

MINUTES

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

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

November 5, 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.

Deputy Clerk of the Board Dale Barre administered the Oath of Office to Jeffrey Bartfeld, Allen Haim and Phillip Thomas prior to the meeting.

ROLL CALL PRESENT: Bartfeld, Bolger, Brenk, Given, Gladstern, Haim (alternate retired), Piombo, Shaw (ex officio alternate), Shore, Thomas, Webb

ABSENT: Cooper (alternate safety)

MINUTES

It was M/S Piombo/Shore to approve the October 8, 2014 Regular Board Meeting Minutes as submitted.

AYES: Bartfeld, Bolger, Brenk, Given, Gladstern, Piombo, Shore,
 Thomas, Webb
NOES: None
ABSTAIN: None
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.

B. ELECTION OF BOARD OFFICERS

Election of Board Chairperson, Vice Chairperson and Secretary (**Action**)

Chair Bolger proposed as Board officers for a term of one year herself as Board Chairperson, Dave Shore as Vice Chairperson, and Alan Piombo as Secretary, and requested nominations from the Board.

It was M/S Given/Piombo to nominate Bernadette Bolger as Chairperson.

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

It was M/S Brenk/Given to nominate Dave Shore as Vice Chairperson.

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

It was M/S Shore/Thomas to nominate Alan Piombo as Secretary.

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

Chair Bolger summarized the activities of the past year noting that the Board moved to electronic board meeting packets, selected a global fixed income manager, initiated the disposition of the private real estate portfolio, received a favorable determination letter for the Plan from the Internal Revenue Service, adopted the annual actuarial valuation, met with the Grand Jury, and completed a positive performance evaluation of the Retirement Administrator. For the coming year Ms. Bolger recommended that the Board focus on system risk including asset allocation risk, complete hiring for the new financial officer, analyze the administrative budget, and rigorously pursue education of trustees.

C. MATTERS OF GENERAL INTEREST

1. Appointment of Alternate Retired Member Position on MCERA Board (Action)
Consider and take possible action to appoint MCARE nominee

Retirement Administrator Jeff Wickman presented a memo outlining the process for filling the alternate retired position that became vacant upon Sean Webb's election as retired member in September 2014. Mr. Wickman explained that the County Employees Retirement Law of 1937 (CERL) allows the Board to appoint the alternate retired member from a list of nominees submitted by one or more qualified retiree

organizations. Of two nominees submitted by the Marin County Association of Retired Employees (MCARE), one withdrew his name from consideration. Therefore, the Board should appoint the sole nominee, Allen Haim, as alternate retired member.

It was M/S Webb/Gladstern to appoint Allen Haim as alternate retired member to complete the term ending October 31, 2015.

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

Chair Bolger and members of the Board welcomed Mr. Haim back to the Board.

2. GASB 67/68 Report (Action) – Cheiron, Graham Schmidt
Consider and take possible action to adopt new financial statement reporting requirements

Mr. Wickman reported that consulting actuary Cheiron, financial auditor Brown Armstrong and MCERA staff have worked together over the past six months to develop the GASB 67/68 Report. The purpose of the report is to provide the accounting and financial reporting information required under GASB 67 for MCERA financials as of June 30, 2014 and GASB 68 for participating employers' financials as of June 30, 2015. To facilitate the implementation of GASB 67/68 an Implementation Task Force (ITF) was established that included representatives from each of MCERA's participating employers.

The Administrator expressed appreciation to Mr. Paulden and Mr. Schmidt for their work on the report. Mr. Wickman distinguished the GASB 67/68 reporting requirements for financial statements from the annual actuarial valuation and methods and approaches used by the Board to determine how to fund current and future benefits.

Mr. Schmidt reviewed key elements of the report, including:

- Projection of the Total Pension Liability from the valuation date to the measurement date
- Calculation of the Net Pension Liability at the discount rate and 1% higher and lower
- Changes in the Net Pension Liability
- Schedule of Employer Contributions
- Disclosure of Deferred Inflows and Outflows
- Calculation of the Proportionate Share and Annual Pension Expense for participating employers

Mr. Schmidt began his presentation by first explaining the new terminology that was created for GASB 67. He discussed how the new Net Pension Liability (NPL) was

essentially the unfunded accrued liability. To create the NPL as of June 30, 2014 the actuary rolled forward the liability from last year's valuation. Due to good investment returns for the year ending June 30, 2014, he stated, the Net Pension Liability declined from the prior year. Mr. Schmidt explained that the new Total Pension Liability (TPL) is equivalent to the accrued liability. This is the present value of all benefits based on service earned through the measurement date.

Mr. Schmidt discussed the Pension Expense which includes the change in the Net Pension Liability, annual contributions to the plan and deferred outflows or inflows. Pension Expense is a balancing item for employer financial statements that allows for the reconciliation of the liability from one fiscal year to the next and will vary from employer contributions.

Mr. Schmidt concluded by reviewing the process for allocating shares of the Net Pension Liability and Pension Expense to employers. Employers have been provided with this information for next year's financial reporting, Mr. Wickman stated.

In response to Chair Bolger's inquiry, Mr. Schmidt reviewed the rolled forward Net Pension Liability that is based on the market value of assets and explained how a portion of investment gains as of June 30, 2014 are deferred to smooth the expected annual volatility of investment gains or losses. Trustee Given explained that the new Pension Expense calculation is used to calculate the annual cost to employers for financial reporting purposes of the pension benefit.

Mr. Wickman recommended that the Board adopt the report, noting that the intent is to lend clarity and transparency to financial reporting. The report is to be distinguished from funding the Plan, he stated.

It was M/S Gladstern/Piombo to adopt the GASB Statement 67/68 Report.

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

3. Annual Financial Audit for Fiscal Year Ending June 30, 2014 (Action) – Brown Armstrong, Andrew Paulden and Connie Perez
Consider and take possible action to accept auditor's review of audited financial statements

Chair Bolger introduced Connie Perez and Andy Paulden of Brown Armstrong to present the annual financial audit for the fiscal year ending June 30, 2014. Mr. Paulden joined the meeting by phone. Ms. Perez stated that the purpose of the audit is to render an opinion on the MCERA financial statements. This year the auditors coordinated with

See discussion above.

c. Staffing update

Mr. Wickman plans initiate the recruitment of a financial officer before the end of the year.

d. Facility Use Report

The Marin County Association of Retired Employees held a meeting at MCERA offices in the past month.

e. Future meetings

- November 19, 2014 Finance and Risk Management Committee
- December 10, 2014 Board
- December 11, 2014 Investment Committee

2. Standing Committee Reports

a. Governance Committee

1. Disability Retirement and Survivor Benefit Application Policy and Guidelines

(Action)

Consider and take possible action on Governance Committee's recommendation regarding adoption of Disability Retirement and Survivor Benefit Application Policy, and proposed edits to Guidelines for Discussion of same, based on discussions at Fall Strategic Workshop

Ms. Bolger reviewed the Governance Committee's discussions on the proposed Disability Retirement and Survivor Benefit Application Policy and its key points. The policy incorporates provisions of the Guidelines for Discussion of Disability Retirement Applications and includes provision for a Disability Consent Calendar prior to closed session. Applications to be placed on the Consent Calendar are defined in the policy and can be pulled from the Consent Calendar for discussion by one or more voting members. In response to Trustee Brenk's inquiry, Ms. Dunning explained that having a Consent Calendar for disability retirement applications, among other matters, is a common approach in '37 Act systems. To address the potential need for recusals from considering disability cases, trustees will be contacted by staff in advance of Board meetings. Ms. Dunning noted that the policy is based on a related presentation and discussion at the Board's October workshop.

In response to Chair Bolger's inquiry, Mr. Wickman stated that the same disability packet will be provided to the Board. Counsel for the applicant and MCERA will be informed when disability retirement applications are on the Disability Consent Calendar and can determine whether or not to be present at the Board meeting. Applicants or counsel may appear to request that a case be pulled from the Disability Consent Calendar.

Based on the action of the Governance Committee, Trustee Webb moved that the Board adopt the Disability Retirement and Survivor Benefits Applications Policy and amendments to the Guidelines for Discussion of Disability Retirement and Survivor Benefit Applications at Board Meetings as submitted.

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

2. Standing Committee Charter Review (Action)

Consider and take possible action on Governance Committee's recommended edits to Standing Committee Charters based on discussions at Fall Strategic Workshop, including, without limitation, adding review periods and refining composition provisions.

Ms. Bolger stated that the Governance Committee recommends revising the charters for the Governance and Finance and Risk Management Committees to establish that they will normally be composed of 3 to 5 members. Based on Trustee Bartfeld's observation, the phrasing will be clarified on this point. The composition of the Investment Committee remains the same and all standing committee charters would have a standard review period of 3 years. Trustee Haim noted that proposed amendments for the Governance and Finance and Risk Management Committee charters include Bylaws provisions whereby a Board member who is not a member of the committee may vote if needed to establish a quorum.

Based on the action of the Governance Committee, Trustee Piombo moved that the Board adopt amendments to Standing Committee Charters as amended per discussions.

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

3. Governance Education Workshop Follow-Up

Discuss potential follow-up items from Cortex presentation at Fall Strategic Workshop

Ms. Bolger reported that the Governance Committee discussed incorporating concepts from the Cortex Governance presentation into the MCERA governance structure. The presentation emphasizes the need to focus on what is important

but not urgent. The committee considered the process for developing a strategic plan which Ms. Bolger suggested staff could initiate.

Ms. Bolger invited comment on the Cortex presentation and the viability of its premise that a Board should be policy-focused. In response Trustee Webb stated that the Board appears to be fulfilling its mandate and legal responsibilities. Mr. Webb attributed this to the dedication of staff, counsel and members of the Board. Trustee Piombo expressed approval of the Cortex presentation, observing that the Board has developed systems of oversight and should remain mindful of delegating when appropriate. Mr. Piombo supports development of a ground-up strategic plan and refining the education process to close the knowledge gap on a collective and individual basis. Other comments included Trustee Shore's interest in developing effective communication methods and Trustee Gladstern's observation that the roles of the Board and staff are different. Chair Bolger commented that the roles are balanced as matters arise.

Mr. Wickman and Ms. Bolger supported Trustee Piombo's recommendation that the Ad Hoc Education Committee develop an education plan to include an educational assessment tool as an idea-generation process. Trustee Brenk recommended focusing on investment education.

4. Fiduciary Liability Insurance and Claims Reporting Policy (Action)
Conduct standard policy review

There were no changes to the policy and the committee accepted the standard review.

Based on the action of the Governance Committee, Trustee Webb moved that the Board accept the review of the Fiduciary Liability Insurance and Claims Reporting Policy.

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

3. Trustee Comments

Chair Bolger invited the trustees to express their interest in particular committees whose members she will appoint at the December Board meeting. Ms. Bolger announced that Trustees Bartfeld and Piombo will be appointed Chairpersons of the Governance and Finance and Risk Management Committees, respectively, and Trustee Shore will be appointed Chairperson of the Ad Hoc Education Committee.

Trustee Brenk reported that Wharton Investment Strategies and Portfolio Management session presenters were knowledgeable, well-educated communicators who illuminated

complex topics with diagrams and graphics. Mr. Brenk offered his report on the course to those interested.

Trustee Gladstern recommended that a presentation by CERES on climate change be scheduled for the 2015 spring Strategic Workshop. Discussions included Trustee Brenk's proposal to consider different sources of scientific information on climate change and Chair Bolger's interest in the decision-making process for impact investing.

F. NEW BUSINESS

1. Board Meeting Calendar for 2015 (Action)
Consider and take possible action to approve Calendar

Mr. Wickman presented the proposed Board Meeting Calendar for next year.

It was M/S Piombo/Thomas to approve the Board Meeting Calendar for 2015 as submitted.

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

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

Mr. Wickman reviewed the agenda for the December Board meeting that includes presentations by the actuary on Direct Rate Smoothing and the 2011-2014 Experience Study.

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

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

3. Other

H. OTHER INFORMATION

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

I. CONSENT CALENDAR (Action)

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

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

There being no further business, Chair Bolger adjourned the meeting at 12:16 p.m.

Bernadette Bolger, Chair

Alan Piombo, Secretary

CONSENT CALENDAR for
MCERA MEETING, WEDNESDAY, NOVEMBER 5, 2014

CONSENT CALENDAR
October 2014

RETURN OF CONTRIBUTIONS

Gino Medeiros	Refund of Contributions/Rollover	\$	3,590.69
Deanna O'Brien	Refund of Contributions/Rollover	\$	5,130.76
Gennaro Caputo	Refund of Contributions	\$	78,697.65
Kathleen Freeman	Refund of Contributions/Pre Retirement Death	\$	35,856.61

BUYBACK

Jackie Crawford	County of Marin
Janet Hughes	County of Marin
Rocio Hernandez	County of Marin
Mike Finnegan	County of Marin
Margaret Rodgers	County of Marin
Bertha Vasquez	County of Marin

NEW RETIREES

Gina Purin	DPW	County of Marin
Pamela Grimes	HHS	County of Marin
Richard Johnson	Sheriff	County of Marin
Brenda Grayson	IST	County of Marin
David Gross	Library	County of Marin

RESCINDED RETIREMENTS

DECEASED RETIREES

James Hickey	Sheriff	County of Marin
Betty Jennings	H & HS	County of Marin
Amelia Alves	Beneficiary	County of Marin
Regina Buchanan		City of San Rafael

CONFERENCES/SEMINARS

AIF Investors Forum - Trustees Brenk, Webb
CRCEA Conference - Trustee Webb
Wharton Investment Strategies and Portfolio Management - Trustee Brenk
CalAPRS Accountants Roundtable - Staff Jackson