

MINUTES

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

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

July 9, 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, Piombo, Shaw (ex officio alternate), Shore,
 Webb (alternate retiree)

 ABSENT: McFarland

MINUTES

It was M/S Webb/Piombo to approve the June 11, 2014 Regular Board Meeting Minutes as submitted.

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

 NOES: None

 ABSTAIN: None

 ABSENT: McFarland

It was M/S Gladstern/Shore to approve the June 12, 2014 Investment Committee Meeting Minutes as submitted.

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

 NOES: None

 ABSTAIN: None

 ABSENT: McFarland

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. Popular Annual Financial Report (PAFR)
Staff presentation of the draft June 30, 2013 PAFR

Retirement Administrator Jeff Wickman introduced Communications Associate Syd Fowler who led the effort to develop the draft Popular Annual Financial Report (PAFR) as of June 30, 2013. Ms. Fowler noted that the PAFR combines information from the financial statements and actuarial reports into a readily accessible document. Ms. Fowler stated that enhancements to the content include an actuarial highlights section, membership by employer, disability retirement determinations during the fiscal year and seminars conducted by staff. Mr. Wickman thanked Senior Accountant Lisa Jackson for her assistance in developing the data used in the PAFR.

Trustee Gladstern suggested clarifications to language regarding employer contributions to indicate that employers have always paid their required contributions. Adjustments to fiscal year investment returns were discussed that relate to lagged returns on private equity. Mr. Wickman explained the difference between the PAFR and a Comprehensive Annual Financial Report (CAFR) in response to Trustee Shore's inquiry. In the CAFR historical financial data is provided that enables comparison over time, according to Trustee Given. Publication of a CAFR is one of Mr. Wickman's new business objectives.

Chair Bolger expressed appreciation to staff for the PAFR that was favorably received by the Board as a worthwhile effort.

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

F. NEW BUSINESS

1. Woodmont Disposition of Assets Plan
Presentation and discussion on liquidation of private real estate portfolio

Ron Granville, Chief Executive Officer for Woodmont Real Estate Services, presented a disposition of assets plan for liquidating the private real estate portfolio. Mr. Granville stated that the plan sets forth the likely order of disposition given current market and submarket conditions, with Century Plaza first on the list. The disposition process is expected to span approximately 18 to 24 months. Mr. Granville emphasized the importance of timing with respect to the dispositions. He also noted the unique situation with One McInnis Parkway stating that as a result of MCERA's offices being in the building it is not in the initial disposition plan.

Chair Bolger requested a review of the selling process. Mr. Granville explained that normally the properties go on the market unpriced with a set offer date. Once bids are analyzed, a best and final round may occur.

Trustee Given expressed an interest in further detail on the decision process for determining which properties to sell first and the broker selection process. Mr. Granville stated that current market conditions, including relatively low capitalization rates, are favorable for the seller. Mr. Granville further stated that the first two assets on the list were selected because currently the San Francisco corridor is one of the most favorable markets in the world. Selling these properties first is a risk assessment against a potential rise in interest rates that would result in lower property values, he explained.

Trustee Given requested that the rationale behind the selling process be included in the disposition of assets plan. Upon discussion Chair Bolger asked each trustee how they felt about Trustee Given's request. After discussion Chair Bolger directed the Administrator to request that Woodmont add further detail in the disposition of assets plan so long as the process is able to move forward. Mr. Wickman agreed and observed that Woodmont indicated that the order of dispositions could change based on Woodmont's ongoing assessment. Mr. Granville expressed his willingness to provide the requested information and to be flexible as to the selling order of the properties.

Chair Bolger recessed Open Session for a break at 9:57 A.M. and reconvened in Closed Session for deliberations on **Agenda Items D** and **E** at 10:10 A.M.

Chair Bolger recessed Closed Session and reconvened in Open Session at 11:38 P.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)

1. Jeffrey Fazzari	Service	8/29/13	Novato Fire Protection District
--------------------	---------	---------	---------------------------------

Chair Bolger reported that the Board granted service-connected disability retirement to Jeffrey Fazzari. Motion was by Trustee Given, seconded by Trustee Webb, and approved by a vote of 9-0. Trustee McFarland was absent. Voting for the motion were Trustees Bartfeld, Bolger, Brenk, Cooper, Given, Gladstern, Piombo, Shore, and Webb. Trustee Cooper voted for Trustee McFarland. Trustee Webb voted as the retired member position is vacant.

E. LEGAL MATTERS

1. Conference with real property negotiators (Gov. Code sec. 54956.8) (CLOSED SESSION)

Property: Century Plaza Office Building, 1065 E. Hillsdale Boulevard, Foster City, CA
Agency negotiators: Ron Granville and Scott Pritchett, Woodmont Real Estate Services
Under negotiation: Price for sale of property

Chair Bolger reported that the Board voted 8-1 to accept Woodmont's recommendation to list Century Plaza for sale using Holiday Fenoglio Fowler as the listing sales broker and authorize the Retirement Administrator to negotiate and execute all necessary documents to effect the sale at a

minimum price. Motion was by Trustee Gladstern and seconded by Trustee Shore. Trustee McFarland was absent. Voting in favor of the motion were Trustees Bartfeld, Bolger, Brenk, Cooper, Gladstern, Piombo, Shore, and Webb. Trustee Given voted against the motion.

Chair Bolger directed deliberations to **Agenda Item C**.

C. BOARD OF RETIREMENT MATTERS

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

Mr. Wickman reported that Trustee McFarland did not submit his nomination for the election of the Third General Member whose current term expires October 31, 2014. As there was only one nominee, Phillip Thomas, no election is necessary. Therefore, yesterday Mr. Thomas was affirmed by the Board of Supervisors as Third General Member for the term beginning November 1, 2014. Mr. Thomas is a Marin County employee working for the Department of Public Works. Mr. Wickman will provide new trustee orientation sessions for Mr. Thomas with the assistance of Counsel Dunning, the actuary and the investment consultant.

A Special Election will be held to fill the vacant Retired Member position through the remainder of the current term which expires October 31, 2015. The election notice will be mailed July 16, 2014, with petitions available on July 30, 2014. The deadline to submit petitions is August 15, 2014. By August 29 ballots will be mailed to retirees that will be due by 4:30 p.m. on September 26, 2014.

Mr. Wickman will attend a meeting of the Ad Hoc SACRS Committee in Sacramento on July 24, 2014 and report back to the Board.

Next week Mr. Wickman and Chair Bolger will meet with the 2014/2015 Marin County Civil Grand Jury to provide information about MCERA as part of the Grand Jury's orientation process.

Yesterday the Administrator and Senior Accountant Lisa Jackson met with Brown Armstrong and Cheiron for a discussion on Governmental Accounting Standards Board (GASB) 67/68 requirements. GASB 67 are new statements that MCERA will implement. The information in the GASB 67 report will be used by MCERA employers to complete their GASB 68 statements. Once the GASB 67 report draft is prepared, Actuary Graham Schmidt will present the report to the Board for review and approval. Mr. Wickman expects the first GASB 67 report to be ready for the Board this fall. Mr. Wickman stated that there will be an Implementation Team meeting with plan sponsors and their auditors, MCERA staff, Actuary Schmidt and Brown Armstrong to provide guidance on the implementation of GASB 67/68 reporting requirements.

- b. Staffing update

No new items to report.

c. Facility Use Report

July 10, 2014 the Marin County Association of Retired Employees (MCARE) will hold a meeting at One McInnis Parkway.

d. Future meetings

- August 13, 2014 Board
- August 14, 2014 Investment Committee
- August 20, 2014 Finance and Risk Management Committee

2. Trustee Comments

No trustee comments.

NEW BUSINESS, continued.

2. Contract with Office of Administrative Hearings (Action)

Consider and take possible action regarding services of Administrative Law Judge for disability hearings

Mr. Wickman presented a proposed contract with the California Department of General Services Office of Administrative Hearings (OAH) for the Board's consideration. Mr. Wickman stated that the current contract with the OAH for Administrative Law Judge services is expiring and he recommends renewal. MCERA has contracted with the OAH for several years to provide an Administrative Law Judge for those disability retirement applicants who wish to appeal an adverse decision of the Board. Mr. Wickman reviewed costs for the past 8 years which have averaged around \$17,000 per year. For the current fiscal year MCERA has only expended \$3,300. Mr. Wickman noted that the costs are dependent on the cases that are appealed or referred to the ALJ and the amount of complexity of each case. The contract provides for an hourly rate along with other reasonable fees such as the cost of translation as needed, with a not-to-exceed annual total fee of \$48,000.

It was M/S Given/Gladstern to approve the contract with the Office of Administrative Hearings for Administrative Law Judge services for disability hearings.

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

NOES: None

ABSTAIN: None

ABSENT: McFarland

3. Investment Consultant Request for Proposal (RFP) Update

Update on candidates selected for interviews by Ad Hoc committee

Mr. Wickman reported that the Ad Hoc Investment Consultant Committee completed its evaluation of the nine firms responding to the Request for Proposal (RFP). Based on the criteria established the Committee selected Callan Associates, Hewitt EnnisKnupp and NEPC for initial interviews. Based on its assessment following the interviews, the Committee will determine whether to make a recommendation to the Board or select additional candidates for interviews. The Committee is composed of Administrator Wickman and Trustees Bartfeld, Bolger, Brenk, and Given.

4. Business Objectives for 2014/15 (Action)

Consider and take possible action on Retirement Administrator Business Objectives for August 1, 2014-July 31, 2015.

Mr. Wickman presented the Retirement Administrator Business Objectives for August 1, 2014 through July 31, 2015 for the Board's consideration. The business objectives are part of the annual Retirement Administrator performance evaluation process, Mr. Wickman explained. The objectives (see final approved business objectives below) are categorized into the following business functions:

- Benefit Administration
- Performance Management
- Human Resource Management
- Management of Investments
- Communication and Education
- Finance and Accounting

Trustee Brenk inquired about the first objective in Benefit Administration to develop a workload tracking and distribution system using the existing imaging and document management system (OnBase). Mr. Wickman explained that using OnBase would be more efficient than the current labor-intensive tracking method. MCERA uses OnBase for imaging and document management and Assistant Retirement Administrator Michelle Hardesty believes the software can also provide work-flow management.

Trustee Piombo expressed support for the objective in the Management of Investments category to review the Charter of the Investment Committee and recommend changes in the structure. In addition, Mr. Piombo suggested committee structures as a topic of discussion at the October off-site workshop.

It was M/S Piombo/Webb to approve the Retirement Administrator Business Objectives for August 1, 2014-July 31, 2015 as amended to include technical and administrative changes recommended by the Administrator.

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

**Board of Retirement of Marin County Employees' Retirement Association
Business Objectives for MCERA Retirement Administrator
August 1, 2014 – July 31, 2015**

Key Business Objective No. 1: Benefit Administration

Develop a workload tracking and distribution system using the existing imaging and document management system (OnBase).

Implement additional staff contacts to allow customers to receive service directly from specific business areas.

Key Business Objective No. 2: Performance Management

- Complete 95 percent of new retiree payroll inceptions the month following the retirement.
- Complete 80 percent of retirement benefit estimates within 30 days of receiving the request.
- Calculate 75 percent of service purchases within 30 days of receiving a request.
- Respond to written customer correspondence (emails and letters) within 5 days.

Key Business Objective No. 3: Human Resource Management

Complete the recruitment and hiring of a fiscal officer.

Align the organizational structure with current business objectives and provide opportunities for developing new skills and career growth, where possible.

Key Business Objective No. 4: Management of Investments

Implement automatic portfolio rebalancing strategy.

Review the Charter of the Investment Committee and recommend potential changes in the structure.

Key Business Objective No. 5: Communication and Education

Launch redesigned MCERA web site.

Enhance the seminar program in coordination with plan sponsors to include information about supplemental savings plans.

Develop a new disability handbook.

Key Business Objective No. 6: Finance and Accounting

Complete first Comprehensive Annual Financial Report for fiscal year ending June 30, 2015.

Implement a new financial accounting system.

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

Ms. Dunning outlined the process for the Retirement Administrator performance evaluation. Evaluation forms will be sent to each trustee to be returned by July 30 to Ms. Dunning's office. The information will be compiled for the Closed Session performance evaluation at the August 13 Board meeting.

G. INVESTMENT INFORMATION

“X” indicates report distributed; * indicates report distributed electronically

PERIODIC REPORTS

1. Equities and Fixed Income

* X	Abbott Capital	-Private Equity Funds	
* X	Artisan Funds, Inc.	-International Equities Fund	
* X	Colchester Global Investors	-Global Fixed Income	
* X	Columbus Circle Investors	-Small Cap Growth Equities	
* X	Dimensional Fund Advisors	-Small Cap Value Fund	
* X	Eaton Vance - Parametric	-Emerging Markets	
* X	Morgan Stanley	-International Equities Fund	
* X	Parametric Clifton	-Futures Overlay Program	
* X	Pathway Capital	-Private Equity Funds	
* 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	-Intermediate Credit Fixed Income Portfolio	

2. Real Estate

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

3. Other

H. OTHER INFORMATION

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

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

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

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

I. CONSENT CALENDAR (Action)

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

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

There being no further business, Chair Bolger adjourned the meeting at 12:19 P.M.

Bernadette Bolger, Chair

Howard McFarland, Secretary

CONSENT CALENDAR
 June 2014

RETURN OF CONTRIBUTIONS

Julieta Fulgentes	Partial Refund (Cancelled Buyback)	\$	106.75
Amelila Harbison	Refund of Contributions	\$	7,129.05
Jude Dictado	Partial Refund (Excess Contributions)	\$	9,995.80
William Reiter	Full Refund of Contributions (Term)	\$	7,636.84
Reynaldo De Guzman	Full Refund of Contributions (Term)	\$	5,247.55
David Cloutman	Full Refund of Contributions (Term)	\$	15,766.37

BUYBACKS

Jeff Messersmith	County of Marin
Sheryl Rand	County of Marin
Jon Roberts	County of Marin
Valkyrie Kimball	Marin Sonoma Mosquito
David Rothery	County of Marin
Igor Weisz	County of Marin
Wendy Chipps	County of Marin

NEW RETIREES

Kimberly Dayton	Sheriff	County of Marin
Patricia Campbell	HHS	County of Marin
Anthony Thune	Sheriff	County of Marin
Thomas Peters	HHS	County of Marin
Jude Dictado		City of San Rafael

RESCINDED RETIREMENTS

DECEASED RETIREES

Mary Gness	Beneficiary	County of Marin
Retha Selby	Beneficiary	City of San Rafael
Harold Bacon		Novato Fire

CONFERENCES/SEMINARS

CalAPRS Administrators' Roundtable
 Administrator Wickman

CalAPRS Trustees' Roundtable
 Trustee Gladstern

CalAPRS Attorneys' Roundtable
 Counsel Toumanoff

CalAPRS Management Academy
 Staff Sousa

CalAPRS Benefits Roundtable
 Staff Sousa and Miller

CalAPRS Communications Roundtable
 Staff Fowler