

**MINUTES
REGULAR BOARD MEETING
MARIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION**

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

June 12, 2013 - 9 A.M.

EVENT CALENDAR 9 A.M. Regular Board Meeting

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

ROLL CALL PRESENT: Bolger, Cooper, Given, Gladstern, McFarland, Shaw (ex officio alternate), Smith, Stevens, Webb (alternate retiree)

ABSENT: Brenk, Piombo (alternate safety), Richardson

MINUTES

It was M/S Smith/Gladstern to approve the April 10, 2013 as revised and submitted pursuant to discussions at the May 8 Board meeting. The motion was approved by unanimous vote.

It was M/S Smith/Cooper to approve the May 8, 2013 Regular Board Meeting Minutes as revised. The motion was approved by unanimous vote.

It was M/S Smith/Gladstern to approve the May 9, 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. Popular Annual Financial Report (PAFR)
Staff presentation of the draft June 30, 2012 PAFR

Mr. Wickman presented the second publication of the Popular Annual Financial Report that he said provides more readily accessible financial information about MCERA. Trustee Smith found the information valuable and inquired about the ten-year return. In response, Mr. Wickman explained that the returns in the report are calculated net-of-fees as of June 30, 2012. Chair Bolger and several trustees expressed appreciation to staff for

developing the report. The PAFR is distributed to plan sponsors and is available on MCERA's website.

C. BOARD OF RETIREMENT MATTERS

1. Administrator's Report (Oral)

a. Administrator's update

Mr. Wickman reported that MCERA employers received the new July 1, 2013 contribution rates. The rates were based on the results from the June 30, 2012 annual actuarial valuation.

Annual actuarial valuations back to 2002 and the 2009 and 2006 Experience Studies have been posted to MCERA's website.

Elections for the safety member, safety alternate and Second General Member, will be completed on July 26. Ballots will be mailed to eligible voters on June 28.

There are two vacancies in appointed positions on the Board. June 7 was the deadline for applications to be submitted to the Marin County Board of Supervisors. Trustee Gladstern expressed appreciation to appointee Trustee Stevens for her valuable service to the Retirement Board. Trustee Stevens will be leaving the Board in July.

Chair Bolger and Mr. Wickman met with representatives from the Citizens for Sustainable Pension Plans (CSPP) to discuss changes in actuarial assumptions adopted as part of the 2012 Experience Study. Chair Bolger stated that it was a good meeting and she felt their questions had been satisfactorily answered by Mr. Wickman.

One Public Records Act request was fulfilled to provide a list of names and benefit amounts of individuals who are receiving a service or non-service connected disability retirement benefit from MCERA.

Mr. Wickman commended Special Assistant Helen Moody and Technical Support Specialist Lori Nann for picking up the work needed to maintain CPAS since the loss of Alex Levin.

b. Seminar Program Update

Retirement seminars were recently revised for the first time since beginning the program in 2009. Mr. Wickman commended the presentation team of Communications Associate Syd Fowler, Assistant Administrator Michelle Hardesty, Retirement Member Services Technician Rachel Varao, and Benefit Manager David Sousa for their work to create the new program and conduct the presentations. The meetings were designed to create a conversational style with the participants. Initial feedback from attendees has been very positive according Trustee Gladstern.

Ms. Fowler presented an overview of the programs. She explained that the first goal was to focus on members in different career stages. To accomplish this two separate programs were created: Path to Retirement (for early and mid-career members) and Planning to Retiree (for members within five years of retirement eligibility) To encourage interactive dialogue, the room was reconfigured to include tables instead of row seating. After the initial high-level overview, the team asked attendees to identify what questions they wanted to have answered before they left the seminar. This allowed staff to ensure that the critical topics were being captured in the curriculum. Based on demand, more seminars have been scheduled, according to Ms. Fowler.

In response to Trustee Smith's inquiry about providing information on medical benefits to retirees, Mr. Wickman stated that the focus has been on active members, in particular those close to retirement eligibility. Partnering with the County to provide benefits information for retirees is a possibility, he said. Trustee Gladstern noted that there is benefit information on the County website.

c. Staffing update

One staff reclassification in the current fiscal year budget remains to be completed by June 30.

Metal signs will be installed to mark MCERA visitor parking to dissuade use of those spots by others.

MCERA is closed for the Fourth of July holiday but will be open on July 5th.

d. Facility Use Report

No facility use.

e. Future meetings

- June 24 Governance Committee
- July 10 Regular Board
- July 11 Investment Committee

2. Standing Committee Reports

a. Finance and Risk Management Committee

1. Administrative Budget FY 2012/13 Quarterly Review

Consider and review budget for quarter ending March 31, 2013

Chair Bolger has appointed Maya Gladstern as Chair of the Finance and Risk Management Committee to replace Trustee Brenk. She is appointing Trustee Brenk Chair of the Investment Committee when Trustee Richardson leaves the Board in July.

Chair Bolger stated that the Committee conducted a thorough review of the administrative budget and checklist items. As noted by Mr. Wickman at the February Committee meeting, an adjustment to the current fiscal year budget was necessary as a result of increased benefit costs. See Item C.2.a.3 below.

2. Quarterly Checklist

Consider, review and updates on the following:

- a. MCERA educational and event-related expenses
- b. Other expenses per Checklist guidelines
- c. Variances in the MCERA administrative budget in excess of 10%
See Item C.2.a.3 below.
- d. Reconciliation of MCERA administrative accounts
- e. Vendor services provided to MCERA
- f. MCERA staffing status
- g. Internal controls, compliance activities and capital calls
- h. Audits, examinations, investigations or inquiries from governmental agencies
- i. Other items from the Retirement Administrator related to risk and finance
- j. Form 700 summary submittal

3. Administrative Budget FY 2012/13 Amendment (Action)

Consider and take possible action on Finance and Risk Management Committee recommendation regarding amendment of current fiscal year budget

Chair Bolger explained that an amendment to the budget is being presented due primarily to higher benefit-related costs that were not anticipated in the approved budget. In addition there was a need to increase the expenditure limit for salaries because the extra hire position has been retained for the entire fiscal year. Mr. Wickman noted there was a slight reduction in services and supplies that offset some of the projected increases. The total increase is \$235,118 over the previously approved budget. The budget remains well within the legislative expenditure limit of 21 basis points of the actuarial accrued liability.

Based on the action of the Finance and Risk Management Committee, Acting Committee Chair Bolger recommended that the Board adopt amendments to the Administrative Budget for Fiscal Year 2012/13 as presented. The motion was approved by unanimous vote.

4. Abbott and AEW Subscription Agreements/Side Letter Update
Discussion of agreement provisions relative to model agreement

Mr. Wickman reported that the Abbott subscription agreement and most of the agreement with AEW have been completed. Mr. Wickman stressed the importance of the model agreement, but also indicated that, as anticipated, negotiated agreements did not include all of the model terms. According to Ms. Dunning, some of those negotiations result in less favorable terms for MCERA, but others have resulted in a tightening of provisions that improve the protections of MCERA. For example, she noted that certain trustees may be limited to a \$250 annual gift or campaign contribution threshold, lower than the \$440 limit that applies generally to public officials, and that this lower gift cap was included in the AEW side letter, which provides an additional control that ultimately protects MCERA

5. Trustee Educational Requirements Report
Review progress regarding two-year training requirement

A record of qualifying educational events so far in 2013 was distributed to the trustees by staff.

6. Purpose of Actuarial Projections
Consider and discuss the appropriate use of certain actuarial reports

The actuary submitted a memo and explained the appropriate use of actuarial reports.

7. Assessment of System Risk Analysis by SF Sentry (Action)
Consider and take possible action on Finance and Risk Management Committee recommendation regarding SF Sentry System Risk contract

Trustee Bolger reported that the committee voted to terminate the contract with SF Sentry and directed the Retirement Administrator to provide immediate 30-day notice to SF Sentry.

Based on the action of the Finance and Risk Management Committee, Acting Committee Chair Bolger recommended that the Board terminate San Francisco Risk Advisors and ratify the 30-day termination notice that was issued on May 31. The motion was approved by unanimous vote.

3. Trustee Comments

Chair Bolger commented that the May SACRS conference that was attended by several trustees was worthwhile.

Chair Bolger recessed Open Session for a break at 9:49 A.M., reconvening 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</u>	<u>Date of Application</u>	<u>Employer</u>
1. Simone Rivers	Service	1/3/12	Marin County Probation Department

Initial consideration of an application for service-connected disability retirement filed by a member with Miscellaneous and Safety service.

Chair Bolger recessed Closed Session and reconvened the meeting in Open Session at 10:57 A.M.

Chair Bolger reported that the Board denied Simone Rivers' application for service-connected disability retirement and provided the applicant with the opportunity to request an administrative hearing in accordance with MCERA policy. Motion was by Trustee Smith, seconded by Trustee Gladstern, and approved by unanimous vote of 7-0.

E. LEGAL MATTERS

1. 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 did not attend the closed session meeting, 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 did not attend the closed session meeting, as he receives a pension from one of the petitioners in the case (SEIU). Trustee McFarland recused himself from this item and did not attend the closed session meeting, as he is a steward of one of the petitioners in the case (MAPE).

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

F. NEW BUSINESS

1. Participation Agreement Re City of San Rafael Retiree Medical Trust 401(h) Account (Action)

Consider and take possible action to authorize Retirement Administrator to execute agreement with City documenting administration of trust account and authorizing transfer to successor trustee

Mr. Wickman reviewed the history of the Retiree Medical Trust 401(h) Account that MCERA has administered for the City of San Rafael ("the City") since the early 1990's. The funds maintained in the trust are separate from all other pension assets and are not used in annual actuarial valuation of assets and liabilities in accordance with Internal Revenue Code requirements. Staff has been working with City representatives to

transition the trust to a successor trustee for the City so it can continue to fund its retiree healthcare obligations through another IRS approved trust vehicle.

Mr. Wickman presented a written agreement that complies with the California Government Code requirements to have a written process outlining the transfer of medical trust assets. In response to Trustee Given's inquiry, Mr. Wickman stated that MCERA has already received approval from the Internal Revenue Service on the process for transferring the medical plan assets in the manner described in the proposed Agreement. There was general agreement with Trustee Given's view in support of staff that administration of medical accounts is best left to those who manage trust funds used to pay medical benefits regularly, rather than MCERA, which manages primarily trust funds used to pay retirement benefits. Chair Bolger noted that employers may choose to have CalPERS administer their medical benefit accounts.

It was M/S Given/Gladstern to authorize the Retirement Administrator to execute the agreement with the City of San Rafael documenting administration of their Retiree Medical Trust 401(h) Account and authorizing transfer of the account to a successor trustee. The motion was approved by unanimous vote.

2. Future Meetings

Consider and discuss agenda items for future meetings

Trustee Smith requested an update from counsel at the Fall workshop on bankruptcy proceedings across the state.

Chair Bolger expressed interest in the recent notice that Marin County has hired Cheiron EFI to investigate different hybrid pension plan options. In response, Mr. Wickman explained that the County will be looking at multiple options including the existing plan in place at the Orange County Employees' Retirement System. Trustee Gladstern questioned the impact of such a move on MCERA's defined benefit plan if the number of participants were reduced. In response to Trustee Webb's inquiry, Counsel Dunning explained that by law any new hybrid pension plan would require legislative approval and as required by the Public Employee Pension Reform Act (PEPRA) would have to be less costly and less risky than the current PEPRA plan. Mr. Wickman indicated that he would be willing to provide updates to the Board as information is available.

G. 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	

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| * 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. | <u>Real Estate</u> | | |
| * X | Woodmont Realty Advisors | -Direct ownership – Monthly report | |
| * X | AEW Capital Management | -Value Added Portfolio | Quarter |
| * X | AEW Capital Management | -Core Real Estate | Quarter |
| * X | RREEF | -Value Added Portfolio | Quarter |
| | Woodmont Realty Advisors | -Direct Ownership | Quarter |
| * X | UBS | -Core Real Estate | Quarter |
| 3. | <u>Other</u> | | |

H. OTHER INFORMATION

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

I. CONSENT CALENDAR (Action)

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

There being no further business, Chair Bolger adjourned the meeting at 11:14 A.M.

Bernadette Bolger, Chair

Howard McFarland, Secretary