

**MINUTES**  
**REGULAR BOARD MEETING**  
**MARIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION (MCERA)**  
**One McInnis Parkway, 1st Floor**  
**Retirement Board Chambers**  
**San Rafael, CA**  
**February 14, 2018 – 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**

Acting Board Chair Given called the meeting to order at 9:00 a.m.

**ROLL CALL**

PRESENT:    Block, Cooper, Given, Jones (alternate retired), Klein, Murphy, Piombo (alternate Safety), Shaw (ex officio alternate), Silberstein, Thomas, Werby

ABSENT:    Gladstern

**MINUTES**

It was M/S Thomas/Cooper to approve the January 10, 2018 Board Meeting Minutes as submitted.

AYES:        Block, Cooper, Given, Klein, Murphy, Piombo, Silberstein, Thomas, Werby

NOES:        None

ABSTAIN:    None

ABSENT:    Gladstern, Jones

It was M/S Block/Murphy to approve the January 24, 2018 Investment Committee Meeting Minutes as submitted.

AYES:        Block, Cooper, Given, Klein, Murphy, Piombo, Silberstein, Thomas, Werby

NOES:        None

ABSTAIN:    None

ABSENT:    Gladstern, Jones

## **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. Annual Cost of Living Adjustment as of April 1, 2018 (Action) – Cheiron, Graham Schmidt**

Consider and take possible action to affirm 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.

Mr. Schmidt explained that the COLA is based on the Consumer Price Increase (CPI) for the area in which the county seat is located. For MCERA this is the San Francisco-Oakland-San Jose Area CPI which increased by 3.2% this year. By statute the CPI is rounded to the nearest one-half percent, resulting in a COLA of 3% as of April 1, 2018.

Trustee Jones joined the meeting at 9:07 a.m.

Mr. Schmidt noted that the annual U.S. City Average CPI increased by only 2.13% over the same time period, attributing the difference to the high rate of housing inflation in the Bay Area. Maximum COLA's are 2%, 3% or 4% depending on the employer and member benefit tier; for most retirees the COLA will be 2%. COLAs lower than the calculated amount can be reserved for application in future years.

It was M/S Cooper/Murphy to affirm the actuary's calculation of the annual cost of living increase (COLA) for retirees.

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



2. Actuarial Valuation Report as of June 30, 2017 (Action) – Cheiron, Graham Schmidt  
Consider and take possible action to adopt Actuarial Valuation report as of June 30, 2017

Mr. Schmidt presented the complete Actuarial Valuation Report as of June 30, 2017. During the review of the 2014-17 Experience Study the Board adopted the economic and demographic assumptions used for the valuation. The valuation sets forth the funded status of the Plan, past and expected trends in the funding progress of the Plan, and employer and employee contribution rates for fiscal years beginning July 1, 2018.

Mr. Schmidt discussed key results of the valuation from the prior year. Before any assumption changes as a result of the Experience Study, the actuarial liability increased from \$2,575.8 million to \$2,681.8 million and assets grew from \$2,098.7 million to \$2,298.9 million. The resulting unfunded actuarial liability decreased from \$477.1 million to \$382.9 million, changing the funded status from 81.5% to 85.7%. Under new assumptions, including reducing the assumed rate of return from 7.25% to 7.00%, the unfunded actuarial liability decreased by a smaller amount from the prior year to \$423.7 million, resulting in a funded status of 84.4%. The contribution increases due to assumption changes were partially offset by contribution rate decreases from the phase-in of prior experience gains, investment gains, and PEPRA new hires. In both situations the decrease in the unfunded actuarial liability was primarily due to higher-than-expected investment returns.

The net employer contribution rate for the Plan is 31.12%, down from 31.81% in the prior year. Cumulative employer contribution rates for plan sponsors are 25.32% for Marin County, 49.05% for the Novato Fire Protection District (Novato), and 61.76% for the City of San Rafael (San Rafael). Mr. Schmidt explained that because active payroll did not increase as much as expected for Novato and San Rafael, the percentage of required employer contributions rose.

Mr. Schmidt discussed amortization of the unfunded actuarial liability (UAL). For the UAL as of June 30, 2013, remaining amortization periods are 13 years and 21 years for the amount attributable to the extraordinary investment loss in 2009. Since 2013 any changes due to actuarial gains and losses or method changes are amortized over a closed 24-year period that is phased in and phased out. Assumption changes are amortized over a closed 22-year period that is phased in and phased out. The actuary reported that demographic gains and losses were minor this year except for San Rafael that had some non-PEPRA new members. For the Plan overall, increasing numbers of PEPRA members bring down the average normal cost because they have lower benefits and pay 50% of the normal cost.

Trustee Shaw joined the meeting at 9:18 a.m.

Trustee Werby asked why asset gains do not affect employers equally. In response, Mr. Schmidt stated the reason is differences in the ratio of assets to payroll for each employer group. In summary, Mr. Schmidt stated the Plan has become better funded at 84.4%. The actuary pointed out that the unfunded actuarial liability declined due to \$80 million in investment gains, even with the reduction of the assumed rate of return to 7.0%. The investment returns are fully reflected in the market value of assets. In response to Trustee Piombo's inquiry, Mr. Schmidt stated dollar amounts that the City of San Rafael is

projected to pay in contributions are included in the GASB reports; the actual dollar amount will depend on the actual payroll next year.

Mr. Schmidt presented a projection of contribution rates into the future if all assumptions are met. The projection reflects changes in the normal cost resulting in a steady decline in contribution rates for the next several years and then a drop-off when the unfunded liability is paid. The projection assumes a level active work force, more PEPRA members and continued increase in the number of retirees.

Trustee Block inquired when the inactive liabilities that are rising over time are expected to stabilize. In response Mr. Schmidt stated inactive liabilities could stabilize if the number of retirees increases at a lower rate due to mortality improvements. He noted the Plan had all active members when it started. New active members have lower benefits so the liability will not increase as much. Mr. Schmidt noted the assumptions reflect changing conditions, which for some factors increases the liability. If people are delaying retirement that would shift the percentage of inactive members, he said.

Mr. Schmidt discussed detailed information in the report on the status of assets and liabilities. He reviewed the development and composition of net employer contribution rates and a comparison with the prior year. Contribution rates have three components: the normal cost, the unfunded actuarial liability, and the administrative expense contribution. Mr. Schmidt pointed out that in aggregate the length of time required to amortize the overall unfunded actuarial liability is approximately 14 years.

It was M/S Silberstein/Murphy to adopt employer and employee contribution rates in the Actuarial Valuation Report as of June 30, 2017, and receive and file the report.

Trustee Block asked whether there are any material changes in this report from interim preliminary reports presented to the Board and Mr. Schmidt replied there were no material changes.

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

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

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

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

Mr. Wickman encouraged trustees to consider attending the CalAPRS General Assembly in March.

The Administrator reported that the transition of the Artisan portfolio from the mutual fund to the commingled investment trust will be completed today.



The agreement with auditor Brown Armstrong has been extended for one additional year.

b. Staffing update

Mr. Wickman introduced La Valda Marshall as MCERA's new Accounting Unit Manager. Ms. Marshall comes from the Marin County Health and Human Services where she was the Assistant Chief Financial Officer. Todd Miller has been hired as the new Benefit Supervisor for the front desk and document imaging. Mr. Miller has been responsible for MCERA's retirement payroll and coordinating retiree medical benefits. Robert Sanders has been hired as a Retirement Benefit Assistant and Kiana Hawkins is an extra hire Accounting Assistant.

c. Facility Use Report

The County of Marin used the Board room to meet with approximately 35 MCERA retirees to discuss potential changes to the post-retirement medical plans offered to retirees. Acting Board Chair Given noted there is further detail in a Medical Plan Update article in the *Keeping in Touch* retiree newsletter. MCERA will have related information on its website to further inform retirees.

d. Future Meetings

- February 28, 2018 Finance and Risk Management Committee
- March 14, 2018 Board

2. Ad Hoc Committee Reports

a. Ad Hoc Education Committee

1. Strategic Workshop Agenda (Action)

Consider and take possible action to approve agenda

Mr. Wickman presented the draft agenda for the Strategic Workshop in April for review and discussion by the Board. Topics were developed by Ad Hoc Education Committee members Chair Block, Trustee Gladstern, and Trustee Werby, and the Administrator. Day One begins with an update on Callan Associate's annual capital markets projections. Next is a discussion of the advantages and disadvantage of different types of investment vehicles. As a follow-on to expanding MCERA's proxy voting capabilities, a proxy voting service provider will discuss services available to MCERA. Three topics related to the domestic equity portfolio are proposed: 1) the relative allocation to small or large cap; 2) the benefits and cost associated with lending and non-lending vehicles; and 3) whether to conduct an active manager search for the domestic small cap portfolio.

On Day Two there is a review and discussion about MCERA's disability process with improvements proposed by staff and counsel. Next will be a review of open public meeting laws. Finally, Callan Associate will review statistics and probabilities related to the investment portfolio. Acting Board Chair Given requested that the

discussion tie into the quarterly investment report. Mr. Wickman added that Callan Associates is working on a smaller, more compact presentation of their quarterly report.

Acting Board Chair Given directed deliberations to **Agenda Item E.1.**

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

1. Christopher Sweeney                      Service-connected      City of San Rafael Police Dept.

Adopt Administrative Recommendation to grant service-connected disability retirement.

It was M/S Cooper/Thomas to adopt the Administrative Recommendation to grant service-connected disability retirement to Christopher Sweeney.

AYES:              Block, Cooper, Given, Klein, Murphy, Piombo, Silberstein, Thomas, Werby

NOES:              None

ABSTAIN:          None

ABSENT:          Gladstern

Acting Board Chair Given asked if members of the public had any comments regarding Agenda Items D.1 or D.2 and received no public comment.

Acting Board Chair Given recessed Open Session and reconvened the meeting in Closed Session at 10:10 a.m. for consideration of **Agenda Item F.1**, to be followed by **Agenda Items D.1** and **D.2**.

Trustees Cooper and Piombo recused themselves from Agenda Item D.1 for the reasons stated below. Trustee Piombo was excused from the meeting at 11:45 a.m. Trustee Cooper rejoined Closed Session for consideration of Agenda Item D.2 at 12:30 p.m.

Trustee Thomas recused himself from Agenda Item D.2 for the reasons stated below and was excused from the meeting at 12:32 p.m.

Acting Board Chair Given recessed Closed Session at 12:43 p.m. for a lunch break, reconvening in Open Session at 1:04 p.m.

Trustee Jones was excused from the meeting at 1:04 p.m.

**F. 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. Douglas Fernandez                      Service-connected      Novato Fire Protection District

Initial consideration of an application for service-connected disability retirement



Acting Board Chair Given reported that the Board granted by a vote of 9-0 Douglas Fernandez' application for service-connected disability retirement. Trustee Piombo voted in place of Trustee Cooper, who did not vote because the applicant is in the same service as Trustee Cooper. Trustee Gladstern was absent and Trustee Jones voted in her place. Motion was by Trustee Piombo and seconded by Trustee Silberstein. Voting for the motion were Trustees Block, Given, Jones, Klein, Murphy, Piombo, Silberstein, Thomas, and Werby.

#### **D. LEGAL MATTERS**

1. Conference with Legal Counsel – Anticipated Litigation (Gov. Code sec. 54956.9(d)(2))  
**(CLOSED SESSION)**

Significant exposure to litigation regarding *David C. Brown v. City of San Rafael*, et al. (Marin County Superior Court Case No. CIV 1702258) and *David C Brown v. City of San Rafael*, et al. (Marin County Superior Court Case No. 1800310)

Trustees Cooper and Piombo recused themselves from Agenda Item D.1 and left Closed Session because both of them are employees of defendant City of San Rafael and in departments directly impacted by the litigation, and Trustee Piombo was granted benefits that are the subject of the litigation. Acting Board Chair Given reported there was no reportable action on this agenda item.

2. Conference with Legal Counsel – Pending Litigation (Gov. Code sec. 54956.9(d)(1))  
**(CLOSED SESSION)**

MAPE et al. v. MCERA, et al., Cal. Supreme Court Case No. S237460

Trustee Thomas recused himself from Agenda Item D.2 and left Closed Session as he is a steward of one of the petitioners in the case (MAPE). Acting Board Chair Given reported there was no reportable action on this agenda item.

#### **G. NEW BUSINESS**

1. Extension of Agreement for Custodial Services (Action)

Consider and take possible action to extend agreement with State Street Bank for custodial services

Mr. Wickman reported that the agreement with State Street for custodial service expired in January and has been extended for one month. State Street representatives were amenable to leaving contract provisions including costs the same, and creating a new term for that agreement. The Administrator plans to allow time for Accounting Unit Manager La Valda Marshall to get familiar with the custodial services so she can make an assessment whether MCERA should seek to issue a Request for Proposal (RFP) for custodial services.

It was M/S Cooper/Werby to extend the agreement with State Street Bank for custodial services.

In response to Trustee Silberstein's inquiry, Mr. Wickman said the cost of custodial services for one year is \$400,000 and there is a limited additional fee for separate accounts. The fee came down a few years ago as the investment portfolio became less complex.

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

Acting Board Chair Given directed deliberations to **Agenda Item C.3**, Trustee Comments.

**BOARD OF RETIREMENT MATTERS** continued

3. Trustee Comments

a. Educational Training: Reports by Trustees and Staff

Trustees Block, Klein and Werby attended the Callan National Conference. Trustee Block reported according to the Cybersecurity presentation the average loss for cyber hacking of organizations is \$130,000 and the Equifax breach increased the cyber risk profile for everyone by an order of magnitude. Major financial institutions have responded by adopting Sheltered Harbor provisions for off-siting customer client data and air-gapping the data on a regular basis. Trustee Block recommended making sure MCERA counterparties, advisors and, in particular, the custodian, follow these practices. He added that training on email attacks known as “spear phishing” should be made available.

Based on the Global Financial Crisis presentation, Trustee Klein recommended taking another look at diversification and rebalancing policies, and considering a larger cash allocation.

Mr. Wickman said Board Counsel Ashley Dunning’s report to him on the CalAPRS Attorneys’ Roundtable she attended on behalf of MCERA is available to the trustees on request.

b. Other Comments

No trustee comments.

**NEW BUSINESS** continued

2. Form 700 Refresher – Ashley Dunning, Nossaman

Presentation on Updated Fair Political Practices Commission (FPPC) Form 700 and related Rules

The Acting Board Chair deferred the presentation on the Form 700 until the March Board meeting.

3. Notification of SACRS Board of Directors Election 2018-2019

Consider and discuss election process and deadlines



The Administrator presented a SACRS memo outlining deadlines and processes for the election of its officers during the May conference in Anaheim. Trustees interested in serving on the SACRS Board should talk with the Administrator.

Acting Board Chair Given directed deliberations to **Agenda Item G.5.**

5. Future Meetings

Consider and discuss agenda items for future meetings

No discussion.

**H. OTHER INFORMATION**

1. Training Calendar (Action)

Staff confirmed that MCERA is required to be a member of the National Conference on Public Employee Retirement Systems (NCPERS) if trustees want to attend the group's Annual Conference. The Administrator recommended rejoining NCPERS at a cost of \$500 per year.

It was M/S Murphy/Silberstein to renew MCERA's membership in NCPERS.

AYES: Block, Cooper, Given, Klein, Murphy, Silberstein, Thomas, Werby

NOES: None

ABSTAIN: None

ABSENT: Gladstern, Jones, Piombo

2. Keeping in Touch

February Issue, Association of Retired Employees newsletter

Acting Board Chair Given noted the retiree newsletter reports on Mr. Wickman's presentation during the MCARE luncheon in January.

**I. CONSENT CALENDAR (Action)**

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

AYES: Block, Cooper, Given, Klein, Murphy, Silberstein, Thomas, Werby

NOES: None

ABSTAIN: None

ABSENT: Gladstern, Jones, Piombo

---

**CONSENT CALENDAR****MCERA BOARD MEETING, WEDNESDAY, FEBRUARY 14, 2018****JANUARY 2018**

RETURN OF CONTRIBUTIONS		
Vanessa Franks	Return of Contributions (termination)	\$ 12,768.08
Luis-Alberto Garcia	Return of Contributions (termination)	\$2,643.18
Darrell Harris	Return of Contributions (termination)	\$105,258.58
Alan Harry	Return of Contributions (termination)	\$28,905.13
Efrain Michel	Return of Contributions (termination)	\$13,355.17
John Mount	Return of Contributions (termination)	\$49,002.72
Wirote Praiphetsak	Return of Contributions (termination)	\$39,735.37
Daniel Prieto Jr.	Return of Contributions (DRO)	\$54,853.26
Carol Tenney	Return of Contributions (termination)	\$920.03

BUYBACKS	
Kathleen Boyle	\$3,500.00
Esther Beirne	\$1,570.94

NEW RETIREES	
Carrie Stockton	County of Marin - Information Services & Technology
Kenneth Schwer	County of Marin - Health & Human Services
Ross Morrison	City of San Rafael
David Davenport	City of San Rafael
Cynthia Brown	County of Marin - Human Resources
Madeline Forray	County of Marin - Assessor-Recorder-County Clerk
Judy West	County of Marin - Public Works
Judy Rivers	County of Marin - Human Resources
Patrick Echols	County of Marin - Public Works
Joanne Bender	County of Marin - Health & Human Services
James Cole	County of Marin - Public Works
Teresa Somers	County of Marin - Health & Human Services
Barbara Barry	County of Marin - Human Resources
Steven Aslesen	County of Marin - Community Development Agency
John Walker	Marin/Sonoma Mosquito & Vector Control
Sylvia Gallego	County of Marin - Library
Concepcion Lozano	Courts
Ann Pring	County of Marin - Health & Human Services
Dianne Mitchell	City of San Rafael

DECEASED RETIREES	
Stephen Anderson	County of Marin - Information Services & Technology
Pamela Waltenspiel	County of Marin - Public Defender
Polly Convis	County of Marin - Probation
Lilia Freed	County of Marin - Beneficiary
Velma Bratina	County of Marin - Beneficiary
Steven Kane	County of Marin - Sheriff
Mildred Knott	County of Marin - Library
David Sliney	City of San Rafael
Mildred Mogulof	County of Marin - Health & Human Services



CONFERENCES/SEMINARS
----------------------

Callan National Conference

Trustees Block, Klein, and Werby

---

Acting Board Chair Given recessed Open Session and reconvened the meeting in Closed Session for deliberations on **Agenda Item G.4** at 1:29 p.m.

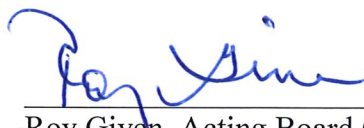
4. Public Employee Performance Evaluation (CLOSED SESSION)

Title: Retirement Administrator

In accordance with MCERA's Retirement Administrator Annual Performance Evaluation Policy Section 3(b), conduct mid-year informal performance review

Acting Board Chair Given reported there was no reportable action on this agenda item.

There being no further business, Acting Board Chair Given adjourned the meeting at 2:15 p.m.



---

Roy Given, Acting Board Chair



---

Laurie Murphy, Secretary