

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

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

March 9, 2016 – 9:00 a.m.

EVENT CALENDAR 9 a.m. Regular Board Meeting

CALL TO ORDER Chair Shore called the meeting to order at 9:00 a.m.

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

 ABSENT: None

MINUTES

It was M/S Piombo/Gladstern to approve the February 10, 2016 Board meeting Minutes as submitted.

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

 NOES: None

 ABSTAIN: None

 ABSENT: None

It was M/S Brenk/Gladstern to approve the October 29, 2015 Strategic Workshop Minutes as submitted.

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

 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. MATTERS OF GENERAL INTEREST

1. Preliminary Actuarial Valuation Report, FY 2014/15 – Graham Schmidt, Cheiron
Presentation of preliminary results for the actuarial valuation

Actuary Graham Schmidt of Cheiron reviewed preliminary results for MCERA's June 30, 2015 actuarial valuation (valuation). Mr. Schmidt explained that the valuation is a snapshot as of that date comparing assets with liabilities and calculating the Plan's funded status and contribution rates. Economic assumptions are the same as for the prior year's valuation. The current valuation will be used to determine employee and employer contribution rates for the fiscal year beginning July 1, 2016.

The preliminary results show that, as compared with the prior year, the market value of assets rose to just over \$2 billion and the actuarial liability increased slightly to \$2.47 billion. A slight decline in the funded ratio to 83.7% from 84.3% was due to investment earnings of about 5% instead of the 7.25% assumed rate of return. A simultaneous decrease in the overall employer contribution rate from 32.63% to 32.22% is a result of deferred investment gains and increases in payroll. These gains offset the effects of the lower-than-expected investment return and slightly higher-than-expected COLA for retirees.

Mr. Schmidt reported that during the year the active member population grew at a faster rate than retired members. As a result the ratio of retired members to active members dropped leading to lower projected contribution rates for Marin County and the Novato Fire Protection District. The City of San Rafael did not experience a similar pattern which resulted in slightly higher projected contributions. Responding to Trustee Brenk's inquiry, the actuary stated that the baseline assumption is a stable, low growth active workforce.

Next month Mr. Schmidt will present the final actuarial valuation to the Board. The presentation will include projections of future employer contributions using the current assumptions and the complete employer contribution rate tables. Chair Shore expressed an interest in interactive projections given different scenarios. Mr. Schmidt indicated that he could display projected future employer contributions rates based on other scenarios.

The actuary responded to questions from Richard Tate and Paul Primo, respectively, on the direct rate smoothing policy and considering the possibility of a zero percent investment return for the current year. Mr. Schmidt explained that the Board adopted direct rate smoothing to align with GASB standards for financial reporting. The new method leads to results similar to the prior method of smoothing the asset value only this method smoothes the outputs in the plan, for example assumption changes and changes to the amortization policy, according to Mr. Schmidt.

C. BOARD OF RETIREMENT MATTERS

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

Mr. Wickman stated that during the presentation on securities lending at the December Investment Committee meeting it was determined that State Street was also a borrower of

securities. The Committee expressed concern about this practice. In a follow-up conversation Callan Associates recommended that State Street not be allowed to be a borrower of securities. Mr. Wickman has worked with Callan and State Street to end this practice and unwind all previous loans to State Street.

The Administrator met with Scott Pritchett of Woodmont to look at space utilization options for One McInnis. Based on the progress of this work Mr. Wickman will recommend another meeting of the Ad Hoc One McInnis Committee.

Institutional Shareholder Services provided extensive information on its services that may be beneficial for MCERA. Mr. Wickman is reviewing that information and will be presenting ideas for consideration to the Finance and Risk Management Committee.

Mr. Wickman reminded the Board that that the March Strategic Workshop takes place on Tuesday and a half-day Wednesday of next week.

b. Staffing Update

The Administrator has asked recruiter W. Brown Creative Partners to initiate a new recruitment for the Chief Financial Officer position. Based on the original agreement there will be no additional cost for this service.

A vacancy in an Office Assistant position at the end of March will be reallocated to a Retirement Member Services Technician position to provide additional support for benefit calculations as well as direct customer service at the front desk. The reallocation goes to the Marin County Board of Supervisors for approval. The budget impact for the current year will be small. The upcoming fiscal year administrative budget will be drafted using the new position.

MCERA has asked the County Human Resources Department to conduct a classification survey for the positions that are unique to MCERA and its services. The County recommended Bryce Consulting of Sacramento for this purpose. The total cost of the work is within the Retirement Administrator's contract authority as granted by the Board. Costs are expected to be less than the \$7,000. Chair Shore asked how the high cost of living in this area is calibrated and Mr. Wickman said they will look at counties comparable to Marin. Trustee Bolger suggested broadening the survey base by including banks, insurance companies, and non-profit organizations.

c. Facility Use Report

There was no use of the facility since last month.

d. Future Meetings

- March 10, 2016 Investment Committee
- March 15-16, 2016 Strategic Workshop
- April 13, 2016 Board

2. Standing Committee Reports

a. Finance and Risk Management Committee

1. Administrative Budget FY 2015/16 Quarterly Review

Consider and review Budget for quarter ending December 31, 2015

Finance and Risk Management Committee Chair Piombo reported that for the first half of the fiscal year overall administrative expenditures were 49.3% of the budgeted amount. Salaries were under budget due to the vacant CFO position. Services and Supplies were slightly higher than budgeted, and Interdepartmental Charges were close to the budgeted amount.

During the last quarter Services and Supplies expenditures included professional services for the annual financial audit (Brown Armstrong), actuarial work (Cheiron), the CFO recruitment (WBCP), and annual dues for the Council of Institutional Investors and CalAPRS. Conference/training expenses included a GFOA GAAP webinar, the Nossaman Fiduciary Forum, and CalAPRS and SACRS conferences. Document reproduction costs included producing the annual member benefit statements. Medical transcription expenses are projected to meet or exceed the annual budget in the next quarter based on complexities of the claimed disabilities although there are delays in some cases.

2. Non-budgeted Expenses

Consider and review non-budgeted expenses for the quarter

Non-budgeted expenses include Retiree Payroll which was consistent with the first quarter of the fiscal year. A higher-than-expected number of refunds of contributions was noted. These are cyclical and difficult to predict based on individual member choices. CPAS expenses are for annual software support and maintenance fees. Legal expenses at mid-year are approximately \$148,000 and include general counsel work, County Counsel representing MCERA on disability applications, and work on new investment-related contracts. Itemized investment fees were noted.

3. Quarterly Checklist

Consider, review and updates on the following:

a. MCERA educational and event-related expenses

Educational and training expenses include staff training at CalAPRS educational events.

b. Continuing Trustee Education Log

The Continuing Education report shows trustees have either met their 24 hour requirement or are on track to meet the requirement every two years.

c. Other expenses per Checklist guidelines

No discussion.

- d. Variances in the MCERA administrative budget in excess of 10%

See above.

- e. Reconciliation of MCERA administrative accounts

No discussion.

- f. Vendor services provided to MCERA

No discussion.

- g. MCERA staffing status

The Chief Financial Officer position is open to a new recruitment. Anne Battaglia will be going to the Marin County Department of Finance for a fixed two-year period to help out with regular work in Finance while the new system is being implemented. Nancy Merritt is retiring from MCERA at the end of March.

- h. Internal controls, compliance activities and capital calls

Capital calls include distributions from initial commitments to private equity funds to fund vehicles.

- i. Audits, examinations, investigations or inquiries from governmental agencies

No discussion.

- j. Other items from the Administrator related to risk and finance

Legislative items of note include Assembly Bill (AB) 1853 regarding allowing county retirement systems to become separate districts. Senate Bill (SB) 272 (amendment to the Public Records Act) passed and is effective July 1, 2016 regarding categorizing “enterprise systems.” Based on discussion of Securities Lending at the December Investment Committee meeting and the recommendations from Callan Associates, the Administrator directed that State Street cease lending securities to its self and unwind any current loans that were in place.

Mr. Wickman reported on legal matters related to MCERA retiree Linda Rapp.

4. Budget Priorities for Fiscal Year 2016/17 (Action)

Consider and take possible action on Finance and Risk Management Committee’s recommendation to adopt budget priorities for Fiscal Year 2016/17

Mr. Piombo reported that the Committee approved the budget priorities for the next fiscal year as presented in the Administrator’s memo to the Committee.

Based on the recommendation of the Finance and Risk Management Committee, Finance and Risk Management Committee Chair Piombo moved to adopt the budget priorities for Fiscal Year 2016/17 as presented.

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

3. Trustee Comments

a. Educational Training: Reports by Trustees and Staff

Trustee Gladstern reported that the CalAPRS General Assembly included a session on pension reform, with a panel including MCERA Actuary Graham Schmidt and Board Counsel Dunning, and a discussion of safe working environments. Assistant Retirement Administrator Michelle Hardesty reported that Retirement Benefits Supervisor David Sousa and Retirement Member Services Technician Suzanne Griffiths attended the CalAPRS Benefits Roundtable. Agendas for events attended were provided.

b. Other Comments

No further discussions.

D. OLD BUSINESS

1. Strategic Workshop Agenda Update (Action)

Consider and take possible action to amend agenda

Mr. Wickman presented the final March Strategic Workshop agenda to reflect the input from Callan Associates. Trustee Bolger requested that evidence-based strategies be included in the active versus passive agenda item.

It was M/S Given/Gladstern to approve the final agenda for the Strategic Workshop as presented.

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

E. NEW BUSINESS

1. Notification of SACRS Board of Directors Election 2016-2017

Consider and discuss election process and deadlines

The Administrator presented information on the election process and deadlines for the SACRS Board of Directors Election for 2016-2017.

2. SACRS Voting Proxy (Action)

Board vote to select delegate and alternate delegate for SACRS May meeting

Chair Shore recommended that Trustees Gladstern and Haim serve as delegates to the SACRS May meeting.

It was M/S Bolger/Brenk to select Trustees Gladstern and Haim to serve as delegate and alternate delegate, respectively, at the SACRS May meeting.

3. SACRS Board of Directors Election (Action)

Consider and take possible action to ratify SACRS Nominating Committee 2016-2017 Slate of Directors

Mr. Wickman stated that he thought the Board was being presented with a strong slate of candidates from the SACRS Nominating Committee.

It was M/S Gladstern/Piombo to ratify the SACRS Nominating Committee's 2016-2017 Slate of Directors.

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

4. Future Meetings

Consider and discuss agenda items for future meetings

No discussion.

F. OTHER INFORMATION

1. Trustee Training Calendar

2. Keeping in Touch

March Issue, Association of Retired Employees newsletter

G. CONSENT CALENDAR (Action)

Ms. Hardesty recommended an administrative correction to the Consent Calendar.

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

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

CONSENT CALENDAR
FEBRUARY 2016

RETURN OF CONTRIBUTIONS

Enrico Jose Mangahis	Full Refund of Contributions	\$	5,275.24
Abigail Mcelderry	Full Refund of Contributions	\$	17,807.57
Rebecca Acosta	Full Refund of Contributions	\$	1,982.71
Casey Turner	Full Refund of Contributions	\$	1,955.62
Vanessa Beckett	Full Refund of Contributions	\$	4,650.42
Kyle Kleinschmidt	Refund of Contributions (Age Adjustment)	\$	602.69

BUYBACKS

James Holm		\$	9,392.14
Karen Lewis		\$	35,429.75
Katie Estupinan		\$	1,602.98
Jennifer Livingston		\$	2,606.68
Patricia Cerrutti		\$	21,000.00

NEW RETIREES

Linda Metz	HHS	County of Marin
Blair Auld		City of San Rafael
Michael Giannini	Fire	County of Marin
Diane Martino	Sheriff	County of Marin
Ronald Miska	Parks	County of Marin
Ron Matteson	IST	County of Marin
Bobbie Schmaus		City of San Rafael
Paul Hager	Fire	County of Marin
Jeffrey Grey	Parks	County of Marin
Maria Munoz	HHS	County of Marin
Sue Mittiga	CAO	County of Marin
Lacarol Crawley-Gibson	HHS	County of Marin
Linda Ferguson	HHS	County of Marin

RESCINDED RETIREMENTS

DECEASED RETIREES

Faye Tappendorf	Assessor-Recorder	County of Marin
George Mitchell	Beneficiary	County of Marin
Duane Berg	Probation	County of Marin
Robert Owen		City of San Rafael
Barbara Harrison	HHS	County of Marin
Alvin Engen		City of San Rafael
Henry Snow	Beneficiary	County of Marin
Linda Ford	HHS	County of Marin

CONFERENCES/SEMINARS

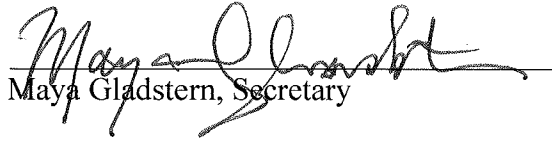
CalAPRS Trustees' Roundtable - Trustee Gladstern
CalAPRS Benefits Roundtable - Staff Sousa and Griffiths

Mr. Wickman invited retiring Office Assistant Nancy Merritt into the Board meeting to recognize her service to MCERA and the Board. The Administrator thanked Ms. Merritt for being the face of MCERA for a number of years and helping to make MCERA a customer service oriented organization. Chair Shore and other Board members expressed their appreciation for Ms. Merritt's service to MCERA.

There being no further business, Chair Shore adjourned the meeting at 10:09 a.m.



Dave Shore, Chair



Maya Gladstern, Secretary