

MINUTES

REGULAR BOARD MEETING MARIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

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

September 11, 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: Bartfeld, Bolger, Brenk, Given, Gladstern, Piombo
(alternate safety), Shaw (ex officio alternate), Shore,
Smith, Webb (alternate retiree)

ABSENT: Cooper, McFarland

MINUTES

It was M/S Gladstern/Shore to approve the August 14, 2013 Regular Board 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.

Peter Anderson, environmental activist with 350 Bay Area and 350 Marin, addressed the Board, explaining that 350 Marin's campaign to increase awareness about global climate change is based on the premise that government is failing in its responsibility to protect the environment. The group's goals include protecting 80% of known fossil fuel reserves, preventing any group from profiting from burning of fossil fuels, and investing in alternative energy. Mr. Anderson distributed articles on divestment and global warming to Board members.

B. BOARD OF RETIREMENT MATTERS

1. Administrator's Report (Oral)
 - a. Administrator's update

Retirement Administrator Jeff Wickman is working with actuary Cheiron and auditor Brown Armstrong to develop MCERA's plan for implementing the requirements of in the new GASB 67 and 68 financial statements.

Mr. Wickman has filed for renewal of fiduciary liability insurance with MCERA's broker McCorkle and let them know about our dissatisfaction with our current provider.

The Marin County Association of Retired Employees (MCARE) has requested MCERA's assistance with mailing information to MCERA retirees. Government Code Section 31592.6 states, "The Board shall cooperate with a recognized retiree organization in communicating with retired members in distributing communications regarding membership in and retiree programs available through the retiree organization." MCERA will assist with the mailing and recover any cost as also provided under the law. MCARE is responsible for the content of any material. MCERA will retain the confidentiality of all retiree addresses.

As a follow-up on his proposal to engage CPAS for server hosting and data management services, Mr. Wickman reported that staff contacted other comparable CERL systems to find out if they were using their software vendor to provide hosting services. The systems contacted reported they did use their software vendor for hosting and database management.

Mr. Wickman reported that Tom Ford has resigned from the Board of the Sonoma County Employees' Retirement Association. Mr. Ford served as interim Retirement Administrator prior to Mr. Wickman's arrival at MCERA.

b. Staffing update

No report.

c. Facility Use Report

MCARE used the Executive Conference Room for a meeting.

d. Future meetings

- September 12 Investment Committee
- October 9 Regular Board

2. Standing Committee Reports

a. Finance and Risk Management Committee

1. Administrative Budget FY 2012/13 Year-End Review (Action)

Consider and take possible action on Finance and Risk Management Committee recommendation regarding budget for year ending June 30, 2013

Committee Chair Maya Gladstern reported that the Finance and Risk Management Committee reviewed the Administrative Budget for the fiscal year ending June 30, 2013. According to Mr. Wickman, total expenditures were within 1% of the amount approved by the Board and within the legislated cap.

Based on the action of the Finance and Risk Management Committee, Finance and Risk Management Committee Chair Gladstern recommended that the Board approve and accept the change in the Administrative Budget for the Fiscal Year ending June 30, 2013 consisting of an additional allocation to the Salaries and Benefits category. The motion was approved by unanimous vote.

2. Quarterly Checklist

Consider, review and updates on the following:

a. MCERA educational and event-related expenses

Trustee Bolger reminded trustees that as required in the Board's education policy Board members should report on conferences or educational events they attend at the next Board meeting.

b. Continuing Trustee Education Log

Several trustees have met the goal of 24 hours of education every two years early.

c. Other expenses per Checklist guidelines

Credit card charges and statements were reviewed.

d. Variances in the MCERA administrative budget in excess of 10%

See above.

e. Reconciliation of MCERA administrative accounts

Mr. Wickman reported that MCERA staff continues to meet with representatives of the County's Finance Department to complete the account reconciliations. Work was recently put on hold to allow Finance Department staff to focus on the Request For Proposal for a new financial system.

f. Vendor services provided to MCERA

An agreement with CPAS for server hosting and data management services is under consideration. See below.

g. MCERA staffing status

Mr. Wickman indicated that the proposed CPAS agreement noted above would be an alternative to filling the open Principal Systems Analyst position.

h. Internal controls, compliance activities and capital calls

Capital calls reviewed by the Committee include \$15 million each to the new AEW and UBS core real estate portfolios.

i. Audits, examinations, investigations or inquiries from governmental agencies

Brown Armstrong will present its report on MCERA's annual financial statements at the October Board meeting.

The Committee reviewed an updated summary of Form 700s submitted by trustees. Mr. Wickman stated that the summary serves as a reference for trustees for situations that would call for disclosure and possibly recusal as a result of a financial conflict of interest.

j. Other items from the Retirement Administrator related to risk and finance

No discussion.

3. Electronic Board Packets Project Update

Review status of project

Mr. Wickman reported that the team faced challenges creating electronic Board packets if there are multiple disability cases due to a limitation on packet size. Additional tools for reducing packet size will be tested in the coming weeks. If the size continues to be an issue alternatives processes for delivering materials will be considered.

4. Audit of Financial Statements for Fiscal Year 2012/13

Update on annual audit of financial statements by Brown Armstrong

Mr. Wickman stated that the auditor will report on the annual financial statement audit at the October 9 Board meeting. Chair Bolger initiated a discussion of the review process for the Notes to Financial Statements (Notes) that were updated by an ad hoc committee and staff last year. Based on discussions Mr. Wickman will follow up with the auditor to make sure the Notes are up to date and establish a review schedule for the Notes.

5. Development of Comprehensive Annual Financial Report

Consider and discuss development of CAFR or enhancement of Popular Annual Financial Report

The Committee is considering an enhanced financial report that adds context to financial data as an interim step between MCERA's Popular Annual Financial Report (PAFR) and development of a CAFR.

6. CPAS Server Hosting and Data Management Services (Action)
Consider and discuss Finance and Risk Management Committee recommendation regarding entering into an agreement with CPAS to host MCERA's database server and provide maintenance and support activities

The Administrator reviewed the information outlined in his memo regarding his recommendation to engage in negotiations with CPAS for server hosting and maintenance and support activities.

Based on the action of the Finance and Risk Management Committee, Finance and Risk Management Committee Chair Gladstern recommended that the Board direct the Administrator to engage CPAS to host MCERA's database server and provide maintenance and support, subject to negotiation of acceptable contract terms. The motion was approved by unanimous vote.

Based on discussions Chair Bolger formed an ad hoc committee composed of Trustees Brenk, Gladstern, and Smith to review terms of the proposed CPAS agreement.

3. Ad Hoc Committee Reports
 - a. Ad Hoc Education Committee
 1. Strategic Planning Workshop Agenda
Consider and review agenda topics

Trustee Piombo presented and reviewed the proposed agenda for the Strategic Workshop on October 16 and 17. The schedule includes annual reviews with MCERA's private equity and real estate managers, a review of recent municipal bankruptcy filings, presentations on capital markets, and review of MCERA's current economic assumptions and amortization policy. The meetings are designed to allow the Board to engage in policy discussions with action items presented for consideration at the November Board meeting. As with prior workshops, MCERA's Plan sponsors and other stakeholders will be invited to the meetings, which are open to the public.

Trustee Smith expressed appreciation to staff for raising the awareness level on the municipal bankruptcy matter.

Chair Bolger recessed Open Session for a break at 10:06 A.M., reconvening in Closed Session at 10:11 A.M.

- 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>	Service/Non- Service	Date of <u>Application</u>	<u>Employer</u>
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3. Conference with Legal Counsel – Potential Initiation of Litigation (Gov. Code sec. 54956.9(c)) (CLOSED SESSION)

Consider and take possible action regarding potential initiation of litigation against National Union Fire Insurance Company

Trustee Gladstern recused herself from this item and did not attend the closed session meeting, as she is an executive officer of MAPE, and the potential litigation relates to a possible coverage lawsuit regarding the litigation identified in agenda item D.1. 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), which is implicated in this discussion for the same reason as MAPE. 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 underlying case (MAPE) that would be the subject of any coverage action against National Union.

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

4. Trustee Comments

In response to Trustee Smith's inquiry, Mr. Wickman stated that staff is in the process gathering information on new federal health care provisions in the Affordable Care Act.

E. OLD BUSINESS

1. Updates to Business Objectives for FY 2013/14 (Action)
Discuss and adopt updates to MCERA business objectives

It was M/S Shore/Given to approve amendments to the Business Objectives. The motion was approved by unanimous vote.

F. NEW BUSINESS

1. Fall MCERA Newsletter (Action)
Consider and take possible action to approve Fall newsletter copy

Mr. Wickman presented the draft newsletter copy for review. He noted that the newsletter highlights the successful new retirement workshops. Minor modifications to phrasing were offered by Trustees Smith and Bolger. Trustee Shore provided a reference to professional resources on communication concepts.

It was M/S Brenk/Shore to approve the newsletter draft as amended per discussions. The motion was approved by unanimous vote.

2. Final Public Employee Performance Evaluation. Title: Retirement Administrator
Chair Bolger reported that Board members completed the annual performance evaluation of the Retirement Administrator.

3. Ad Hoc Retirement Administrator Evaluation Committee Report
Conclusions and recommendations of the committee following the evaluation

Chair Bolger reported that the Ad Hoc Retirement Administrator Evaluation Committee completed its evaluation of the Retirement Administrator and recommended no change in compensation.

4. Annual Consideration of Retirement Administrator Compensation (Action)
Consider and take possible action on Retirement Administrator compensation.

Chair Bolger reported that the Ad Hoc Retirement Administrator Compensation Committee recommends no change in the Retirement Administrator's compensation.

It was M/S Given/Brenk to accept the recommendation of the Ad Hoc Retirement Administrator Performance Evaluation Committee for no change in the Retirement Administrator's compensation.

Discussion followed with Trustee Smith requesting an analysis of a competitive pay schedule for the Retirement Administrator, and Trustee Piombo indicating that City of San Rafael employees received step increases after satisfactory performance. As Counsel Dunning observed, the Board controls the timing of step increases for the Retirement Administrator. Chair Bolger advised that the Ad Hoc Retirement Administrator Compensation Committee came to its determination on compensation after a thorough and robust discussion.

Mr. Wickman indicated that he is comfortable with the decision of the Committee.

AYES: Bartfeld, Bolger, Brenk, Given, Gladstern, Shore, Smith

NOES: Piombo

ABSTAIN: None

ABSENT: Cooper, McFarland

5. SACRS Voting Proxy (Action)
Board vote to select delegates for SACRS November meeting

Chair Bolger requested nominees for delegates to vote at the SACRS Conference in November. Mr. Wickman noted that the delegates would need to attend the business meeting on the final day of the conference.

It was M/S Piombo/Given to appoint Trustee Webb as delegate and Trustee Smith as alternate delegate at the November 2013 SACRS Conference. The motion was approved by unanimous vote.

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

Trustee Piombo expressed an interest in the structure of the safety vote on disability matters. Mr. Wickman indicated this question is scheduled for discussion at the November 19 Governance Committee meeting.

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
	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	
X	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	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

H. OTHER INFORMATION

1. Trustee Training Calendar

It was M/S Given/Piombo to add the CRCEA conference to approved events on the training calendar. The motion was approved by unanimous vote.

2. *Keeping in Touch* – September Issue, Retired Employees Association newsletter

I. CONSENT CALENDAR (Action)

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

CONSENT CALENDAR for MCERA MEETING, WEDNESDAY, SEPTEMBER 11, 2013		Agenda Item I
CONSENT CALENDAR August 2013		
<u>RETURN OF CONTRIBUTIONS</u>		
Robert DeMarco (Refund)	County of Marin	7,110.38
Sarah Dietz (Refund)	County of Marin	1,031.76
Carly Williams (Age Change)	County of Marin	134.35
Gregory Geide (Post 30 Yr)	City of San Rafael	157.17
Charles Casalnuovo (Post 30 Yr)	Southern Marin Fire	<u>394.24</u>
	TOTAL	8,827.90
<u>BUYBACK</u>		
<u>NEW RETIREES</u>		
Charles Bookoff	H&HS	County of Marin
Lynn Murrin	H&HS	County of Marin
Paula Robertson	H&HS	County of Marin
Steven Blair	Probation	County of Marin
Gerald Jones	Sheriff	County of Marin
Leslie Keeler	IST	County of Marin
Douglas Long	DPW	County of Marin
Erin Murphy		County of Marin
Sara Peterson		Courts
Julie Withey		Courts
Gregory Geide		City of San Rafael
Kenneth Martin		City of San Rafael
Phillip Tripp		Novato Fire
Peter Banning		LAFCO
<u>RESCINDED RETIREMENTS</u>		
<u>DECEASED RETIREES</u>		
Helga Becker	Assessor-Recorder	County of Marin
Nancy Schlant	Data Processing	County of Marin
Helen Dufficy	Beneficiary	County of Marin
Carolyn Shattuck	Beneficiary	County of Marin
Mary Franzel	Beneficiary	City of San Rafael
<u>CONFERENCES/SEMINARS</u>		

There being no further business, Chair Bolger adjourned the meeting at 1:30 P.M.

Bernadette Bolger, Chair

Howard McFarland, Secretary