

MINUTES
REGULAR BOARD MEETING
MARIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION (MCERA)
One McInnis Parkway, 1st Floor
Retirement Board Chambers
San Rafael, CA
September 12, 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 9:05 a.m.

ROLL CALL

PRESENT: Block, Cooper, Given, Gladstern, Jones (alternate retired), Klein, Murphy, Silberstein, Thomas, Werby

ABSENT: Piombo (alternate safety), Shaw (ex officio alternate)

MINUTES

It was M/S Silberstein/Murphy to approve the August 8, 2018 Board Meeting Minutes as submitted.

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

NOES: None

ABSTAIN: None

ABSENT: Given

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 that Marin County (the County) recently completed a Request for Proposal for medical plans for both active employees and retirees of the County. Mr. Wickman explained that MCERA administers the retiree medical plans on behalf of the County and will be communicating the changes to County retirees only. Mr. Wickman said the major change is the County replacing the Anthem Blue Cross due to cost. Staff are gearing up to share information and work on questions and answers to make sure retirees get set up correctly for the new plan. Assistant Retirement Administrator Michelle Hardesty added that the change in medical plans may impact County employees seeking to retire before the end of the calendar year. In response to Trustee Cooper's inquiry, Mr. Wickman stated the changes are specific to Marin County retirees only and that the new providers were United Health Care and Western Health Advantage.

Chair Gladstern said the County was meeting with retirees in the Anthem plan Thursday morning. She discussed the need for some retirees to change their medical plan when they reach 65 years of age. Trustee Werby indicated that having outreach so members know who to call for emergencies would be helpful. In response to Trustee Block's inquiry, Mr. Wickman said that MCERA would provide additional information to retirees once the County provides final decisions to MCERA. MCERA will let Kaiser members know they do not have to do anything, and that open enrollment will only apply to members who have the Anthem plan. The County Employees Retirement Law (CERL) requires MCERA to cooperate and communicate with the Marin County Association of Retired Employees (MCARE) regarding retiree benefit programs available through MCARE. On MCARE's behalf MCERA mails information out to retirees every fall with supplemental benefit information available through the Pacific Group. Mr. Wickman asked MCARE to consider not conducting the mailing this year because of the County medical plan changes. MCARE considered this request but wanted the mailing to go ahead. MCERA will coordinate communications with MCARE in order to avoid any confusion with the materials being mailed to retirees regarding the medical plan changes.

Chair Gladstern asked if staff had heard of changes to the vision plan offered through the State Association of County Retirement Systems (SACRS). Mr. Wickman said he was not aware of changes to the vision plan.

Mr. Wickman reported MCERA reached agreement with Dimensional Fund Advisors (DFA) on terms of the investment management agreement for the DFA small cap core portfolio. Progress has also been made on the investment management agreement with State Street Global Advisors for the S&P 500 separate account.

The 9th Member appointed position expires at the end of October and yesterday the Board of Supervisors (BOS) noticed the potential for vacancy in that position. The BOS will consider applications on October 30, 2018 for the term beginning November 1, 2018.

Mr. Wickman will be attending the CalAPRS Administrators' Institute from September 26-28.

The Administrator said there were problems this year with City of San Rafael employees not receiving information about the member contribution rate changes that went into effect on July 1, 2018. MCERA sent the final adopted June 30, 2017 Annual Actuarial Report to all in employers in February 2018. Letters with the new member and employer contribution rates were sent to employers in April 2018. Mr. Wickman reported that unfortunately MCERA did not send out a Spring Newsletters to all active members notifying them of the change and did not follow-up with the City to make sure the changes had been communicated to City of San Rafael members prior to the new rates going into effect. The City employees were understandably unhappy when they noticed the member rate changes in their July 2018 paychecks. The normal cost portion of the contribution, which is shared roughly equally between members and employers, increased as a result of the Board of Retirement decision to lower the discount rate/investment assumption to 7.0% from 7.25%. Chair Gladstern suggested adding the newsletter to the Finance and Risk Management Committee's quarterly checklist. Mr. Wickman indicated going forward there would be at least two newsletters published each year in the spring and the fall. Trustee Cooper thanked Mr. Wickman for bringing this matter up and indicated the City can do a better job communicating with its employees.

b. Staffing update

Benefit Supervisor Todd Miller is reviewing applications for the vacant Retirement Benefits Assistant position. There were sixty application reviewed to determine the final list of candidates for interviews. When this position is filled, MCERA will be fully staffed, Mr. Wickman said.

c. Facility Use Report

MCARE held a meeting in the executive conference room.

d. Future Meetings

- September 26, 2018 Investment Committee
- October 10, 2018 Board

2. Standing Committee Reports

a. Finance and Risk Management Committee

1. Administrative Budget Fiscal Year 2017/18 Review

Finance and Risk Management Committee Chair Laurie Murphy reported the Finance and Risk Management Committee reviewed the administrative budget for the fiscal year ending June 30, 2018. Administrative expenditures are at 93% of the budgeted amount for the fiscal year. Salaries and Benefits were under budget for the fiscal year due to vacancies during the year. Disability-related expenditures are trending higher but are within the budgeted amount. Utility costs for One McInnis have risen because currently MCERA is the only tenant. Interdepartmental charges were slightly higher than in prior years.

2. Non-Budgeted Expenses

The largest category of non-budgeted expenses is retiree payroll that increases annually in April when the majority of members retire and the Cost of Living Adjustment (COLA) is applied. Legal expenses were as expected, even with unanticipated additional expenses that came up during the year.

3. Quarterly Checklist

a. MCERA educational and event-related expenses

Trustee and Event-related expenses reflect continuing education for trustees and staff.

b. Continuing Trustee Education Log

Trustees are current on required education hours as shown in the summary report.

c. Other expenses per Checklist Guidelines

No discussion.

d. Variances in the MCERA administrative budget in excess of 10%

See discussion above.

e. Vendor services provided to MCERA

No discussion.

f. MCERA staffing status

MCERA is reviewing applications for the vacant Benefits Assistant position.

g. Internal controls, compliance activities and capital calls

The capital call report now shows total commitments to private equity fund vehicles. MCERA has received its investment back from the AEW value-added real estate portfolio.

h. Audits, examinations, investigations or inquiries from governmental agencies

No items to report.

i. Other items from the Administrator related to risk and finance

As part of leasing activities, capital improvements are planned for One McInnis; these include improvements to the lobby and the elevator core that will help with leasing, the Administrator said.

j. Form 700 Summary

The annual Form 700 summary reflects only two investments that may potentially create the need for a recusal determination.

4. Custodial Risk Management

Consider and discuss methods and means of managing custodial risk

Custodial risk is applicable to assets MCERA holds at State Street Bank in a depository account for normal cash transactions such as retiree payroll and custody accounts for three separately managed investment portfolios. The Administrator followed up on Trustee Block's request for education focusing on how shares are traded and settled including how ownership is reflected during the settlement process. An educational session on this topic will be held at an upcoming Investment Committee meeting.

5. Electronic Device Upgrade

Consider and discuss research regarding replacement of iPads

Electronic device survey results were generally positive. A few frustrations include the short timeout, lack of tools such as Word and Excel, and the inability to access the internet. Three options for upgrading the iPad include upgrading to Office 365 and: 1) using the current iPad with a few upgrades; 2) leasing a Surface through the county IST department; or 3) purchasing the new iPad Pro from Apple. Leasing the Surface through IST would alleviate the workload on staff. Comparisons of the Surface and iPad Pro features and costs were presented. Discussion of preferences for device features included a larger screen, better keyboard, fingerprint technology, and access to Word and Excel. Considerations discussed included risks associated with using WiFi and the internet.

Mr. Wickman added there was good feedback from the Committee which he discussed with Clerk to the Board Dale Barre and Department Analyst Syd Fowler.

Some Committee members said they were happy with the current iPad but that an upgrade of the device would be good. Staff discussed challenges in supporting all three devices and see some difficulties. The Administrator therefore suggested that the Board consider at its next meeting retaining the iPad as the electronic device and upgrading to Office 365, which will allow for managing timeouts and opening up the internet. The other option is to purchase new devices with Office 365. The Administrator advised eliminating the Surface option, so staff does not have to support two different devices.

Committee Chair Murphy noted discussions included preferences for a larger screen, native keyboard, and fingerprint technology. She also suggested looking into the security features of an AVG card as an alternative to using public WiFi. Chair Gladstern prefers to use a cellular data plan.

6. Annual Audit of Financial Statements Update

Update on audit process

Staff are closing the books and drafting the financial statements for the auditors' review. This includes the work on the Notes to Financial Statements. The goal is to meet and preview the statements with the Ad Hoc Audit Committee in October and present the final audited financial statements at the December Board meeting.

3. Ad Hoc Committee Reports

a. Ad Hoc Education Committee

1. Strategic Workshop Agenda (Action)

Consider and take possible action to approve agenda

Ad Hoc Education Committee Chair Steve Block reported the Ad Hoc Education Committee met and developed the proposed agenda for the Strategic Workshop in October. He thanked Trustees Gladstern, Werby and Silberstein for their ideas on agenda topics and invited questions on the agenda. Chair Gladstern and Committee Chair Block expressed an interest for getting together for dinner on day one of the Strategic Workshop at a central location.

It was M/S Block/Silberstein to approve the Agenda for the Strategic Workshop.

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

NOES: None

ABSTAIN: None

ABSENT: Given

4. Trustee Comments

a. Educational Training: Reports by Trustees and Staff

Trustee Silberstein reported on the Committee on Workers' Capital Conference in San Francisco he attended. Attendees were from CalPERS, CalSTRS, and across the globe

and many were from union pension funds. Members of the Committee on Workers' Capital consider pension funds to be workers' capital that should benefit the workers. Some related experiences with companies in pension fund portfolios. For example, the buyout of Toys R Us resulted in bankruptcy while the buyout firm received a financial benefit. Mr. Silberstein said there is a need to understand the role of private equity in the portfolio and whether fees are reducing value. Both CalPERS and CalSTRS are considering alternative ways of investing in private equity, he said.

b. Other Comments

Trustee Block expressed interest in topics to be discussed during the CalAPRS Trustees' Round Table on October 26 and encouraged one or more Board members to attend. Mr. Wickman spoke to the value gained when trustees participate in the Round Tables with their peers.

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

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

1. Caleb Jones Service-connected Marin County Public Works Dept.

Adopt Administrative Recommendation to grant service-connected disability retirement.

It was Block/Murphy to adopt the Administrative Recommendation to grant Caleb Jones' application for service-connected disability retirement.

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

Chair Gladstern recessed Open Session for a break at 10:03 a.m. and reconvened the meeting in Closed Session at 10:10 a.m.

Trustee Given joined the meeting in Closed Session at 11:30 a.m.

Trustee Cooper recused himself and left the room for deliberations on Agenda Item C.1 and was excused from the meeting at 12:29 p.m.

The Chair recessed Closed Session at 12:30 p.m. for a lunch break, reconvening in Open Session at 12:51 p.m.

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. Michael Byers Service-connected San Rafael Police Dept.

Initial consideration of an application for service-connected disability retirement

2. Rachael Phillips Service-connected Marin County Fire Dept.

Initial consideration of an application for service-connected disability retirement

3. Candice Bozzard Service-connected Marin Local Agency Formation
Commission

Initial consideration of an application for service-connected disability retirement

Chair Gladstern reported that the Board denied Michael Byers' application for service-connected disability retirement by a vote of 6-2-1 and provided the applicant with the opportunity to request an administrative hearing in accordance with MCERA policy. Motion was by Trustee Block and seconded by Trustee Murphy. Voting for the motion were Trustees Block, Gladstern, Klein, Murphy, Silberstein and Werby. Voting against the motion were Trustees Cooper and Thomas. Trustee Given abstained.

Chair Gladstern reported that the Board granted Rachael Phillips' application for service-connected disability retirement effective January 15, 2017 by a vote of 5-3-0. Motion was by Trustee Cooper and seconded by Trustee Silberstein. A substitute motion by Trustee Block to grant non-service disability retirement and request additional review regarding service connection failed due to the lack of a second. Trustee Given was absent. Voting for the motion were Trustees Cooper, Klein, Silberstein, Thomas, and Werby. Voting against the motion were Trustees Block, Gladstern and Murphy.

Chair Gladstern reported that the Board denied Candice Bozzard's application for service-connected disability retirement by a vote of 8-1-0 and provided the applicant with the opportunity to request an administrative hearing in accordance with MCERA policy. Motion was by Trustee Werby and seconded by Trustee Murphy. Voting for the motion were Trustees Cooper, Given, Gladstern, Klein, Murphy, Silberstein, Thomas and Werby. Voting against the motion was Trustee Block.

C. LEGAL MATTERS

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.

F. NEW BUSINESS

1. Final Public Employee Performance Evaluation. Title: Retirement Administrator Board Chair report on Consensus Evaluation

Chair Gladstern reported that the Retirement Board's Consensus Evaluation for Retirement Administrator Jeff Wickman was very positive. The Chair noted that Mr. Wickman does an exceptional job administering the pension system and maintaining the workforce.

2. Medical Advisor Request for Proposal (RFP) Recommendation (Action)
Consider and take possible action regarding medical advisor RFP

Mr. Wickman said the Request for Proposal (RFP) for medical advisor services was issued in July of 2018 and mailed to nine companies. Three companies responded to the RFP: current provider Dr. Charles Fracchia, National Disability Evaluations, and Managed Medical Review Organization. Members of the team formed to evaluate the written proposals were Michelle Hardesty, Jackie Bamford, Syd Fowler, and Mr. Wickman. Based on the weighted scoring, National Disability Evaluations ranked first, followed by Dr. Charles Fracchia and then Managed Medical Reviews in third place. All three respondents were interviewed individually. Chair Gladstern selected Trustee Piombo to join the panel as the representative from the Board.

Based on the evaluations and reference checks, the team recommended that the Board authorize staff to enter into an agreement with National Disability Evaluations (NDE) for medical advisor services. Mr. Wickman said reference checks conducted on NDE were very positive. One key issue is that NDE's did not propose having a medical advisor physically attend Board meetings. If the Board required the attendance of the medical advisor, it would be accomplished through teleconference or Skype.

It was M/S Werby/Given to adopt the recommendation of staff to hire National Disability Evaluations to provide medical advisor services subject to successful contract negotiations.

Trustee Thomas asked whether the facility is equipped for remote conferencing and the Administrator replied affirmatively. Mr. Wickman added the organization of NDE reports makes it easier to analyze the information. Trustee Thomas asked what the difference is, and Mr. Wickman explained key medical facts are presented first that are backed up with the supporting documentation.

Trustee Given thanked Dr. Fracchia for his many years of service to MCERA as its medical advisor. He said the Board needs to consider what is the best path for MCERA to move forward with respect to disability processing. Mr. Wickman also expressed gratitude to Dr. Fracchia for his professionalism in working with MCERA since 2007. Trustee Block asked if Trustee Piombo's feedback was in line with the motion, and Mr. Wickman said yes. Trustee Block further inquired whether Brown Act requirements would be satisfied when taking advice over the phone, and Ms. Dunning confirmed that Boards may receive input from advisors by telephone during a meeting.

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

3. SACRS Voting Delegate (Action)

Select delegate and alternate delegate to vote on MCERA's behalf at the SACRS business meeting November 16, 2018

The Administrator stated the Board designates persons to vote on behalf of MCERA during the SACRS business meeting at its November conference. The business meeting packet will be presented at the October Board meeting if it is available then.

It was M/S Block/Given to select Maya Gladstern as delegate and Laurie Murphy as alternate delegate to vote on MCERA's behalf at the SACRS Business Meeting on November 16, 2018.

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

4. Future Meetings

Consider and discuss agenda items for future meetings

Mr. Wickman said the actuarial valuation report, actuarial audit, and audited financial statements are among items to be presented to the Board in the next few months.

G. OTHER INFORMATION

1. Training Calendar (Action)

Mr. Wickman recommended the Nossaman Fiduciaries' Forum and Trustee Klein indicated she would like to attend.

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

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

2. Keeping in Touch

September Issue, Association of Retired Employees newsletter

H. CONSENT CALENDAR (Action)

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

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

CONSENT CALENDAR

MCERA BOARD MEETING, WEDNESDAY, September 12, 2018

AUGUST 2018

RETURN OF CONTRIBUTIONS		
Ria Briggmann	Refund of Contributions (termination)	\$ 1,035.77
Jennifer de la Cruz	Refund of Contributions (termination)	\$ 7,885.70
Stacey Katz	Refund of Contributions (termination)	\$ 3,558.36
Rosita Martinez	Refund of Contributions (termination)	\$ 307.80
Ronald Paul	Refund of Contributions (termination)	\$ 22,655.81

BUYBACKS	
Silvia Baker	\$ 2,202.58
Jason Pace	\$ 4,187.68
Daniel Steckline	\$ 12,009.27

NEW RETIREES	
Charles Bostian	Tamalpais Community Services District
Michael Brierley	County of Marin - Information Services & Technology
Richard Chuck	County of Marin - Department of Public Works
Sharon DeMartini	County of Marin - Department of Public Works
Russell Eberwein	County of Marin - Department of Public Works
Brenda Frechette	County of Marin - Health & Human Services
Lucia Granger	County of Marin - Health & Human Services
Miles Julihn	County of Marin - Health & Human Services
Judy Lopez	County of Marin - Health & Human Services
Michael Maraccini	County of Marin - Parks
Joel Martinez	County of Marin - DRO
Matthew Murphy	County of Marin - Probation
Cristina Ruiz	County of Marin - Department of Finance
Thomas Sabido	City of San Rafael
Ivonne Van Buuren	County of Marin - Probation
Craig Wong	County of Marin - Sheriff

DECEASED RETIREES	
Robert Bunce	Tamalpais Community Services District
Victor Carrara	County of Marin - Sheriff
Jeffrey Grey	County of Marin - Parks

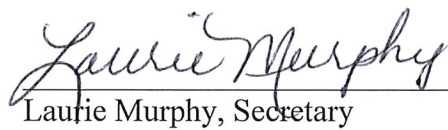
Betty Jackson	County of Marin - Probation
Victoria Loufakis	County of Marin - Human Resources
James McBride	County of Marin - Sheriff
Alice Rundle	Marin Superior Court
Mamie Walters	Marin Superior Court

CONFERENCES/SEMINARS

There being no further business, Chair Gladstern adjourned the meeting at 1:19 p.m.



Maya Gladstern, Board Chair



Laurie Murphy, Secretary