

MINUTES

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

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

January 14, 2015 - 9 a.m.

EVENT CALENDAR 9 a.m. Regular Board Meeting

CALL TO ORDER Chair Bolger called the meeting to order at 9:03 a.m.

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

ABSENT: Piombo, Thomas

MINUTES

It was M/S Brenk/Webb to approve the December 10, 2014 Regular Board Meeting Minutes as submitted.

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

Trustee Shore joined the meeting at 9:05 a.m.

It was M/S Brenk/Shore to approve the December 11, 2014 Investment Committee Meeting Minutes as submitted.

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

A. OPEN TIME FOR PUBLIC EXPRESSION

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

Jody Timms of 350Marin read an email from Retirement Administrator Wickman that outlined MCERA's process for selecting investment managers for specific asset classes and engaging those managers at the Board's Investment Committee meeting. Ms. Timms expressed her group's interest in MCERA's process for engaging its investment managers on the topic of climate change.

Trustees Given and Gladstern joined the meeting at 9:09 a.m.

Jolan Timms and Ken Jones of 350Marin addressed the Board to express concerns about the effectiveness of engagement and believe divesting from fossil fuels is a more effective course of action.

B. MATTERS OF GENERAL INTEREST

1. Experience Study Presentation (Action) – Cheiron, Graham Schmidt

Consider and take possible action to adopt recommendations in Experience Study

Consulting actuary Graham Schmidt presented the Experience Study for the period July 1, 2011 through June 30, 2014 including recommendations for actuarial assumptions for consideration by the Board. Upon adoption the assumptions will be used to prepare the June 30, 2014 actuarial valuation.

Mr. Schmidt began his presentation by showing what the projected future employer contributions rates would be using the current actuarial assumptions. Mr. Schmidt reviewed the impact on projected rates as a result of the final year of the two-year phase-in of the administrative expense contribution, Direct Rate Smoothing adopted by the Board in December and the June 30, 2014 market return of over 18%. If no assumptions were adopted as a result of the experience study the impact of these changes would be lower employer contribution rates for the upcoming fiscal year.

Mr. Schmidt presented and reviewed the new Experience Study noting that projected mortality improvements will have the biggest impact on the cost of the Plan. Last year CalPERS studied mortality based on member data from 2006 to 2011. This data shows improvements in longevity over time. Additionally, there are new developments in the actuarial science of mortality resulting in issuance by the Society of Actuaries Retirement Plan Experience Committee of RP-2014 mortality tables and MP-2014 mortality improvement tables (based on private plans).

Mr. Schmidt is recommending moving to the new mortality table because it is based on recent public plan experience and matches closely with MCERA member experience from 2008 through 2014. In response to Trustee Brenk's inquiry, Mr. Schmidt stated that the CalPERS data shows lower mortality rates than the private sector.

Mr. Schmidt reviewed other recommended changes to demographic assumptions including higher expected pay increases in early years for Miscellaneous members and extending maximum expected retirement ages (from 70 to 80 for Miscellaneous; 60 to 65 for Safety).

Mr. Schmidt reviewed his recommended economic assumptions as follows:

- Reduce the inflation assumption from 3.25% to 2.75%
- Introduce a 0.25% real wage growth assumption
- Reduce the investment return assumption from 7.50% to 7.25% (representing a 4.50% real return)
- Adjust assumed COLA increases by cap (1.9% / 2.6% / 2.7% for 2% / 3% / 4% cap, respectively)
- Maintain the \$4.5 million administrative expense assumption

Mr. Schmidt presented preliminary June 30, 2014 employer contribution rates incorporating the recommended demographic and economic assumptions outlined above. For the total Plan, employer contribution rates (excluding the impact on employee rates) would increase by 3.46% to 33.40%. The final valuation will reflect slightly lower employer rates once adjusted for the employee portion of the normal cost. Employer contribution rates are lower for the County of Marin and Novato Fire District and higher for the City of San Rafael. The total funding ratio is 84.3% based on the market value of assets. Mr. Schmidt pointed to mortality as the major factor in reducing the funding ratio. Mr. Wickman pointed out that moving from the smoothed value of assets to market value also affects the funding ratio.

In conclusion Mr. Schmidt recommended adoption of the economic and demographic assumptions presented in the Experience Study for use in constructing the June 30, 2014 actuarial valuation.

It was M/S Gladstern/Webb to adopt economic and demographic assumptions recommended by the actuary in the Experience Study which include the following economic assumptions: reduce inflation from 3.25% to 2.75%, introduce 0.25% real wage growth, reduce the investment return from 7.5% to 7.25%, adjust COLAS (as indicated) and maintain an administrative expense of \$4.5 million.

In response to Trustee Shore's inquiry, Mr. Schmidt stated that CalPERS is expected to conduct mortality studies every 5 to 7 years. In any event data will be adjusted to reflect MCERA experience, according to Mr. Schmidt.

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

It was M/S Shore/Gladstern to receive, adopt and file the Experience Study as presented.

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

Chair Bolger recessed Open Session for a break at 9:58 a.m. and reconvened the meeting in Closed Session for deliberations on **Agenda Item D.1.**

Chair Bolger reconvened the meeting in Open Session at 10:57 a.m.

D. CONSIDERATION OF AND ACTION ON NON-CONSENT CALENDAR DISABILITY RETIREMENT APPLICATIONS (TIME CERTAIN: 10:00 a.m.) (Closed Session) (Action)

[Any non-Consent Calendar disability retirement application, whether pulled from the Disability Consent Calendar or originally agendized as a non-Consent agenda item, will be considered in Closed Session unless the applicant specifically waives confidentiality and requests that his or her application be considered in Open Session.]

1. David Bartholomew Service-connected Marin County Sheriff
Initial consideration of an application for service-connected disability retirement with an effective date of March 16, 2014 filed by a Safety member.

Chair Bolger reported that the Board referred David Bartholomew's application for service-connected disability retirement to the Administrative Law Judge pursuant to Government Code section 31533. Motion was by Trustee Gladstern, seconded by Trustee Shore and approved by a vote of 7-1. Voting for the motion were Trustees Bartfeld, Brenk, Cooper, Given, Gladstern, Shore, and Webb. Chair Bolger voted against the motion. Trustee Cooper voted for Trustee Piombo who was absent.

Chair Bolger directed deliberations to **NEW BUSINESS, Agenda Item E.1.**

E. NEW BUSINESS

1. Contract for Legal Services (Action)
Consider and take possible action to transfer legal services to Nossaman LLP

On January 5, 2015 Ashley Dunning notified Mr. Wickman that effective January 6, 2015 she was leaving Manatt, Phelps & Phillips (Manatt) to join Nossaman LLP as Partner and Co-Chair of the Public Pensions and Investments Group. Ms. Dunning has been serving continuously as supervising attorney for MCERA based on an agreement with Steefel, Levitt & Weiss in 2005 and subsequently through the combination of Steefel with Manatt in 2008.

Nossaman has offered to honor MCERA's agreement and provide Ms. Dunning as supervising attorney continuing with a 17% discount off her standard rate. Ms.

Dunning's reduced rate for MCERA would be \$477 per hour for 2015. Nossaman would provide a 10% discount off the standard rates of all other counsel providing services to MCERA.

In his memo to the Board Mr. Wickman outlined the wide variety of expert legal advice provided by Ms. Dunning to the Board and staff regarding the administration of benefits under the County Employees Retirement Law. Furthermore, Nossaman's public pension practice, which includes 1937 Act counties as well as CalPERS and CalSTRS, should benefit MCERA for fiduciary as well as investment-related matters.

Staff recommends that the Board terminate the agreement with Manatt and enter into a new agreement for legal services with Nossaman. In the interim, to ensure continuity of service, Mr. Wickman entered into an agreement with Nossaman for legal services not to exceed \$5,000 contingent upon the Board engaging Nossaman. Trustees Haim and Brenk expressed support for staff's recommendation.

It was M/S Shore/Brenk to authorize the Administrator to terminate the agreement with Manatt and enter into a new agreement with Nossaman for legal services with Ashley Dunning as the lead attorney.

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

Chair Bolger congratulated Ms. Dunning on being retained as Board Counsel and thanked Ms. Dunning for her good service. Ms. Dunning expressed her appreciation for the Board's confidence.

2. Disposition of Private Real Estate – Woodland Villas, Pleasanton, CA (Action)
Selection of real estate broker for disposition of Woodland Villas.

Ron Granville, CEO of Woodmont Real Estate Services, outlined the broker selection process for the sale of Woodland Villas in Pleasanton, California. An initial list of six firms was narrowed to three companies based on an assessment of the teams' capabilities and overall experience. Woodmont recommends ARA Real Estate Investment Services as the listing broker based on its comprehensive marketing plan, high number of transactions in the area, depth of experience in the marketplace, and reasonable fee proposal.

Mr. Granville responded to inquiries on the listing process. He discussed likely buyers for this type of property in response to Trustee Shore's inquiry, noting that multifamily transactions are increasing. Trustee Brenk inquired as to whether there may be a conflict of interest for the brokers. In response Mr. Granville advised there will be no dual agency and the broker will work solely for MCERA. He further stated that the property will be widely exposed to the marketplace. During the listing process information that is

now confidential will become readily available, he said in response to Trustee Gladstern's inquiry. Trustee Haim recalled the purchase of Woodland Villas and observed it has been a good investment for the Fund.

It was M/S Shore/Gladstern to direct the Retirement Administrator to engage ARA Real Estate Investment Services as Listing Sales Broker for Woodland Villas in Pleasanton, California.

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

Chair Bolger recessed Open Session at 11:30 a.m., reconvening in Closed Session for deliberations on **Agenda Item E.3.**

Chair Bolger recessed Closed Session and reconvened the meeting in Open Session at 12:30 p.m.

3. Conference with Real Property Negotiators (Gov. Code sec. 54956.8) (CLOSED SESSION)
Property: Woodland Villas, Pleasanton, CA
Agency negotiators: Ron Granville and Scott Pritchett, Woodmont Real Estate Services
Under negotiation: Price and terms of payment for sale of property

Chair Bolger reported that the Board voted 8-0 to accept Woodmont's recommendation to list Woodland Villas for sale and authorize the Retirement Administrator to negotiate and execute all necessary documents to affect the sale at a minimum acceptable price and terms. It was M/S Webb/Gladstern. Voting in favor of the motion were Trustees Bartfeld, Bolger, Brenk, Cooper, Given, Gladstern, Shore, and Webb.

Chair Bolger directed deliberations to **BOARD OF RETIREMENT MATTERS, Agenda Item C.1.**

C. BOARD OF RETIREMENT MATTERS

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

Mr. Wickman advised the trustees of due dates for the Annual Affirmation as to Key Policies and Form 700, Statement of Economic Interests. A summary of these and other trustee compliance obligations will be sent to each trustee by Clerk of the Board Dale Barre. Staff will be notifying investment managers and other filers of the requirement to submit Forms 700.

Mr. Wickman and Communication Specialist Fowler attend a luncheon sponsor by the Marin County Association of Retired Employees (MCARE). The Administrator discussed the status of the Fund and the upcoming annual actuarial valuation. Mr. Wickman also discussed recent bankruptcy proceedings in Stockton and Detroit as

well as the proposed ballot initiative that was struck down by the superior court in Ventura County.

Mr. Wickman reported that the Fiduciary liability insurance was renewed and trustees need to reimburse MCERA for the cost of the non-recourse provisions.

On December 17, 2014 MCERA received its second Favorable Determination Letter from the Internal Revenue Service (IRS). The determination includes the new Public Employees' Pension Reform Act of 2013 (PEPRA) provisions that were implemented after the most recent submission to the IRS. Mr. Wickman commended Ice Miller, Ms. Dunning and Communications Associate Syd Fowler for their roles in this process.

b. Staffing update

The Administrator reported the recruitment for the Financial Officer position has not yet started. He will be working with the County of Marin Human Resources to help move the process forward.

c. Facility Use Report

MCARE held a meeting in the Board conference room on January 7, 2015.

d. Future meetings

- January 15, 2015 Investment Committee
- February 11, 2015 Board

2. Trustee Comments

No discussion.

NEW BUSINESS, continued

4. Future Meetings

Consider and discuss agenda items for future meetings

No discussion.

F. 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 Morgan Stanley -International Equities Fund
 - * X Parametric -Emerging Markets
 - * X Parametric -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 Quarter
 - RREEF -Value Added Portfolio Quarter
 - Woodmont Realty Advisors -Direct Ownership Quarter
 - UBS -Core Real Estate Quarter
3. Other

G. OTHER INFORMATION

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

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

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

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

H. CONSENT CALENDAR (Action)

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

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

There being no further business, Chair Bolger adjourned the meeting at 12:44 p.m.

Bernadette Bolger, Chair

Alan Piombo, Secretary

CONSENT CALENDAR for

MCERA MEETING, WEDNESDAY, JANUARY 14, 2015

CONSENT CALENDAR
December 2014

RETURN OF CONTRIBUTIONS

Edward Hofeditz	Partial refund of contributions (30 yr excess)	\$	35.12
Teresa De Jesus Leon Varela	Partial refund of contributions (30 yr excess)	\$	73.37
Donald Wick	Partial refund of contributions (30 yr excess)	\$	579.88
Peter Norman	Partial refund of contributions (30 yr excess)	\$	2,362.02
Gina Yvette Compton	Partial refund of contributions (30 yr excess)	\$	320.36
Teresa Ramirez	Partial refund of contributions (30 yr excess)	\$	1,055.06
Nancy Powers	Partial refund of contributions (30 yr excess)	\$	221.52
Steven Kadzielawa	Partial refund of contributions (Age Change)	\$	3,965.99
Lucenda Jones	Refund of Contributions (Termination)	\$	1,283.56
Grant Beatty	Refund of Contributions (Termination)	\$	119,624.24
Pamela Laube	Full Refund of Contributions (Pre Retirement Death)	\$	26,647.03

BUYBACK

Kathleen Beck	Courts
Lillian Jang	County of Marin
Richard Sheehan	County of Marin
Monica Mazzini	County of Marin
Kathleen Coston	County of Marin
Jeffrey Young	County of Marin
Christine Hand	County of Marin
Henry Bustamante	County of Marin
Nancy Quintanilla	County of Marin
Charlene Brown	County of Marin
Stephanie Dellosa	County of Marin

NEW RETIREES

James Irving	Southern Marin Fire
Shu-Yi Schip	Courts
Brandon Bosse	County of Marin
Robert Guidi	County of Marin
	Sheriffs
	District Attorney

RESCINDED RETIREMENTS

DECEASED RETIREES

Sarah Doyle	Sheriff	County of Marin
Frances Goodwin	Data Processing	County of Marin
Helen Wallace	H&HS	County of Marin
Rose Marie Mc Pherson	Beneficiary	County of Marin

CONFERENCES/SEMINARS

CalAPRS Board Meeting
Retirement Administrator Wickman

CalAPRS Advanced Course for Staff
Staff Jackson