

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

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

Retirement Administrator Jeff Wickman reported entering into a contract with Milliman that is not to exceed \$77,000 to conduct an audit of MCERA's most recent actuarial valuation and experience study.

Mr. Wickman reported the Medical Advisor Request for Proposal (RFP) would be issued Friday June 15th. The additional time was used to build a larger list of companies who will receive the RFP.

The elected retired and alternate retired member terms expire October 31, 2018 and nominations for these positions are due June 20. If an election is held, ballots will be mailed at the end of June and the election date would be July 27.

The term for the 9th member position expires October 31, 2018. The Board of Supervisors will appoint that position around the end of October.

The Administrator reported that most MCERA staff are represented by the Marin Association of Public Employees (MAPE), which is at the bargaining table with the County of Marin negotiating a contract. Since there has been some talk about the potential for a strike, he and Assistant Administrator Hardesty will be reviewing a contingency plan created for this potential scenario. In response to trustee inquiries, Mr. Wickman explained operations would continue under the guidance of the supervisors, management and non-represented staff.

Trustee Jones joined the meeting at 9:14 a.m.

b. Staffing update

No staffing matters to report.

c. Facility Use Report

The retiree organization MCARE met in the executive conference room.

d. Future Meetings

- June 20, 2018 Investment Committee
- July 11, 2018 Board

2. Standing Committee Report – Finance and Risk Management Committee

a. Administrative Budget for Fiscal Year 2018/2019 (Action)

Consider and take possible action on Finance and Risk Management Committees' recommendation to adopt administrative budget for the next fiscal year

Mr. Wickman presented the proposed administrative budget for Fiscal Year 2018-19 in accordance with MCERA's Budget Policy and Adoption Process. The Administrator explained that the proposed budget does not include MCERA's legal, investment management, actuarial or information technology expenses. The proposed budget is \$4.13 million, almost \$1.5 million under the legislated cap of 21 basis points of MCERA's accrued liability. The budget proposal represents an increase of 6% from the prior year as a result of position changes outlined in the Budget Memo. In the largest category of Salaries and benefits, the benefit multiplier was reduced from 61% to 60%. Anticipating that bargaining will include a cost of living (COLA) increase for employees, the budget includes a 2.7% COLA for the next fiscal year.

Based on the action of the Finance and Risk Management Committee (Committee), Finance and Risk Management Committee Chair Murphy recommended that the Board adopt the Administrative Budget for Fiscal Year 2018-19 as submitted.

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

b. Administrative Budget Fiscal Year 2017/2018 Quarterly Review

Consider and review budget for quarter ending March 31, 2018

Mr. Wickman reported as of the third quarter of the fiscal year ending March 31, 2018, administrative expenditures are running well under the budgeted amount at 61% due mostly to savings in positions that had been vacant.

c. Non-budgeted Expenses

Consider and review non-budgeted expenses for the quarter

Non-budgeted expenses include retiree payroll and professional services related to computers, legal, actuarial and investment expenditures. In the next quarter retiree payroll will increase due to the application of the COLA on April 1 and new March retirees. Legal expenses at \$359,000 are about the same as this time last year.

d. Quarterly Checklist

Consider, review and updates on the following:

The Committee found quarterly checklist items to be in order and there was no report on the following items.

1. MCERA educational and event-related expenses
2. Continuing Trustee Education Log
3. Other expenses per Checklist Guidelines
4. Variances in the MCERA administrative budget in excess of 10%
5. Vendor services provided to MCERA
6. MCERA staffing status
7. Internal controls, compliance activities and capital calls
8. Audits, examinations, investigations or inquiries from governmental agencies
9. Other items from the Administrator related to risk and finance

e. Cyber Risk Management

Consider and discuss methods and means of managing cyber risk

Committee Chair Murphy noted based on discussions staff will incorporate consulting with the cyber insurance provider into the Information Technology Risk Assessment Report.

f. Annual Audit of Financial Statements Update

Update on audit process

No discussion.

3. Ad Hoc Committee Reports

a. Ad Hoc One McInnis Committee

The Ad Hoc One McInnis Committee met with the Administrator and Scott Pritchett of Woodmont. One potential tenant was dropped out of leasing consideration due to a zoning issue. The remaining interested party is communicating drafts of a letter of intent with hopes that a lease agreement can be reached. Depending on the results of the discussions with the interest party, the Administrator may propose moving MCERA offices into a more efficient space within the building.

Responding to Trustee Block's inquiry, Mr. Wickman said there would still be room to grow in terms of staff. Trustee Werby asked if it would be preferable to have the zoning changed and Mr. Wickman said he would discuss this question with Woodmont.

4. Trustee Comments

a. Educational Training: Reports by Trustees and Staff

Trustee Cooper attended the National Conference on Public Employee Retirement Systems (NCPERS) annual conference. He reported there were attendees from across the United States. The broad scope of topics included a panel discussion on investment challenges for the future. He found the conference rewarding. Trustee Cooper also attended the May SACRS conference, highlighting a session by a law firm addressing governance issues. As a member of the SACRS Board, Trustee Cooper plans to attend a conference development and planning meeting in San Diego next week.

Trustee Silberstein also attended the NCPERS annual conference and observed there were several sessions on securities litigation having to do with poor corporate practices. In his presentation on Understanding the Connection Between Pension Shareholder Activism and Pension Reform, Professor David Webber of the Boston University School of Law discussed the concept that one reason for pressure to move pension funds to 401K plans is to prevent workers from expressing opinions on good corporate practices. Another session addressed increasing investments by indices in Chinese A shares that are traded in China. China is the world's second largest economy and their middle class is growing.

At the SACRS conference Trustee Murphy appreciated the Legislation to Operation session and David Rubenstein's interesting interviews in his Peer-to-Peer Conversations session. She reported the Disruptive Innovation: The Greatest Opportunity & Risk in Our Lifetime discussion was positive on the future. Trustee Werby added two major takeaways were that the rapid lowering of battery costs is expected to lead to profound changes on the economy and experts are predicting peak oil demand in the next three years. In health care innovations, DNA sequencing is expected to become standard, driving health care costs down with implications for winners and losers in the market. Chair Gladstern noted the SACRS conference allowed for time well spent with fellow trustees.

Presenters at the ESG Investing 2018 conference attended by Trustee Silberstein included Controller Betty Yee of the State of California. She indicated that California pension endowments are shifting the focus of portfolios toward environmental-social-governance (ESG) initiatives. Other sessions explained how ESG investing works, the takeaway being many will move in that direction

Trustee Klein reported the week-long Wharton Investment Strategies and Portfolio Management course was analytical, comprehensive, and practical for pension fund trustees. Discussions ranged from alternative investments like hedge funds and private equity to the outlook on the global economy. Echoing Trustee Block's recent training, it was stressed that the most important thing Boards can do is spend more time on asset allocation rather than manager selection.

Assistant Retirement Administrator Michelle Hardesty reported Retirement Benefits Supervisor Todd Miller and Retirement Benefits Technician Anne Battaglia attended the CalAPRS Benefits Roundtable. Discussions included how benefit management systems need to be customized for each '37 Act system.

At the CalAPRS Communications Roundtable Syd Fowler gave a presentation on MCERA's internal reference guide and procedures. There was discussion on cyber security and interest in MCERA's information technology risk assessment report.

Mr. Wickman reported attending Callan's regional workshop on Governance Alpha, which is defined as value added or lost from the decision-making process and how the Investment Committee operates. In Callan's five-year study on hire/fire decisions, results showed the fired managers outperformed those who were hired. The point was the importance of using a good decision-making process. Trustee Werby noted the Callan study supports the importance of focusing on asset allocation.

b. Other Comments

Chair Gladstern attended the Finance and Risk Management Committee meeting. Following up on the discussion about looking into establishing an audit committee, the Retirement Administrator found that twelve '37 Act systems use an audit committee. She is directing staff to form a standing Audit Committee. In the meantime, she is appointing Trustees Block, Given and herself to an Ad Hoc Audit Committee that will meet with the auditor to review the financial statements before and after the final audit is completed. Mr. Wickman said Andy Paulden of Brown Armstrong was very comfortable working with an audit committee and we will get started on it right away.

Chair Gladstern directed deliberations to **Agenda Item G, Other Information.**

G. OTHER INFORMATION

1. Training Calendar (Action)

It was M/S Silberstein/Murphy to approve the Training Calendar as submitted.

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

2. Keeping in Touch

June Issue, Association of Retired Employees newsletter

H. CONSENT CALENDAR (Action)

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

Chair Gladstern noticed a substantial withdrawal and Ms. Hardesty explained the member was well counseled by MCERA staff when the request was made.

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

CONSENT CALENDAR

MCERA BOARD MEETING, WEDNESDAY, JUNE 13, 2018

MAY 2018

RETURN OF CONTRIBUTIONS		
Monique Brown	Refund of Contributions (termination)	\$ 25,828.21
Rochelle Grechman-Dibley	Partial Refund of Contributions (30 years)	\$ 1,617.59
Cerella Hampton	Refund of Contributions (termination)	\$ 2,786.79
Suporn Lin	Partial Refund of Contributions (30 years)	\$ 1,068.04
Nayeem Lokhandwala	Refund of Contributions (termination)	\$ 97,622.02
Jennifer Girard Prevost	Refund of Contributions (DRO)	\$ 26,290.27

BUYBACKS	
Brian Patenaude	\$ 4,717.07
Barbara Reher	\$ 8,840.46
Robert Rocha	\$ 9,113.01
Ann T. Vo Rose	\$ 14,647.44
Maria Sefton	\$ 27,453.79
Bradley Starks	\$ 17,787.20
Jeanie Varguez-Gil	\$ 1,194.29

NEW RETIREES	
Theresa Fullmer	City of San Rafael
John McDonald	City of San Rafael
Kimberly Miller	City of San Rafael
William Shubin	City of San Rafael, Southern Marin Fire
DECEASED RETIREES	
Mario Balestrieri	County of Marin - Department of Public Works
Margaret Ferraiuolo	Central Marin Sanitation - Beneficiary
John Graves	County of Marin - Probation
Paula Stephenson	City of San Rafael - Beneficiary
Matthew Odetto	City of San Rafael - Police
CONFERENCES/SEMINARS	
NCPERS Annual Conference	Trustees Cooper and Silberstein
SACRS Conference	Trustees Cooper, Gladstern, Murphy, Werby Staff Hardesty, Counsel Dunning
ESG Investing	Trustee Silberstein
Wharton Investment Strategies and Portfolio Management	Trustee Klein
CalAPRS Overview of Retirement Plan Administration	Staff Battaglia, Manolova, Sanders

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

F. NEW BUSINESS

1. Future Meetings

Consider and discuss agenda items for future meetings

Chair Gladstern said a discussion of domestic relations orders would be of interest to the Board.

Chair Gladstern directed deliberations to **Agenda Item C, Disability Consent Agenda.**

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

1. Carol McClendon Service-connected Marin County Superior Court

Adopt Administrative Recommendation to adopt Administrative Law Judge's proposed findings of fact and recommended decision to deny service-connected disability retirement

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 deny Carol McClendon's application for service-connected disability retirement.

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

Chair Gladstern recessed Open Session at 10:03 a.m. for a break, reconvening in Closed Session at 10:15 a.m.

Chair Gladstern recessed Closed Session and reconvened in Open Session at 12:30 p.m.

D. 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. Daniel Marrett Service-connected Marin County Sheriff
Initial consideration of an application for service-connected disability retirement
2. Adam Brolan Service-connected Novato Fire Protection District
Initial consideration of an application for service-connected disability retirement

Chair Gladstern reported that the Board denied Daniel Marrett's application for service-connected disability retirement and provided the applicant with the opportunity to request an administrative hearing in accordance with MCERA policy by a vote of 9-0. Motion was by Trustee Block and seconded by Trustee Given. Trustee Thomas was absent. Trustee Jones voted in place of Trustee Thomas. Voting for the motion were Trustees Block, Cooper, Given, Gladstern, Jones, Klein, Murphy, Silberstein, and Werby.

Chair Gladstern reported that the Boar denied Adam Brolan's application for service-connected disability retirement and provided the applicant with the opportunity to request an administrative hearing in accordance with MCERA policy by a vote of 9-0. Motion was by Trustee Jones and

seconded by Trustee Murphy. Trustee Thomas was absent. Trustee Jones voted in place of Trustee Thomas. Voting for the motion were Trustees Block, Cooper, Given, Gladstern, Jones, Klein, Murphy, Silberstein, and Werby.

Chair Gladstern directed deliberations to **Agenda Item E.2** to be followed by **Agenda Item E.1**.

E. LEGAL MATTERS

2. Conference with Legal Counsel – Existing Litigation (Gov. Code sec. 54956.9(d)(1))
(CLOSED SESSION)
EEOC Charge 550-2018-00578

The Board voted to provide defense and indemnification to all MCERA employees called in response to this EEOC Charge and any related matters, without a reservation of rights. Motion was by Trustee Werby and seconded by Trustee Murphy. Trustee Thomas was absent. Trustee Jones voted in place of Trustee Thomas. Voting for the motion were Trustees Block, Cooper, Given, Gladstern, Jones, Klein, Murphy, Silberstein, and Werby.

Trustee Cooper recused himself from Agenda Item E.1 for the reasons stated below and was excused from the meeting at 12:17 p.m.

1. Conference with Legal Counsel – Existing Litigation (Gov. Code sec. 54956.9(d)(1))
(CLOSED SESSION)
David C. Brown v. City of San Rafael, et al. (Marin County Superior Court Case No. CIV 1702258 (consolidated with CIV 1800310))

Trustee Cooper recused himself from this item and left Closed Session because he is an employee of defendant City of San Rafael and in a department directly impacted by the litigation and was granted benefits that are the subject of the litigation. Trustee Piombo was absent. Chair Gladstern reported there was no reportable action on this agenda item.

There being no further business, Chair Gladstern adjourned the meeting at 12:23 p.m.


Maya Gladstern, Board Chair


Laurie Murphy, Secretary