

MINUTES
REGULAR BOARD MEETING
MARIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION (MCERA)
One McInnis Parkway, 1st Floor
Retirement Board Chambers
San Rafael, CA
January 9, 2019 – 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 Given/Thomas to approve the December 12, 2018 Board Meeting Minutes as submitted.

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

NOES: None

ABSTAIN: None

ABSENT: None

It was M/S Block/Silberstein to approve the December 5, 2018 Investment Committee 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. MATTERS OF GENERAL INTEREST

1. Annual Financial Audit for Fiscal Year Ending June 30, 2018 (Action) – Brown Armstrong, Ashley L. Casey, CPA, Audit Manager

Consider and take possible action to accept auditor's review of audited financial statements

Retirement Administrator Jeff Wickman stated the Board's action is to adopt the financial statements as of June 30, 2018. He introduced Ashley Casey, Audit Manager for Brown Armstrong, to present the annual financial audit of the financial statements. Ms. Casey reported that the result of the audit is that Brown Armstrong has issued an unmodified opinion, the highest available opinion, of MCERA's financial statements.

Ms. Casey stated the purpose of the audit is for the Retirement Board and public to obtain reasonable assurance that MCERA's financial statements are free from material misstatements. The auditors met with the Ad Hoc Audit Committee to review the audit process in depth and get its input. Mr. Wickman noted that the Ad Hoc Committee has reviewed the financial statements and did not have a chance to meet before today's presentation. He said the permanent Audit Committee will establish a plan for the 2019 financial audit process moving forward.

Ms. Casey reported the auditors performed an in-depth walk through with staff on all significant audit areas. These include reviewing transactions and assignment of duties and assuring adequate controls are in place. The auditors use information from custodians, employers and the actuary in the course of their work. A three-way reconciliation is conducted to assure investments are recorded accurately.

Brown Armstrong uses a risk-based approach to evaluate controls in significant audit areas, such as investments and related earnings that are examined in depth. In addition, participant data is confirmed directly with employers and the actuary to assure the same data is being used. For retirees, the auditors make sure the cost of living adjustments are

applied as approved by the Board. The auditors also examine the GASB 67/68 reports by performing a recalculation of the percentages by employer and the changes in inflows and outflows to assure the report is accurate.

Auditing standards also require a report to the Board at the conclusion of the audit to discuss significant audit matters including actuarial liabilities and contribution amounts. Ms. Casey explained that if there had been any difficulties with the audit or corrected items, those would have been reported here. This year a new item is presented to show the estimate for private equity valuations as of June 30, 2018, which is \$15 million higher than reported in the financial statements. This adjustment is being reported as an unrealized gain. Trustee Block noted in this case the auditors made the adjustment after receiving final valuations for the Fund. Mr. Wickman clarified that private equity valuations have nearly a six-month lag as compared with other investments. In response to Trustee Block's inquiry, Mr. Wickman said the \$15 million was not disclosed in the financial statements. Ms. Casey noted that the auditor did not consider the adjustment to be material. Trustee Block asked how Brown Armstrong evaluates materiality, and Ms. Casey referenced the description of how fair value was arrived. Mr. Wickman noted the private equity valuations are always going to lag; in this case, the audit process was extended long enough that we got the final value for that asset class. Trustee Given agreed with the Administrator, adding there will always be timing issues and it is a matter of making a decision to move forward.

Ms. Casey continued with the next report on internal controls and compliance required by the Governmental Accounting Standards Board (GASB). There were no material weaknesses in procedures to disclose. Trustee Block expressed an interest in looking into why securities lending margins did not keep pace. Noting loanable securities have been reduced, Mr. Wickman will follow up with additional details. Trustee Werby asked with respect to testing liabilities whether the auditors contact retirees to determine their correct term of service. Ms. Casey affirmed the auditors conduct a sample by contacting 40 active and 40 retired members to confirm the salary for a given pay period and the entry date into the Plan is in accordance with the tier. Trustee Klein asked about assets reported as Level 1 or Level 2 and the Administrator explained the investment managers have to identify their investments and he will follow up with the details.

Ms. Casey concluded by saying it was a pleasure to work with MCERA. Mr. Wickman expressed appreciation for the auditors' patience in working with MCERA.

It was M/S Given/Block to adopt the audited Financial Statements for the Fiscal Year ending June 30, 2018.

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

C. BOARD OF RETIREMENT MATTERS

1. Administrator's Report

a. Administrator's Update

Mr. Wickman reported MCERA finished the transition of medical plans for Marin County retirees. There are still issues to resolve for certain groups of retirees who were ineligible or had not enrolled in Medicare. The Administrator acknowledged Benefits Manager Todd Miller and the front desk staff for their work during the transition. Chair Gladstern inquired whether the medical plan transition slowed down other processes. In response, Mr. Wickman said staff has stayed focused and reached the target goals. Assistant Retirement Administrator Michelle Hardesty noted the transition caused a delay in starting new projects.

Administrator Wickman met with the Board of the Marin City Community Services District (Marin City CSD) last Thursday at the invitation of the Interim General Manager. The focus of the presentation was how MCERA manages the pension system for Marin City CSD and its members, the history of Marin City CSD's participation in MCERA, and the process for changing from post-tax to pre-tax contributions.

Mr. Wickman reported that he and Assistant Retirement Administrator Hardesty met with Linea Secure recently to discuss its cyber security consulting services. Linea Secure has provided a proposal for a phased approach to a cyber security review that would support the current Information Technology Risk Assessment. Mr. Wickman has asked Nossaman to review the proposal and provide any comments. The Administrator will present the proposal to the Finance and Risk Management Committee for consideration.

b. Business Objectives Quarterly Review

Benefits Administration. Mr. Wickman credited the benefits team and Ms. Hardesty for keeping up with benefit services during the County's medical plan transition. Staff created the Internal Reference Guide with the plan to add an Accounting Section beginning in April. The effort to document procedures was a critical part of the feedback received during the most recent Employee Voice survey. Project Teams with members from various business units have been established for the IT Risk Assessment, Annual Benefits Statements and the 1099-R processes. Further evaluation and team selection are scheduled for remaining business processes in March 2019. The Workload Tracking program has been modified to increase efficiency in tracking performance targets and creating reports. Process improvements have been added to tracking service credit audits and reciprocity requests. Improvements are being developed for tracking Domestic Relations Orders (DRO) status. These activities are critical for developing a sustainable, documented infrastructure.

Performance Management. The effort that staff have made towards performance goals has resulted in the best results that the team has ever accomplished. All new retirees are receiving benefits based on the target goals. This is the first period where staff have

been able to report that benefit estimates and service purchases were completed within 30 days after receipt of the request over 90% of the time.

Human Resource Management. Staff will start the recruitment process for the Senior Accounting Assistant position. The goal was to complete all staff evaluations in October of 2018; there are four evaluations remaining to complete, one of which will be completed by the end of this week.

Business Management Including Investments. The annual actuarial valuation preliminary results were presented to the Board in December and the final report is scheduled for February. Staff has communicated proxy voting concerns with managers. Moving forward the new separate account vehicles would provide greater flexibility to address the concerns. The Employer Audit plan is still in testing phase and should be complete by March 2019, with the first audit scheduled to begin in May 2019. The audit of the June 30, 2017 Actuarial Valuation conducted by Milliman was presented to the Board in December 2018. The results of the audit were generally very positive and Cheiron will be implementing all the recommended changes from the report. Based on the positive review, issuing a request for proposal for actuarial services is not recommended by staff. Staff is moving forward on the iPad upgrade that will be rolled out in phases.

Communications and Education. Development of the Employer Handbook is scheduled to begin in April. The modification to the Annual Benefit Statements is scheduled for implementation with the June 30, 2019 statements.

Finance and Accounting. Setting a date to begin to look for a new financial system may not be accomplished this year. More important is the financial auditor Request For Proposal which is scheduled to be issued before this April. Work on the Request For Proposal for custodial services will begin this April. Staff will coordinate with the Audit Committee to have the Comprehensive Annual Financial Report as a goal for next year.

c. Staffing update

Mr. Wickman reported that that Senior Accounting Assistant Laura Ballard is leaving MCERA.

d. Facility Use Report

Marin County Association of Retired Employees' (MCARE) held its board meeting in the Board conference room.

e. Future Meetings

- January 23, 2019 Investment Committee
- February 13, 2019 Board

2. Ad Hoc Committee Reports

a. Ad Hoc One McInnis Committee

Mr. Wickman reported that the Ad Hoc One McInnis Committee met last month. The Committee's direction is that MCERA should have its own direct relationship with the leasing agent, instead of going through Woodmont. The Committee will review a revised agreement with Woodmont that will not include leasing services.

3. Trustee Comments

a. Educational Training: Reports by Trustees and Staff

There were no educational events to report on during the period.

b. Other Comments

Chair Gladstern said the employee recognition lunch went well. Trustee Cooper asked when firm employee contribution rates would be available. Mr. Wickman responded there will be no changes to non-PEPRA employee rates when the final actuarial valuation is presented in February. Mr. Wickman discussed the complexities of the CERL's age-based contribution rates in response to Trustee Thomas inquiry.

D. NEW BUSINESS

1. Future Meetings

Consider and discuss agenda items for future meetings

Trustee Block invited Board members to share with him their ideas on topics for the Strategic Workshop in April.

E. OTHER INFORMATION

1. Training Calendar (Action)

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

January Issue, Association of Retired Employees newsletter

F. CONSENT CALENDAR (Action)

It was M/S Given/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, January 9, 2019

DECEMBER 2018

RETURN OF CONTRIBUTIONS		
Nadira Alicusic	Refund of Contributions (termination)	\$ 14,942.97
Paula Astalis	Partial Refund (age change)	\$ 2,857.27
Jennifer Corning	Refund of Contributions (termination)	\$ 12,479.78
Howard Smith Jr.	Refund of Contributions (termination)	\$ 14,578.05
Pamela Torres	Refund of Contributions (termination)	\$ 3,566.97

BUYBACKS	
Jennifer Alcantara	\$ 2,249.47
Griffin Arthur Anderson	\$ 4,339.85
Lisa Bui	\$ 9,454.22
Rhonda Castellucci	\$ 4,606.62
Annahita Fallah	\$ 2,977.80
Karen Weber Marozick	\$ 14,290.42
Gerard McCarthy	\$ 3,723.31
Nuvia Urizar	\$ 14,766.95
William Webster	\$ 4,590.63
Christine Wheeler	\$ 13,400.00

NEW RETIREES	
Pellie Anderson	County of Marin - District Attorney
William Campagna	County of Marin - Public Works
Sara Delaney	County of Marin - District Attorney
Maria Eckdish	County of Marin - Information Services & Technology
James Hayes	City of San Rafael
Donna Hopkins	Novato Fire
Lisa Jack	County of Marin - Health & Human Services
Karen Jacobs	County of Marin - Health & Human Services
John Joubert	County of Marin - Public Works
Gerardo Navarro	City of San Rafael
Gliezer Segovia	City of San Rafael
Janice Wyatt-Lucha	County of Marin - Sheriff/Coroner

DECEASED RETIREES	
Thetys Simpson	County of Marin - Health & Human Services
Jane Spini	County of Marin - Probation

Peter Turrini
Lewis Willson

City of San Rafael
County of Marin - Human Resources

CONFERENCES/SEMINARS

CalAPRS Board Meeting - Administrator Wickman

CalAPRS Advanced Staff Training - Staff Sousa

There being no further business, Chair Gladstern adjourned the meeting in the memory of Pete Arrigoni at 12:30 p.m.



Maya Gladstern, Board Chair



Laurie Murphy, Secretary