

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

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

September 14, 2016 – 9:00 a.m.

The Board of Retirement for the Marin County Employees' Retirement Association encourages a respectful presentation of public views to the Board. The Board, staff and public are expected to be polite and courteous, and refrain from questioning the character or motives of others. Please help create an atmosphere of respect during Board meetings. If members of the public wish to speak on any agenda items, please alert the Retirement Administrator to that request prior to the matter being called.

EVENT CALENDAR 9 a.m. Regular Board Meeting

CALL TO ORDER Chair Shore called the meeting to order at 9:01 a.m.

ROLL CALL

PRESENT: Brenk, Cooper (alternate safety), Gladstern, Jones (alternate retired), Murphy, Piombo, Shaw (ex officio alternate), Shore, Stevens, Thomas

ABSENT: Bolger, Given

MINUTES

It was M/S Piombo/Brenk to approve the August 10, 2016 Board Meeting Minutes as submitted.

AYES: Brenk, Gladstern, Murphy, Piombo, Shaw, Shore, Stevens, Thomas

NOES: None

ABSTAIN: None

ABSENT: Bolger, Given

A. OPEN TIME FOR PUBLIC EXPRESSION

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

Open time for public expression, from three to five minutes per speaker, on items not on the Board Agenda. While members of the public are welcome to address the Board during this time on matters within the Board's jurisdiction, under the Brown Act Board members may not deliberate or take action on items not listed on the agenda, and generally may only listen and ask brief questions of staff for future follow up if desired.

Dave Brown questioned the comments made by the Board Chair, staff and counsel at the August 10 Board meeting with regards to the 2014-15 Grand Jury Report. He requested the Grand Jury report be placed on a future board meeting agenda.

Paul Premo commented that he was pleased the Board would be discussing a report from the Rockefeller Institute at its October Strategic Workshop. Mr. Premo feels the Board's amortization policy for actuarial gains and losses should be looked at to make sure it meets intergenerational equity goals.

B. BOARD OF RETIREMENT MATTERS

1. Administrator's Report

a. Administrator's Update

Mr. Wickman welcomed Dorothy Jones to the Board as the new alternate retired member.

The Administrator will attend the CalAPRS Administrators' Institute next week.

Mr. Wickman, actuary Graham Schmidt, Assistant Retirement Administrator Michelle and Chief Financial Officer (CFO) Jessica Tucker will meet with the Tam Community Services District Board to provide an update on the MCERA Board and the most recent actuarial valuation.

Staff is in the final steps of completing the agreement with Kleinwort Benson Investors for the new natural resource equity investment. The goal is to fund the new commitment at the end of September.

b. Staffing update

An update on staffing will be provided as part of the Finance and Risk Management Committee update to the Board.

c. Facility Use Report

No report.

d. Future Meetings

- September 15, 2016 Investment Committee
- October 12, 2016 Board
- October 18-19, 2016 Strategic Workshop

2. Standing Committee Reports

a. Finance and Risk Management Committee

1. Administrative Budget Fiscal Year 2015/16 Year-End Review

Finance and Risk Management Committee Chair Piombo reported overall expenditures for the fiscal year ending June 30, 2016 were 93% of the budgeted

amount. Salaries were under budget primarily due to the vacant CFO position and staffing transitions.

2. Non-budgeted Expenses

Retiree Payroll is the largest non-budgeted item and includes the April Cost of Living Adjustment and new March retirements. CPAS expenses are for annual software services, support, and software upgrade. Legal expenses for the quarter were lower than the previous quarter and include work on side letters for new private equity and commodity commitments.

3. Quarterly Checklist

a. MCERA Educational and event-related expenses

The Committee discussed attendance at SACRS and CalAPRS conferences.

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. Formatting the report by topic is in development.

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

Reconciliation of administrative accounts is progressing to the resolution stage.

f. Vendor services provided to MCERA

Discussed in item g. below.

g. MCERA staffing status

Bryce Consulting conducted a classification study for MCERA-specific positions and two other common County positions. From the study recommendations were developed for review and approval by Board of Supervisors. The fiscal impact for the current fiscal year is estimated at \$153,000. The County's two-year classification study for all other positions is nearing completion.

h. Internal controls, compliance activities and capital calls

Capital calls include distributions from initial commitments to private equity fund-of-fund vehicles and fund rebalancing.

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

No discussion.

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

The Retirement Administrator requested that the actuary conduct a study of the cost impact for the proposed salary increase for Marin County Deputy Sheriffs that was in excess of the 3% salary growth assumption used for the annual actuarial valuation. The results of the study were submitted to the County Board of Supervisors.

4. Information Technology Security Assessment Report

Ms. Hardesty presented the annual Information Technology Security Assessment Report for the year ending June 30, 2016. One of three outstanding items has been resolved to identify staff roles and assignments for CPAS. Staff will follow up on the two remaining items: 1) having staff sign the County's Personnel Management Regulation 23 (PMR 23) that is under revision; 2) providing that MCERA will be notified by employers of changes in staff access to CPAS.

5. Audit of Financial Statements Update

The Administrator reported that Brown Armstrong is conducting the annual financial audit that will be presented to the Board at its December meeting.

In response to Trustee Brenk's inquiry, Mr. Wickman stated that he asked Ms. Tucker to look at refreshing the cash flow analysis presented to the committee in 2014. The Administrator will ask her to include a sensitivity analysis for demographic factors based on Trustee Brenk's request.

3. Ad Hoc Committee Reports

a. Ad Hoc Education Committee

1. Strategic Workshop Agenda

Mr. Wickman presented the proposed agenda for the October Strategic Workshop. The Asset/Liability Study preliminary review is expected to be a key discussion for the workshop. Mr. Callahan will discuss how portfolio risk has changed over time. Other topics on the first day are a review of active managers and education on multi-asset class investing.

On the second day of the Workshop the actuary will discuss MCERA's pension funding practices, the Rockefeller Institute Study, and projections of cost changes to MCERA tiers as PEPRA membership grows.

It was M/S Brenk/Thomas to approve the Strategic Workshop Agenda as modified to include a discussion of hedge funds.

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

4. Trustee Comments

a. Educational Training: Reports by Trustees and Staff

Trustee Gladstern reported on the Annual California Public Retirement Seminar. Of interest was the session CalPERS: Roadmap on Environmental, Social & Governance Factors as it relates to Investments and Long-term Sustainability.

b. Other Comments

Trustee Stevens referenced two articles on investment-related topics.

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

Chair Shore recessed Closed Session and reconvened the meeting in Open Session at 11:55 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. Gary Siegel Service-connected Marin County Sheriff

Initial consideration of an application for service-connected disability retirement with an effective date of September 19, 2015 filed by a Safety member

Chair Shore reported that the Board referred Gary Siegel's application for service-connected disability retirement to an administrative hearing in accordance with MCERA policy by a vote of 8-0. Trustees Bolger and Given were absent. Trustee Shaw voted for Trustee Given. Trustee Cooper voted for Trustee Piombo who is in the same service as the applicant. Motion was by Trustee Gladstern and seconded by Trustee Murphy. Voting for the motion were Trustees Brenk, Cooper, Gladstern, Murphy, Shaw, Shore, Stevens and Thomas.

AYES: Brenk, Cooper, Gladstern, Murphy, Shaw, Shore, Stevens, Thomas

NOES: None
ABSTAIN: Piombo
ABSENT: Bolger, Given

C. 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.

Chair Shore directed deliberations to **Agenda Item D, Disability Consent Agenda.**

Trustee Cooper was excused from the meeting at 12 noon.

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

1. John Massucco Service-connected San Rafael Public Works Dept.

Adopt Administrative Recommendation to grant service-connected disability retirement application with an effective date of May 1, 2015.

2. Christopher McGraw Service-connected Marin County Sheriff

Adopt Administrative Recommendation to grant service-connected disability retirement application with an effective date of June 7, 2015.

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

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

Chair Shore directed deliberations to **Agenda Item F, New Business.**

F. NEW BUSINESS

1. Final Public Employee Performance Evaluation. Title: Retirement Administrator
Board Chair report on Consensus Evaluation

Chair Shore reported that the MCERA Retirement Board's Consensus Evaluation is that Retirement Administrator Jeff Wickman is doing outstanding work. The Chair commended Counsel Dunning and the Ad Hoc Retirement Administrator Performance Evaluation Committee for their work on the evaluation.

Chair Shore recessed Open Session for a lunch break at 11:59 a.m., reconvening at 12:15 p.m.

2. Business Objectives for 2016/17 (Action)

Consider and take possible action on Retirement Administrator Business Objectives for August 1, 2016 – July 31, 2017

Mr. Wickman explained that in conjunction with the Retirement Administrator annual performance evaluation, the Board also sets out new priorities for the upcoming year (August to July). A number of last year's financial goals carried over into the upcoming year.

Benefit Administration

Implement workflow system to assign and track priorities. This item is carried over from the prior year. Organizational changes have been made that will assist with implementing this goal. Responding to Chair Shore's inquiry, Ms. Hardesty said options include a workflow tool included in the CPAS software upgrade and using tools available from an outside vendor.

Document service credit audit, retirement estimate, and application completion processes. This is a stretch goal to document all the key current benefit administration business processes.

Performance Management

Complete 95% of new retiree payroll inceptions the month following the retirement.

Complete 80% of retirement benefit estimates within 30 days of receiving the request.

Calculate 75% of service purchases within 30 days of receiving a request.

Respond to written customer correspondence (emails and letters) within 5 days.

Human Resource Management

Develop a multi-year business plan that identifies key business goals and objectives including strategies to achieve the directives. This goal is carried over from the prior year with the addition of the new CFO. This is a staff-driven initiative to identify key business goals and objectives that need to be achieved over the next 3 to 5 years.

Complete classification study for benefit and payroll team. This goal will help establish new classification tiers for the benefit team and align duties and salaries with similar classifications within the County.

Business Management including Investments

Update the 2011 Asset/Liability Study. A revised asset/liability study should be completed by the end of this calendar year.

Develop an enhanced proxy voting policy with clearly defined governance roles and responsibilities for the staff and Board. Enhanced proxy voting that defines expectations on key initiatives for MCERA's external investment managers.

Conduct pilot employer audit. As required under the Public Employee Pension Reform Act (PEPRA) MCERA has developed an employer audit program. This goal will test the usability and results of that program with a pilot employer.

Identify location service vendor (retiree, deferred, beneficiary, death and minimum distribution). A robust location service vendor is important as it becomes harder to find people in order to fulfill MCERA's obligation to affirmatively notify members, retirees or beneficiaries of their rights.

Issue request for proposal for medical advisor services.

Communication and Education

Develop Employer Handbook and Employer Web Portal.

Convert online documents to fillable forms.

Implement Domestic Relations Order (DRO) Handbook. Progress has been made and staff is working to make it easier for members to understand the information.

Finance and Accounting

Complete Comprehensive Annual Financial Report.

Identify new financial systems for integration with CPAS. Identify potential products that will enhance MCERA's financial capabilities and link with the benefit management system.

Evaluate financial business processes to identify potential efficiencies. The CFO has begun this work.

Issue a request for proposal for a company to conduct annual financial audits.

It was M/S Piombo/Gladstern to approve Business Objectives for August 1, 2016 through July 31, 2017 as submitted.

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

3. Fall MCERA Newsletter (Action)

Consider and take possible action to approve newsletter copy

The Administrator presented the draft newsletter copy for review. The "Funding Your Benefits" article explains the plan for funding retirement benefits and how it works.

Trustee Gladstern discussed potential clarifications, for example on when employee contribution rates may change.

It was M/S Piombo/Gladstern to approve the Fall MCERA newsletter copy as amended per discussions.

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

4. SACRS Voting Proxy

Board vote to select delegates for SACRS November meetings

It was M/S Piombo/Stevens to select Trustees Gladstern and Thomas to serve as delegate and alternate delegate, respectively, to the SACRS November business meetings.

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

5. Future Meetings

Consider and discuss agenda items for future meetings

No discussion.

G. OTHER INFORMATION

1. Trustee Training Calendar

Trustees were encouraged to attend the upcoming CalAPRS Trustees' Roundtable and the Nossaman Fiduciaries' Forum.

2. Keeping in Touch

September Issue, Association of Retired Employees newsletter

H. CONSENT CALENDAR (Action)

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

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

CONSENT CALENDAR for
MCERA MEETING, WEDNESDAY, SEPTEMBER 14, 2016

CONSENT CALENDAR

AUGUST 2016

RETURN OF CONTRIBUTIONS

Francisco Pinell	Return of Contributions-Term	\$	5,734.20
Matthew Boulden	Return of Contributions-Term	\$	4,633.66
Aniceto Cayanan	Return of Contributions-Term	\$	3,359.97
Karl Hackert	Return of Contributions-Term	\$	11,434.97
Ami Esparza	Return of Contributions-Term	\$	3,756.97
Adela Gonzalez	Return of Contributions-Term	\$	1,045.62

BUYBACKS

NEW RETIREES

Barbara Jones		Courts
Janeen Thomas	H&HS	County of Marin
Victor Gasser		City of San Rafael
Kuo Lew	Probation	County of Marin
Lisa Abrahams	H&HS	County of Marin
John Wilson	IST	County of Marin
Donald Wick	Sheriffs	County of Marin
Mary Jo Maendle	DRO	County of Marin
Steven Soderman	Printing Services	County of Marin
Elsa Ng	H&HS	County of Marin
David Brunhofer	CDA	County of Marin
Stephen Egger		City of San Rafael
Anna Bittner	DPW	County of Marin
Elissa Cutten	HR	County of Marin

RESCINDED RETIREMENTS

DECEASED RETIREES

Agnes Roderick	Assessor-Recorder	County of Marin
Joanna Smith	Beneficiary	County of Marin
Thomas Pak	Probation	County of Marin
Susan Courteau	District Attorney	County of Marin
Katherine Haley	Assessor-Recorder	County of Marin
David Ball	DPW	County of Marin
David Benedict	Assessor-Recorder	County of Marin
Margaret Edwards	Probation	County of Marin
Anneliese King	Beneficiary	County of Marin

CONFERENCES/SEMINARS

There being no further business, Chair Shore adjourned the meeting at 1:01 p.m.



Dave Shore, Chair



Maya Gladstern, Secretary