

It was M/S Cooper/Gladstern to approve the March 20-21, 2013, Strategic Workshop Minutes as submitted. The motion was approved by a vote of 8-1, with Trustee Smith voting against.

It was M/S Smith/Stevens to approve the March 14, 2013, 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.

No public comment.

B. MATTERS OF GENERAL INTEREST

1. Actuarial Valuation Report, FY 2011/12 – Graham Schmidt, Cheiron-EFI (TIME CERTAIN: 9:05 A.M.) (Action)

Consider and take possible action to adopt Actuarial Valuation report, FY 2011/12

Mr. Wickman distributed summaries of the Actuarial Valuation as of June 30, 2012, for Marin County, Novato Fire District, and the City of San Rafael.

Actuary Graham Schmidt of Cheiron-EFI presented and reviewed the Actuarial Valuation as of June 30, 2012. Mr. Schmidt reported on two observations in the new valuation: there are now more retirees than active employees, and the \$1.484 billion market value of assets exceeds the actuarial value of assets. With continued recognition of deferred investment losses and modest fiscal year investment returns, the funded ratio was relatively flat year-to-year.

Mr. Schmidt attributed increases to employer contributions rates in part to a decline in the payroll base. To illustrate the effect of the asset-to-payroll ratio, Mr. Schmidt reviewed a sensitivity analysis showing that Plan cost is more sensitive to investment returns as the ratio increases. Thus, the higher asset-to-payroll ratio of the City of San Rafael, for example, led to relatively higher contribution rates than other Plan sponsors. Contribution rate increases were buffered by the use of valuation reserves in accordance with MCERA's policy.

In response to Trustee Gladstern's inquiry, Mr. Schmidt explained that generally employee contribution rates change only if assumptions change, and there were none. Minor changes were made in employee contribution rates based on modifications to active death benefit calculations recommended in the actuarial audit.

Mr. Schmidt reviewed metrics in the summary valuations and used dynamic modeling to project future cost and funded ratios for each plan sponsor based on varying the assumed rate of return. Mr. Schmidt explained that the funded ratio will eventually improve as the unfunded actuarial accrued liability is paid down. During discussions the point was made that the valuation is a June 30th snapshot. Conditions can change significantly as

can be witnessed by the fact that MCERA investment returns for fiscal year 2012/13 are currently exceeding the assumed rate.

Trustee Brenk suggested providing to employers a range of cost projections. In response Mr. Schmidt stated that stochastic simulations based on confidence intervals are part of the analysis performed by the investment consultant. He further noted that changes in payroll levels affect funding metrics for each employer.

The funding status of the City of San Rafael was a point of discussion. In response to Chair Bolger's inquiry, Counsel Dunning advised that the Board has a duty to determine, based on the recommendations of its actuary, the employer contributions that, when combined with employee contributions, will be sufficient so as to have sufficient assets on hand to timely pay benefits when they are due. Mr. Schmidt responded to the question by stating that the funding policy in place now as to all plan sponsors is designed to do so. He further explained that even if the funded ratio is below the inactive only ratio as is present for San Rafael, that funding is expected to improve over time given current actuarial policies. Trustee Piombo pointed out that San Rafael is paying higher contribution rates as a result of prior benefit improvements.

According to Mr. Wickman, current funding policies are intended to result in consistent funded levels for each employer. Other related factors such as pension obligation bonds were discussed.

In conclusion, Mr. Schmidt explained that the valuation does not reflect the impact of Assembly Bill (AB) 340 (PEPRA), applicable to new members hired as of January 1, 2013. Mr. Schmidt provided a contribution rate proposal for PEPRA members and employers, explaining that the new tier will pay the same percentage of the unfunded liability amortization.

It was M/S Smith/Brenk to adopt employer contribution rates as presented in the Actuarial Valuation, employer contribution rates for AB 340 members as presented separately, and the Actuarial Valuation as of June 30, 2012, subject to edits per discussions. The motion was approved by unanimous vote.

Chair Bolger recessed Open Session for a break at 10:13 A.M. and directed deliberations to **Agenda Item D** in Closed Session.

D. DISABILITY RETIREMENT APPLICATIONS (TIME CERTAIN: 10:00 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>Applicants</u>	<u>Service/Non-Service Connected Service</u>	<u>Date of Application</u>	<u>Employer</u>
1. Melanie Haag	Service	11/7/12	Marin County Superior

and more trust fund assets, they currently operate with a smaller number of staff than MCERA. Part of this is the fact that SCERA has far fewer retirement tiers than MCERA which provides for less administrative complexity. The information will be useful as Mr. Wickman looks at future staffing models for the Board to consider.

Mr. Wickman and Counsel Dunning attended a symposium on municipal bankruptcy in San Francisco sponsored by the State Association of County Retirement Systems (SACRS).

New subscription agreements with private equity managers Pathway and Abbott are completed. A \$15.5 million distribution was received from the Cornerstone Patriot Fund as a result of MCERA's termination of Cornerstone.

b. Business Objectives for FY 2012/13 Quarterly Review

Benefit Management System – Mr. Wickman reported progress on updating MCERA's benefit management system (CPAS) to comply with the new PEPRA legislation. The project is expected to be completed by the end of the summer.

Performance Management – Mr. Wickman commended staff's completion of 45 retirements in April, an unusually high number, as a significant accomplishment and a reflection of their commitment to providing service to members and retirees. Staff also stepped up to assist with the untimely loss of Alex Levin, MCERA Principal Systems Analyst. Mr. Wickman expressed appreciation to the Marin County Association of Retired Employees (MCARE) for its acknowledgement of Alex Levin's passing in its newsletter. Chair Bolger on behalf of the Board complimented staff for their service to members.

Human Resource Management – Mr. Wickman reported that annual staff evaluations for employees who have step increases have all been brought to current.

Management of Investments – Mr. Wickman plans to attend the Haas School of Business pension investment management course.

Communication and Education – Ms. Fowler and Ms. Hardesty are finalizing a new retirement application packet that will assist members in completing the retirement process. There is progress toward having the Plan Document indexed and online. Mr. Wickman commended the work of Ms. Fowler, who has a primary role in all communications projects.

Financial Goal – The Senior Accountant attended a training course on developing a Comprehensive Annual Financial Report (CAFR). The project will involve policy decisions on the part of the Board. Mr. Wickman is looking to see if other local assistance is available to help with the future project.

Retirement Board Meeting Materials – Mr. Wickman reported that Retirement Board Clerk Dale Barre is continuing electronic board packet testing with a pilot iPad. At a recent CalAPRS conference Ms. Barre discussed with a representative of the San Bernadino county retirement system its electronic board packet process.

Trustee Cooper was excused from the meeting at 12:38 P.M.

c. Staffing update

See Agenda Item C.1.b above.

d. Facility Use Report

Members of MCARE held a meeting at MCERA offices, followed by a tour of the facilities provided by Mr. Wickman. In attendance was Trustee Smith who expressed his appreciation to Mr. Wickman for accommodating the retiree group.

e. Future meetings

- May 30 Finance and Risk Management Committee
- June 12 Regular Board

2. Trustee Comments

Trustee Smith reintroduced the topic of the CalPERS Long Term Care program by requesting that it be placed on a future agenda. According to Counsel Dunning, the Retirement Board has no jurisdiction over the Long Term Care program that is administered by CalPERS. Therefore, no action can be taken on the matter, she stated, and furthermore, time and resources devoted to the topic should be limited. Ms. Dunning explained that the LTC program was set up so that employees who purchased the coverage would fund the expense. Initial funding was provided in the form of a loan from CalPERS, she stated.

Discussions included Trustee Stevens' comment that the matter is not an appropriate topic for the Board to address. Trustee Webb referred to the need to manage MCERA for the benefit of retirees. According to Trustee Gladstern, the program was expensive and therefore unrealistic from the beginning. Trustee Smith indicated concern about representations made about the program by CalPERS and requested that the Board send a letter to CalPERS in support of LTC members.

Based on his discussions with peers at next week's SACRS conference, Mr. Wickman offered to report back to the Board whether any 1937 Act systems have taken action on this issue.

Chair Bolger requested a vote on whether to agendize the CalPERS Long Term Care program.

It was M/S Smith/Richardson to agendaize an update by the Retirement Administrator on the CalPERS Long Term Care program. The motion was denied by a show of hands, with Trustee Cooper absent.

During his regular Administrator's report in June Mr. Wickman will report on the discussion from the SACRS Administrators Roundtable.

Trustee Gladstern reported on proceedings at the Council of Institutional Investors (CII) conference. She and representatives of CII met with six members of the House, two senators, and legislative aides to address several issues. First, the group proposed one share/one vote in place of founders having 10 votes for each share. Second, the group recommended that independent audit committees conduct audits of corporations. Third, legislation to require that the Securities and Exchange Commission (SEC) rule-making process include a cost-benefit analysis was proposed. Ms. Gladstern reported that CII has formed a 501(c)(3) organization to research topical trends that impact long term investors.

Trustee Given expressed his condolences to Alex Levin's family and to staff.

Trustee Richardson reported that the due diligence visit to the Clifton Group was efficient and productive. Trustees Smith and Webb also attended. They encouraged fellow trustees to participate in due diligence visits as a valuable learning experience. Attendee Trustee Smith expressed confidence in Clifton's process which has added value to the Fund.

Mr. Wickman expressed a concern that the projection of future contributions Excel chart provided by the actuary earlier in the meeting is being used for non-actuarial purposes. Chair Bolger recommended that an item on this subject be added to the Finance and Risk Management Committee agenda for discussion.

Trustee Smith reported that the recent California Retired County Employees Association (CRCEA) conference included valuable discussions on pension matters. According to Trustee Webb who also attended the conference, it was one of the two best that he has attended and included excellent speakers.

E. LEGAL MATTERS

1. Effective Date of Disability Retirement of Diane Wishnak (OPEN SESSION)

Consider and take possible action on staff recommendation to change effective date of disability retirement to July 10, 2011, the day after the member's last date of regular pay.

Assistant Retirement Administrator Michelle Hardesty stated that staff recommends changing the effective date of Diane Wishnak's previously approved non-service-connected disability retirement from the date of the application to the day after the member's last date of regular pay. Pension law supports the member's request to do so since there is evidence supporting her claim of a delay in the ability to ascertain the permanency of her incapacity.

It was M/S Brenk/Gladstern to change the effective date of disability retirement for Diane Wishnak to July 10, 2011, the day after the member's last date of regular pay. The motion was approved by unanimous vote, with Trustee Cooper absent.

F. NEW BUSINESS

1. Future Meetings

Consider and discuss agenda items for future meetings

No discussion.

G. 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	
	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	
* X	RREEF	-Value Added Portfolio	
* X	Woodmont Realty Advisors	-Direct Ownership	Quarter

3. Other

H. OTHER INFORMATION

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

I. CONSENT CALENDAR (Action)

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

There being no further business, Chair Bolger adjourned the meeting at 1:17 P.M.

Bernadette Bolger, Chair

Howard McFarland, Secretary