

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

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

June 8, 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, Cooper (alternate safety), Given, Gladstern, Murphy, Piombo, Shaw (ex officio alternate), Shore, Stevens

ABSENT: Brenk, Haim (alternate retired), Thomas

MINUTES

It was M/S Given/Gladstern to approve the May 4, 2016 Board Meeting Minutes as amended.

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

NOES: None

ABSTAIN: None

ABSENT: Brenk, 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. **Contribution Rates re Novato Fire District Safety Tier 2a (Action)**

Consider and take possible action to adopt actuary's recommended contribution rates for Novato Fire District Safety Tier 2a, and to approve corresponding amended pages for inclusion in June 30, 2015 Actuarial Valuation Report. *Note: The contribution rates being adopted are for Novato Fire District Miscellaneous (not Safety) Tier 2A.*

Retirement Administrator Jeff Wickman presented updates to the June 30, 2015 Actuarial Valuation Report that amend two pages to include employer contribution rates for Miscellaneous Tier 2A adopted by Novato Fire District. Actuary Graham Schmidt of Cheiron

prepared the updated contribution rates at the Administrator's request and staff recommends their adoption by the Board.

It was M/S Gladstern/Piombo to adopt the actuary's recommended contribution rates for Novato Fire District Miscellaneous Tier 2A, and to approve the corresponding amended pages for inclusion in the June 30, 2015 Actuarial Valuation Report.

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

C. BOARD OF RETIREMENT MATTERS

1. Administrator's Report (Oral)

a. Administrator's Update

Mr. Wickman attended the May SACRS conference. He attended the following sessions: Global Economic Update & Investment Implications – James Paulsen, Wells Capital Management; Risk Management Techniques to Improve Investor Outcomes – Jeffrey MacLean, Verus Investment Consulting; Administrators Breakout; Institutional Limited Partner Association Panel – Jennifer Choi, ILPA, Paul Yett, Hamilton Lane, Kim Woods, PEGC; CIO Panel – Tim Barret Texas Tech, Jim Failor, SCERA, Rod June, LACERA; Pension Reboot: City of San Jose Measure B Results – Harvey Liederman; SACRS Legislative Update; SACRS Business Meeting.

Mr. Wickman, Chair Shore and actuary Graham Schmidt met with the Finance Committee of the City of San Rafael. The meeting was to set to discuss MCERA's approach to setting its economic assumptions and expectations for the future. In addition the group discussed the new GASB 67/68 reports issued by MCERA.

At the Investment Committee meeting the Administrator will present due diligence reports resulting from on-site visits with Pathway Capital Management and Western Asset Management.

Commodities portfolio assets have been transferred from BlackRock to Invesco. Mr. Wickman expressed appreciation to Nossaman for their work preparing the side letter with Invesco.

Assembly Bill (AB) 1853 (Retirement Board operating authority legislation) passed the California Assembly. The bill will be amended to require the retirement system to provide notice to the system's participating employers, employees, and the bargaining units representing those employees at least 60 days prior to the retirement board considering a resolution to authorizing a move to one of the 3 alternative operating authority models (Orange, San Bernardino and Contra Costa). The retirement system will also be required to meet and discuss the proposed action with any of the stakeholders who wish to do so, and make good faith efforts to address any questions or concerns raised by those parties. Any

bargaining unit that is interested in doing so will have the ability to advise the retirement system that the employees it represents want to become retirement system employees.

b. Staffing Update

Mr. Wickman made an offer to a candidate for the Chief Financial Officer (CFO) position. The Administrator thanked Senior Accountant Lisa Jackson, Assistant Retirement Administrator Michelle Hardesty and Trustee Given for their work on the interview team.

The Administrator introduced Retirement Member Services Technician Suzanne Griffiths and Senior Accounting Assistant Denise Lee both of whom will be leaving MCERA on June 17 for new positions in Marin County government. Mr. Wickman and the Chair expressed appreciation to Suzanne and Denise for their valuable service to MCERA and congratulated them on their promotions.

Due to staffing transitions in accounting the presentation of audited financial statements will be pushed back to December.

c. Facility Use Report

No facility use this period.

d. Future Meetings

- June 9, 2016 Investment Committee
- July 13, 2016 Board

2. Standing Committee Reports

a. Finance and Risk Management Committee

1. Administrative Budget for Fiscal Year 2016/17 (Action)

Consider and take possible action on Finance and Risk Management Committee's recommendation to adopt administrative budget for the next fiscal year

Finance and Risk Management Committee Chair Piombo reported that the Committee reviewed the Administrator's proposed Administrative Budget for Fiscal Year 2016/17. The budget sets forth goals for the new fiscal year.

The total Administrative Budget request is \$3.93 million, 0.16% of the actuarial accrued liability and \$1.25 million under the 0.21% legislative cap.

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

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

2. Administrative Budget FY 2015/16 Quarterly Review

Consider and review budget for quarter ending March 31, 2016

Committee Chair Piombo reported on the current fiscal year administrative budget. As of the third quarter ending March 31, 2016, overall expenditures are 70% of the budgeted amount, primarily due to salary savings in the vacant CFO position.

3. Non-budgeted Expenses

Consider and review non-budgeted expenses for the quarter

Legal expenses for the quarter were higher as a result of extraordinary legal issues related to lawsuits filed against MCERA, legal issues with an MCERA retiree, work with MCERA's fiduciary insurance provider regarding coverage and work for the March Strategic Workshop.

4. Quarterly Checklist

Consider, review and updates on the following:

a. MCERA educational and event-related expenses

Trustees are encouraged to attend SACRS and CalAPRS educational events and coordinate participation throughout the year.

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 discussion above.

e. Reconciliation of MCERA administrative accounts

No discussion.

f. Vendor services provided to MCERA

See Key Service Providers Review, Agenda Item C.2.a.8, below.

g. MCERA staffing status

See Administrator's Report above.

h. Internal controls, compliance activities and capital calls

No discussion.

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

No discussion.

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

No discussion.

k. Form 700 Summary submittal

The annual summary of Form 700 filings highlights items dealing with potential recusals.

5. Senate Bill 272 Regarding Catalogue of Enterprise Systems (Action)

Consider and take possible action on Finance and Risk Management Committee's recommendation regarding the legislation

Mr. Wickman explained that Senate Bill (SB) 272 amends the California Public Records Act to require reporting on enterprise systems, defined as those systems used by an entire organization that are capturing data about the public. Although MCERA's benefit system, CPAS, probably would not meet the definition of enterprise system he recommends voluntarily complying with the legislation.

Based on the recommendation of the Finance and Risk Management Committee, Finance and Risk Management Committee Chair Piombo moved to voluntarily post the information outlined in Senate Bill 272.

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

NOES: None

ABSTAIN: None

ABSENT: Brenk, Thomas

6. Information Technology Security Assessment Report

Staff report on risk planning and processes for MCERA

Committee Chair Piombo commended Ms. Hardesty for her work in developing controls to tighten information technology security. Ms. Hardesty reported that the Information Technology Security Assessment Report is a first step in the annual risk assessment process. Staff is developing a checklist to assess the status of information technology security that will be presented at the next Committee meeting in August. The analysis focuses on whether sponsors are doing their part to uphold security, policy compliance, threat assessment, vulnerabilities and controls. Responding to Trustee Gladstern's inquiry, Mr. Wickman said future risk assessment will include looking at physical security at One McInnis.

7. Annual Audit of Financial Statements Update

Update on annual audit process

Brown Armstrong will begin their field work for the annual audit in July. Due to current staffing transitions in accounting some of the audit work has been pushed out a few months. The final audit report is expected to be presented to the Board in December.

8. Key Service Providers Review

Annual administrative review of key service providers

There are no new service providers and current providers are performing up to expectations.

3. Trustee Comments

a. Educational Training: Reports by Trustees and Staff

Trustee Murphy reported on the May SACRS conference noting that Mr. Paulsen favors increased active management and greater international equity exposure. At the Trustee Breakout session, Nationwide presented information on recent changes in Social Security. Ms. Murphy also attended the ILPA session on increasing transparency for private equity and hedge funds. According to the Administrator the focus of the discussion was ILPA's work to standardize reporting for private equity and hedge funds. Counsel Dunning added that ILPA's promotion of disclosure and transparency is putting pressure on general partners.

Ms. Gladstern said that the SACRS business meeting was challenging as a result of the discussion on Assembly Bill (AB) 1853. Mr. Wickman noted that the version of AB 1853 presented at the business meeting was different from the one the Board had seen. The final vote on SACRS sponsoring the Bill was 11 in favor and 4 opposed. Three systems abstained and two systems represented at the meeting left the room and did not vote.

Trustee Stevens reported on a discussion of the Department of Labor Conflict of Interest Fiduciary Rule sponsored by the New York Society of Securities Analysts. Effective April 17, 2016 under ERISA, the regulation expands the definition of fiduciary and requires private equity funds to disclose all fees. ERISA rules are not directly applicable to MCERA but have been used as guides for pension systems.

Trustee Stevens presented a Wall Street Journal (WSJ) article quoting Callan Associate's views on the evolution of pension system asset allocations over time. How MCERA's asset allocation aligns with the investment consultant's views in the article will be discussed at tomorrow's Investment Committee meeting.

b. Other Comments

No discussion.

Chair Shore directed deliberations to **Agenda Item D.1.**

D. DISABILITY CONSENT AGENDA (TIME CERTAIN: 10:00 a.m.) (Action)

1. Diana Martino Service-connected Marin County Sheriff

Adopt Administrative Recommendation to grant service-connected disability retirement application with an effective date of February 9, 2015.

It was M/S Piombo/Gladstern to approve the Disability Consent Agenda as submitted.

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

NOES: None

ABSTAIN: None

ABSENT: Brenk, Thomas

Chair Shore recessed Open Session for a break at 10:10 a.m. and reconvened the meeting in Closed Session at 10:20 a.m. The Administrator reported that Agenda Item F.1 under Legal Matters will not be considered as there is no new information to discuss.

Chair Shore recessed Closed Session and reconvened the meeting in Open Session at 11:42 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. Breanna Buchanan Service-connected Marin County Fire Department

Initial consideration of an application for service-connected disability retirement with an effective date of June 21, 2015

Chair Shore reported that the Board granted Breanna Buchanan's application for service-connected disability retirement with an effective date of June 21, 2015. Motion was by Trustee Piombo, seconded by Trustee Stevens, and approved by a vote of 5-3. Trustees Brenk and Thomas were absent. Trustee Cooper voted in the place of Trustee Thomas. Voting for the motion were Trustees Cooper, Murphy, Piombo, Shore and Stevens. Voting against the motion were Trustees Bolger, Given and Gladstern. The Board also directed staff to conduct an annual medical examination pursuant to Section 31729 of the County Employees Retirement Law of 1937 (CERL).

F. 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)

This agenda item was not considered as noted above.

G. NEW BUSINESS

1. Popular Annual Financial Report (PAFR)

Staff presentation of the June 30, 2015 PAFR

Mr. Wickman stated that the Popular Annual Financial Report (PAFR) is a summary of MCERA's financial and actuarial valuation information as of June 30, 2015 in an accessible format. Communications Specialist Syd Fowler reviewed updates to the PAFR that include an expanded list of assets in the Summary of Net Position and a 20-year investment return. A new chart shows additions and deductions to and from the Fund as another way of looking at historical data. In the Funding Status section the Unfunded Actuarial Liability (UAL) has been added. Along with MCERA's mission statement governing entities and laws we operate under are summarized. In response to Chair Shore's inquiry, Mr. Wickman said the most common question about the PAFR indicates there is confusion about understanding that financial and investment data are included along with actuarial valuation and funding data in the pamphlet. Trustee Given pointed out that the value in the PAFR and future CAFR is the ability to compare historical financial data.

2. Future Meetings

Consider and discuss agenda items for future meetings

The Chair stated that the Board will consider disability causations at a future meeting.

H. OTHER INFORMATION

1. Trustee Training Calendar (Action)

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

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

NOES: None

ABSTAIN: None

ABSENT: Brenk, Thomas

2. Keeping in Touch

June Issue, Association of Retired Employees newsletter

I. CONSENT CALENDAR (Action)

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

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

NOES: None

ABSTAIN: None

ABSENT: Brenk, Thomas

**CONSENT CALENDAR for
MCERA MEETING, WEDNESDAY, JUNE 8, 2016**

CONSENT CALENDAR
MAY 2016

RETURN OF CONTRIBUTIONS

Noemi Ortiz	Refund of Contributions - Termination	\$	2,345.43
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BUYBACKS

Mari-Ann Gibbs Rivers		\$	195.12
Ann Bertucci		\$	12,331.10
Ashmita Pindora		\$	19,784.80
Hayden Brown		\$	9,254.36
David Escobar		\$	5,113.81

NEW RETIREES

Judith Carolyn Stromberg	IST	County of Marin
Rube Warren		City of San Rafael
John Aranson	Parks and Open Space	County of Marin
Scott Tipton	Sheriff	County of Marin
Eric Cogbill		City of San Rafael

RESCINDED RETIREMENTS

DECEASED RETIREES

Gilda Blythe	H&HS	County of Marin
Faye Hendrix	Human Resources	County of Marin
Dorothy Gardner	Finance	County of Marin
Ronald Tietz	DPW	County of Marin


CONFERENCES/SEMINARS

SACRS Conference
Administrator Wickman, Counsel Dunning, Consultant Heaphy
Trustees Cooper, Gladstern, Murphy

There being no further business, Chair Shore adjourned the meeting at 11:51 p.m.



Dave Shore, Chair



Maya Gladstern, Secretary