

MINUTES

REGULAR BOARD MEETING MARIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

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

February 13, 2013 - 9 A.M.

EVENT CALENDAR 9 A.M. Regular Board Meeting

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

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

ABSENT: McFarland, Stevens

MINUTES

It was M/S Given/Gladstern to approve the December 18, 2012, Special Board Meeting Minutes as submitted. The motion was approved by unanimous vote.

It was M/S Gladstern/Richardson to approve the January 9, 2013, Regular Board Meeting Minutes as submitted. The motion was approved by unanimous vote.

It was M/S Richardson/Gladstern to approve the January 10, 2013, Investment Committee Meeting Minutes as submitted. The motion was approved by unanimous vote.

It was M/S Gladstern/Given to approve the October 2, 2012, Communications and Member Services Committee Meeting Minutes as submitted. The motion was approved by unanimous vote, with Trustee Smith abstaining.

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. Status Update on Actuarial Valuation Report, FY 2011/12 – EFL, Graham Schmidt
(TIME CERTAIN: 9:05 A.M.)
Discussion of progress on latest valuation

Retirement Administrator Jeff Wickman discussed expectations for when the June 30, 2012 actuarial valuation would be presented to the Board for adoption. Mr. Wickman explained that the initial report will come to the Board in April. Generating the data file for the actuary was slightly delayed as staff completed the production of annual statements and 1099s from the new benefit system for the first time.

Actuary Graham Schmidt of Cheiron EFI provided an update on the development of the actuarial valuation. Demographic data for plan members, he stated, is being finalized working with the staff at MCERA.

2. Actuarial Audit Report – Milliman, Nick Collier and Daniel Wade (Action) (TIME CERTAIN: 9:10 A.M.)

Consider and take possible action regarding audit of MCERA's actuarial valuation and experience study dated June 30, 2011

Mr. Wickman introduced consulting actuaries Nick Collier and Dan Wade of Milliman, Inc., to present the results of their audit of MCERA's actuarial valuation dated June 30, 2011 and the 2011 experience study. The purpose of the audit, according to Mr. Wickman, is to examine calculations and methodologies of MCERA's actuary to determine whether they are working as expected.

The Milliman audit report concludes that the June 30, 2011 actuarial valuation is reasonable based on Milliman's independent calculations of the actuarial value of assets, aggregate employer contribution rates and the funded ratio. Mr. Collier reviewed the process of evaluating the actuarial valuation that includes collecting the source data from MCERA and replicating the actuarial calculations. In each case the relative consistency of results are assessed. In response to Trustee Smith's inquiry, Mr. Collier stated that MCERA's funding level fits within the range of most '37 Act systems.

Mr. Collier stated that MCERA's funding policy as reasonable, adding that the actuarial valuation is stronger than most systems. Milliman identified two recommendations as a result of the audit: one dealing with the calculation of liabilities related to active member deaths and the other relating to the calculation of employee contributions required to fund the post retirement cost of living adjustment (COLA).

Mr. Collier explained that the impact of the COLA calculation would result in a decrease in employer contributions on average of 0.18% of payroll and slightly higher contributions rates for those members entering the system at earlier ages. Mr. Wickman explained that funding for the Plan as a whole is not affected by issues identified by Milliman. Mr. Schmidt said he would be prepared to recommend an adjustment to contribution rates in the upcoming valuation to address the COLA contribution allocation item identified by Milliman. He further stated that there should be more discussion on Milliman's comment on the active member death benefit.

Other items discussed in the audit report included its verification that membership data was appropriate and complete, and that all significant benefit provisions were accounted for in an accurate manner. Actuarial liabilities were analyzed and match closely.

According to Mr. Collier the three-year experience study includes important economic and demographic assumptions for the valuation that were determined to be reasonable and consistent. Milliman recommended looking at the inflation assumption which has been trending lower over the past decade. He noted that the MCERA investment assumption was reasonable and was in fact conservative when compared to similar retirement systems.

Mr. Collier and Mr. Schmidt discussed assumptions for general wage growth that does not have a significant effect on funding. Mr. Collier believes there should be some "real" wage growth over price inflation, instead of the EFI assumption of none. Mr. Schmidt explained that other factors and costs are expected to crowd out wage growth.

In conclusion, Mr. Collier reviewed recommended findings and stated that overall the valuation accurately represents the actuarial condition of the fund and the contribution rates are reasonable for funding MCERA.

Chair Bolger and Mr. Wickman thanked Milliman for their detailed work on the actuarial audit and spoke to the value of conducting the audit on a regular basis.

It was M/S Brenk/Richardson to accept the actuarial audit as presented. The motion was approved by unanimous vote.

3. Annual Cost of Living Adjustment as of April 1, 2013 (Action)

Consider and take possible action to affirm actuarial calculation of annual cost of living adjustment for retirees.

Mr. Wickman introduced Mr. Schmidt who presented Cheiron EFI's analysis and calculation of the annual cost of living adjustment (COLA) as of April 1, 2013. Mr. Schmidt stated the calculation is based on changes to the Consumer Price Index in the San Francisco-Oakland-San Jose area for the past two calendar years rounded to the nearest half percent. This year the calculation resulted in a 2.5 adjustment. The amount each retiree will receive depends on their retirement tier and date of retirement. According to Mr. Schmidt, the majority of retirees will receive 2.5% or less for a COLA this year.

It was M/S Given/Gladstern to affirm the actuarial calculation of the annual cost of living increase for retirees. The motion was approved by unanimous vote.

Chair Bolger recessed Open Session for a break at 10:19 A.M. and directed further deliberations to Agenda Item D in Closed Session at 10:30 A.M.

Trustee Given was excused from the meeting during Closed Session and rejoined the meeting for Open Session at the conclusion of Agenda Item D.

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. Daniel Derby	Service	10/24/11	Marin County Sheriff
Initial consideration of an application for service-connected disability retirement filed by a Safety member.			
2. Jenny Veggerby	Non-service	5/19/11	Marin County Health & Human Services Dept.
Initial consideration of an application for non-service-connected disability retirement filed by a Miscellaneous member.			
3. Diane Wishnak	Non-service	9/29/11	Marin County Assessor-Recorder
Initial consideration of an application for non-service-connected disability retirement filed by a Miscellaneous member.			

Chair Bolger recessed Closed Session and reconvened in Open Session at 12:50 P.M.

Chair Bolger reported as follows:

The Board granted Daniel Derby’s application for service-connected disability retirement. Motion was by Trustee Brenk, seconded by Trustee Richardson, and approved by a vote of 7-0. Trustee Given was absent, with Trustee Shaw voting in his place.

The Board granted Diane Wishnak’s application for non-service-connected disability retirement. Motion was by Trustee Gladstern, seconded by Trustee Brenk, and approved by a vote of 7-0. Trustee Webb recused and left the room as he represented the applicant in the past. Trustee Given was absent, with Trustee Shaw voting in his place.

The Board granted Jenny Veggerby’s application for non-service-connected disability retirement. Motion was by Trustee Gladstern, seconded by Trustee Richardson, and approved by a vote of 7-0. Trustee Given was absent, with Trustee Shaw voting in his place.

E. LEGAL MATTERS

1. Conference with Legal Counsel – Anticipated Litigation (CLOSED SESSION)
Significant exposure to litigation pursuant to subdivision (b) of Section 54956.9: one case (California Public Records Act request for investment documentation claimed by Cornerstone Real Estate Advisors to be exempt from disclosure.)

Chair Bolger reported that the Board directed staff to inform Cornerstone of its determination that the alternate investment exemption does not apply to real estate investments in the State of California, regardless of structure, and directed staff to provide records at a date to be determined and not before March 18 at 5 p.m. in order to provide Cornerstone the ability to seek relief from the Court.

2. Conference with Legal Counsel – Pending Litigation (CLOSED SESSION)
MAPE et al. v. MCERA, et al., Marin County Superior Court Case No. 1300318.

Trustee Gladstern recused herself from this item and left the room, as she is a member of the Board of Directors of one of the petitioners in the case (MAPE). Trustee Webb recused himself from this item and left the room, as he receives a pension from one of the petitioners in the case (SEIU).

Chair Bolger reported that no reportable action was taken on this agenda item.

Chair Bolger directed deliberations to Agenda Item F.1.

F. OLD BUSINESS

1. Update on Public Employees' Pension Reform Act of 2013 (PEPRA) (TIME CERTAIN: 12:30 P.M.)

Mr. Wickman presented his response to a letter from labor organizations requesting that the Retirement Board reconsider its Policy Regarding Compensation Earnable and Pensionable Compensation Determinations ("Policy") with respect to pensionable compensation. The response was sent at the direction of the Board. As background for the discussion Mr. Wickman reviewed the Board's Policy on pensionable compensation.

Mr. Wickman stated that the Policy follows as closely as possible the pensionable compensation definition in the Government Code. He presented the Pensionable Compensation Policy Guideline that is intended to provide clear instruction on what steps MCERA will take to make a determination on a particular pay item if an employer and/or employer believes it should be included in pensionable compensation. Mr. Wickman stated that the employer and employee should review and apply the tests listed in the Policy to pay items that are currently excluded by MCERA from pensionable compensation, which they may believe should be included and bring items that they believe meet the criteria for inclusion to MCERA as provided in the Guidelines.

Arthur Liou, attorney at Leonard Carder law firm in Oakland representing the Marin Association of Public Employees (MAPE) addressed the Board. Mr. Liou stated that there are concerns regarding MCERA's application of AB 340 with respect to pensionable compensation for new members. First, Mr. Liou asserted, the Policy is incorrect on determining pay with respect to Government Code section 7522.34(a), in that that there should be an affirmative determination that an item would be excluded, and not by default, as he asserts the MCERA Policy provides. He stated that this is inconsistent with the legislation. Secondly, he stated, it is not clear what MCERA considers to be a group or class for purposes of excluding pay items. The fact that elective skills would be, under the Policy, excluded from pensionable compensation is inconsistent with the statute, he stated. As to similarly situated individuals, bilingual pay, for example, is a qualification that may be voluntary but should not be excluded from pensionable pay, he said. In conclusion, Mr. Liou stated that the Policy sweeps too broadly to disqualify pay items. He further stated that MCERA needs to give time for consideration of what may be included in pensionable compensation; for example, skill and service based pay items.

In his response to Mr. Liou's statements, Mr. Wickman stated that employers need to be able to make determinations up front on which pay items meet the criteria. He reviewed the processes for resolving disagreements. Counsel Dunning stated that if there is a disagreement on pay items between employer and employee it should be brought to MCERA in order to make a determination.

Trustee Cooper expressed a reservation about putting the burden on the employee to determine whether pay items pass the definition of pensionable. Mr. Wickman noted that AB 340 established numerous benefit changes for new members hired as of January 1, 2013, including a cap on the compensation that can be used to calculate retirement benefits.

Trustee Given stated that the Board needs to interpret the law with the view of safeguarding Fund assets, adding that it will take time for the employers to make determinations on pay items.

Trustee Piombo encouraged MCERA to take the lead to make sure plan sponsors are pursuing needed clarity on pensionable items.

According to Mr. Wickman plan sponsors are aware of the need to look at pay codes. Chair Bolger proposes scheduling an update on how the employers are proceeding with regard to reviewing their pay codes. At the direction of the Board, Mr. Wickman will develop a further communication to employers to provide guidance on what steps should be taken to resolve pensionable compensation questions.

C. BOARD OF RETIREMENT MATTERS

1. Administrator's Report (Oral)

a. Administrator's update

Mr. Wickman reported that electronic filing of Form 700 is available this year as an alternative to submitting a hard copy. The trustees were provided with information on submission of the form.

Mr. Wickman attended the CalAPRS Administrator's Roundtable where the Public Employees' Pension Reform Act of 2013 (PEPRA) was the focus of discussions. In particular, Mr. Wickman noted that MCERA may gain some insights from CalPERS as they engaged in a rule making process to determine how to implement certain PEPRA provisions.

b. Class Action Securities Litigation semi-annual report

Mr. Wickman reported that no pending class action securities litigation actions have been submitted by the two firms monitoring these activities.

c. Staffing update

No report.

d. Facility Use Report

No report.

e. Future meetings

- February 21 Finance and Risk Management Committee
- February 27 Governance Committee
- March 13 Regular Board

2. Ad Hoc Committee Reports

a. Ad Hoc Education Committee

1. Strategic Planning Workshop Agenda
Consider and review agenda topics

Committee Chair Piombo presented the proposed agenda for the March Strategic Planning Workshop that was reviewed by the Ad Hoc Education Committee on January 24. The meeting will be the first opportunity to exercise a new structure for an interactive dialogue with MCERA investment managers.

3. Trustee Comments

Trustees Richardson and Smith acknowledged the high quality of the Dimensional Fund Advisors conference they attended. Trustees Brenk and Webb reported on the Callan National Conference that included an informative presentation on macroeconomics.

Chair Bolger directed deliberations to Agenda Item G.3.

3. Notification of SACRS Board of Director Elections 2012-2013
Consider and discuss election process and deadlines

Trustee Gladstern reviewed the SACRS election process and related notification.

Chair Bolger directed deliberations to Agenda Item G.5.

5. 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

	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	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	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	
* X	AEW Capital Management	-Value Added Portfolio	Quarter
* X	RREEF	-Value Added Portfolio	Other
* X	Woodmont Realty Advisors	-Direct Ownership	Semiannual

3. Other

I. OTHER INFORMATION

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

J. CONSENT CALENDAR (Action)

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

CONSENT CALENDAR for
MCERA MEETING, WEDNESDAY, February 13, 2013

CONSENT CALENDAR
January 2013

RETURN OF CONTRIBUTIONS

David Brown (Post 30 Years)	County of Marin	236.65
Darryl Ferris (Full)	County of Marin	41,696.99
Kris Goodman-Adona (Full)	County of Marin	1,054.54
Yuan Ying Lin (Full)	County of Marin	7,938.74
Patrick Mc Nerney (Partial)	County of Marin	566.91
Margaret Stepler (Partial)	County of Marin	469.77
Duane Walker (Full)	County of Marin	2,905.58
Carol Jacobs-Courtz (Post 30 Years)	City of San Rafael	23,817.16
TOTAL		\$78,686.34

BUYBACK

Diana Edens	County of Marin
Laura Estrada-Shepherd	County of Marin
Joseph Helwee	County of Marin
Nancy Hemmingway	County of Marin
Judith Stromberg	County of Marin
Susan White	County of Marin
Catharine Zane	County of Marin

NEW RETIREES

Gerald Bretag	DPW	County of Marin
Rocky Burks	DPW	County of Marin
Earl Eckert	Human Resources	County of Marin
Nicholas Trunzo	H&HS	County of Marin
Melanie Haag	Courts	
Roxanna Atkins	City of San Rafael	
Marcus Mathis	City of San Rafael	

RESCINDED RETIREMENTS

DECEASED RETIREES

Elsie Craig	Beneficiary	County of Marin
Marilyn Litman	Beneficiary	County of Marin
Dorothy Mc Kamey	Beneficiary	County of Marin
Josephine Lucchesi	Beneficiary	County of Marin
John Dorich	City of San Rafael	
Mary Stinson	Beneficiary	City of San Rafael
Cheryl Marsh	Beneficiary	City of San Rafael

Bernice Thomas

Beneficiary

City of San Rafael

CONFERENCES/SEMINARS

CalAPRS ADMINISTRATORS' ROUNDTABLE

Retirement Administrator Wickman

CalAPRS ATTORNEYS' ROUNDTABLE

Counsel Dunning

CALLAN NATIONAL CONFERENCE

Trustees Brenk, McFarland, Richardson, Webb

OTHER

Chair Bolger directed deliberations to Agenda Item G.1.

G. NEW BUSINESS

1. Conflict of Interest Code (Action)

Conduct biennial review and take possible action on updates to policy

Mr. Wickman stated that revisions to the Conflict of Interest Code include updated attachments to bring them current with Marin County information. In addition, the revised Code provides for, in accordance with the new law, publication of Form 806 listing members of standing committees receiving compensation for those committee meetings. As Counsel Dunning explained, the form is posted to MCERA's web site to relieve the trustee of disclosing and recusing in the event the trustee participated in the vote to be on a committee paying a certain amount over the course of one year.

It was M/S Gladstern/Cooper to adopt updates to the Conflict of Interest Code as submitted. The motion was approved by unanimous vote.

2. Education Requirements for Trustees

Discussion of qualifying educational sessions

Mr. Wickman referred to the Trustee Education Policy and presented a Continuing Trustee Education Log as a guide for trustees to record the required 24 hours of education every two years. Board-related educational presentations at the Strategic Workshops, for example, would qualify to meet the educational requirement and will be recorded by staff. Mr. Wickman responded to trustee inquiries on qualifying events and the process for trustees to notify staff of their attendance.

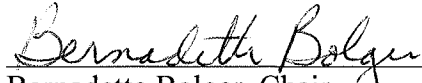
Chair Bolger recessed Open Session and directed deliberations to Agenda Item G.4 in Closed Session at 2:32 P.M.

4. Public Employee Performance Evaluation (CLOSED SESSION)

Title: Retirement Administrator

In accordance with MCERA's Retirement Administrator Annual Performance Evaluation Policy Section 3(b), conduct mid-year informal performance review

Chair Bolger recessed Closed Session, reconvened in Open Session and, there being no further business, adjourned the meeting at 4:10 P.M.


Bernadette Bolger, Chair


Howard McFarland, Secretary