

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 members of the public provided comment.

B. MATTERS OF GENERAL INTEREST

1. Preliminary Actuarial Valuation Report, FY 2016/17 – Cheiron, Graham Schmidt Presentation of preliminary results for the actuarial valuation

Mr. Wickman stated that Actuary Graham Schmidt is presenting preliminary results of the June 30, 2017 Actuarial Valuation to the Board for discussion before the final Actuarial Valuation Report is considered for approval at the February Board meeting. The Board has already adopted the economic and demographic recommendations in the report.

Mr. Schmidt reported the results of the Actuarial Valuation as of June 30, 2017 are positive specifically as it relates to the Plan's investment return and will be used to determine contribution rates effective July 1, 2018. The current valuation reflects the impact of updated assumptions based on the Experience Study covering the period from July 1, 2014 through June 30, 2017. These include lowering the assumed rate of return from 7.25% to 7%. Key results are a slight decrease in the Unfunded Actuarial Liability from \$477.1 million to \$425.3 million. The Market Value of Assets increased by an amount greater than the increase in the Actuarial Liability, and the Plan's Funding Ratio increased to 84.4% from 81.5%. The Funding Ratio compares the market value of assets as of June 30, 2017 to the funding target. The phase-in of investment returns from prior years also had a positive impact on the funded ratio and projected contribution rates. The Net Employer Contribution Rate for the Plan overall declined to 31.2% of payroll from 31.8% of payroll. Mr. Schmidt reported the active membership is very stable, increasing less than expected; inactive and retired members increased and the Plan is becoming more mature with more retired than active members.

Mr. Schmidt presented results for Marin County and the Special Districts, the City of San Rafael (San Rafael) and the Novato Fire Protection District (Novato). Marin County and Special Districts is by far the largest valuation group with assets at market value of \$1,719.9 million and an Unfunded Actuarial Liability of \$261.8 million. The Net Employer Contribution Rate for Marin County and Special Districts declined to 25.32% from 26.13% in the prior year. For San Rafael the Net Employer Contribution Rate increased to 61.75% from 61.04%. One reason San Rafael has a lower funded ratio than

the County is because of the County's prior issuance of a pension obligation bond. The Net Employer Contribution Rate for Novato increased to 50.43% from 48.06%.

In response to Trustee Werby's inquiry, Mr. Schmidt explained that the funding process is adjusted annually based on the net actuarial gains and losses experienced by the Plan over the fiscal year. If the actuarial gains exceed the losses then the Unfunded Actuarial Liability (UAL) will be reduced and the contribution rates will decrease for the upcoming year. The Plan has an amortization schedule to pay off the UAL and that updated schedule will be presented with the full Actuarial Valuation at the February Board meeting. Trustee Silberstein observed the Plan's goal is to pay off the (UAL) systematically over time. Mr. Schmidt reviewed the actuarial gains and losses that impact the employer contribution rates. Assets gained nearly 12%, reducing costs by about 0.50% of pay that will be phased in over 5 years. Changes in the assumptions, including lowering the discount rate to 7%, was the largest new item affecting the Plan, increasing cost by 1.20% of pay in the first year. Individual pay increases for members were close to the expected amount. PEPRA new hires make up a growing proportion of the active member population, creating a gain for the system because the Normal Cost for PEPRA members is lower. Overall payroll growth was lower than expected, increasing the overall employer contribution rate by 0.12% of pay. A summary of gains and losses to net employer contribution rates under updated assumptions for the Plan and the major Plan sponsors was presented.

Mr. Schmidt explained the decline in the overall employer contribution rate was due mainly to asset gains and PEPRA new hires. Novato is more affected than the County by cost increases because male mortality experience is catching up with females and there are more safety members meaning higher liabilities. For San Rafael the increase in the contribution rate was due in part to the flat payroll base.

In response to Trustee Block's inquiry on the process for approving the actuarial valuation, Mr. Schmidt said the Board has already approved the demographic and economic assumptions and will be approving the employer and employee contribution rates when the complete June 30, 2017 Actuarial Valuation Report is presented next month. Mr. Wickman explained that he notifies the employers when the actuary presents information to the Board and provides all actuarial presentations to employers so they can have the opportunity to give feedback if they choose.

C. BOARD OF RETIREMENT MATTERS

1. Administrator's Report

a. Administrator's Update

Mr. Wickman reported that on Monday, January 8, the Division 4 of the First District Court of Appeal issued a decision in the consolidated cases (Contra Costa, Alameda and Merced County pension systems). The lengthy decision deals with the constitutionality of PEPRA amendments to the CERL and refers some issues back to the lower court to see if there was impairment of vested rights. Staff and counsel are reviewing the decision and will report to the Board by its February meeting. MCERA is still waiting on the schedule for the Supreme Court's review of the MAPE v. MCERA case.

Mr. Wickman said staff is looking into a mechanism to put some Board packet documents on the MCERA website so the public does not have to request the documents from MCERA. Trustee Given supported the Administrator's idea since fulfilling Public Records Act (PRA) requests can take a lot of time.

The Administrator reported we have exhausted terms of MCERA's contract with State Street Bank for custodial services. The Administrator will enter into a short-term extension of the contract with State Street within his delegated contract authority and bring a longer-term solution to the Board for consideration at its next meeting.

On January 11 the Administrator spoke to MCARE members at their luncheon in San Rafael. Trustees Silberstein and Gladstern and former trustees Josh Thomas and Allen Haim were in attendance. The Administrator provided a general update on the system including results of the Experience Study and preliminary valuation results. Trustee Gladstern said Mr. Wickman's presentation was excellent.

Abbott Capital Management has let MCERA know that Charlie van Horne will retire at the end of 2018. Mr. van Horne will continue in his current capacity supporting MCERA's investments with Abbott throughout this year.

As a member of the CalAPRS Board Mr. Wickman learned of a vacancy on the State Comptroller's Retirement Advisory Committee. Mr. Wickman requested that he be considered when the CalAPRS Board asked for nominees. He asked if the MCERA Board would be comfortable with him taking on this outside assignment that could involve a couple of additional hours per month. Trustees Silberstein and Given strongly indicated that it would be beneficial for the Administrator to engage in this way.

Mr. Wickman said Marin County through Dominican University has an annual Leadership Academy. This year MCERA Benefits Technician Anne Highfill was accepted into the class and graduated in December. Ms. Highfill's class project focused on cultural services and expanding access for citizens to the Marin County Fair. Board members congratulated Ms. Highfill and Trustee Given said it is important to have staff meeting people around the county.

b. Staffing update

Interviews for the Accounting Unit Manager position will be conducted the week of January 15-19. Final interviews for the Benefit Supervisor position are planned by the end of the January.

c. Facility Use Report

MCARE held its Board meeting in the executive conference on January 3, 2018.

d. Future Meetings

- January 24, 2018 Investment Committee
- February 14, 2018 Board

2. Ad Hoc Committee Reports

a. Ad Hoc One McInnis Committee

Mr. Wickman reported that Autodesk informed MCERA that they would not be leasing the space in the back half of the first floor of One McInnis Parkway. Their long-term plans are to vacate the first and second floor spaces by the end of February. The Administrator met with the Ad Hoc One McInnis Committee and asked members if they were comfortable with extending Autodesk's lease agreement through February. The rate for January would be the current square foot amount and for February it would be the new 2018 amount. The Committee found the proposal acceptable. Woodmont will consult with broker Cushman & Wakefield about the status of leasing an additional 6,000 square feet.

3. Trustee Comments

a. Educational Training: Reports by Trustees and Staff

No educational events were attended during the period.

b. Other Comments

Trustee Gladstern asked the Retirement Administrator to send a podcast she listened to regarding how corporate boards work to the Board.

Trustee Silberstein referenced an article in the *New York Times* on financial managers' resistance to lowering investment fees.

Trustee Cooper requested that staff update the disability retirement analysis that was provided to the Board last year. He noted that of 18 disability retirement applications considered by an Administrative Law Judge (ALJ), in about 2/3 of the cases the ALJ recommended that the Board grant the service-connected disability retirement. The Administrator will update the disability retirement analysis. Trustee Given observed there are more details in the ALJ adjudication process and if we are not persuaded that the member is eligible for disability retirement during the initial process, we send the applications to the ALJ for a hearing. Chair Gladstern suggested having a discussion on the disability retirement application process at a Strategic Workshop.

D. DISABILITY CONSENT AGENDA (TIME CERTAIN: 10:00 a.m.) (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. Blair Auld Service-connected San Rafael Police Department

Consider and take possible action on Administrative Recommendation to adopt Administrative Law Judge's proposed Findings of Fact and Recommended Decision to grant service-connected disability retirement application

It was M/S Cooper/Werby to adopt the Administrative Recommendation to adopt the Administrative Law Judge's proposed Findings of Fact and Recommended Decision to grant Blair Auld's service-connected disability retirement application.

AYES: Block, Cooper, Given, Gladstern, Klein, Murphy, Silberstein, Thomas, Werby
NOES: None
ABSTAIN: None
ABSENT: None

E. NEW BUSINESS

1. Future Meetings

Consider and discuss agenda items for future meetings

No discussion.

F. OTHER INFORMATION

1. Training Calendar (Action)

Trustee Cooper requested that the NCPERS annual conference be added to the Training Calendar.

It was M/S Given/Block to approve the Training Calendar as amended to add the NCPERS Annual Conference and Exhibition.

AYES: Block, Cooper, Given, Gladstern, Klein, Murphy, Silberstein, Thomas, Werby
NOES: None
ABSTAIN: None
ABSENT: None

2. Keeping in Touch

January Issue, Association of Retired Employees newsletter

G. CONSENT CALENDAR (Action)

It was M/S Given/Thomas to approve the Consent Calendar as submitted.

Trustee Gladstern asked about the return of contributions over \$100,000. Ms. Hardesty said a vested member chose to withdraw all her contributions and interest. Staff provided the member with information on what happens when a member chooses to withdraw their contributions which forfeits their rights to a future pension benefit.

AYES: Block, Cooper, Given, Gladstern, Klein, Murphy, Silberstein, Thomas, Werby
NOES: None
ABSTAIN: None
ABSENT: None

CONSENT CALENDAR

MCERA BOARD MEETING, WEDNESDAY, JANUARY 10, 2018

DECEMBER 2017

RETURN OF CONTRIBUTIONS

James Mayo	Partial Refund of Contributions (30 year)	\$ 86.32
Heidi Scoble	Partial Refund of Contributions (age change)	\$ 1,579.53
Marni Flagg	Partial Refund of Contributions (correction)	\$ 337.70
Misael Gomez	Return of Contributions (termination)	\$ 9660.60
Harold Mosher	Return of Contributions (termination)	\$ 6016.06
Ashley Queen	Return of Contributions (termination)	\$ 12,056.09
Catherine Kennedy	Return of Contributions (termination)	\$103,253.12
Sandra Velasco	Return of Contributions (termination)	\$ 3,603.37

BUYBACKS

Darren Taurins	\$ 6,257.45
Alandis Ian Pratt	\$ 3,581.88
Forest Blue	\$ 6,768.19
Ryan Baggao Quiambao	\$ 1,096.11

NEW RETIREES

Heidi Davaloo	County of Marin - Public Works
Margaret Heath	City of San Rafael
Tracy Wong	County of Marin - Health & Human Services
Rick Swanson	County of Marin - Assessor-Recorder-County Clerk
Charles Casalnuovo	Southern Marin Fire
Lance Ravella	County of Marin - Health & Human Services
Tanis Minto	County of Marin - Community Development Agency
Scott Gamba	County of Marin - Fire
Maria Mendenhall	Marin Superior Court
Christopher Taylor	County of Marin - Sheriff
Susan Kim	Southern Marin Fire
Frances Hubert	County of Marin - Department of Finance
Diane Cokely	County of Marin - Health & Human Services
Kathleen Ah San	County of Marin - Department of Finance

DECEASED RETIREES

Lucille Foster	County of Marin - Beneficiary
John Piaszk	County of Marin - Beneficiary
Vincent Turrini	County of Marin - Fire
John Thomas	County of Marin - Health & Human Services
Janet Rosevear	County of Marin - Beneficiary
Edward Thune	County of Marin - Sheriff

CONFERENCES/SEMINARS

CalAPRS Board Meeting Administrator Wickman

There being no further business, Chair Gladstern adjourned the meeting at 10:23 a.m.



Maya Gladstern, Chair



Laurie Murphy, Secretary