

MINUTES

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

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

February 10, 2016 – 9:00 a.m.

EVENT CALENDAR 9 a.m. Regular Board Meeting

CALL TO ORDER Chair Shore called the meeting to order at 9:02 a.m.

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

ABSENT: Shaw (ex officio alternate), Thomas

MINUTES

It was M/S Piombo/Gladstern to approve the January 13, 2016 Board Meeting Minutes as submitted.

AYES: Bolger, Brenk, Cooper, Given, Gladstern, Murphy, Piombo, Shore,
Stevens

NOES: None

ABSTAIN: None

ABSENT: Thomas

It was M/S Given/Piombo to approve the January 14, 2016 Investment Committee Meeting Minutes as submitted.

Based on Trustee Bolger's inquiry, the Clerk to the Board reviewed the audio tape and determined that the minutes of the Investment Committee's January 14, 2016 meeting as presented accurately reflect Chair Brenk's inquiry on whether other Callan Associates clients were using Kleinwort Benson specifically for the natural resources strategy.

AYES: Bolger, Brenk, Cooper, Given, Gladstern, Murphy, Piombo, Shore,
Stevens

NOES: None

ABSTAIN: None

ABSENT: 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.

No public comment.

B. MATTERS OF GENERAL INTEREST

1. Annual Cost of Living Adjustment as of April 1, 2016 – Graham Schmidt, Cheiron (Action)
Consider and take possible action to affirm actuarial calculation of annual cost of living increase for retirees

Retirement Administrator Jeff Wickman explained that the action by the Board is to affirm the actuary's calculation of the cost of living adjustment (COLA) as defined in the County Employees Retirement Law of 1937 (CERL). The COLA benefit has already been granted by employers as part of the benefit provided to each specific retirement tier. Mr. Wickman explained that eligibility for the COLA and the maximum allowable COLA percentages are determined by each retiree's tier. This year based on the maximum amounts, for all MCERA retirees approximately 41% will receive a 2% COLA and 54% will receive a 2.5% COLA. For Marin County retirees, 53% will receive a 2% COLA and 43% will receive a 2.5% COLA. Those retirees with COLA banks may receive more, up to the maximum for their tier. In addition a small number of retirees are not eligible for a COLA.

Actuary Graham Schmidt of Cheiron stated that the COLA is based on the Consumer Price Index (CPI) for All Urban Consumers in the San Francisco-Oakland-San Jose area. Mr. Schmidt reported that the COLA is 2.5% based on an average of the two prior calendar years rounded to the nearest one-half percent. The actuary attributed the difference in the CPI change to the cost of housing or "shelter" that makes up a large portion of the index. There was discussion about the applicability of the CPI of urban areas to rural counties in California. Counsel Dunning noted that MCERA uses the San Francisco-Oakland-San Jose area CPI, which includes Marin County, because the CERL provides that the CPI to be used for the COLA calculation is the one applicable to the county seat of the retirement system.

Trustee Gladstern observed that some members who retired in 1980 have lost 62% of their buying power. In response Ms. Dunning noted that over time the maximum COLA amounts have been reduced as employers have adopted lower COLAs to tiers that apply to their future hires. Ms. Dunning explained that the rationale for providing the COLA is for retirees to maintain some of the purchasing power provided by the original benefit they received at retirement.

Expectations for annual COLAs are built into the valuation, according to Mr. Schmidt, and therefore the 2.5% COLA does not necessarily mean there would be an increase in actuarial costs. Mr. Wickman added the normal cost of the COLA is shared equally by employees and employers and paid through their contributions to the plan. Trustee Haim recalled that originally the county saved money by not participating in Social Security and in return provided the 4% COLA to retirees. Subsequently after 1980 the Board of Supervisors decided to reduce the COLA percentage by establishing new tiers over the years. Responding to Trustee Piombo's inquiry, Mr. Schmidt stated that an accumulated COLA bank represents lost purchasing power for the member.

It was M/S Gladstern Piombo to affirm the actuarial calculation of the annual cost of living adjustment (COLA) for retirees.

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

C. BOARD OF RETIREMENT MATTERS

1. Administrator's Report (Oral)

a. Administrator's Update

Mr. Wickman noted the Annual Affirmation as to Key Policies is due in March. The Administrator reminded the trustees that the CalAPRS General Assembly will be held in early March and he encouraged trustees to attend. The subscription agreement for the Pathway 2016 private equity fund has been completed thanks to the efforts of Board Counsel Ashley Dunning and Yuliya Oryol of Nossaman who led the process resulting in strengthened side letter terms for MCERA. Mr. Wickman spoke with Institutional Shareholder Services (ISS) to review the services they can provide to public pension plans regarding proxy voting. He will be collecting some additional information that will be presented to a Board Committee in the future.

b. Staffing Update

The Administrator hired Emilia Gabriele as MCERA's Chief Financial Officer (CFO) beginning March 7. Most recently Ms. Gabriele worked in Contra Costa County's Employment and Human Services Department as their CFO. Ms. Gabriele has the technical strengths in accounting, finance, and the leadership qualities that will make her successful at MCERA. Trustee Given echoed Mr. Wickman's confidence in welcoming Ms. Gabriele on board. Mr. Wickman expressed appreciation to recruiter Wendy Brown of W. Brown Creative Partners for her diligent work to create a strong candidate pool for the position.

c. Facility Use Report

Mr. Wickman reported on several meetings held in the Board's conference room including the County's Integrated Pest Management Committee and Wellness Committee. In addition Senior Accounting Assistant Denise Lee hosted a meeting of the County's Performance Excellence Planning (PEP) team to discuss improved administrative processes for employee evaluations.

d. Future Meetings

- February 24, 2016 Finance and Risk Management Committee
- March 9, 2016 Board
- March 10, 2016 Investment Committee

2. Ad Hoc Committee Reports

a. Ad Hoc Education Committee

1. Strategic Workshop Agenda

Consider and review agenda topics

Mr. Wickman presented a proposed agenda for the March Strategic Workshop resulting from a meeting of the Ad Hoc Education Committee. The first day of the two-day Workshop is devoted to investment-related topics and the second day to administrative topics. The agenda may be adapted based on input and recommendations from MCERA's consultant Callan Associates.

Trustee Bolger indicated an interest in bringing in an outside party to present the case for passive investment vehicles and requested more concise information when assessing investment performance. Trustees Brenk, Gladstern and Piombo and Chair Shore supported further exploration of the passive investment approach. Trustee Given differentiated the need for the Board to make timely, specific investment decisions from a high-level discussion of active versus passive management. Based on the discussion Mr. Wickman will work with Callan Associates to identify a third party to talk about passive management and consider the data needed to assist the board with reviewing their managers.

3. Trustee Comments

a. Educational Training: Reports by Trustees and Staff

Trustee Gladstern reported that at the CalAPRS Trustees' Roundtable different roles for alternate trustees were discussed. Ms. Dunning noted that in large part the CERL dictates how MCERA alternate trustees function. Also of interest was a presentation by the LACERA Chief Information Officer on risk and security focusing on securing financial transactions through segregation of duties and encryption of data on workstations.

Trustee Haim reported that presentations at the annual Callan Associates conference were excellent. Trustee Brenk characterized the conference as the best of those he has attended. Mr. Wickman noted that he distributed Trustee Brenk's written report on the conference to the trustees. Callan's multi-asset class concept including risk parity and absolute return with respect to the efficient frontier would be a worthwhile topic for the Strategic Workshop, according to Trustee Brenk. The CalAPRS Attorneys' Roundtable was attended by Counsel Dunning who provided a written report to the Retirement Administrator.

b. Other Comments

Trustee Bolger requested that long term results be provided for potential new investment vehicles under consideration at Investment Committee meetings.

Chair Shore recessed Open Session at 10:15 a.m. for a 10 minute break and reconvened the meeting in Closed Session at 10:25 a.m.

Chair Shore recessed Closed Session and reconvened the meeting in Open Session at 11:30 a.m.

D. LEGAL MATTERS

1. Conference with Legal Counsel – Pending Litigation (Gov. Code sec. 54956.9(a)) (CLOSED SESSION)

MAPE et al. v. MCERA, et al., First Dist. Court of Appeal Case No. A139610 (Div. 2)

Trustee Gladstern recused herself and left the room because she is an officer with MAPE.

Chair Shore reported that there was no reportable action on this agenda item.

2. Conference with Legal Counsel – Anticipated Litigation (Gov. Code sec. 54956.9(b)) (CLOSED SESSION)

Significant exposure to litigation: David Brown threatened petition for writ of mandamus against MCERA

Chair Shore reported that there was no reportable action on this agenda item.

E. NEW BUSINESS

1. Spring MCERA Newsletter (Action)

Consider and take possible action to approve newsletter copy

Mr. Wickman presented proposed newsletter copy for the Board's review and comment.

Communications Specialist Syd Fowler composed the newsletter which includes an article on the annual COLA for retirees. The newsletter was well received by the trustees and Trustee Gladstern appreciated the inclusion of information on Medicare benefits.

It was M/S Bolger/Murphy to approve the newsletter copy as presented.

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

2. FPPC Rules re the Form 700 – Ashley Dunning, Nossaman

Presentation on Fair Political Practices Commission (FPPC) rules regarding Form 700

Ms. Dunning presented an overview of the Form 700 which public officials and designated staff and consultants are required to file. The Fair Political Practices Commission was formed as a result of the Political Reform Act to promulgate and enforce rules for Form 700. Filers are required to disclose economic interests which may require the filer to recuse from related discussions or decisions. Enforcement of infractions can result in financial penalties.

The FPPC establishes gift limits for the calendar year (conflicts of interest) and on a rolling twelve month basis (ethics), which for 2016 is \$460 from a single source, regardless of jurisdiction. Reportable financial interests include gross income from non-governmental

sources and business interests and real estate in Marin County. The financial interests of spouses, domestic partners and children are applicable to the filing.

Gift topics reviewed by Ms. Dunning include multiple gifts from one donor, gifts to an official's family, commonly invoked gift exceptions and travel payment rules. Gifts may include discounts that are not available to the general public. As Mr. Wickman stated in response to a trustee inquiry, generally anything a trustee receives that is not paid for is considered a gift. Exceptions to gift rules include informational materials, gifts that are returned or donated to a 501(c)(3) charitable organization, and gifts from family members. Rules on home hospitality under certain circumstances have been relaxed in the past few years. Similarly, reciprocal exchanges such as treating a friend to lunch and vice versa are non-reportable unless the friend is excluded from this exception because he or she does business, or may seek to do business with, the retirement system or is otherwise excluded. Those who fall within this and related exceptions that require reporting of otherwise nonreportable gifts are referred to as being within the "three little i's."

Trustee Haim asked about SACRS conferences for which MCERA pays a registration fee that is lower than affiliates who attend the conference. In response Mr. Wickman stated that all affiliates pay the same fee and just because it is higher does not mean that it represents a gift to trustees. Meals provided to spouses at such conferences need to be paid for or declared as a gift.

Ms. Dunning continued discussing examples of gifts and exceptions thereto.

In conclusion, Ms. Dunning stated that filers who inadvertently exceed the gift limits may, within 30 days of receiving the gift, pay the provider to bring the value under reporting limits. For those giving a speech she noted there are special rules on travel payments which need to be reported. Finally Ms. Dunning listed resources available to research the rules regarding Form 700.

3. Future Meetings

Consider and discuss agenda items for future meetings

No discussion.

Chair Shore directed deliberations to **Agenda Items F and G.**

F. OTHER INFORMATION

1. Trustee Training Calendar (Action)

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

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

2. Keeping in Touch

February Issue, Association of Retired Employees newsletter

G. CONSENT CALENDAR (Action)

It was M/S Piombo/Bolger to approve the Consent Calendar as submitted.

Mr. Wickman noted that the Consent Calendar is a reflection of a complex and diverse set of activities Ms. Hardesty’s team performed over the past month.

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

**CONSENT CALENDAR for
MCERA MEETING, WEDNESDAY, FEBRUARY 10, 2016**

**CONSENT CALENDAR
JANUARY 2016**

RETURN OF CONTRIBUTIONS

Michelle Weise	Full Refund of Contributions/active death (Robert Weise)	\$	15,164.99
Ivan Purvis	Full Refund of Contributions/active death (Mary Duffy)	\$	31,413.93
Sean Holleman	Full Refund of Contributions	\$	8,900.64
Lionel Da Silva	Full Refund of Contributions	\$	8,737.03
Michael Giannini	Partial Refund of Contributions/30 yr Max	\$	1,469.88
Richard Benson	Partial Refund of Contributions/30 yr Max	\$	16,414.55
Kay Jackson	Partial Refund of Contributions/30 yr Max	\$	1,884.34

BUYBACKS

Sheryl Rand	\$	947.04
Jennifer Livingston	\$	16,887.07
Margarita Mc Kenney	\$	23,770.95
Isreal Jones	\$	3,091.00
Kris Ozaki	\$	11,147.95
Jennifer Stephens	\$	27,793.76
Nicholas Babin	\$	10,810.53
Igor Weisz	\$	24,961.64
David Shubin Jr.	\$	1,466.88
Ann Marie Sheehan Lelek	\$	1,058.73
Danny Lamonte Daniels Sr.	\$	7,094.44
Karen Marie Walsh	\$	7,319.10

NEW RETIREES

Bret Burger	So. Marin Fire
Sherrill Mc Connell	Courts
Charlie Wiles	Mosquito
Linda Cassidy	County of Marin
Linda Engstrom	Courts
	County Counsel

Effie Cook
Lawrence Beaton
Suzanne Alfandari
Wesley Whalon
Gene Orro
David Shubin Jr.
Mary Gaines
Janette Hager-Marlow
William Palmaymesa

Farm Advisor
DPW
H&HS
H&HS

County of Marin
County of Marin
County of Marin
County of Marin
Tam CSD
City of San Rafael
Marin City CSD
County of Marin
Courts

RESCINDED RETIREMENTS

Donald Dressel
Lucille Gingras
Gerald Carder
Pamela Beatty
Karma Lee Osinek
William Vota

DECEASED RETIREES

Beneficiary
DPW
H&HS
DPW
Sheriff

City of San Rafael
County of Marin
County of Marin
County of Marin
County of Marin
County of Marin

CONFERENCES/SEMINARS

CalAPRS Attorneys' Roundtable - Counsel Dunning
Callan National Conference - Trustees Brenk, Haim and Stevens

Chair Shore recessed the meeting for a working lunch and reconvened in Closed Session for deliberations on **Agenda Item E** at 12:02 p.m.

Trustee Brenk was excused from the meeting at 12:05 p.m.

Chair Shore recessed Closed Session and reconvened the meeting in Open Session at 1:43 p.m.

NEW BUSINESS continued.

4. Public Employee Performance Evaluation (CLOSED SESSION)

Title: Retirement Administrator


In accordance with MCERA's Retirement Administrator Annual Performance Evaluation Policy Section 3(b), conduct mid-year informal performance review

Chair Shore reported that there was no reportable action on this agenda item.

There being no further business, Chair Shore adjourned the meeting at 1:43 p.m.



Dave Shore, Chair



Miya Gladstein, Secretary