

B. MATTERS OF GENERAL INTEREST

1. Financial Statements for 2013 – Brown Armstrong, Andrew Paulden
Consider and discuss auditor’s review of audited financial statements

Andrew Paulden, CPA and Partner with Brown Armstrong, presented the audited Financial Statements for the Fiscal Year ending June 30, 2013. Mr. Paulden explained that the purpose of the audit is to ascertain whether the financial statements are accurate and appropriately presented in their professional opinion. He reported that Brown Armstrong issued a clean, unqualified opinion, the highest available, of the financial statements.

The audit process, according to Mr. Paulden, includes an evaluation of internal controls and any changes in the organization or investments. Data for the audit is primarily obtained from staff and corroborated by external sources like the actuary and custodian, for example. Calculations for contributions and benefits and the timely payment of benefits are reviewed. In response to Trustee Brenk’s inquiry, Mr. Paulden explained checks and balances for determining the value of investments through the investment consultant and the global custodian which mitigates the risk of improper valuations. In response to Trustee Smith’s inquiry about whether there should be a general policy on custodial credit risk, Counsel Dunning indicated that provisions to safeguard credit risk are in place in the custodial bank contract. In response to Trustee Gladstern’s interest in how sample sizes are derived, Mr. Paulden explained that samples are formed from random generations and then reduced to smaller groups if no problems are found, or expanded if problems are found.

In conclusion Mr. Paulden addressed new clarity standards that include a statement of net position. Mr. Paulden observed that there were no weaknesses of a material nature that would require disclosure to the Board and there were no instances of non-compliance. He stated that his staff appreciates the efforts of MCERA staff to provide information in a timely manner.

Retirement Administrator Jeff Wickman thanked Mr. Paulden and the Brown Armstrong team for working collaboratively with MCERA and helping to review and improve its controls. Chair Bolger commended staff for their hard work in cooperating with the auditor. Mr. Wickman acknowledged Senior Accountant Lisa Jackson, Senior Accounting Assistant Denise Lee, Accounting Assistant Anne Battaglia and the whole staff for a job well done.

It was M/S Gladstern/Cooper to approve the financial statements as presented.

AYES: Bolger, Brenk, Cooper, Given, Gladstern, McFarland, Shore, Smith
NOES: None
ABSTAIN: None
ABSENT: Bartfeld

C. BOARD OF RETIREMENT MATTERS

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

Retirement Administrator Jeff Wickman distributed a copy of the Election and Duties of Retirement Board Officers Policy to the trustees as a guide for the election of Board officers in November. He asked that anyone interested in serving as a Board officer contact the current Chair prior to the November meeting.

Mr. Wickman and Counsel Dunning have negotiated a draft agreement with CPAS for server hosting and data services that that will be reviewed by members of the Ad Hoc CPAS Services Committee.

Mr. Wickman expects annual statements to be mailed at the end of October. Members and employers will be informed when to expect the statements through the website and other means. Extra review of annual statements is being undertaken to ensure accuracy of the data.

A contract for the new Eaton Vance emerging markets portfolio has been completed. The agreement incorporates fiduciary responsibility elements of the Board's model side letter agreement. Mr. Wickman stated that the portfolio will be funded with \$35 million on October 15.

At the November 6 Board meeting staff will present a recommendation on the annual renewal of fiduciary liability insurance based on bids provided by MacCorkle, MCERA's broker. Mr. Wickman reported that current provider AIG has accepted MCERA's claim for reimbursement of reasonable expenses related to the lawsuit against MCERA filed by the Marin Association of Public Employees (MAPE) (see Agenda Item E.1). Mr. Wickman commended Counsel Dunning and Susan White on the successful resolution of the matter.

MCERA staff met with MCERA's financial auditors Brown Armstrong and consulting actuary Cheiron EFI to review the timing for implementing the new GASB 67 and 68 requirements. The new requirements must be implemented for MCERA effective with the June 30, 2014 actuarial valuation and financial statements. Employer changes are effective for June 30, 2015 financial statements. Mr. Wickman will be working on developing a plan for the implementation requirements for MCERA.

Mr. Wickman and Bob McCrory of Cheiron EFI will be presenting information about MCERA to the Board of the Marin/Sonoma Mosquito Vector Control District.

Mr. Wickman attended the recent CalAPRS Administrator's Institute where he said facilitated sessions included concepts on improving the administrators' relationships with their Boards, bringing the perspective of staff into the benefits management

process, measuring pension obligations, and the evolution of municipal bankruptcy laws.

b. Staffing update

No report.

c. Facility Use Report

No report.

d. Future meetings

- October 16-17 Strategic Workshop
- November 6 Regular Board

2. Trustee Comments

Trustee Gladstern commended Mr. Wickman and Ms. Hardesty for their personal approach in expressing appreciation to staff during the recent County-wide employee appreciation day.

Trustee Gladstern reported that the recent CalAPRS Trustee Roundtable focused on responsible investing and she offered to distribute a related report by BlackRock to Board members.

Trustee Gladstern also attended the Council of Institutional Investors Fall conference where discussions focused on environmental and social factors in investments. Ms. Gladstern recommended a presentation on the United Nation's Principles for Responsible Investment for the next Governance Committee meeting on November 19. Other topics included SEC enforcement and the anticipated analysis of executive pay as compared with rank and file employees.

Chair Bolger referenced a Wall Street Journal article on an SEC inquiry regarding lack of transparency at certain shareholder services firms.

Trustee Piombo reported receiving positive comments from plan sponsor members attending MCERA's member seminars. The interactive seminars are popular and well received, according to Mr. Wickman, who commended Assistant Administrator Michelle Hardesty, Communications Associate Syd Fowler, and Retirement Member Services Technician Rachel Varao for the workshop designed specifically for employees of the City of San Rafael.

Mr. Wickman put his name in as a nominee to serve on the California Association of Public Retirement Systems (CalAPRS) Board. Chair Bolger expressed support for this commitment.

Trustee Smith referenced recent articles regarding the cost of post-employment health care. He expressed concern that some public service retirees feel as though they are being made out as the culprit.

Chair Bolger recessed Open Session for a break at 10 A.M., reconvening in Closed Session at 10:05 A.M.

Chair Bolger recessed Closed Session and reconvened in Open Session at 11:20 A.M.

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. Jim Hufford	Service	7/8/12	San Rafael Fire Dept

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

2. Stephen Debrunner	Service	10/28/11	Marin County Sheriff
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Initial consideration of an application for service-connected disability retirement filed by a Safety member.

Chair Bolger reported that the Board granted, by a vote of 8-0, Jim Hufford's request for an extension of time of 30 days in which to consider his application for service-connected disability retirement. Trustee Piombo voted in place of Trustee Cooper who did not vote because the applicant was in the same service. Motion was by Trustee Given and seconded by Trustee Gladstern. Trustee Bartfeld was absent.

Chair Bolger reported that the Board granted, by a vote of 8-0, non-service-connected disability retirement to Stephen Debrunner and denied his request for service-connected disability retirement subject to the applicant's right to request an administrative hearing in accordance with MCERA procedures. Motion was by Trustee Smith and seconded by Trustee Gladstern. Trustee Bartfeld was absent.

E. LEGAL MATTERS

1. Conference with Legal Counsel – Pending Litigation (Gov. Code sec. 54956.9(a)) (CLOSED SESSION)

MAPE et al. v. MCERA, et al., Court of Appeal Case No. A139610 (Div. 2) and *MAPE et al. v. Superior Court of Marin County*, Court of Appeal Case No. A139621 (Div. 2)

Trustee Gladstern recused herself from this item and did not attend the closed session meeting, as she is an executive officer of 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. OLD BUSINESS

None.

G. NEW BUSINESS

1. Future Meetings

Consider and discuss agenda items for future meetings

No discussion.

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

* X	Woodmont Realty Advisors	-Direct ownership – Monthly report	
	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	

3. Other

I. OTHER INFORMATION

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

J. CONSENT CALENDAR (Action)

It was M/S Gladstern/Given to approve the Consent Calendar as submitted.

AYES: Bolger, Brenk, Cooper, Given, Gladstern, McFarland, Shore, Smith
NOES: None
ABSTAIN: None
ABSENT: Bartfeld

CONSENT CALENDAR
September 2013

RETURN OF CONTRIBUTIONS

Debra Anderson-Layva (Post 30 Yr)	County of Marin	1,350.62
Kathleen Preston (Term. Refund)	County of Marin	5,264.51
John Radar (Post 30 Yr)	County of Marin	1,709.72
Valerie Avalon (Term. Refund)	City of San Rafael	<u>2,127.37</u>
	TOTAL	10,452.22

BUYBACK

Kristen Seatzavakin	County of Marin
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NEW RETIREES

Nicki Azarbakheh	County Admin	County of Marin
Richard Brothers	Sheriff	County of Marin
Tino Salzano	DA	County of Marin
Mark Tolbert	Fire	County of Marin
Barbara Stokes		Courts
Leslie Bottomley		City of San Rafael
Jeff Fazzari		Novato Fire

RESCINDED RETIREMENTS

DECEASED RETIREES

Lynn Murrin	H&HS	County of Marin
Ellen Szakal	H&HS	County of Marin
Joan Pfeiffer	Beneficiary	County of Marin

CONFERENCES/SEMINARS

Government Finance Officers Assn Pension Accounting - Staff Battaglia
 CalAPRS Attorneys Roundtable - Counsel Dunning
 CalAPRS Trustees Roundtable - Trustee Gladstern
 CalAPRS Benefits Roundtable - Assistant Administrator Hardesty and Staff Varao
 CalAPRS Disability Roundtable - Staff Bamford
 Council of Institutional Investors - Trustee Gladstern
 CalAPRS Administrators Institute - Administrator Wickman

There being no further business, Chair Bolger adjourned the meeting at 11:30 A.M.

Bernadette Bolger, Chair

Howard McFarland, Secretary