

AYES: Bolger, Brenk, Given, Gladstern, Murphy, Shore, Stevens, Thomas
NOES: None
ABSTAIN: None
ABSENT: Cooper, Piombo

It was M/S Stevens/Thomas to nominate Maya Gladstern as Secretary.

AYES: Bolger, Brenk, Given, Gladstern, Murphy, Shore, Stevens, Thomas
NOES: None
ABSTAIN: None
ABSENT: Cooper, Piombo

Retirement Administrator Jeff Wickman thanked Trustee Bolger for her diligence in addressing issues and support for staff during her tenure as the Board Chairperson.

C. MATTERS OF GENERAL INTEREST

1. GASB 67/68 Report (Action) – Cheiron, Graham Schmidt

Consider and take possible action to adopt annual GASB 67/68 Report and Schedules

Mr. Wickman reminded the Board that this was the second year MCERA's Actuary has produced the new reports as required by the Government Accounting Standards Board (GASB). The GASB 67 report includes information MCERA must disclose in its annual financial reports. GASB 68 includes information that MCERA's participating employers must include in their annual financial reports.

Graham Schmidt, Actuary with Cheiron, presented the GASB 67 and 68 Report for the period ending June 30, 2015. Mr. Schmidt reiterated that GASB 67 provisions are applicable to MCERA and GASB 68 standards set forth requirements for employers' financial statements. Mr. Schmidt distinguished the GASB 67/68 report from the annual actuarial report that is used to fund the plan, noting that the GASB requirements apply only to accounting. Mr. Schmidt explained that the GASB 67/68 report is based on the market value of assets as of the end of the measurement period (June 30, 2015). He further noted that the Pension Expense for employers is now a balancing item in the financial statements rather than the exact annual employer contribution to the Plan. In addition, the Total Pension Liability is a balancing item projected forward from the liability measured in the most recent actuarial valuation (June 30, 2014) to the measurement date.

Mr. Schmidt reviewed key collective results for the Plan, which are apportioned to each employer for GASB 68 reporting purposes. The Net Pension Liability and the Pension Expense increased from the prior year. Contributing factors include assumption changes made by the Board last year, in particular lowering the investment return from 7.5% to 7.25% and implementing new projected mortality improvements. The actuary pointed out that the change in assumptions alone is equal to the entire increase in the Net Pension Liability. Therefore, he said, absent further assumption changes this year, he would not expect as big a change in the liability next year, outside of the biggest factor which is the net investment return.

In response to Trustee Shore's comment on the variability of the unfunded liability, Mr. Wickman explained that the difference between the investment return assumption and the investment return results in either an actuarial gain or loss for the system. For example, last year the Fund returned approximately 18% resulting in an actuarial gain which lowered the Net Pension Liability as opposed to the current year where the investment return was less than the assumption which results in an actuarial loss and increases the unfunded liability. However the June 30, 2015 NPL grew primarily as a result of lowering the discount rate from 7.5% to 7.25%. In response to Trustee Stevens' inquiry, Mr. Wickman stated that the market value of assets, or Plan Fiduciary Net Position, does not yet include final valuations for the private equity portfolio.

A sensitivity analysis for the collective Net Pension Liability (NPL) shows that the NPL would increase if the discount rate of 7.25% were 1 point lower and decrease if it were 1 percentage point higher. Mr. Schmidt pointed out that varying the discount rate affects the unfunded liability to a greater degree than the Total Pension Liability because the asset value used to calculate the Net Pension Liability does not change. At the current discount rate of 7.25% the Plan Fiduciary Net Position as a percentage of the Total Pension Liability, or funded ratio, is 84.3%, down from 89.04% in the prior year. In response to Trustee Haim's inquiry, Mr. Schmidt stated the funded ratio compares favorably to other '37 Act systems which he attributed to MCERA's relatively lower discount rate and more conservative assumptions.

Remaining items in the report affect employers, for example showing how the Collective Pension Expense is allocated to each of them. Responding to Chair Bolger's inquiry, the actuary explained that GASB 68 requires employers to put their portion of the NPL on their balance sheets and report the Pension Expense with some smoothing.

In summary, Mr. Wickman said GASB 67/68 has added a layer of complexity that lengthens the process for finalizing the annual financial statements and presenting them to the Board for approval. The Administrator complimented Mr. Schmidt and Andy Paulden from Brown Armstrong for their leadership in implementing the new GASB requirements.

It was M/S Brenk/Gladstern to adopt the annual GASB 67/68 Report and Schedules as of June 30, 2015 as presented.

AYES:	Bolger, Brenk, Given, Gladstern, Murphy, Shore, Stevens, Thomas
NOES:	None
ABSTAIN:	None
ABSENT:	Cooper, Piombo

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

D. BOARD OF RETIREMENT MATTERS

1. Administrator's Report (Oral)

a. Administrator's Update

Mr. Wickman requested that iPads be returned to staff for upgrades before the end of the year.

The Administrator reported that two proposals were received from MCERA's broker MacCorkle Insurance Services for fiduciary liability insurance. Proposals were received from American Insurance Group (AIG) and Hudson Insurance Company. Staff will bring a recommendation on the fiduciary liability insurance renewal to the December Board meeting.

Assistant Administrator Michelle Hardesty and the Administrator met with the Marin/Sonoma Mosquito and Vector Control District Board to review how last year's Actuarial Valuation and Experience Study impacted the District from a contribution standpoint. For the past two years Mr. Wickman has served on the CalAPRS Board and he has indicated his willingness to serve another term of office once his current term expires at the end of this year. The CalAPRS Board members are elected by the Administrators of member systems.

The Administrator reported significant progress with CPAS performance as a result of productive regular meetings with CPAS technical representatives who have been helpful and responsive to MCERA's requests. Ms. Hardesty reported that CPAS presented a client appreciation award to MCERA in recognition of MCERA's supporting role in communicating the value of CPAS' services.

b. Staffing Update

The Administrator reported that he is moving forward on the Chief Financial Officer recruitment based on the approval last month of the recruiting services agreement with W. Brown Creative Partners (WBCP). WBCP will be meeting with MCERA's accounting team to discuss what the staff feels are the important skills and characteristics for the position.

c. Facility Use Report

No facility use in the period to report.

d. Future Meetings

- November 12, 2015 Governance Committee
- December 9, 2015 Board
- December 10, 2015 Investment Committee

2. Trustee Comments

Trustee Shore observed that it is a meaningful operational achievement for MCERA to become a power user of CPAS and he credited staff for this accomplishment.

Chair Bolger directed deliberations to **Agenda Item C.2.**

MATTERS OF GENERAL INTEREST continued.

2. Annual Financial Audit for Fiscal Year Ending June 30, 2015 (Action) – Brown Armstrong, Andrew Paulden

Consider and take possible action to accept auditor's review of audited financial statements

Andy Paulden, CPA and Partner with Brown Armstrong Accountancy Corporation, presented the audit of financial statements for the fiscal year ending June 30, 2015. Mr. Paulden reported that Brown Armstrong issued a clean unmodified opinion of the financial statements, which is the highest opinion that an independent auditor can give. The purpose of the audit, he explained, is to represent whether all financial information is fairly presented in accordance with their professional standards and render an opinion on their accuracy. The scope of the financial reporting process includes GASB 67/68 standards which Brown Armstrong is uniquely positioned to report on for the Board and the plan sponsors, according to Mr. Paulden.

Mr. Paulden stated that MCERA has established internal controls to ensure financials are properly recorded. The cornerstone of the evaluation, he said, is to test these controls to determine whether they can be relied upon. Building on processes from prior years and evaluating any changes that have occurred results in a substantive process for the audit, he said. A significant part of the process involves confirming supporting information with the global custodian, investment managers, the actuary and plan sponsors.

Brown Armstrong uses a risk-based approach for the audit by focusing 75 to 80% of the audit effort on areas where there is a higher probability of a potential error. These include investments as the largest single asset. The underlying assumptions and related earnings are examined to confirm the process of determining fair value, the auditor explained. Responding to Trustee Brenk's inquiry, Mr. Paulden indicated they have improved the audit process for private equities that are not traded on the open market. The auditors look at the initial due diligence for private equity investments, ongoing monitoring, and reach out to the opinions of other auditors on these investments and MCERA's proportionate share to make sure they receive a clean opinion.

Other key areas for review by the auditors include the accuracy of participant data and actuarial reporting. Finally, the timeliness of employer contributions and the accuracy of benefit payments are examined. In response to Trustee Gladstern's inquiry, Mr. Paulden said the random sampling process used to verify participant data shows that staff has done a good job on cleaning up the data base.

Mr. Paulden reported that two years into the GASB 67/68 implementation process plan sponsors and their auditors are getting up to speed on understanding how the numbers flow. He stated that GASB is aware there is always going to be volatility in the Net Pension Liability. Trustee Shore asked what the impetus was for the new reporting standards. In response, Mr. Paulden explained that the reason given was for more transparency so governmental financial statements would look more like private sector accounting by including long-term liabilities. Secondly, due to concern as to whether outside entities could decipher the financial position of the entity, Wall Street asked for more consistency in this area. The auditor stressed the importance of the ability of plan sponsor accountants to rely upon the accuracy of the GASB 68 reports prepared by MCERA.

In conclusion, Mr. Paulden commended MCERA staff for a job well done and expressed confidence that staff is addressing findings and recommendations regarding strengthening controls that do not affect the financial statements. Mr. Wickman explained that on one of the agreed-upon findings MCERA adjusted the accounting entries as recommended by Brown Armstrong but the original error occurred as a result of changes within the custodian's computing platform that re-categorized an item. Secondly, the Administrator stated that staff completed an Information Technology risk assessment which will be presented to the Finance and Risk Management Committee. Mr. Wickman commended the Brown Armstrong team, specifically Mr. Paulden and lead auditor Ashley Casey, for looking hard at our processes to help with managing risk and internal controls. The Administrator, Chair Bolger and Trustee Haim thanked Brown Armstrong and Senior Accountant Lisa Jackson, Accounting Assistant Anne Battaglia and Senior Accounting Assistant Denise Lee for their work on the financial statements.

Responding to Trustee Gladstern's observation that MCERA has used Brown Armstrong's auditing services for several years, Mr. Wickman said to address and manage this risk a Request for Proposal (RFP) for auditing services is planned for the future after the Chief Financial Officer has been brought on board.

It was M/S Shore/Murphy to accept the Annual Financial Audit for Fiscal Year Ending June 30, 2015 as presented.

AYES: Bolger, Brenk, Given, Gladstern, Murphy, Shore, Stevens, Thomas
NOES: None
ABSTAIN: None
ABSENT: Cooper, Piombo

Chair Bolger recessed Open Session for a break at 10:35 a.m., reconvening in Closed Session at 10:45 a.m.

Chair Bolger recessed Closed Session and reconvened in Open Session at 11:36 a.m.

E. CONSIDERATION OF AND ACTION ON NON-CONSENT AGENDA DISABILITY RETIREMENT APPLICATIONS (TIME CERTAIN: 10:00 a.m.) (CLOSED SESSION)

(Action)

[Any non-Consent Agenda disability retirement application, whether pulled from the Disability Consent Agenda 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. Paul Higgs Service-connected Marin County Sheriff

Initial consideration of an application for service-connected disability retirement with an effective date of December 15, 2014 filed by a Safety member (note correction of effective date to June 26, 2014)

Chair Bolger reported that the Board denied Paul Higgs' application for service-connected disability retirement and provided the applicant with the opportunity to request an administrative hearing in accordance with MCERA policy by a vote of 8-0. Trustees Piombo and Cooper were absent.

Motion was by Trustee Given and seconded by Trustee Gladstern. Voting for the motion were Trustees Bolger, Brenk, Given, Gladstern, Murphy, Shore, Stevens, and Thomas.

F. NEW BUSINESS

1. Board Meeting Calendar for 2016 (Action)

Consider and take possible action to approve Calendar

A proposed Board Meeting Calendar for 2016 was presented by Mr. Wickman for consideration. There was discussion that the schedule for committee meetings may be adjusted as needed once committee members are determined at the December Board meeting.

It was M/S Gladstern/Thomas to approve the Board Meeting Calendar for 2016 as submitted.

AYES: Bolger, Brenk, Given, Gladstern, Murphy, Shore, Stevens, Thomas
NOES: None
ABSTAIN: None
ABSENT: Cooper, Piombo

2. Future Meetings

Consider and discuss agenda items for future meetings

Chair Bolger advised that Board members may make suggestions for future agenda topics

G. OTHER INFORMATION

1. Trustee Training Calendar

Mr. Wickman presented information on the December 8, 2015 Institutional Investor Forum in San Francisco and Trustee Brenk commented on his previous experience at this conference. Ms. Hardesty will attend the November SACRS conference and staff member Todd Miller will attend the CalAPRS Advanced Staff Training course in December.

2. Keeping in Touch

November Issue, Association of Retired Employees newsletter

H. CONSENT CALENDAR (Action)

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

AYES: Bolger, Brenk, Given, Gladstern, Murphy, Shore, Stevens, Thomas
NOES: None
ABSTAIN: None
ABSENT: Cooper, Piombo

CONSENT CALENDAR for
MCERA MEETING, WEDNESDAY, NOVEMBER 4, 2015

CONSENT CALENDAR
OCTOBER 2015

RETURN OF CONTRIBUTIONS

Mary Brown	Full Refund of Contributions (Term)	\$	5,467.09
M. Katherine Hermann	Full Refund of Contributions (Term)	\$	3,248.48
Jeffrey Rowan	Partial Refund of Contributions (30 year)	\$	3,942.91

BUYBACKS

Lorna Whyte		\$	2,345.96
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NEW RETIREES

Raymond Anciaux	H&HS	County of Marin
Debra Mullaney	H&HS	County of Marin
Albert Powell	Ag/Weights and Measures	County of Marin
Peter Coles	DPW	County of Marin
Gary Siegel	Sheriffs	County of Marin
David Zoellner	Cultural & Visitor Services	County of Marin
Doris McGee-Lundy	H&HS	County of Marin
Emma Arroyave	H&HS	County of Marin
Tim Warner	Parks	County of Marin
Brian Quinn	CDA	County of Marin
Penelope Wentland	Courts	County of Marin
Cheri Zoellner	Cultural & Visitor Services	County of Marin
Michael Lane	Sheriffs	County of Marin
Anita Eroia	Human Resources	County of Marin

RESCINDED RETIREMENTS

DECEASED RETIREES

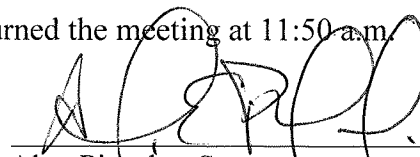
Helen Gilstrap	Courts	County of Marin
Marion Grady		City of San Rafael
Frances Davis		City of San Rafael

CONFERENCES/SEMINARS

CalAPRS Intermediate Staff Training - Staff Miller

There being no further business, Chair Bolger adjourned the meeting at 11:50 a.m.


Bernadette Bolger, Chair


Alan Piombo, Secretary