

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

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

**February 8, 2017 – 9:00 a.m.**

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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**

**ROLL CALL**

**PRESENT:**    Bolger, Cooper, Given, Gladstern, Jones (alternate retired), Murphy, Shaw (ex officio alternate), Shore, Silberstein, Stevens, Thomas

**ABSENT:**    Piombo (alternate safety)

**MINUTES**

It was M/S Gladstern/Given to approve the January 11, 2017 Board Meeting Minutes as submitted.

**AYES:**            Bolger, Cooper, Given, Gladstern, Murphy, Shore, Silberstein, Stevens, Thomas  
**NOES:**            None  
**ABSTAIN:**        None  
**ABSENT:**        None

It was M/S Shore/Gladstern to approve the January 18, 2017 Investment Committee Meeting Minutes as submitted.

**AYES:**            Bolger, Cooper, Given, Gladstern, Murphy, Shore, Silberstein, 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.

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, except as otherwise permitted by the Ralph M. Brown Act (Government Code Sections 54950 et seq.), no deliberation or action may be taken by the Board concerning a non-agenda item. Members of the Board may (1) briefly respond to statements made or questions posed by persons addressing the Board, (2) ask a question for clarification, or (3) provide a reference to staff for factual information.

No public discussion.

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

1. Annual Cost of Living Adjustment as of April 1, 2017 – Graham Schmidt, Cheiron  
Consider and take possible action to affirm actuarial calculation of annual cost of living increase for retirees

Retirement Administrator Jeff Wickman explained that each year the Board reviews the actuary's calculation of the Cost of Living Adjustment (COLA) based on the statutory preconditions for providing a COLA. Mr. Wickman explained that the action by the Board is to affirm the actuary's calculation as defined in the County Employees Retirement Law of 1937 (CERL). Plan sponsors may adopt a COLA as a benefit under the County Employees Retirement Law of 1937 (CERL). The cost of any COLA is included in the contribution rates calculated by the actuary. The employee and employer each pay 50% of the normal cost. This year based on the maximum amounts for all MCERA retirees approximately 44% will receive a 2% COLA and 55% will receive a 3% COLA and 1% will receive a 4% COLA. For Marin County retirees, 56% will receive a 2% COLA and 42% will receive a 3% COLA and 2% will receive a 4% COLA.

Actuary Graham Schmidt of Cheiron reported that the COLA computed for MCERA as of April 1, 2017 is 3%. The COLA is based on increases in the Consumer Price Index (CPI) for All Urban Consumers in the San Francisco-Oakland-San Jose area for the two prior calendar years rounded to the nearest one-half percent. Mr. Schmidt explained the maximum COLA benefit for MCERA is 2%, 3% or 4% based on membership Tier. Those Tiers with a maximum 2% COLA will receive a 2% COLA and 1% will be added to the Tier's COLA bank. Tiers with a 4% annual COLA cap would receive a 3% COLA, unless there is a balance in the COLA bank and the member retired prior to December 31, 1978. The actuary noted that most of the increase in the CPI is due to housing costs in the San Francisco Bay area.

Mr. Schmidt reported that COLA growth assumptions are slightly under COLA caps and matching up well with experience. The Administrator confirmed that for most 5, 10 and 15 year periods the average COLA benefits are under the cap amounts.

Responding to Trustee Cooper's inquiry, Mr. Schmidt stated that the CERL provides that a pension system is required to use the CPI of the area where the County seat is located. In

MCERA's case San Rafael is defined by the Bureau of Labor Statistics as being within the San Francisco-Oakland-San Jose area.

It was M/S Gladstern/Cooper to affirm the actuarial calculation of the Cost of Living Adjustment as of April 1, 2017.

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

2. Preliminary Actuarial Valuation Report, June 30, 2016 – Graham Schmidt, Cheiron  
Presentation of preliminary results for the actuarial valuation

Actuary Graham Schmidt of Cheiron presented preliminary results for MCERA's June 30, 2016 actuarial valuation (valuation). Mr. Schmidt explained that cost as a percentage of pay is projected to decline due to deferred gains even though there was an actuarial loss as a result of investment returns that were lower than the assumed rate of return on assets. Employer contribution rates are projected to decrease, primarily due to an increased salary base and hiring of new PEPRA members. Assets and liabilities are based on the same assumptions as for the prior year, which are based on the most recent experience study for the three-year period ending June 30, 2014. A new experience study is planned for the three-year period ending June 30, 2017.

The preliminary valuation results show that, as compared with the prior year, the market value of assets increased from \$2,066.2 million to \$2,098.7 million. The total actuarial liability increased to \$2,575.8 from \$2,469.1 in the prior year. As a result the unfunded actuarial liability is projected to increase from \$402.8 million to \$477.1 million. Based on the market value of assets, the funding ratio declined to 81.5% from 83.7%. The net employer contribution rate effective July 1, 2017 declined to 31.81% from 32.22% in the prior year. Responding to Trustee Shore's inquiry, Mr. Schmidt stated that if all assumptions are met and the active workforce is level, he expects retiree benefits as a percentage of pay to increase as baby boomers retire and then decline as future retirees receive lower benefits.

Mr. Schmidt reviewed the specific projected actuarial gains and losses that will affect the employer contribution rates for the next fiscal year. Active payroll increased by over 5%, resulting in a 0.42% decline in cost as a percentage of pay. Assets returned 1.9% on a market basis as compared to the 7.25% assumption, increasing cost by 0.71% of pay which will be amortized and phased in over the next four years. The phase-in of investment gains from prior years lowered costs by 0.26% of overall pay. PEPRA members make up a growing proportion of the active population and contribute a larger share of their cost, resulting in an overall contribution rate decrease of 0.29%. Individual pay increases were close to the expected amount.

Final results of the June 30, 2016 Actuarial Valuation Report will be presented to the Board at its March 8, 2017 meeting. In response to Trustee Gladstern's inquiry, Mr.

Wickman said completing the annual valuation earlier is a matter of getting the data to Mr. Schmidt sooner if possible.

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

### **1. Administrator's Report**

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

Mr. Wickman reported that he and Counsel Dunning conducted an initial orientation session with Trustee Silberstein.

The Administrator reported that 1099R's were mailed to all retirees before the end of January.

The side letter and subscription documents for the new commitments to Abbott and Pathway were completed with the help of Yuliya Oryol at Nossaman.

Mr. Wickman reminded the trustees of annual filings of Form 700 and the Annual Affirmation as to Key Policies. He report that Board Clerk Barre has sent all the required Form 700 and Placement Agent filing materials to MCERA's Investment Managers and consultants.

Responding to Chair Bolger's inquiry, Mr. Wickman stated the Ad Hoc One McInnis Committee determined that One McInnis would continue to be held as an asset.

The Administrator encouraged the trustees to attend the CalAPRS General Assembly and the CalAPRS Principles of Pension Management course.

Chair Bolger inquired about updating iPads and Mr. Wickman will discuss the possibility of updates with staff.

#### **b. Staffing update**

See Ad Hoc Chief Financial Officer Committee agenda item below.

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

The Integrated Pest Management Commission of Marin County Parks held a meeting in the executive conference room.

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

- March 1, 2017 Finance and Risk Management Committee
- March 8, 2017 Board

### **2. Ad Hoc Committee Reports**

#### **a. Ad Hoc Education Committee**

1. Strategic Workshop Agenda (Action)

Consider and review agenda topics

In January the Ad Hoc Education Committee (Committee) met to develop agenda topics for the April Strategic Workshop. The Committee is made up of Chair Laurie Murphy and Trustees Cooper, Shore and Stevens. Based on those discussions, Mr. Wickman developed the proposed agenda being presented to the full Board. He stated that the draft agenda is slightly different than the original draft the Committee reviewed but that it was based largely on the discussion that occurred at the meeting. The one item not included was the topic of behavioral decision making.

In Trustee Shore's view including a session that explored thinking skills and skills on prioritizing and understanding one's own bias would be worthwhile. He recommended Terrence Odean, a professor at UC Berkeley. Chair Bolger spoke to the importance of exploring pragmatic skill sets for decision making in the face of uncertainty given the information presented to the Board.

Mr. Wickman will look for a speaker who can present the topic of decision making as discussed by the Board. Trustee Given supported the idea of having an open discussion on the ideas proposed, as did Trustee Cooper who recommended that, in addition, the attorney address the need of the fiduciary to make decisions.

b. Ad Hoc Chief Financial Officer (CFO) Committee

In January the Ad Hoc Chief Financial Officer Committee met to discuss the potential recruitment of a CFO. The Committee members are Trustees Given, Gladstern and Board Chair Bolger. Mr. Wickman reported that the recommendation of the Committee was to look for a position that had the necessary leadership and technical skills within the county classification system but at a level lower than a CFO. Mr. Wickman and Assistant Administrator Hardesty met with Marin County Human Resources who will conduct a review of existing positions that meet the qualifications desired for the position.

Chair Bolger recessed Open Session at 10:16 a.m. for a break and reconvened in Closed Session for deliberations on **Agenda Item E, Non-Consent Disability Applications**, at 10:25 a.m.

The Chair recessed Closed Session at 11:45 a.m. and reconvened the meeting in Open Session at 12:06

**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. James Hufford                      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

2. Blair Auld                              Service-connected      City of San Rafael Police Department

Initial consideration of an application for service-connected disability retirement

Chair Bolger reported that the Board adopted the Administrative Law Judge's proposed findings of fact and recommended decision to grant James Hufford's application for service-connected disability retirement effective March 31, 2012 by a vote of 5-3. Trustee Cooper recused himself and left the room as he is in the same department as the applicant. Motion was by Trustee Shore and seconded by Trustee Stevens. Voting for the motion were Trustees Bolger, Shore, Silberstein, Stevens and Thomas. Voting against the motion were Trustees Given, Gladstern and Murphy.

Chair Bolger reported that the Board granted non-service connected disability retirement to Blair Auld and denied his request for service-connected disability retirement by a vote of 5-4, providing the applicant with the opportunity to request an administrative hearing in accordance with MCERA policy. Motion was by Trustee Gladstern and seconded by Trustee Murphy. Voting for the motion were Trustees Bolger, Gladstern, Murphy, Shore and Silberstein. Voting against the motion were Trustees Cooper, Given, Stevens and Thomas.

Chair Bolger directed deliberations to **Agenda Item C.3, Trustee Comments.**

3. Trustee Comments

- a. Educational Training: Reports by Trustees and Staff

Mr. Wickman attended the CalAPRS Administrators' Roundtable. The topics discussed were specific to operational challenges faced by other pension systems. Trustees Jones and Stevens attended the Callan National Conference. Ms. Stevens reported that Callan Associates is lowering investment return expectations and believes active management pays off for certain asset classes. Speaker Larry Summers expects economic stagnation and attributed the rise in asset values to extremely low interest rates.

- b. Other Comments

Trustee Gladstern commented on potential opportunities to engage with CII in its activities in support of good governance. Upon Mr. Wickman's recommendation, the matter will be considered by the Governance Committee.

Trustee Stevens recommended a short article on thought processes and behavioral economics.

Chair Bolger introduced Stephen Silberstein, the 4<sup>th</sup> Member of the Retirement Board appointed by the Board of Supervisors. Introductions were made by all and the trustees

welcomed Mr. Silberstein to the Board. Mr. Silberstein, a retired philanthropist, expressed appreciation for the opportunity to serve on the Board.

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

1. James Byrnes                      Service-connected                      Marin County Fire Department  
Adopt Administrative Recommendation to grant service-connected disability retirement.
2. John Wilson                      Non-service-connected                      Marin County IST Department  
Adopt Administrative Recommendation to grant non-service-connected disability retirement.

It was M/S Cooper/Gladstern to adopt the Disability Consent Agenda as submitted.

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

**F. NEW BUSINESS**

1. Notification of SACRS Board of Directors Election 2017-2018  
Consider and discuss election process and deadlines

The Administrator presented the SACRS notification of Board of Directors election and process. Trustee Gladstern observed that the Board composition should be a diverse representation of gender as well as size and location of the Board member’s pension system. Chair Bolger directed that we let SACRS know this is a matter they should consider.

2. Form 700 Training – Ashley Dunning, Nossaman  
Presentation on Fair Political Practices Commission (FPPC) rules regarding Form 700

Ms. Dunning presented an overview of Form 700 rules and reporting requirements. The Fair Political Practices Commission (FPPC) 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 and enforces regulations on filing Form 700, the Statement of Economic Interests, and establishes gift limits annually. Trustees are deemed to be public officials managing public investments and as such are code filers. Other Designated filers include the Retirement Administrator and Assistant Retirement Administrator.

Trustees must report gross income from non-governmental sources, investments, business positions in business entities, real estate, and income from sources located in, or doing business in, Marin County. Investments over \$2,000 in value are reportable with exceptions for mutual funds and insurance policies. Gifts as defined and over \$50 are

reportable, including gifts to spouses. Ms. Dunning explained the schedules on which specific items are reported.

There are two gift limits. The “ethics” gift limit provides that trustees are not allowed to receive gifts over \$470 from a single source in a calendar year. The “conflict of interest” gift limit is a disqualifying gift limit that applies to a gift received within the 12 months prior to a trustee’s potential participation in a Board matter. FPPC regulations defining gifts are very broad and include items such as flowers and meals, for example. Gifts are aggregated for each source. There are exceptions to gift reporting, such as for family members and reciprocal exchanges of equal value, which Ms. Dunning reviewed. Generally, gifts may be returned or donated to a 501(c)(3), with no tax deduction and some additional limitations, within 30 days in order to be excluded from the reporting requirement.

Mr. Wickman emphasized that everything of value a trustee receives is worthy of discussion with the Retirement Administrator in order to determine whether or not there is a reportable gift. The trustees were advised of resources available and to keep meticulous records in the Gift Log provided.

Chair Bolger directed deliberations to **Agenda Item F.4, Future Meetings.**

4. Future Meetings

Consider and discuss agenda items for future meetings

No discussion.

**G. OTHER INFORMATION**

1. Training Calendar (Action)

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

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

2. Keeping in Touch

February 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, Cooper, Given, Gladstern, Murphy, Shore, Silberstein, Stevens, Thomas  
NOES: None  
ABSTAIN: None  
ABSENT: None



CONSENT CALENDAR  
 MCERA BOARD MEETING, WEDNESDAY, FEBRUARY 8, 2017

CONSENT CALENDAR  
 JANUARY 2017

RETURN OF CONTRIBUTIONS

Jaime Goekler	Withdrawal of Contributions	\$	18,336.64
David Stires	Withdrawal of Contributions	\$	30,000.00
Claudia Laughter	Withdrawal of Contributions	\$	25,500.00
David Stires	Withdrawal of Contributions-Rollover	\$	60,920.04
Claudia Laughter	Withdrawal of Contributions-Rollover	\$	32,866.67
David Goodwin	Withdrawal of Contributions-Rollover	\$	10,742.29
John Gee	Withdrawal of Contributions-Rollover	\$	17,849.10
Rob Dehner	Withdrawal of Contributions-Rollover	\$	10,134.40
Stacey Peterson	Age Change-Return of Excess Contributions	\$	2,084.38
Francis Law	Age Change-Return of Excess Contributions	\$	3,036.35
Melissa Millspaugh	Age Change-Return of Excess Contributions	\$	2,704.83
James Raives	30 Years Max Service-Return of Excess Contributions	\$	697.09
John Joubert	30 Years Max Service-Return of Excess Contributions	\$	1,162.73
Carolyn Potter	30 Years Max Service-Return of Excess Contributions	\$	1,760.75

BUYBACKS

Pamela Fraass	\$	58,836.03
Robyn Nguyen Madias	\$	753.79
Latoya Webb	\$	7,975.74
Cecile Inez Focha	\$	2,984.46
Nancy Smith	\$	1,129.16
Casey Fewell	\$	16,211.21

NEW RETIREES

George Titus		Southern Marin Fire
Richard Bolmen	County Admin Office	County of Marin
Athen Scarioni		City of San Rafael
Carolyn Potter	Library	County of Marin
Dario Celevante		City of San Rafael
Richard Landis		City of San Rafael
Suzan Brewer	H&HS	County of Marin
David Gallegioni	Sheriff	County of Marin
Wesley Wilson	DPW	County of Marin
Montene Merz		Courts
Wendy Taylor		Courts
Stephen Kinsey	Board of Supervisors	County of Marin

RESCINDED RETIREMENTS

DECEASED RETIREES

Joan Mullahey	Probation	County of Marin
Joyce Gay		City of San Rafael
Dora Williams	H&HS	County of Marin
Irene Quella	County Admin Office	County of Marin
Michael Ortelle		Southern Marin Fire
Dennis Cashman	District Attorney	County of Marin
Larry Russell		City of San Rafael

CONFERENCES/SEMINARS

CalAPRS Administrators' Roundtable - Administrator Wickman

Chair Bolger recessed Open Session and reconvened in Closed Session for deliberations on **Agenda Item F.3, Public Employee Performance Evaluation**, at 1:12 p.m.

The Chair recessed Closed Session and reconvened the meeting in Open Session at 2:25 p.m.

3. 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

There being no further business, Chair Bolger adjourned the meeting at 2:25 p.m.

  
Bernadette Bolger, Chair

  
Roy Given, Secretary