

MINUTES
REGULAR BOARD MEETING
MARIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION (MCERA)
One McInnis Parkway, 1st Floor
Retirement Board Chambers
San Rafael, CA
May 9, 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

Chair Gladstern called the meeting to order at 9:00 a.m.

ROLL CALL

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

ABSENT: None

MINUTES

It was M/S Thomas/Given to approve the April 11, 2018 Board Meeting Minutes as submitted.

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

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 members of the public provided comment.

B. BOARD OF RETIREMENT MATTERS

1. Administrator's Report

a. Administrator's Update

Mr. Wickman reported the Request for Proposal (RFP) for medical advisor services is completed. He reported that the RFP should be published next week.

Next week several trustees will attend the SACRS conference. The Administrator explained the registration fee paid by MCERA covers the cost of classes and all food and beverages. Sponsored events during the conference are considered a gift under FPPC rules and if reportable should be reflected on Trustees' Form 700.

Based on what the majority of the Board expressed during polling at the end of the first day of the April Strategic Workshop, the Administrator will be working with the Investment Committee Chair to develop the agenda for the Investment Committee meeting in June.

Mr. Wickman discussed the recent news article that quoted the analysis conducted by Transparent California on the 2017 retiree payroll data MCERA provided in response to a public records act request. Mr. Wickman explained that the average benefit for career employees was determined by Transparent California looking at the annual benefit paid to service and disability retirees who have 30 or more years of service. This group represents approximately 12% of all payees in 2017. He noted that the average benefit as of the most recent actuarial valuation was approximately \$42,900.

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

b. Business Objectives Quarterly Review

Mr. Wickman reviewed the quarterly update of Business Objectives for the Retirement Administrator. In **Benefit Administration**, the team has implemented sections for Active and Retired Members in the Online Reference Guide. This includes historical plan information, answers to frequently asked questions and information that is not already accessible in MCERA's outward facing website. CPAS version 5.8 is fully implemented. The process began with cross-testing all of March's data entry and business processes in both CPAS 5.5 and 5.8. All of April business processes were successfully accomplished in version 5.8, including Active Payroll, Retiree Payroll, new retirement set ups, and data entry. All incoming benefit-related work continues to be

assigned in the tracking log to all members of the benefit team. Responding to Chair Gladstern's inquiry, Ms. Hardesty explained the training process for new employees.

Performance Management. Mr. Wickman stated 99% of 152 retirements met the target date for retirement payroll inception. 76 of these retirements were completed in the last three months alone, with 42 for the month of April 2018. 72% of 292 estimates met the target period for completion. This number has increased from the last reporting period, going from 65% as of January 2018 to 72% 3 months later. Mr. Wickman noted that the number of estimates completed during the last 9 months was 30% greater than the total in the previous year. 49% of 99 service purchases met the target for completion. Staff is balancing the completion of all new purchases within 30 days with completing the remaining more difficult calculations. Trustee Klein asked about the need for manual inputs. In response, Ms. Hardesty said the only data that is manually entered are the member-selected date of retirement, benefit options and selected tax withholding. All service credit and salary data is transmitted to MCERA electronically and used by the benefit system to produce the calculations.

Human Resource Management. Hiring goals have been met and all positions are filled.

Business Management Including Investments. Mr. Wickman reported the plan is to try again to present the annual valuation to the Board before the end of the calendar year. The June 2017 valuation report was approved by the Board in February 2018. The Board directed staff to ask managers to compare their proxy voting policies with MCERA's and compare how proxy votes align with ISS recommendations. The feedback from the managers was presented at the April 25 Governance Committee meeting reported on below. As reported above, the Request for Proposal for medical advisor services is in process. The Employer Audit plan is in the testing phase with implementation planned for 2018. Online instructional material for employers is in development that is expected to be completed this fall.

Finance and Accounting. The Request for Proposal for a new financial system has not started. A draft Request for Proposal for an external financial auditor is under construction and will be issued after the audit of MCERA's 2017-18 financial statements is completed.

c. Staffing update

See above.

d. Facility Use Report

The Human Resources Department of Marin County held another meeting in the Board Room to update MCERA retirees on the responses they received for their Request for Proposal seeking medical providers that could potentially replace the Blue Cross Anthem Plan. Approximately 25 retirees attended the meeting. The Marin County

Association of Retired Employees (MCARE) held their monthly board meeting in the executive conference room.

e. Future Meetings

- May 30, 2018 Finance and Risk Management Committee
- June 13, 2018 Board

2. Standing Committee Report – Governance Committee

a. Proxy Voting

Proxy voting records of public equity managers for December 31, 2017

1. Proxy Voting Reports

Governance Committee Chair Cooper reported the Governance Committee (Committee) reviewed proxy voting reports for the second half of 2017 in accordance with Proxy Voting and Corporate Governance Policy (Policy) provisions. Staff presented an analysis of votes against management proposals and CEO pay for Morgan Stanley, Dimensional Fund Advisors (DFA), and Fidelity (FIAM).

2. Manager Responses on Proxy Voting Policy Alignment

The Committee reviewed six equity managers' responses to the Retirement Administrator's letter asking that they 1) compare their proxy voting policy to MCERA's and 2) compare votes cast during the first six months of 2017 with the recommendations of proxy voting services like ISS and Glass-Lewis. The Committee focused its attention on State Street Global Advisors (SSGA) and Dimensional (DFA), addressing votes on CEO pay, independent Chairmen, say on pay, and disclosure of political expenditures. Based on discussions, the Committee recommended that the Board direct staff to send a follow up letter to SSGA and DFA seeking clarification on how these managers voted on certain issues.

Committee Chair Cooper invited discussion on the proposed follow up letter. Mr. Wickman referred to his memo and explained the Committee decided to focus on domestic equity managers as opposed to the international equity managers. The Committee discussed areas in the managers' policies and/or actual votes where there appeared to be differences with MCERA's Proxy Voting and Corporate Governance Policy. For SSGA the discussion focused on gaining greater clarity into how CEO pay votes were cast in comparison with ISS recommendations (they voted no less often and indicate they plan to abstain in the future), and the lower percentage of votes for an independent Board Chairman as opposed to the position being held by the Chief Executive Officer. For DFA the discussion focused on the frequency by which the votes were cast for "say on pay" and against disclosing political expenditures, which is contrary to MCERA's policy recommending annual disclosure of all non-monetary and monetary contributions.

After discussing the issues from the manager responses, the Committee voted to ask staff to develop a follow-up letter to SSGA and DFA seeking input and clarification

on the items discussed by the Committee. The focus of the letter would not be to prescribe how certain votes should be cast but instead would focus on trying to get more detail to understand the manager's reasoning behind its vote.

Trustee Silberstein stated that DFA does not support disclosure of political donations and votes 18% of the time against CEO pay. By comparison, SSGA does vote to disclose political and lobbying expenditures but votes against CEO pay only 6% of the time, whereas ISS recommends a no vote on CEO pay 12% of the time. In response to Trustee Klein's comment, Mr. Wickman said the managers were asked to provide a summary of policy and vote comparisons. Certain managers provided a more thorough response and in the future staff will use those responses as a model for what the Governance Committee expects to receive from each manager. Trustee Given supported the approach of asking managers for more detail and context around voting.

Trustees Given and Piombo expressed concern about whether the time spent on assessing proxy voting will be worthwhile for the Fund. Chair Gladstern said the Committee is picking a few important issues on proxy voting in a slow and deliberate process. Committee Chair Cooper said there is value in engaging with managers. Trustee Block said two related issues are whether to delegate proxy voting to the manager or to use a proxy voting service. He also said merger and acquisition issues can have a direct economic impact on the value of our stock. In summary, Mr. Wickman said the question before the Board was whether it supported the Governance Committee direction to send a follow up communication to DFA and SSAG and request better summaries for the Governance Committee and full Board to review. Whether the manager or MCERA votes proxies and how proxies are voted was not part of the Governance Committee discussion being presented to the Board.

b. Existing Policies – Standard Review with Proposed Updates

1. Disability Retirement and Survivor Benefits Applications Policy (Action)

Review, discuss and take possible action on Governance Committee's recommendation to update policy

Updates to the Disability Retirement and Survivor Benefits Applications Policy provide for reconsideration by the Board of initial disability retirement applications prior to administrative hearings.

Based on the action of the Governance Committee, Governance Committee Chair Cooper recommended that the Board adopt updates to the Disability Retirement and Survivor Benefits Applications Policy as submitted.

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

Trustee Silberstein was excused from the meeting at 10:29 a.m.

2. Guidelines for Discussion of Disability Retirement and Survivor Benefit Applications (Action)

Review, discuss and take possible action on Governance Committee's recommendation to update guidelines

Updates to the Guidelines for Discussion of Disability Retirement and Survivor Benefit Applications align with updates to the related policy above.

Based on the action of the Governance Committee, Governance Committee Chair Cooper recommended that the Board adopt updates to the Guidelines for Discussion of Disability Retirement and Survivor Benefit Applications as amended with an administrative correction.

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

3. Conflict of Interest Code (Action)

Consider and take possible action on Governance Committee's recommendation to update Code

Two designated filer positions were added to the Conflict of Interest Code.

Based on the action of the Governance Committee, Governance Committee Chair Cooper recommended that the Board adopt updates to the Conflict of Interest Code as submitted.

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

Trustee Silberstein rejoined the meeting at 10:33 a.m.

c. Existing Policies – Standard Review without Proposed Updates

Based on the action of the Governance Committee, Governance Committee Chair Cooper recommended that the Board accept the review of the policies listed in B.2.c.1 – 9 below.

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

1. Accessibility of Records Policy (Action)
Conduct standard policy review
 2. Budget Policy and Adoption Process (Action)
Conduct standard policy review
 3. Class Action Securities Litigation Policy (Action)
Conduct standard policy review
 4. Investment Code of Conduct and Insider Trading Policy (Action)
Conduct standard policy review
 5. Placement Agent Payment Disclosure Policy (Action)
Conduct standard policy review
 6. Reciprocal Members' Final Compensation Determinations Policy (Action)
Conduct standard policy review
 7. Retirement Administrator Annual Performance Evaluation Policy (Action)
Conduct standard policy review
 8. Senior Management Contingency Plan Policy (Action)
Conduct standard policy review
 9. Portable Electronic Device Policy (Action)
Conduct standard policy review
3. Ad Hoc Committee Reports
- a. Ad Hoc One McInnis Committee
- On April 11 and 25, 2018, the Ad Hoc One McInnis Committee met to receive an update on leasing activities at One McInnis. Scott Pritchett of Woodmont told the Committee that he and the leasing team were working with two viable tenants for space in One McInnis. Once leases are finalized, they will be presented for the Board's consideration. Contingent on how much space tenants want, staff is doing some space planning on either moving within the building or out of the building. The Ad Hoc Committee will be meeting in May.
4. Trustee Comments
- a. Educational Training: Reports by Trustees and Staff
- Trustee Block reported on key points from the Advanced Principles of Pension Management for Trustees course at UCLA. The Policy-Based Boards session presented by Tom Iannucci from Cortex concerned board effectiveness. The main point is boards should have a strategy considering all stakeholders and create a short strategic plan that addresses key areas. Operations and implementation should be left to staff. The other two points were that boards spend too much time on manager selection and not enough

on asset allocation or operational risks such as system failures or cyber security. Trustee Block offered course materials to those interested.

Mr. Wickman reported Accounting Unit Manager La Valda Marshall attended Callan's Introduction to Investments course to expand her knowledge of investments

Three staff members attended the CALAPRS Overview Course in Retirement Plan Administration: new Retirement Benefits Assistants Robert Sanders and Boryana Georgieva-Manolova, and Anne Battaglia, Retirement Benefits Technician. Ms. Hardesty said the class is a valuable learning experience for new staff, giving an expansive view on the processes leading to the retirement benefit check.

b. Other Comments

None.

Chair Gladstern directed deliberations to **Agenda Item D, New Business.**

D. NEW BUSINESS

1. Actuarial Audit (Action)

Consider and take possible action on staff recommendation to retain actuarial services firm to conduct an audit of MCERA's actuarial valuation and experience study

Mr. Wickman said the last review of the actuarial work performed by MCERA's consulting actuary (Cheiron) was in 2012. As a best practice the Board should consider conducting a detailed review every five years. Based on MCERA's positive experience with the work conducted by Milliman in 2012, he recommends hiring Milliman again as they are well established, have public sector experience, and the team that performed the prior audit is still in place. The cost is expected to be slightly higher than five years ago and is partly driven by the complexity of MCERA's Tier structure. Based on current research the cost would be in the \$50,000 to 80,000 range. Milliman representatives have indicated they are both interested and available.

It was M/S Given/Cooper to retain Milliman to conduct an audit of MCERA's actuarial valuation and experience study.

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

2. Voting Instructions to MCERA Delegate re SACRS Business Meeting (Action)

a. SACRS Business Meeting Agenda

At the SACRS Business Meeting next week, MCERA delegate Maya Gladstern or alternate delegate Chris Cooper will be asked to vote on a legislative proposal, in addition to the vote to elect the Board of Directors. Mr. Wickman presented an analysis

of Senate Bill 1270 sponsored by the Tulare County Employees' Retirement Association (TCERA). The Bill would exclude Assistant Retirement Administrators and Chief Investment Officers from civil service, which aligns with current practice at MCERA and other CERL systems. The Administrator said this would give retirement boards full control of their executive positions and he thinks the proposal is worthy of SACRS support.

It was M/S Silberstein/Murphy to direct the voting delegate to vote for a motion adding SACRS sponsorship to the existing Senate Bill 1270 (SB 1270) proposed by Tulare County Employees' Retirement Association regarding the exclusion of Assistant Retirement Administrators and Chief Investment Officers from Civil Service.

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

3. Future Meetings

Consider and discuss agenda items for future meetings

No discussion.

E. OTHER INFORMATION

1. Training Calendar (Action)

The Training Calendar was presented with new events and attendees highlighted.

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

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

2. Keeping in Touch

May Issue, Association of Retired Employees newsletter

F. CONSENT CALENDAR (Action)

Mr. Wickman pointed out that, as shown on the Consent Calendar, the amount of work accomplished in April was extraordinary. He asked that before the Board adopted the Consent Calendar we take a moment to thank the team for that work. Ms. Hardesty expressed her appreciation to staff for rising to the challenge during a busy last couple of months. The Board gave staff a round of applause and Chair Gladstern expressed the Board's appreciation for their work.

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

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

CONSENT CALENDAR

MCERA BOARD MEETING, WEDNESDAY, MAY 9, 2018

APRIL 2018

RETURN OF CONTRIBUTIONS		
Liliana Moreno	Return of Contributions (termination)	\$ 1,464.39

BUYBACKS		
Alison Clayton		\$ 25,172.61
Yihew Sahlemariam		\$ 6,240.96
Maricruz Alejandra Sanchez Quispe		\$ 2,229.78
Lynn Fabian		\$ 13,831.04
Matthew Watson		\$ 24,677.27

NEW RETIREES	
Heather Ravani	County of Marin - Health & Human Services
Michael Eckart	County of Marin - Health & Human Services
Kathleen Anderson	County of Marin - Department of Public Works
Milagros Plagge	County of Marin - Health & Human Services
David Herlocker	County of Marin - Parks
Vivian Bens-Hower	Marin Superior Court
Eva Baker	County of Marin - Sheriff
Dulce McAllister	County of Marin - Health & Human Services
Bonnie Cressler	County of Marin - Probation
Maureen Lewis	County of Marin - Health & Human Services
Patricia McBride	County of Marin - District Attorney
Michael McBride	County of Marin - District Attorney
Nancy Amen	County of Marin - Information Services & Technology
Martha Grigsby	County of Marin - Probation
Ursula Hanks	County of Marin - Sheriff
Linda Jamieson	County of Marin - Information Services & Technology
Robin Blanchard	County of Marin - Sheriff
Suella Kennedy	County of Marin - Library
James Kieffer	City of San Rafael

Robert Ruiz	County of Marin - Parks
Mark Sorensen	City of San Rafael
Thomas Ahrens	City of San Rafael
Matthew Smith	City of San Rafael
Nestor Laboy	County of Marin - Assessor-Recorder-County Clerk
Michele Keno	County of Marin - District Attorney
Kelly Jo Simmons	Marin Superior Court
Gregory Miller	City of San Rafael
Amanda Smith	County of Marin - Health & Human Services
Laura Carroll	County of Marin
Dinah Miller	County of Marin - Information Services & Technology
Andrew Smith	County of Marin - Sheriff
Timothy Wood	City of San Rafael
Florence Shimano	County of Marin - Assessor-Recorder-County Clerk
Denise Martinez	County of Marin - Health & Human Services
Estrella Wilson	County of Marin - Department of Finance
Rebecca Larson	County of Marin - Health & Human Services
Alison Clayton	County of Marin - Health & Human Services
Chris Johnson	County of Marin - Assessor-Recorder-County Clerk
Jeannette Sotomayor	City of San Rafael
Michael Coate	County of Marin - Sheriff
Jennifer Fisher	County of Marin - Sheriff
Henry Tirre	City of San Rafael

DECEASED RETIREES

Mildred Isom	County of Marin - Probation
Diana Diller	County of Marin - Sheriff
Lorraine Cilley	County of Marin - Beneficiary
Suzanne Abramson	County of Marin - Health & Human Services
Carol Snyder	County of Marin - Beneficiary
Philip Taylor	County of Marin - Health & Human Services
George Buckle	County of Marin - Department of Public Works
Violet Fraire	County of Marin - Beneficiary
Maradel Rowlands	City of San Rafael
Barbara Jones	Marin Superior Court
Lonnie Hayhurst	County of Marin - Human Resources
Kathryn Forde	County of Marin - Health & Human Services

CONFERENCES/SEMINARS

Callan Introduction to Investments - Staff Marshall
 CalAPRS Accountants' Round Table - Staff Marshall and Jackson

Chair Gladstern recessed Open Session for a break, reconvening in Closed Session for deliberations to **Legal Matters, Agenda Item C.1**, at 10:56 a.m.


C. 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 this item and were excused from the meeting because they are employees of defendant City of San Rafael and in a department directly impacted by the litigation and were granted benefits that are the subject of the litigation. Chair Gladstern reported there was no reportable action on this agenda item.

There being no further business, Chair Gladstern adjourned the meeting at 11:32 a.m.



Maya Gladstern, Board Chair



Laurie Murphy, Secretary