

MINUTES

BOARD GOVERNANCE COMMITTEE MEETING MARIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION (MCERA)

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

February 26, 2014 – 9 A.M.

CALL TO ORDER Chair McFarland called the meeting to order at 9:01A.M.

ROLL CALL PRESENT: Bolger, Cooper, Gladstern, McFarland, Webb

ABSENT: Bartfeld, Smith

MINUTES

It was M/S Bolger/Gladstern to approve the November 19, 2013 Governance Committee Meeting Minutes as submitted.

AYES: Bolger, Cooper, Gladstern, McFarland, Webb
NOES: None
ABSTAIN: None
ABSENT: Bartfeld, Smith

A. OPEN TIME FOR PUBLIC EXPRESSION

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

No public comment.

B. NEW BUSINESS

1. Trustee Due Diligence Policy (Action)
Consider and possibly recommend to Board amendments to policy

Mr. Wickman presented the Trustee Due Diligence Policy for consideration as a follow-up to discussions at the Investment Committee about due diligence on-site meetings with MCERA investment managers. The discussion centered on whether Board members should attend the on-site due diligence visits or delegate that authority. Considerations include: whether trustees add value by participating on the visits; whether trustees would miss something by not attending; whether it is a fiduciary responsibility for trustees to attend. Counsel Ashley Dunning commented that the ultimate responsibility for ensuring that due diligence occurs is a responsibility of the Board so establishing an approach for due diligence and following the resulting policy is good governance.

Mr. Wickman explained that in prior years the due diligence teams have consisted of Board members, the Retirement Administrator, and investment consultant. Typically

the team includes the Investment Committee Chair who invites another trustee to attend. Mr. Wickman's opinion is that having trustees participate adds value to the process and meetings.

The Committee discussed whether to conduct the visits prior to hiring managers. Mr. Wickman explained that Callan Associates performs a due diligence process to screen qualified investment managers for consideration by the Board. In larger systems, according to Ms. Dunning, executive staff conducts the visits.

Trustee Piombo, attending as a member of the public, spoke to the need to get the best value when spending money from the Fund. Since Callan Associates is entrusted to screen manager candidates, Mr. Piombo questioned whether follow up by trustees is worth the expense. Ms. Dunning discussed the importance of actively monitoring managers once they have been hired.

In summary, Mr. Wickman noted that the current policy provides the capability to conduct due diligence prior to hiring managers and requires ongoing due diligence on a three to five year rotating schedule. Whether trustees should participate in ongoing due diligence visits is the question, he said. The policy gives flexibility to have only the Retirement Administrator and the investment consultant conduct the visits, he noted.

Based on discussions, Chair McFarland directed the Retirement Administrator to revise the Trustee Due Diligence Policy to provide clarification on options for doing due diligence before manager selections for consideration at the March Board meeting.

2. Trustee and Staff Travel Expense Policy (Action)

Consider and possibly recommend to Board updates to policy on topics such as gifts to agency of trustee/staff travel costs (section II.K) and potentially placing additional parameters on travel.

Mr. Wickman presented revisions to the Trustee and Staff Travel Expense Policy relating to Section K, Gifts of Travel and Education that were addressed by counsel in the Form 700 update at the February Board meeting. As an example in response to Trustee Webb's inquiry, Counsel Dunning explained that a trustee who is a speaker may have certain travel expenses paid by the conference sponsor.

The second question raised was whether to limit attendance at educational events. In response to Trustee Piombo's request for further oversight of conference attendance, Mr. Wickman offered to create a list of those planning to attend conferences for the training calendar. Ms. Dunning added that from a governance perspective there is value in the Board reviewing who attends conferences before the events, though it need not preclude additional attendees.

Discussions included Trustee Gladstern's observation that there is less travel by trustees than in the past and expenses are carefully managed. Trustee Bolger reviewed the process of approving conferences and stated that so far we have not seen abuses and trustees are being responsible.

Based on discussions there was general agreement that adding a policy provision for listing proposed conference attendees on the training calendar for review by the Board at its monthly meetings would be of value.

It was M/S Webb/Gladstern to recommend that the Board adopt the Trustee and Staff Travel Expense Policy subject to further revisions in accordance with discussions.

AYES: Bolger, Cooper, Gladstern, McFarland, Webb
NOES: None
ABSTAIN: None
ABSENT: Bartfeld, Smith

3. Guidelines For Discussion of Disability Retirement Applications at Board Meetings (Action)

Consider clarification of language defining official capacity

Mr. Wickman presented amendments to the Guidelines for Discussion of Disability Retirement Applications at Board Meetings that clarify who may attend closed sessions in an official capacity. Counsel Dunning explained that revisions address the role of advocates for applicants who represent themselves (pro se) as described in an Attorney General opinion on this aspect of the Brown Act. Ms. Dunning further stated that the guidelines are also applicable to survivor benefit matters as indicated by the proposed revision to the title of the document.

In response to Trustee Cooper inquiry on the definition of non-attorney “advocate,” Ms. Dunning stated that the policy phrasing aligns exactly with what the Attorney General said, which is the person attending with the applicant must be “essential.”

It was M/S Cooper/Gladstern to recommend that the Board adopt amendments to the Guidelines for Discussion of Disability Retirement Applications at Board Meetings regarding official capacity and per discussions to revise the title.

AYES: Bolger, Cooper, Gladstern, McFarland, Webb
NOES: None
ABSTAIN: None
ABSENT: Bartfeld, Smith

4. Actuarial Assumptions Policy (Action)

Conduct standard policy review

Mr. Wickman presented the Policy Regarding Adoption of Actuarial Economic Assumptions for standard review. Mr. Wickman indicated that this policy along with the two policies listed below regarding interest crediting and unrestricted earnings are likely to intersect with a funding policy to be developed later in the year. In response to Trustee Bolger’s inquiry, Mr. Wickman explained that a funding policy is being considered in light of the new Government Accounting Standards Board (GASB) Statement 67 requirements.

It was M/S Webb/Cooper to recommend that the Board accept the review of the Actuarial Assumptions Policy.

AYES: Bolger, Cooper, Gladstern, McFarland, Webb
NOES: None
ABSTAIN: None
ABSENT: Bartfeld, Smith

5. Interest Crediting Policy (Action)
Conduct standard policy review

It was M/S Webb/Gladstern to recommend that the Board accept the review of the Interest Crediting Policy.

AYES: Bolger, Cooper, Gladstern, McFarland, Webb
NOES: None
ABSTAIN: None
ABSENT: Bartfeld, Smith

6. Unrestricted Earnings Policy (Action)
Conduct standard policy review

It was M/S Gladstern/Webb to recommend that the Board accept the review of the Unrestricted Earnings Policy.

AYES: Bolger, Cooper, Gladstern, McFarland, Webb
NOES: None
ABSTAIN: None
ABSENT: Bartfeld, Smith

7. Portable Electronic Device Policy (Action)
Consider and possibly recommend to Board amending policy to add review period

Mr. Wickman explained that a review period of one year is being added to the policy that aligns with the related County policy.

It was M/S Webb/Gladstern to recommend that the Board adopt amendments to the Portable Electronic Device Policy as submitted.

AYES: Bolger, Cooper, Gladstern, McFarland, Webb
NOES: None
ABSTAIN: None
ABSENT: Bartfeld, Smith

8. Next Committee meeting
Consider possible agenda topics, including without limitation, proxy voting policies, and set date for next meeting

No discussion.

There being no further business, Chair McFarland adjourned the meeting at 10:26 A.M.

Howard McFarland, Chair

Attest: Jeff Wickman
Retirement Administrator