

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

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

**April 13, 2016 – 9:00 a.m.**

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**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, Given, Gladstern, Haim (alternate retired), Murphy, Piombo, Shaw (ex officio alternate), Shore, Stevens, Thomas

**ABSENT:** Brenk, Cooper (alternate safety)

**MINUTES**

It was M/S Piombo/Gladstern to approve the March 9, 2016 Board Meeting Minutes as submitted.

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

**NOES:** None

**ABSTAIN:** None

**ABSENT:** Brenk

It was M/S Stevens/Piombo to approve the March 10, 2016 Investment Committee Meeting Minutes as submitted.

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

**NOES:** None

**ABSTAIN:** None

**ABSENT:** Brenk

**A. OPEN TIME FOR PUBLIC EXPRESSION**

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

Paul Premo of Citizens for Sustainable Pension Plans stated that according to his calculations, based on Callan Associate's capital market projections, the assumed rate of return for the MCERA Fund over the next ten years of 7.25% is overly optimistic and should be lowered to

6.5%. Mr. Premo added that generous pension payments need to be reconstructed for existing employees and especially for those eligible for large payouts.

## **B. MATTERS OF GENERAL INTEREST**

### **1. Actuarial Valuation Report, FY 2014/15 – *Graham Schmidt, Cheiron (Action)***

Consider and take possible action to adopt Actuarial Valuation report, FY 2014/15

Mr. Wickman reminded the Board that the Actuary conducts a valuation of the assets and liabilities of the Plan and presents the results to the Board. The valuation includes the updated employer and employee contributions for the upcoming fiscal year. The Board's action is to adopt the valuation report and the contribution rates for the fiscal year beginning July 1, 2016. Mr. Wickman introduced Mr. Schmidt who presented key findings of the Annual Actuarial Valuation Report (Valuation) as of June 30, 2015.

Mr. Schmidt reported there were no changes in economic or demographic assumptions or Plan provisions from the prior year and as a result there were no major changes in costs. The Actuary explained that the Valuation answers the questions: what are the assets and liabilities of the Plan, what are the employer and employee contribution rates for the next fiscal year, and what are the past and expected trends in these measurements.

The Valuation reflects a return on assets that was less than expected. There was a slight decline in the overall employer contribution rate for the Plan as a result of phasing in prior year deferred gains. Mr. Schmidt reported liabilities are \$2.469 billion, which is the funding target, and the market value of assets is \$2.066 billion with a funded ratio of 83.7%. The Plan's total unfunded actuarial liability (UAL) is \$402.8 million. The overall MCERA employer contribution rate is 32.22% of payroll and consists of administrative expenses, the UAL amortization payment, and the employer normal cost. Mr. Schmidt reviewed the total employer contribution rates for plan sponsors which are 26.5% for Marin County, 48.69% for the Novato Fire Protection District (Novato) and 60.96% for the City of San Rafael.

The Plan consists of 2,609 active members, 653 deferred and vested members, and 2,939 retirees and beneficiaries. Key demographics are an active membership increasing at a faster rate than retirees and slightly higher than anticipated payroll of 4%.

Mr. Schmidt reviewed factors leading to changes in employer contribution rates from the prior year. The biggest factor in reducing employer contribution rates was the smoothing in of investment gains from the prior year. Mr. Schmidt reviewed the other actuarial losses that affect contribution rates which included lower than expected returns and higher than expected COLA's.

Mr. Schmidt presented a graph showing plan sponsor contribution rates since 2008. For Marin County the contribution rate increased from 2008 to 2012, then declined and stabilized. Novato had demographic gains that lowered the contribution rate since 2014. The increasing contribution rate for the City of San Rafael is the result of demographic losses including payroll growth that is slower than other employers, Mr. Schmidt said. The Actuary stated that

as more PEPRA members are added to the work force employer contribution rates will tend to decrease.

Reviewing assets, liabilities and the funded ratio for the Plan since 2008, Mr. Schmidt noted that the funded ratio has recovered from the effects of the 2008 financial crisis. The increases in liabilities in 2013 and 2014 reflect changes in economic assumptions adopted by the Board as a result of the 2013 experience study.

The Actuary presented confidence intervals for projected employer contribution rates and the funded status based on Monte Carlo simulations of the range of potential projected rates of return.

Mr. Schmidt reviewed Section IV of the Actuarial Report to discuss the different layers that comprise the unfunded liability. Each layer shows the initial and outstanding amount, initial and remaining amortization period, phase in or out period, and amortization amount for the current year. In response to Trustee Stevens' inquiry, Mr. Schmidt explained why there are different time periods for each layer of the amortization schedule. Mr. Wickman noted that the Board set the layered amortization policy as part of the 2013 experience study to provide greater transparency into what goes into the total unfunded actuarial liability. The Actuary pointed out that the length of time required to amortize the total unfunded liability for the Plan is only 13 years based on the total current amortization payment.

In response to Trustee Bolger's inquiry, Mr. Schmidt recommended that the Board adopt the Actuarial Valuation Report including the contribution rates set forth therein. The Actuary said he was comfortable with the current set of economic assumptions. One of the reasons for this is that MCERA's real rate of return is lower than what the investment consultant projects. The current inflation assumption of 2.75% is higher than the 2.25% used by the consultant to calculate their 10 year projection. Callan Associates' real rate of return using their 10 year projection minus their inflation assumption is 4.62%. So MCERA is projecting a more conservative rate of return than its investment consultant.

It was M/S Gladstern/Murphy to adopt the Actuarial Valuation Report as of June 30, 2015 and the employer and employee contribution rates therein recommended by the Actuary.

Trustee Bolger expressed a preference for keeping the employer contribution rates the same. Mr. Schmidt noted that some employer contribution rates went up and some went down. Board Counsel Ashley Dunning advised that the Board needs to act within the range of approaches that the Actuary recommends, and Mr. Schmidt affirmed that he recommends the employer and employee contribution rates presented in the Actuarial Valuation Report.

Chair Shore asked if there was any public comment on the report from the Actuary.

Mr. Premo's requested a sensitivity analysis based on varying potential investment returns for this fiscal year ending June 30, 2016. Counsel Dunning advised that the public comment on a particular agenda item needs to pertain to the matter agendized. Chair Shore agreed that projections were unnecessary for the Board's adoption of the actuarial report.

Dave Brown asked if it is coincidental that Callan Associates made a presentation on Projected 10 Year Capital Market Returns at the March Strategic Workshop. Mr. Wickman explained that Callan Associates updates their ten year projections every year in February and makes a similar presentation to the Board at the March Workshop. Mr. Wickman explained that the Board adopts economic assumptions based on the recommendation of its professional advisors and noted that the Actuary already stated he was comfortable with the assumptions used to develop this year's Actuarial Valuation Report.

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

Chair Shore recessed Open Session at 9:54 a.m., reconvening in Closed Session at 10:00 a.m. for deliberations on **Agenda Items D and E**.

Chair Shore recessed Closed Session and reconvened the meeting in Open Session at 11:34 a.m.

**D. 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. Gregorio Adriano      Service-connected      Marin County Sheriff

Initial consideration of an application for service-connected disability retirement with an effective date of December 25, 2011 filed by a Miscellaneous member

2. Kenneth Martin      Service-connected      San Rafael Fire Department

Consider and take possible action on Administrative Law Judge's proposed findings of fact and recommended decision to grant service-connected disability retirement application with an effective date of August 1, 2013.

Chair Shore reported that the Board granted, by a vote of 8-0, non-service-connected disability retirement to Gregorio Adriano and denied his request for service-connected disability retirement subject to the applicant's right to request an administrative hearing in accordance with MCERA procedures. Motion was by Trustee Bolger and seconded by Trustee Murphy. Trustee Brenk was absent. Voting for the motion were Trustees Bolger, Given, Gladstern, Murphy, Piombo, Shore, Stevens and Thomas.

Chair Shore reported that the Board approved and adopted the Administrative Law Judge's Findings of Facts and Proposed Decision to grant service-connected disability retirement to Kenneth Martin by a vote of 8-0. Motion was by Trustee Stevens and seconded by Trustee Thomas. Trustee Brenk was absent. Voting for the motion were Trustees Bolger, Given, Gladstern, Murphy, Piombo, Shore, Stevens and Thomas.

## **E. 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 from this item and did not attend the closed session meeting, as she is an officer with MAPE. Trustee Thomas recused himself from this item and did not attend the closed session meeting, as he is a steward of one of the petitioners in the case (MAPE). Chair Shore reported that there was no reportable action on this agenda item.

## **C. BOARD OF RETIREMENT MATTERS**

### **1. Administrator's Report (Oral)**

#### **a. Administrator's Update**

Mr. Wickman reminded the trustees of the SACRS conference May 10-13. The Administrator, Investment Committee Chair Brenk and representatives from Callan Associates will be conducting due diligence visits at Pathway Capital Management and Western Asset Management prior to the conference.

Staff is preparing for elections for the 7<sup>th</sup> Safety member, alternate Safety member, and 2<sup>nd</sup> General member positions all of which expire on October 31, 2016. Nominating petitions will be sent at the end of May followed by ballots in mid-June for the end-of-July elections. When the 4<sup>th</sup> and 6<sup>th</sup> appointed members (Trustees Brenk and Shore, respectively), whose terms expire October 31, 2016, decide whether to reapply, the Administrator will advise the County Administrator.

Assistant Retirement Administrator Michelle Hardesty reported there were 29 retirements in April as compared with 41 retirements in April of 2015. The average number of retirements is 11 per month.

#### **b. Staffing Update**

The Administrator will meet with recruiter Wendy Brown of W. Brown Creative Partners next week to narrow down the list of new applicants for the Chief Financial Officer position with interviews scheduled for early May.

#### **c. Facility Use Report**

MCARE held a meeting in the Board conference room.

#### **d. Future Meetings**

- April 21, 2016 Governance Committee
- May 4, 2016 Board

2. Trustee Comments

a. Educational Training: Reports by Trustees and Staff

Trustee Gladstern reported on CalAPRS General Assembly sessions on global markets, the theme of which was the emergence of India and China, and private equity fees.

b. Other Comments

Trustee Bolger inquired about the methodology used for Callan Associates' Growth of a Dollar graphs in the presentation on active/passive management at the March 2016 Strategic Workshop. Mr. Wickman will follow up on this question. The Administrator assured Ms. Bolger that reporting formats for disability retirements and investment reporting discussed at the Workshop will be implemented.

**F. NEW BUSINESS**

1. Voting Instructions to MCERA Delegate to SACRS Business Meeting, May 13, 2016

a. Election of SACRS Board of Directors (**Action**)

Mr. Wickman stated that Trustee Gladstern will serve as MCERA's delegate to the May SACRS business meeting and presented the Nominating Committee's final ballot for the SACRS Board of Directors for 2016-2017.

It was M/S Stevens/Piombo to approve the Nominating Committee's final ballot for the SACRS Board of Directors for 2016-2017.

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

2. Future Meetings

Consider and discuss agenda items for future meetings

No discussion.

**G. OTHER INFORMATION**

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

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

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

2. Keeping in Touch

April 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, Given, Gladstern, Murphy, Piombo, Shore, Stevens, Thomas

NOES: None

ABSTAIN: None

ABSENT: Brenk

There being no further business, Chair Shore adjourned the meeting at 11:56 a.m.



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Dave Shore, Chair



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Maya Gladstern, Secretary

**CONSENT CALENDAR for  
MCERA MEETING, WEDNESDAY, APRIL 13, 2016**

**CONSENT CALENDAR  
MARCH 2016**

**RETURN OF CONTRIBUTIONS**

Christine Cameron	Partial Refund (30 years)	\$	69.95
Jimmie Hudson	Refund of Contributions	\$	34,891.50
Christopher Blackard	Refund of Contributions	\$	1,835.60
Auna Harris	Refund of Contributions	\$	85,822.33
Carolyn Cooper	Refund of Contributions (Rollover)	\$	22,157.27
Maureen Lewis	Partial Refund (30 years)	\$	48,744.94
Michele Boyer	Partial Refund (30 years)	\$	520.69
Nancy Zaharin	Partial Refund (30 years)	\$	225.69
Rachel Hammer	Refund of Contributions	\$	62,473.16
Kristin Gabbard	Refund of Contributions (DRO Split)	\$	14,581.59

**BUYBACKS**

**NEW RETIREES**

Susan Mc Donald	Assessor-Recorder	County of Marin
Richard Hamilton		City of San Rafael
Kathleen Beck		Courts
Laurel Kisliuk	HHS	County of Marin
Neva Smith	Probation	County of Marin
Bruce Baker	Sheriff	County of Marin
Sarah Campos-Blinder	HHS	County of Marin
Camerino Sanchez		City of San Rafael
Nicola Pata		City of San Rafael
VaDonna Danesi	HHS	County of Marin
Supranee Mai	DOF	County of Marin

**RESCINDED RETIREMENTS**

**DECEASED RETIREES**

John Brunsluk	Sheriff	County of Marin
Linda Ross	Beneficiary	County of Marin
Mary Lou Ring	Beneficiary	County of Marin
Marcella Dufault	Sheriff	County of Marin
Alice Cooper	HHS	County of Marin
Nancy Ross		Novato Fire
David Mc Carron	DPW	County of Marin
Wayne Woodside	Sheriff	County of Marin
Mark Manion	Assessor-Recorder	County of Marin
Jean Soetaert	HHS	County of Marin
Robert Skidmore		City of San Rafael
Hettie Partridge	DA	County of Marin

**CONFERENCES/SEMINARS**

CalAPRS General Assembly - Trustee Gladstern