matters (Action)
Consider and possibly recommend to Board updates to procedures, including but not limited to standard review period

Mr. Wickman presented updates to non-disability hearings procedures in accordance with the California Public Employees' Pension Reform Act of 2013 (PEPRA). The procedures provide for a formal process for claimants to resolve disputed compensation matters with the Retirement Administrator or the Retirement Board.

Specifically, according to Ms. Dunning, Assembly Bill 340 requires that the Board adopt a procedure to allow parties to dispute decisions about compensation that is included in, or excluded from, the calculation of retirement benefits. The procedure provides for discretion on whether there is a question of law or fact.

Ms. Dunning discussed the claims process with Trustee Gladstern, who requested that sufficient guidance be provided to claimants and also before a decision is made to proceed with a hearing.

It was M/S Haim/Gladstern to recommend that the Board adopt revisions to the Procedures for Hearings on Matters Other Than Disability as revised per discussions. The motion was approved by unanimous vote.

Trustee McFarland was excused from the meeting at 12:03 P.M.

9. Next Committee meeting
Consider possible agenda topics, including without limitation, proxy voting policies, and set date for next meeting.

Trustee Bolger recommended consideration of the structure of disability hearings to assure that those wishing to speak have the opportunity.

There being no further business, Chair Brenk adjourned the meeting at 12:34 P.M.

Greg Brenk, Chair

Attest: Jeff Wickman, Retirement Administrator