

MINUTES

REGULAR BOARD MEETING MARIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

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

July 10, 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, Brenk, Cooper, Given, McFarland, Piombo
(alternate safety), Richardson, Shaw (ex officio alternate),
Smith, Stevens, Webb (alternate retiree)

ABSENT: Gladstern

MINUTES

It was M/S Brenk/Given to approve the June 12, 2013 Regular Board Meeting Minutes as submitted. The motion was approved by unanimous vote.

On behalf of the Board Chair Bolger expressed sincere gratitude for the service of departing trustees Jerry Richardson and Kim Stevens. Trustees Smith, Brenk, Given, McFarland and Webb joined in acknowledging their professionalism, insight, and dedication to MCERA. Retirement Administrator Wickman expressed thanks for their guidance and patience in managing the system. Trustees Richardson and Stevens returned the expressions of gratitude.

Chair Bolger invited members of the public to address the Board.

A. OPEN TIME FOR PUBLIC EXPRESSION

Note: The public may also address the Board regarding any agenda item when the Board considers the item.

Bob Curry, Director of the Marin County Tobacco Related Disease Control Program, requested that the Board adopt a policy to divest from tobacco investments within one year. Mr. Curry read from a letter to the Board from Pam Granger, program manager with the American Lung Association, advocating that it is time to move on from the policy of investing in tobacco.

Ed Boyce, retired physician who practiced in Marin County, advocated the use of socially responsible mutual funds for retirement funds, stating that it is a mistake to invest counter to one's values.

Nancy Boyce, retired school nurse, opined that the Board has a moral obligation to be a role model for our children by not investing in tobacco.

MCERA member Cory Bytof requested that the Board replace tobacco investments within one year. Mr. Bytof also requested implementing socially responsible investing as a long-term policy.

MCERA retiree Elizabeth Emerson stated that she does not want her retirement money invested in tobacco. Ms. Emerson dedicated her presentation to friends who died within one year of their retirement.

Shae Cross of the Smoke-Free Marin Coalition requested that the Board divest from tobacco holdings as Fund investments should be supportive of health initiatives to limit smoking.

MCERA retiree Joan Brown stated that MCERA is not too small to take a stand by divesting from tobacco holdings.

Chair Bolger thanked the speakers for expressing their views to the Retirement Board.

B. BOARD OF RETIREMENT MATTERS

1. Administrator's Report (Oral)

a. Administrator's update

Retirement Administrator Wickman reported that Jeffrey Bartfeld and David Shore were appointed to the Retirement Board by the Board of Supervisors from a pool of five candidates. The new appointees will join the Board at its August meeting.

Trustee Maya Gladstern was the only person nominated for the position of Second General Member. As no other candidates were nominated, Maya will begin a new three-year term on November 1, 2013. Two candidates were nominated for the safety position. The ballots are due back to Marin County elections on July 26.

One Public Records Act request for real estate and private equity data was fulfilled.

Mr. Wickman will attend the SACRS-sponsored Pension Investment Management course at the Haas Business School in Berkeley July 28-31.

The annual financial audit is underway at MCERA offices.

b. Staffing update

No report.

c. Facility Use Report

No recent facility use.

d. Future meetings

- July 11 Investment Committee
- August 14 Regular Board

2. Standing Committee Reports

a. Governance Committee

1. Statement of Investment Policy Regarding Divestment (Action)

Consider and take possible action on Governance Committee's recommendation to adopt policy regarding divestment based on environmental-social-governance considerations

Governance Committee Chair Kim Stevens reviewed the work of the Committee to develop a draft policy for the Board to consider. She stated that the draft Statement of Investment Policy Regarding Divestment was based in part on information collected by the Committee from CalPERS regarding their experience with environment-social-governance (ESG) policy matters. Chair Stevens discussed the fact that all MCERA investments are managed by external providers and that CalPERS' policy regarding divestment in tobacco applied only to funds managed by internally by CalPERS staff. She also noted that CalPERS' own study showed that divesting from certain assets caused the fund to lose money. She also discussed the value of being able to actively engage companies and investment managers as a share holder/owner to create change.

Based on the action of the Governance Committee, Governance Committee Chair Stevens recommended that the Board adopt the Statement of Investment Policy Regarding Divestment as submitted.

Discussion of the motion included Trustee Brenk's response to Trustee Smith's inquiry about the reference in the policy to CalPERS. Trustee Brenk spoke to the importance of CalPERS as a role model on this issue and supported the policy as submitted. Trustee Smith noted in support of the policy that the Fund's investments must be diversified and the value of being an owner in a company as a way to initiate change.

The motion was approved by unanimous vote.

2. Investment Policy Statement (Action)

Consider and take possible action on Governance Committee's recommendation to adopt revisions to the Investment Policy Statement regarding Watchlist criteria

Mr. Wickman explained that proposed revisions to the Investment Policy Statement clarify conditions under which a manager may be placed on or removed from the Watchlist.

Based on the action of the Governance Committee, Governance Committee Chair Stevens recommended that the Board adopt amendments to the Investment Policy Statement as submitted. The motion was approved by unanimous vote.

3. Policy Regarding Annual Affirmation as to Key Policies (Action)

Consider and take possible action on Governance Committee's recommendation to adopt updates to policy

Mr. Wickman stated that the Portable Electronic Device Policy has been added to the list of key policies to be affirmed on an annual basis.

Based on the action of the Governance Committee, Chair Stevens recommended that the Board adopt amendments to the Policy Regarding Annual Affirmation as to Key Policies as submitted. The motion was approved by unanimous vote.

4. Key Service Provider Performance Evaluation Policy (Action)

Conduct standard policy review

Based on the action of the Governance Committee, Governance Committee Chair Stevens recommended that the Board accept the review of the Key Service Provider Performance Evaluation Policy. The motion was approved by unanimous vote.

5. Travel and Expense Policy (Action)

Conduct standard policy review

Mr. Wickman presented proposed revisions to the Trustee and Staff Travel Expense Policy to clarify, based on discussions at the Governance Committee meeting, that travel expense reimbursement is limited to MCERA-related activities that are authorized by the Retirement Board.

It was M/S Smith/Brenk to adopt amendments to the Trustee and Staff Travel Expense Policy as submitted. The motion was approved by unanimous vote.

6. Whistleblower Policy (Action)

Conduct standard policy review

Based on the action of the Governance Committee, Governance Committee Chair Stevens recommended that the Board accept the review of the Whistleblower Policy. The motion was approved by unanimous vote.

7. Guidelines for Discussion of Disability Applications at Board Meetings

Consider and take possible action to recommend to Board adoption of Guidelines

Mr. Wickman explained that, based on discussions at the Governance Committee meeting, the new proposed Guidelines for Discussion of Disability Applications at Board Meetings will be brought back to the Committee for further consideration.

8. Election and Duties of Board of Retirement Officers Policy

Consider and possibly recommend to Board amendment to Policy to alternate Board officers between appointed and elected Board members

Mr. Wickman explained that the Governance Committee discussed a possible modification to the policy that would express a preference for alternating Board officers between elected and appointed trustees. There was consensus to retain the Election and Duties of Board of Retirement Officers Policy as written. The Committee determined that the key factor for Board officers should be an assessment of abilities and capacity to make the necessary time commitments.

Chair Bolger recessed Open Session at 10:09 A.M. for a break, reconvening in Closed Session at 10:15 A.M. At 11:34 A.M. Chair Bolger recessed Closed Session, reconvened the meeting in Open Session, and reported the following:

C. **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. Michael Kirby	Service	1/6/10	Marin County Sheriff

Consider and take possible action on Administrative Law Judge’s proposed findings of fact and recommended decision to grant application for service-connected disability retirement.

2. Stephen Debrunner	Service	10/28/11	Marin County Sheriff
----------------------	---------	----------	----------------------

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

The Board approved and adopted the Administrative Law Judge’s Findings of Facts and Proposed Decision to grant the application for service-connected disability retirement for Michael Kirby. Motion was by Trustee Richardson, seconded by Trustee McFarland, and approved by unanimous vote.

The Board granted Stephen Debrunner’s request for an extension of time of 90 days in which to conduct an administrative hearing, provided that the Retirement Administrator discuss with Mr.

Dykman the reason for his recurring requests for extensions of time. Motion was by Trustee Given, seconded by Trustee Brenk, and approved by unanimous vote.

D. 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 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.

BOARD OF RETIREMENT MATTERS continued.

3. Trustee Comments
Trustee Richardson stated that it was a pleasure to work with the members of the Board.

E. NEW BUSINESS

1. Business Objectives for FY 2013/14 (Action)
Discuss and adopt MCERA business objectives for upcoming fiscal year

Mr. Wickman presented proposed Business Objectives (“Objectives”) for the evaluation year beginning in September 2013. Mr. Wickman stated that the Objectives were developed with input from Special Assistant Helen Moody and Assistant Retirement Administrator Michelle Hardesty, Senior Account Lisa Jackson and Communications Specialist Sydney Fowler.

Key Business Objective No. 1: Benefit Administration

Develop and implement a new retirement packet that will include the application for retirement, benefit estimate for each available option and final contract for signature.

Mr. Wickman stated that goal is to create a single document that will include the retirement application and a benefit estimate for each retirement option available to the member. Ms. Hardesty responded to trustee inquiries regarding the process of calculating different options for retirement in CPAS.

Key Business Objective No. 2: Performance Management

Implement and report quarterly progress toward achieving the following performance targets:

- *Complete 80 percent of retirement benefit estimates within 30 days of receiving the request.*
- *Calculate 75 percent of service purchases within 30 days of receiving a request.*
- *Respond to written customer correspondence (emails and letters) within 5 days.*

Mr. Wickman stated that the goal of providing members' first retirement check within 30 days of their last date of employment has been achieved. He stated the next phase of performance efficiencies will be focusing on the backlog of retirement estimates and service purchases that are over 30 days old.

Key Business Objective No. 3: Human Resource Management

Develop new organizational structure that will align business objectives with available resources.

Mr. Wickman explained that because MCERA's organizational structure grew quickly to meet customer service needs, a look at the structure to make sure it aligns with business priorities would be beneficial. A proposal will be developed with the assistance of Marin County Human Resources Department and presented to the Finance and Risk Management Committee. Trustee Smith recommended rephrasing the objective in the event that a review results in no change to the organizational structure.

Key Business Objective No. 4: Management of Investments

Complete a cash flow projection study looking out over the next 3, 5 and 10 years.

In order to address the system's growing numbers of retirees relative to active members, Mr. Wickman recommends development of a cash flow analysis for the next three, five and ten years. Trustee Brenk suggested a sensitivity analysis that considers different scenarios. Trustee Given indicated that Marin County Human Resources Department has data on retirement projections that may be useful.

Key Business Objective No. 5: Communication and Education

Enhance the seminar program to include information regarding federal and state income taxes, estate planning, supplemental savings plans (457), and integration with Social Security benefits.

Produce new member and disability handbooks.

Mr. Wickman stated that the next step for the retirement seminar program is to bring in outside parties to provide information on topics such as federal and state taxes, the 457 Plan, and Social Security. Other communications goals include development of a new member handbook and disability retirement handbook. Trustee Given suggested coordinating information with plan sponsors.

Key Business Objective No. 6: Finance and Accounting

Create a Comprehensive Annual Financial Report (CAFR) for the fiscal year ending June 30, 2014.

Mr. Wickman invited the trustees' opinions on developing a CAFR, or, alternatively, a modified financial report. A cost analysis of each option and end-user input were proposed by Trustee Brenk. According to Trustee Given, a CAFR provides additional historical financial information that would be worth the cost.

Richard Arrow, retired Marin County auditor-controller, expressed his opinion that the Popular Annual Financial Report may be more useful to members since the CAFR is a statistical report that he said many people find intimidating.

It was M/S Brenk/Cooper to adopt Business Objectives for Fiscal Year 2013/14 as amended per discussions. The motion was approved by unanimous vote.

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

No discussion.

F. 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	
	AEW Capital Management	-Value Added Portfolio	Quarter
* X	AEW Capital Management	-Core Real Estate	Quarter
	RREEF	-Value Added Portfolio	Quarter
	Woodmont Realty Advisors	-Direct Ownership	Quarter
* X	UBS	-Core Real Estate	
3. Other

G. OTHER INFORMATION

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

H. CONSENT CALENDAR (Action)

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

In honor of Trustees Gerald Richardson and Kim Stevens, Chair Bolger adjourned the meeting at 12:09 P.M.

Bernadette Bolger, Chair

Howard McFarland, Secretary

CONSENT CALENDAR for
MCERA MEETING, WEDNESDAY, AUGUST 14, 2013

CONSENT CALENDAR
July 2013

RETURN OF CONTRIBUTIONS

Kelly Burnett (Withdrawal)	County of Marin	873.25
Rachel Griffiths (Withdrawal)	County of Marin	6,880.90
Alexander Levin (Withdrawal)	County of Marin	61,050.74
Terri White (Withdrawal)	County of Marin	2,371.43
Malaika Williams (Withdrawal)	County of Marin	3,243.13
Shawn Gordon (Partial)	City of San Rafael	<u>779.72</u>
	TOTAL	75,199.17

BUYBACK

Virginia Faria	County of Marin
Maria Del Carmen Giron	County of Marin
Jaime Powell	County of Marin
Janelle Torres	County of Marin
Michael Wear	County of Marin
John Gilson	City of San Rafael
Rochelle Gretchman-Dibley	City of San Rafael
Peggy Ruge	City of San Rafael

NEW RETIREES

Neal Osborne	CDA	County of Marin
Douglas Dion	DPW	County of Marin
Leticia Alcantar	H&HS	County of Marin
Linda Armstrong	H&HS	County of Marin
Theresa Brown	H&HS	County of Marin
Trisa Dixon	H&HS	County of Marin
Hiram Elliott	H&HS	County of Marin
Ann Forsell	H&HS	County of Marin
Linda Fortelka	H&HS	County of Marin
Kim Hansard	H&HS	County of Marin
Leighann Jorin	H&HS	County of Marin
Connie Luebkehan	H&HS	County of Marin
Peter Turner	H&HS	County of Marin
Nancy Davis	Library	County of Marin
James Cleaves	Parks	County of Marin
Richard Gibson	Parks	County of Marin
James Cheney	Sheriff	County of Marin
Randolph Heubach		Courts
Lee Johnson		City of San Rafael
Helen Stepler	H&HS	County of Marin

RESCINDED RETIREMENTS

DECEASED RETIREES

Wesley Campigli	Fire	County of Marin
Frances Cerini	Treasurer-Tax Collector	County of Marin
Klara Larsen	Courts	County of Marin
Betty Lowe	Schools	County of Marin
Vivian Nininger	Beneficiary	County of Marin
Dale Varady	Sheriff	County of Marin
Robert Ciocco		City of San Rafael
Donald Rose		City of San Rafael

CONFERENCES/SEMINARS

SACRS Haas Pension Investment Management - Retirement Administrator Wickman