

MINUTES
REGULAR BOARD MEETING
MARIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION (MCERA)

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

December 9, 2015 – 9:00 a.m.

EVENT CALENDAR 9 a.m. Regular Board Meeting

CALL TO ORDER Vice Chairperson Piombo called the meeting to order at 9:01 a.m.

ROLL CALL PRESENT: Bolger, Brenk, Given, Gladstern, Haim (alternate retired),
Murphy, Piombo, Stevens, Thomas

ABSENT: Cooper (alternate safety), Shaw (ex officio alternate),
Shore

MINUTES

It was M/S Bolger/Given to approve the November 4, 2015 Board Meeting Minutes as submitted.

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

A. OPEN TIME FOR PUBLIC EXPRESSION

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

Steve Silberstein requested that the Board monitor MCERA's investment managers with respect to proxy votes on compensation for Chief Executive Officers (CEOs). Mr. Silberstein believes that excessive CEO pay leads to lower returns for investors.

David Brown of Citizens for Sustainable Pension Plans (CSPP) presented three letters dated December 7, 2015 and addressed to the Retirement Board and Retirement Administrator Jeff Wickman. Mr. Brown requested that the Board consider a Marin County Civil Grand Jury April 2015 report on deficiencies by plan sponsors in complying with California Government Code section 7507 when granting pension benefits. Mr. Brown requested that the Board investigate the matter by placing it on its agenda and then petitioning the court of appeal for guidance.

CSPP member Michael Lotito spoke in support of Mr. Brown, indicating that the Board should take every step that would fulfill its fiduciary obligations.

Jody Morales of CSPP suggested that, in the process of determining whether to move forward with this issue, some members of the Board should recuse themselves from those discussions.

Roland Katz, Executive Director of the Marin Association of Public Employees (MAPE), stated that the pension benefits questioned by Mr. Brown were negotiated and Marin County is relying on an outside counsel review of the Grand Jury report.

B. APPOINTMENT OF BOARD STANDING COMMITTEES

Appointment of Standing Committees and Standing Committee Chairs (**Action**)

Chair (and Vice Chairperson) Piombo presented Standing Committee members and Chairs for 2015-16 recommended by Chairperson Dave Shore for appointment as follows:

Investment Committee – composed of all twelve members of the Retirement Board

Finance and Risk Management Committee

Alan Piombo, Chair
Bernadette Bolger
Roy Given
David Shore
Kim Stevens

Governance Committee

Maya Gladstern, Chair
Greg Brenk
Allen Haim
Laurie Murphy
Phillip Thomas

It was M/S Gladstern/Thomas to appoint members of the Investment Committee and the Chair as presented.

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

It was M/S Gladstern/Thomas to appoint members of the Finance and Risk Management Committee and the Chair as presented.

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

It was M/S Gladstern/Thomas to appoint members of the Governance Committee and the Chair as presented.

AYES: Bolger, Brenk, Given, Gladstern, Murphy, Piombo, Stevens, Thomas

NOES: None
ABSTAIN: None
ABSENT: Shore

Retirement Administrator Jeff Wickman stated that Ad Hoc Committee members for 2015-16 have been appointed by the Chairperson of the Board as follows:

Ad Hoc Education Committee

Kim Stevens, Chair
Alan Piombo
Laurie Murphy
Allen Haim

Ad Hoc One McInnis Committee

Bernadette Bolger
Roy Given
David Shore

Ad Hoc Retirement Administrator Performance Evaluation Committee

David Shore, Chair
Chris Cooper
Roy Given
Phillip Thomas

C. BOARD OF RETIREMENT MATTERS

1. Administrator's Report (Oral)

a. Administrator's Update

Mr. Wickman congratulated Senior Accounting Assistant Denise Lee for graduating from the Marin County Leadership Academy at Dominican University.

Syd Fowler, Communications and Member Services Specialist, was named Marin County Employee of the Month for December. Ms. Fowler will be honored by the Marin County Board of Supervisors at their meeting on Tuesday December 15th.

Mr. Wickman reported that he was re-elected to the Board of the California Association of Public Retirement Systems (CalAPRS). His assignments for the upcoming year include serving on the Operations Committee and as Chair of the Administrators' Institute Education Committee. Mr. Wickman will also participate in one Management Academy module and serve as the liaison for the Attorneys' Roundtables.

MCERA's subscription agreement for Pathway Private Equity Fund (PPEF) I-8 was completed. Mr. Wickman thanked Board Counsel Ashley Dunning and Yuliya Oryol of Nossaman LLP for their efforts.

Annual compensation limits under PEPRA published by the California Actuarial Advisory Panel (CAAP) have been communicated to plan sponsors.

b. Business Objectives Quarterly Review

The Administrator reviewed the status of Business Objectives for August 1, 2015 through July 31, 2016.

Under Benefit Administration staff is assessing the cost/benefit of upgrading to the newest version of CPAS software which has a workflow module as opposed to using separate software. Assistant Retirement Administrator Michelle Hardesty discussed capabilities of the new software in response to Trustee Brenk's inquiry. Mr. Wickman reported efforts to improve communications with retirees when specific events occur will be implemented in January.

Performance Management statistical goals outlined in the business objectives are being met.

In Human Resource Management the hiring of a Chief Financial Officer is in process. Mr. Wickman reported the effort to develop a multi-year business plan will be kicked off in the first quarter of 2016. Finally, additional cross training opportunities and processes are being tested at the front desk to assess the impact on customer service. Under Business Management Mr. Wickman reported that staff will develop a proxy voting policy for consideration by the Governance Committee. An Information Technology Security Assessment Plan developed by Ms. Hardesty and staff has been reviewed by MCERA's financial auditor and will be presented to the Finance and Risk Management Committee. Ms. Hardesty has initiated and will continue work on an Employer Audit Plan. A planned request for proposal for annual financial auditing services is dependent on having the CFO on board.

In Communication and Education the website design is expected to be finalized in the first quarter of 2016. The new Disability Handbook is complete and is available on MCERA's Web Site. The document includes a new fillable form. Revising the Retiree Handbook and developing a Domestic Relations Order Handbook will have late 2016 starts.

The Finance and Accounting business objectives of completing a Comprehensive Annual Financial Report and considering the acquisition of a new financial accounting system are contingent on the CFO recruitment.

In summary, Mr. Wickman stated that about half of the business objectives have been completed and the remaining half are scheduled for 2016.

c. Staffing Update

Mr. Wickman reported that the revised CFO recruitment was published on November 17, 2015 and has resulted in a high volume of applicants. Initial interviews with qualified candidates are planned for early January 2016.

d. Facility Use Report

Retiree organization MCARE held its Board meeting on the 2nd of December.

e. Future Meetings

- December 10, 2015 Investment Committee
- December 15, 2015 Finance and Risk Management Committee
- January 13, 2016 Board
- January 14, 2016 Investment Committee

2. Standing Committee Reports

a. Governance Committee

1. Existing Policies – Review and Consider Proposed Updates

a. Conflict of Interest Code (Action)

Consider and take possible action on Governance Committee’s recommended updates to policy to conform to statutory changes

Governance Committee Chair Bolger reported that updates to the Conflict of Interest Code comply with the Government Code raising the gift limit from \$440 to \$460 per twelve-month period.

Based on the action of the Governance Committee, Governance Committee Chair Bolger moved that the Board adopt updates to the Conflict of Interest Code as submitted.

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

b. Investment Policy Statement (Action)

Consider and take possible action on Governance Committee’s recommended updates to policy regarding Watchlist and Proxy voting provisions

Governance Committee Chair Bolger reported that updates to the Investment Policy Statement will be considered by the Investment Committee at its December 10, 2015 meeting.

c. Policy Regarding Actuarial Equivalence Determinations for Modified Retirement and Survivor Allowances (Action)

Consider and take possible action on Governance Committee’s recommended updates to policy regarding implementation provisions

Governance Committee Chair Bolger reported that updates to the Policy Regarding Actuarial Equivalence Determinations for Modified Retirement and Survivor Allowances remove operational language and automatically incorporate future changes in mortality table and interest assumptions into the policy.

Based on the action of the Governance Committee, Governance Committee Chair Bolger moved that the Board adopt updates to the Policy Regarding Actuarial Equivalence Determinations for Modified Retirement and Survivor Allowances as submitted.

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

d. Facility Use and Reservation Policy (Action)

Consider and take possible action on Governance Committee's recommended updates to policy regarding usage fees and related provisions

Governance Committee Chair Bolger reported that updates to the Facility Use and Reservation Policy align with operational practice as follows: Requirements for reservations, fees and use of technical equipment are relaxed, the security deposit is removed, and specifications for providing proof of insurance by Category B groups are removed.

Based on the action of the Governance Committee, Governance Committee Chair Bolger moved that the Board adopt updates to the Facility Use and Reservation Policy as submitted.

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

2. Existing Policies – Standard Review without Proposed Updates

Based on the action of the Governance Committee, Governance Committee Chair Bolger moved that the Board accept the review of the policies listed for standard review in C.2.a.2.a-f below.

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

a. Election and Duties of Board of Retirement Officers Policy (Action)

Conduct standard policy review

b. Timing of Employer Payment of Required Contributions to MCERA Policy (Action)

Conduct standard policy review

c. Procedures for Hearings on Matters Other Than Disability Retirement (Action)

Conduct standard policy review

d. Records Retention Policy and Guidelines (Action)

Conduct standard policy review

- e. Policy Regarding Compensation Earnable and Pensionable Compensation Determinations (Action)
Conduct standard policy review
- f. Trustee Education Policy (Action)
Conduct standard policy review

3. Trustee Comments

Discussions began on Agenda Item C.3.b.

b. Other Comments

Trustee Stevens queried whether other members of the Board thought the Board had a fiduciary responsibility to follow up on the public comments from Mr. Brown. Trustee Gladstern expressed her view that it would not be appropriate to reconsider what happened in the past. In response to a question from the Board Mr. Wickman indicated that some of the items from the Grand Jury report occurred 13 years ago.

Trustee Bolger reminded the Board that suggestions for topics for future meetings would be considered by the Board Chair.

Trustee Haim expressed his thoughts about revisiting questions that had already been addressed.

Chair Piombo directed deliberations to Agenda Item C.3.a.

a. Educational Training: Reports by Trustees and Staff

Trustee Gladstern reported on the November SACRS conference where sessions she attended included retired General David Petraeus' discussion of Geopolitical Risks and Opportunities, an update on the California economy by the state controller and a discussion of pending pension initiatives. Ms. Gladstern attended a meeting of the legislative committee. The legislative committee has a proposal that would allow systems to opt to become special districts. Ms. Gladstern indicated that she believes more specifics are in order before moving forward with that proposal.

Trustee Thomas reported he attended a movie about temporary labor at the November SACRS conference and he commended Syd Fowler for her communications presentation at the Conference.

Trustee Haim reported there was a good turnout for the recent retiree organization luncheon.

Agenda Item C.3.b continued

Mr. Brown presented his counterarguments to Ms. Dunning's October 5, 2015 letter that was mentioned earlier during public comment stating his belief that the issue is whether the benefits addressed by the Civil Grand Jury were legally granted in the first place.

Trustee Bolger stated she believes the opinions expressed by Ms. Dunning in her October 5, 2015 letter were well reasoned and address Mr. Brown's questions. She encouraged the Board to re-read the communications from Mr. Brown and Ms. Dunning.

Trustee Haim agreed with Ms. Bolger and suggested if necessary a fuller response could be developed by the Board's counsel.

Trustee Brenk indicated that he had read all the communications and none of the court actions cited addressed the public disclosure requirements for the actions being questioned by the Grand Jury. Mr. Brenk also indicated there may be a statute of limitations question applicable to this matter. Finally, he indicated that he was unsure how the Board would even begin going about sorting the items that Mr. Brown requested.

Mr. Wickman noted that the Grand Jury posed questions to the plan sponsors of whether benefits were properly granted by them, as they were the grantors of the benefits in question, and the Grand Jury did not ask MCERA to respond to its report. The plan sponsors hired outside counsel to look at the questions and have responded to the Grand Jury report with reference to those outside counsel opinions.

Trustee Given stated that the Board should follow its proper process and not discuss items that have not been placed on the agenda.

D. NEW BUSINESS

1. Fiduciary Liability Insurance (Action)

Consider and take possible action on selection of fiduciary liability insurance provider

Mr. Wickman stated that for the last number of years AIG has been the Board's fiduciary liability insurance provider. This year MCERA received a bid from AIG and another provider, Hudson Insurance Company (Hudson). Upon review of Hudson's provisions with Board Counsel, Mr. Wickman indicated he believes the Hudson's policy compares favorably to the current providers' policy. The Hudson policy includes a measure of cyber insurance at minimal cost and moreover, the cost of the policy is \$8,000 less than the current provider. For these reasons staff is recommending the Board enter into an agreement with Hudson for fiduciary liability insurance. Additional cyber insurance coverage can be procured in any event should the Board choose to do so.

In response to Trustee Haim's inquiry Mr. Wickman stated that Hudson's rating is "A", Excellent, and MCERA broker MacCorkle considers comparative ratings as part of their research on insurance providers. Ms. Dunning noted that at least one other large '37 Act system uses Hudson for its fiduciary liability insurance. Responding to Trustee Given's inquiry, Mr. Wickman stated that there would be continuous coverage of ongoing litigation and Hudson will not exclude prior events related to a specific notice of circumstance that had been provided to AIG previously.

Trustee Brenk questioned the reason for the low bid by Hudson. In response Mr. Wickman stated that he believes Hudson has made a competitive bid to MCERA.

It was M/S Bolger/Given to select Hudson Insurance Company as provider of the Board's fiduciary liability insurance.

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

2. Future Meetings

Consider and discuss agenda items for future meetings

Mr. Brown reiterated his requests from Open Public Comment He also stated that before the Board considers the items certain recusals should occur.

Chair Piombo stated he will share Mr. Brown's request with Board Chair Dave Shore. Trustee Given reiterated his concern about the process of discussing issues that are not agendized.

E. OTHER INFORMATION

1. Trustee Training Calendar (Action)

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

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

2. Keeping in Touch

December Issue, Association of Retired Employees newsletter

F. CONSENT CALENDAR (Action)

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

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

**CONSENT CALENDAR for
MCERA MEETING, WEDNESDAY, DECEMBER 9, 2015**

**CONSENT CALENDAR
NOVEMBER 2015**

Michael Edwards	<u>RETURN OF CONTRIBUTIONS</u> Full Refund of Contributions (Term)	\$	5,646.46
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Alisha Branning	Full Refund of Contributions (Term)	\$	4,802.41
Ami Esparza	Full Refund of Contributions (Term)	\$	4,557.63
Beatriz Navarro	Full Refund of Contributions (Term)	\$	4,638.25

BUYBACKS

Linda Mariscal		\$	13,526.89
Cheryl Barr		\$	2,751.34

NEW RETIREES

Lorna Whyte		City of San Rafael
Michael Fielding		City of San Rafael
Christina Taboryski	HR	County of Marin
Don Carscadden	Assessor	County of Marin
Jennifer Lack	Sheriff	County of Marin
Lawrence Brown	H&HS	County of Marin
Luisa Ward	H&HS	County of Marin
Michael Martin	Assessor	County of Marin
Ralph Rassi Jr.	H&HS	County of Marin
Ruth Pratt	DPW	County of Marin
Sheryl Rand	H&HS	County of Marin
Michael Deutsch		Novato Fire

RESCINDED RETIREMENTS

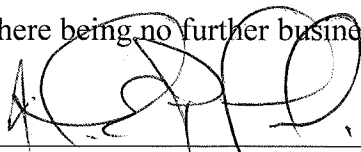
DECEASED RETIREES

Carolyn Albrecht	H&HS	County of Marin
Beverly Lund	Sheriff	County of Marin

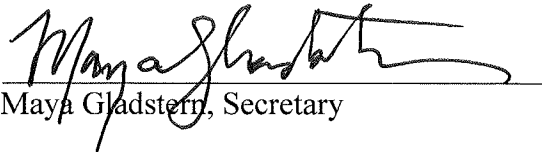
CONFERENCES/SEMINARS

SACRS Fall Conference
Trustees Gladstern and Thomas; Staff Hardesty and Fowler
Counsel Dunning and Investment Consultant Callahan

There being no further business, Chair Piombo adjourned the meeting at 10:33 am.



Alan Piombo, Chair



Maya Gladstern, Secretary