

MINUTES

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

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

March 12, 2014 - 9 A.M.

EVENT CALENDAR 9 A.M. Regular Board Meeting

CALL TO ORDER Chair Bolger called the meeting to order at 9:02 A.M.

ROLL CALL PRESENT: Bartfeld, Bolger, Brenk, Cooper (alternate safety), Given,
Gladstern, McFarland, Piombo, Shaw (ex officio
alternate), Shore, Webb (alternate retiree)

ABSENT: Smith

MINUTES

It was M/S Brenk/Gladstern to approve the February 12, 2014 Regular Board Meeting Minutes as submitted.

It was M/S Brenk/Gladstern to approve the January 9, 2014 Investment Committee Meeting Minutes as amended to indicate that Trustee Bolger cast the vote against the motion in Agenda Item B.2 pertaining to moving the Western Asset fixed income portfolio from core plus to the intermediate credit strategy.

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.

B. MATTERS OF GENERAL INTEREST

1. Preliminary Actuarial Valuation Report, FY 2012/13 – Graham Schmidt, Cheiron EFI
(TIME CERTAIN: 9:05 A.M.)

Review preliminary Actuarial Valuation report, FY 2012/13

Retirement Administrator stated that this is a preliminary presentation of the results for the June 30, 2013 actuarial valuation. At the April Board meeting the final Actuarial Valuation Report with contribution rates effective July 1, 2014 will be presented.

At the request of Chair Bolger, Actuary Graham Schmidt of Cheiron reviewed the purpose of conducting the annual actuarial valuation and the process used to develop the information. Mr. Schmidt also noted that a new experience study will be conducted later this year that will look at both demographic and economic factors.

Mr. Schmidt began his presentation by noting that economic assumptions used for his calculations are the same as for the prior year, except to add an explicit contribution for administrative expenses phased in over two years. He also noted that the valuation includes information on the first PEPRA members who have joined MCERA.

Mr. Schmidt reviewed preliminary valuation results for the entire system showing an increase in the actuarial value of assets to over \$1.6 billion and a funding ratio of 75.1%, up from 71.3% in the last valuation. Using market values, assets increased to more than the smoothed value and the market value funding ratio improved to 79.8%. These values are a result of positive investment returns for the 2013 fiscal year and additional contributions made by Marin County and the City of San Rafael.

Preliminary valuation results were reviewed for Marin County, City of San Rafael and Novato Fire District. Funding ratios on both actuarial and market values improved for each of the three actuarial groups.

In conclusion, Mr. Schmidt stated that the final valuation report will include projections of future contribution rates and funded status based on the current assumptions. Mr. Schmidt cautioned that the Experience Study is likely to show improvements to longevity that would lead to contribution rate increases. In response to Trustee Brenk's inquiry, Mr. Schmidt explained that as the plan matures changes in market value will have a larger impact on contribution rates.

Chair Bolger invited public comment. Marty Miller asked about the new process for charging administrative expenses, which was explained by Mr. Schmidt.

Mr. Wickman stated that in April Mr. Schmidt will present an overview of Actuarial Standards of Practice (ASOP) 27 provisions, in addition to the final valuation report. Mr. Wickman also noted that funding ratios are a calculation of pension costs and the assets available to pay those costs. The funded ratio does not include the impact of employer debt like pension obligation bonds.

C. BOARD OF RETIREMENT MATTERS

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

Mr. Wickman reported that the transition to the CPAS hosting environment went smoothly and was completed on Monday March 10th. Mr. Wickman commended the special efforts of Support Specialist Lori Nann and Special Assistant Helen Moody for the successful transition. In response to Trustee Brenk's inquiry, Mr. Wickman indicated that there have been some response time issues.

The Investment Consultant Request for Proposal will be issued before the end of March.

The trustees were reminded that reservations for the May SACRS conference are due Friday, March 15. Ethics training is available on the first day of the conference.

Mr. Wickman attended the CalAPRS General Assembly, observing that investment professionals enhanced presentations by incorporating discussions from the prior presentations. Presentation materials will be available two weeks after the conference for those interested.

MCERA staff will be participating in vendor demonstrations as part of the Marin County SAP replacement project.

Mr. Wickman has been invited to attend the Santa Barbara County Employees' Retirement System Board Offsite meeting to participate in a panel that will discuss how to evaluate the work of the system's investment consultants.

Trustee Given was excused from the meeting at 9:52 A.M.

b. Staffing update

No staffing items to report.

c. Facility Use Report

No facility use.

d. Future meetings

- March 13, 2014 Investment Committee

2. Standing Committee Reports

a. Governance Committee

1. Trustee Due Diligence Policy (Action)

Consider and take possible action regarding potential amendments to policy

Governance Committee Chair Howard McFarland reviewed revisions to the Trustee Due Diligence Policy based on the Committee's discussions and subsequent direction to provide for potential on-site due diligence visits prior to engaging investment managers.

It was M/S Webb/Piombo to adopt revisions to the Trustee Due Diligence Policy as presented.

AYES: Bartfeld, Bolger, Brenk, Gladstern, McFarland, Piombo, Shaw, Webb

NOES: None
ABSTAIN: Shore
ABSENT: Given, Smith

2. Trustee and Staff Travel Expense Policy (Action)

Consider and take possible action on Governance Committee's recommended amendments to policy

Proposed revisions to the Trustee and Staff Travel Expenses Policy include Board approval of attendees listed on the Conference and Training Calendar, alternatives for payment of reasonable and necessary expenses at otherwise free conferences, and provision for payment of travel expenses as permitted under Fair Political Practices Commission Reg. 19850.1.

For the Training Calendar items, Board Chair Bolger indicated that results should be monitored to assess whether there is sufficient benefit to justify the additional staff time.

Based on the action of the Governance Committee, Governance Committee Chair McFarland moved that the Board adopt amendments to the Trustee and Staff Travel Expense Policy as submitted.

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

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

Consider and take possible action on Governance Committee's recommended amendments to guidelines

Revisions proposed for the Guidelines for Discussion of Disability Retirement Applications at Board Meetings include the inclusion of survivor benefit applications in the title and clarification of Brown Act provisions regarding who may attend closed sessions.

Based on the action of the Governance Committee, Governance Committee Chair McFarland moved that the Board adopt amendments to the Guidelines for Discussion of Disability Retirement Applications at Board Meetings as submitted.

AYES: Bartfeld, Bolger, Brenk, Gladstern, McFarland, Piombo, Shaw, Shore, Webb
NOES: None
ABSTAIN: None

ABSENT: Given, Smith

4. Actuarial Assumptions Policy (Action)

Conduct standard policy review

Mr. Wickman discussed the basis and time frame for considering actuarial economic assumptions at a minimum every three years linked to the tri-annual experience study in response to Trustee Bartfeld's inquiry.

Based on the action of the Governance Committee, Governance Committee Chair McFarland moved that the Board accept the review of the Policy Regarding Adoption of Actuarial Economic Assumptions.

AYES: Bartfeld, Bolger, Brenk, Gladstern, McFarland, Piombo, Shaw, Shore, Webb

NOES: None

ABSTAIN: None

ABSENT: Given, Smith

5. Interest Crediting Policy (Action)

Conduct standard policy review

Based on the action of the Governance Committee, Governance Committee Chair McFarland moved that the Board accept the review of the Interest Crediting Policy.

AYES: Bartfeld, Bolger, Brenk, Gladstern, McFarland, Piombo, Shaw, Shore, Webb

NOES: None

ABSTAIN: None

ABSENT: Given, Smith

6. Unrestricted Earnings Policy (Action)

Conduct standard policy review

Based on the action of the Governance Committee, Governance Committee Chair McFarland moved that the Board accept the review of the Unrestricted Earnings Policy.

AYES: Bartfeld, Bolger, Brenk, Gladstern, McFarland, Piombo, Shaw, Shore, Webb

NOES: None

ABSTAIN: None

ABSENT: Given, Smith

Mr. Wickman explained that a new funding policy will be developed that is likely to affect the above policies on actuarial assumptions, interest crediting, and unrestricted earnings. In response to Chair Bolger's inquiry, Mr. Schmidt stated

that peers are formalizing funding policies in view of new GASB requirements related to the projection of future contributions.

7. Portable Electronic Device Policy (Action)

Consider and take possible action on Governance Committee's recommended amendment to policy

Mr. Wickman stated that a one-year review period is recommended for the Portable Electronic Device Policy as provided in the county's related policy. Based on Trustee Gladstern's suggestion, the Policy Review Schedule will be included with the electronic policy file.

Based on the action of the Governance Committee, Governance Committee Chair McFarland moved that the Board adopt amendments to the Portable Electronic Device Policy as submitted.

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

Chair Bolger recessed the meeting at 10:14 A.M. for a break, reconvening at 10:22 A.M.

3. Ad Hoc Committee Reports

a. Ad Hoc Education Committee

Ad Hoc Education Committee Chair Alan Piombo reported that the Committee recommends a strategic review of investment, benefit and disability structures for the next strategic workshop. In order to illuminate priorities for the Board, he recommended a facilitated format.

Mr. Wickman outlined the concept of using the sessions to establish priorities for the next one, three and five years. He emphasized that to be effective a facilitator with public pension systems expertise should be considered. He estimated the cost of a facilitator to be in the \$20,000 to \$30,000 range.

Trustee Given rejoined the meeting at 11:12 A.M.

Discussions included viewpoints on the structure of strategic workshops. Trustee Gladstern expressed disappointment that the workshop was cancelled, noting the importance of items like annual capital markets reviews. There were discussions among the trustees about different alternatives for workshop topics.

Board Chair Bolger spoke to the value of in-depth discussions of specific issues, expressing disappointment in having the normal workshop cancelled. In response to her inquiry on what is driving the proposed change in process, Trustee Shore stated

that he felt there were opportunities to focus on higher level issues and delegate certain other matters to staff.

Board Chair Bolger recommended that Ad Hoc Education Committee members determine how to bridge the disparity that is apparent for the different workshop ideas. Ms. Bolger requested a show of interest in either educational sessions or a strategic session.

Supporters of high-level strategic sessions with a facilitator were Trustees Brenk, Piombo, Shore and Webb. Supporting in-depth educational sessions on specific topics were Trustees Bolger, Given, and Gladstern. Trustees Bartfeld and McFarland addressed the need to define results and look into active versus passive investment management, respectively.

Board Chair Bolger requested that the Committee meet again and develop a specific proposal for the workshop. If a consultant is to be engaged, the cost needs to be presented to the Finance and Risk Management Committee. Trustee Given spoke to the importance of using the workshops to build consensus around specific issues through in-depth discussions.

4. Trustee Comments

CalAPRS General Assembly attendees reported on the conference. Trustee McFarland attended discussions on investment philosophies and reducing investment manager fees. Trustee Gladstern reported on actuarial presentations. Chair Bolger participated in an interactive panel focusing on trustees' duties, responsibilities, and respect for one another. Ms. Bolger encouraged further discussion on reducing investment manager fees.

Chair Bolger directed deliberations to **Agenda Item E.1.**

E. NEW BUSINESS

1. SACRS Voting Proxy (Action)

Board vote to select delegate and alternate delegate for SACRS May meeting

It was M/S Given/McFarland to select Maya Gladstern and Sean Webb as delegate and alternate delegate for the SACRS Spring conference in May.

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

NOES: None

ABSTAIN: None

ABSENT: Smith

2. SACRS Board of Directors Election (Action)

Consider and take possible action to ratify SACRS Nominating Committee 2013-2014 Slate of Directors.

It was M/S McFarland/Gladstern to ratify the SACRS Nominating Committee 2013-2014 Slate of Directors.

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

Chair Bolger directed deliberations to **Agenda Item E.4.**

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

The agenda for the Strategic Workshop is in development.

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

3. Other

G. OTHER INFORMATION

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

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

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

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

H. CONSENT CALENDAR (Action)

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

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

CONSENT CALENDAR for
 MCERA MEETING, WEDNESDAY, MARCH 12, 2014

CONSENT CALENDAR
 February 2014

RETURN OF CONTRIBUTIONS

Charles Harding	(Active/Deferred Death Refund of Contributions)	\$ 166,694.44
Nancy Grisham	(Return of Excess Contributions)	\$ 20,609.67
Phyllis Callahan	(Active/Deferred Death Refund of Contributions)	\$ 73,977.21
Stephen Castaldo	(Active/Deferred Death Refund of Contributions)	\$ 23,783.54
Thomas Nord	(Refund of Contributions)	\$ 1,046.93

BUYBACK

Brian Burkhard	County of Marin
Georgia Clima	County of Marin
Harold Cavellero	County of Marin
Marna Kramer	County of Marin
Marta Gonzalez	County of Marin
Nancy Grisham	County of Marin
William Vieira	County of Marin

NEW RETIREES

Bryon Karow	DOF	County of Marin
Diane Wachter		City of San Rafael
Guy Morse	HHS	County of Marin
Harold Cavallero	Fire	County of Marin
Hoang Leclerq		Courts
Jeffrey Franzini		City of San Rafael
Katherine Singer	Sheriff	County of Marin
Khan Kittipol		City of San Rafael
Nancy Grisham	County Counsel	County of Marin
Reguigne Keok	HHS	County of Marin
Richard Fraites	Board of Supervisors	County of Marin
Robert Crowley	Sheriff	County of Marin
Robert Turner	Comm Dev	County of Marin

RESCINDED RETIREMENTS

DECEASED RETIREES

Barbara Powers	Sheriff	County of Marin
Howard Blackstone	H & HS	County of Marin
Ida Krutt	Auditor-Controller	County of Marin
Marguerite Orford	Assessor-Recorder	County of Marin
Robert O'Dea	Beneficiary	County of Marin
William Ashdown	Assessor-Recorder	County of Marin
Emma Robinson	Beneficiary	County of Marin

CONFERENCES/SEMINARS

DFA Symposium - Trustees Piombo, Shore, Webb
 CalAPRS Trustees' Roundtable - Trustee Gladstern

Chair Bolger adjourned Open Session at 11:28 A.M., reconvening in Closed Session and directing deliberations to **Agenda Items D.1** and **E.3**.

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.

NEW BUSINESS, continued

3. Public Employee Performance Evaluation (CLOSED SESSION)
Title: Retirement Administrator
In accordance with MCERA's Retirement Administrator Annual Performance Evaluation Policy Section 3(b), conduct mid-year informal performance review

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

There being no further business, Chair Bolger adjourned Closed Session and the meeting at 12:43 P.M.

Bernadette Bolger, Chair

Howard McFarland, Secretary