

MINUTES

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

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

January 8, 2014 - 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, Cooper (alternate safety), Given, Gladstern, McFarland, Piombo, Shaw (ex officio alternate), Shore, Smith, Webb (alternate retiree)

ABSENT: None

MINUTES

It was M/S Shore/McFarland to approve the November 7, 2013 Investment Committee Meeting Minutes as submitted.

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

It was M/S Brenk/Gladstern to approve the December 11, 2013 Regular Board Meeting Minutes as submitted.

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

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.

Chair Bolger directed deliberations to **Agenda Item B.2.a.1.**

2. Standing Committee Reports

a) Finance and Risk Management Committee

1. MCERA Administrative Expense (Action) – Graham Schmidt, Cheiron EFI
Review and consider methodologies for charging administrative expenses

Finance and Risk Management Committee Chair Maya Gladstern reminded the Board that this item was deferred from the December meeting so that Actuary Graham Schmidt could be present for the discussion. Retirement Administrator Jeff Wickman explained that the Committee is recommending that the Board approve a change in methodology for administrative expenses. He explained that the need to look at this question is a result of the new accounting statements issued by the Governmental Accounting Standards Board. He introduced MCERA's Actuary Graham Schmidt to address the subject and discuss the proposed changes.

Mr. Schmidt reviewed the current net discount method used for administrative expenses. The proposed expected expense approach, he said, was originally used for public pension plans and is common in private pension plans. Mr. Schmidt stated that it makes sense to use the expected expense approach in that it allows MCERA to use a consistent discount rate for both funding and financial reporting. Each year, administrative expenses would be estimated, averaged over three years, and added to employer and employee contribution rates in the same proportion as their relative current rates. In response to Chair Bolger's inquiry, Mr. Schmidt stated that resulting contribution rates would be close to current levels. Counsel Ashley Dunning pointed out that employers pay a larger portion of the total contributions because they pay the Unfunded Actuarial Accrued Liability (UAAL).

Mr. Schmidt and Ms. Dunning responded to trustee inquiries on the expected expense approach. In moving to that methodology, Mr. Schmidt stated that a phase in over two years would be reasonable. Mr. Schmidt advised retaining the current 7.5% discount rate which can be maintained by implementing the expected expense method for administrative expenses.

In conclusion, Mr. Wickman supported moving to the phased-in expected expense approach with a consistent discount rate for both financial reporting and funding. Trustee Bartfeld concurred in view of enhancing transparency.

Based on the action of the Finance and Risk Management Committee, Chair Gladstern recommended that the Board adopt the expected expense methodology for funding administrative expenses whereby administrative expenses are allocated based on employers' and employees' share of overall contributions.

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

NOES: None
ABSTAIN: None
ABSENT: None

It was M/S Gladstern/Given to phase in the expected expense approach over two years.

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

Chair Bolger directed deliberations to **Agenda Item B.1.a.**

B. BOARD OF RETIREMENT MATTERS

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

Mr. Wickman reported that the target distribution date to distribute 1099's to retirees is the week of January 20.

The goal is to transition MCERA's hosted services to CPAS in early February. Marin County Information Services Technology Department is assisting MCERA with the transition.

A capital call of \$36 million was received for the AEW core real estate fund on the first of January. There are outstanding commitments for the UBS Trumbull Property Fund and two new private equity funds.

The Determination Letter filing under the Internal Revenue Service's Cycle C schedule is due at the end of January. Mr. Wickman expressed confidence in meeting the due date.

Mr. Wickman expects to complete the RFP for investment consultant at the end of January. He asked the Board Chair to establish an Ad Hoc Committee to work with staff on the evaluation of the RFP and selection of vendors.

Mr. Wickman provided the trustees with information on periodic filings due this spring for the Annual Affirmation as to Key Policies, Form 700, and ethics training.

Next week Mr. Wickman has been invited to the Marin County Association of Retired Employees monthly lunch to present an update on MCERA plans and activities.

- c. Staffing update

No comment.

d. Facility Use Report

No facility use.

e. Future meetings

- January 9, 2014 Investment Committee

Chair Bolger recessed Open Session for a break and directed deliberations to **Agenda Item C** in Closed Session at 10:04 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>	<u>Service/Non-Service Connected</u>	<u>Date of Application</u>	<u>Employer</u>
1. Kathleen Baca	Service	6/19/13	Marin County Health & Human Services Dept
Initial consideration of an application for service-connected disability retirement filed by a Miscellaneous member.			
2. Robert Crowley	Service	4/5/13	Marin County Sheriff
Initial consideration of an application for service-connected disability retirement filed by a Safety member.			

Chair Bolger recessed Closed Session and reconvened in Open Session at 11:58 A.M.

Chair Bolger reported that the Board denied Kathleen Baca's application for service-connected disability retirement and provided the applicant with the opportunity to request an administrative hearing in accordance with MCERA procedures. Trustee McFarland recused himself and left the room because the applicant was in the same department as he. Trustee Webb recused himself and left the room because of his prior interactions with the principals involved in the situation. Motion was by Trustee Smith, seconded by Trustee Piombo, and approved by a vote of 8-1. Voting for the motion were Trustees Bartfeld, Bolger, Brenk, Cooper, Given, Piombo, Shore, and Smith. Voting against the motion was Trustee Gladstern. Trustee Cooper voted in the place of Trustee McFarland.

Chair Bolger reported that the Board granted Robert Crowley's application for service-connected disability retirement. Trustee Piombo recused himself from the discussion and vote because the applicant was in the same safety service as he. Motion was by Trustee Cooper, seconded by Trustee McFarland, and approved by a vote of 9-0. Voting for the motion were Trustees Bartfeld, Bolger, Brenk, Cooper, Given, Gladstern, McFarland, Shore, Smith. Trustee Cooper voted in the place of Trustee Piombo.

D. LEGAL MATTERS

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

MAPE et al. v. MCERA, et al., First Dist. Court of Appeal Case No. A139610 (Div. 2)
MAPE et al. v. Superior Court, First Dist. Court of Appeal Case No. A139621 (Div. 2)
Contra Costa County Deputy Sheriffs Assoc., et al. v. CCCERA, et al. Contra Costa County Superior Court Case No. MSN12-1870

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.

Chair Bolger directed deliberations to **Agenda Item B.1.b.**

- b. Business Objectives quarterly review

Benefit Administration

Assistant Retirement Administrator Michelle Hardesty discussed plans to streamline the retirement application process for members. Members will receive one four-page booklet designed to include all the information needed to complete a retirement contract, including pension estimates for each available benefit option. The process will be initiated once estimate requests are current.

Performance Management

Assistant Retirement Administrator Hardesty reported that 95% of retirement applications were processed one month after the employees' retirement date. Progress continues on completing buyback requests, with 117 completed in the most recent reporting period, 59 of which were received during the reporting period. Correspondence is being responded to within five days of its receipt. Responding to Trustee Piombo's inquiry, Ms. Hardesty stated that members requesting benefit estimates are encouraged to use available resources, such as the benefit estimator on MCERA's website. Mr. Wickman noted that members within two years of retiring have priority.

Human Resource Management

Mr. Wickman discussed plans to develop an organizational plan for the benefits team. The goal is to have all benefit team members capable of handling tasks from enrollment to retirement including service purchases and other specialized tasks like domestic relation orders.

Management of Investments

Mr. Wickman stated that the goal is to have a cash flow analysis for three, five, and 10 years completed by the end of the first quarter 2014.

Communication and Education

The new retirement seminars have been very successful and well received by members, Mr. Wickman said. A recent presentation on Social Security attended by many county employees may also be of interest to retirees, Mr. Wickman said. Future changes to the seminars will be to bring in additional presenters to address specific subjects.

Mr. Wickman also noted that new member and disability handbooks are planned for completion by the end of the fiscal year.

Finance and Accounting

Mr. Wickman is considering contracting external expertise for developing a Comprehensive Annual Financial Report. Within time constraints, an enhanced summary financial report will be completed initially.

3. Trustee Comments

Trustee Gladstern reported that she is impressed with the electronic board packet on the iPad. Ms. Gladstern offered a few suggestions for accessing information and discussed how content can be manipulated on the iPad with Mr. Wickman.

Trustee Piombo commented on positive feedback from members on retirement seminars. Trustee Given expressed appreciation to Ann Gregory for her hard work on behalf of retirees.

Chair Bolger recommended the upcoming Dimensional Fund Advisors (DFA) symposium to Board members, noting that DFA is regarded as a top money manager.

E. NEW BUSINESS

1. Future Meetings

Consider and discuss agenda items for future meetings

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

G. OTHER INFORMATION

1. Trustee Training Calendar (**Action**)

It was M/S Gladstern/Brenk to approve the Dimensional Fund Advisors Symposium in February.

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

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

H. CONSENT CALENDAR (Action)

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

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

**CONSENT CALENDAR for
 MCERA MEETING, WEDNESDAY, JANUARY 8, 2014**

**CONSENT CALENDAR
 December 2013**

RETURN OF CONTRIBUTIONS

Nick Codioli (Term. Refund)	132.66	County of Marin
Elise Holland (Term. Refund)	27,463.13	County of Marin
Karl Lampley (Term. Refund)	220.10	County of Marin
Robert DeMarco (Term. Refund)	261.81	County of Marin
Melba Scott (Term. Refund)	297.13	County of Marin
Jill Smith (Term. Refund)	125.74	City of San Rafael
TOTAL	\$28,500.57	

BUYBACK

Casey Botts	County of Marin
Austin Bushnell	County of Marin
Tamara Chellam	County of Marin
Bridget Fricke	County of Marin
Joseph Gallardo	County of Marin
Eric Petersen	County of Marin
Sandra M. Ramirez-Griggs	County of Marin

NEW RETIREES

Shelly Friedman	H&HS	Courts
Lynn Quinones	Ag Weights and Measures	County of Marin
Anna Sauber	Assessors Office	County of Marin
Cathryn Tait		County of Marin

RESCINDED RETIREMENTS

DECEASED RETIREES

Caroline Lewis	Assessor-Recorder	County of Marin
Lorraine Clarkson	Courts	County of Marin
Nelly Feigel	Courts	County of Marin
Lucille Duggan	Beneficiary	County of Marin
Jorene Stinson	Beneficiary	County of Marin

CONFERENCES/SEMINARS

There being no further business, Chair Bolger adjourned the meeting at 12:32 P.M.

Bernadette Bolger, Chair

Howard McFarland, Secretary

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