

REGULAR BOARD MEETING
MARIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION (MCERA)

September 11, 2019 – 9:00 a.m.

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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. ELECTION OF BOARD OFFICERS

1. Election and Duties of Board of Retirement Officers Policy (Action)

Review and discuss existing policy for election of Board of Retirement Officers

Retirement Administrator Jeff Wickman discussed provisions for the election of officers on the Board. These include Section 102 of the MCERA Bylaws specifying that at the regular meeting each November the Board will elect the Chairperson, Vice-Chairperson and Secretary for one-year terms. The Board also adopted the Election and Duties of Board of Retirement Officers Policy to try to clarify how that process works. For example, the policy provides that regular Board members may indicate an interest or recommend another member. Mr. Wickman stated that the Governance Committee may want to review the policy to provide additional clarity. In prior years officers moved sequentially through officer positions, but this has not always been the case and the Chair has retained the flexibility to recommend a different slate of officers for consideration by the Board.

Trustee Given arrived at 9:07 a.m.

Chair Gladstern said that, based on her discussions on the matter with the Vic-Chair, Administrator and Board Counsel, the idea is to have more time for the election process and putting it on the agenda in September and once again in October so that people can put themselves forward for nomination before the election in November. She said this could be passed on to the Governance Committee as a recommendation from the Chair and Vice-Chair. Ms. Dunning indicated that beginning the process before the November election would give the Board sufficient time to deliberate on this topic during Board meetings. She said it would be good to have the opportunity to discuss in open session who is interested and who is not.

Trustee Werby asked if change is needed, and Mr. Wickman replied that documenting the election process would add additional value. Trustee Given said the previous process did not make it clear that all regular members could say they were interested. Trustee Jones asked if there has ever been competition for officer positions. The Administrator replied there has been competition and this is meant to move to a better process that allows the Board to dialogue on the subject during its regular meetings. Mr. Wickman recommended referring the policy to the Governance Committee for review, and Governance Committee Chair Cooper indicated his agreement with that recommendation.

2. Candidates for Board Officers (Action)

Solicit interest for Board of Retirement officer positions, with nominations requested by October Board meeting.

Chair Gladstern stated this agenda item is what she and staff are suggesting having on the agenda for every September Board meeting for members who want to serve in officer positions.

C. BOARD OF RETIREMENT MATTERS

1. Administrator's Report

a. Administrator's Update

Mr. Wickman reported last month he had the opportunity to meet with incoming alternate safety member, Michael Poirier, Deputy Sheriff with Marin County, to provide him his iPad and go over roles and responsibilities of trustees. The Administrator indicated that this is the first part of getting Mr. Poirier familiar with his role as a trustee.

Mr. Wickman said he is pleased to report that staff transmitted the annual actuarial data to Cheiron two days earlier than last year. This included a significant amount of data review that will hopefully help the actuary produce the valuation report earlier this year. Mr. Wickman expressed appreciation for Todd Miller and Syd Fowler's help in completing that process.

Brown Armstrong was selected as MCERA's financial auditor and staff has started working on a contract with them. Construction on Suite 200 at One McInnis Parkway is moving well and on target for the tenant move-in date. Staff is still working on a Letter of Intent with a potential tenant for the remainder of the second floor.

Staff has responded to two California Public Record Act (PRA) requests from Preqin and Pitchbook for private equity and private real estate data.

Staff has also completed a PRA request received last month for invoices related to our benefit system project. Trustee Shaw asked if MCERA is participating in the County's portal for frequently requested data. The Administrator replied we are aware of it but that most requests are MCERA record-specific and it's more efficient to respond directly to the requestor.

b. Staffing update

Syd Fowler was selected to participate in the 2019 Leadership Academy offered by Marin County. Syd is MCERA's third staff member to attend the 10-week program.

c. Facility Use Report

MCARE held their Board meeting and the Marin County Health and Human Services Department held a recognition event last week in the Board chambers.

d. Future Meetings

- September 18, 2019 Investment Committee
- October 9, 2019 Board
- October 9, 2019 Audit Committee

2. Standing Committee Reports

a. Finance and Risk Management Committee

1. Administrative Budget Fiscal Year 2018/19 Review

Finance and Risk Management Committee Chair Todd Werby reported the Committee met in August to review the administrative budget as of June 30, 2019, which is generally on budget, and similarly for non-budgeted items. Mr. Wickman noted that for the fiscal year ending June 30, 2019 the budget savings were driven primarily by vacant budget positions during the fiscal year. Chair Gladstern thanked Accounting Unit Manager La Valda Marshall for the comments in the administrative budget that answer questions that may come up.

2. Non-budgeted Expenses

The Administrator said the Committee talked about whether non-budgeted expenses should have budgets but ultimately decided against this approach because all expenditures are being reviewed by the Committee and full Board.

3. Quarterly Checklist

a. MCERA educational and event-related expenses

This report lists attendance by trustees and staff and educational events.

b. Continuing Trustee Education Log

Trustees are on schedule with their required education hours.

c. Other expenses per Checklist Guidelines

Credit card expenditures were reviewed by the Committee.

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

Variances were discussed by the Committee.

e. Vendor services provided to MCERA

f. MCERA staffing status

g. Internal controls, compliance activities and capital calls

This report lists capital calls and distributions from the private equity portfolio. The Administrator noted that a historical log of all private equity activities including capital calls and distributions is included in the Callan quarterly investment report.

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

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

j. Form 700 Summary

Mr. Wickman noted that the Form 700 Summary represents considerable work by Nossaman. The goal of the report is to flag areas that may require additional scrutiny and potential recusal.

4. Annual Audit of Financial Statements Update

Update on audit process

No discussion – see below.

b. Audit Committee

1. Financial Audit Review – Fieldwork Phase

Review and discuss preliminary Fieldwork Phase results

Mr. Wickman reported there were only two agenda items for the Audit Committee's August meeting. First was the review of the fieldwork phase of the annual financial audit which is completed. The auditors are working on the second phase to put together draft financial statements to present to the Committee for review on October 9. The Committee was going to meet in September for this step, but that meeting was rescheduled to October.

2. Request for Proposal (RFP) – Financial Auditor

Review and discuss evaluation of responses to RFP

The second agenda item was the Administrator's recommendation to engage Brown Armstrong as MCERA's financial auditor next year as a result of the financial auditor Request for Proposal (RFP) process. Trustee Werby asked whether it should be concerning that we had so few bids, and could the reason be the RFP response takes too much work. Mr. Wickman replied he was not surprised because vendors are evaluating how much work is involved for the value they will receive. Trustee Given noted retirement financial statements are a unique service for providers. The Administrator said that once MCERA moves to a Comprehensive Annual Financial Report (CAFR) there may be more interest by companies because there will be additional work involved in the engagement. Mr. Wickman confirmed that the audit partner who was in charge of a prior audit goes into the review auditor role for our new engagement.

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 discussed topics on the proposed October 29-30 Strategic Workshop agenda. These include Tom Iannucci's presentation on Fund Governance that was planned for last spring's workshop. Then

Callan will be reviewing specific asset allocations and strategies. On the second day, the Board will hear from the Actuary on pension fund maturation. A presentation on the stakeholder theory of corporate governance proposed by the Business Roundtable is planned if a speaker can be identified. Committee Chair Block indicated this topic would be worth hearing, as one of those things is going to be an important issue as we go forward with our investments for the long term. He invited opinions from Board members on the appropriateness of the proposed topics.

Trustee Klein requested a discussion of negative interest rates and the effect on pension fund returns. Chair Gladstern expressed an interest in what CalPERS is doing in fixed income that is different from MCERA. Mr. Wickman will let Callan know to include these topics into their presentation.

It was M/S Werby/Silberstein to approve the Strategic Workshop Agenda as submitted.

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

4. Trustee Comments

a. Educational Training: Reports by Trustees and Staff

Trustee Block reported on the Nossaman Fiduciaries' Forum where current pension litigation was a topic. He said everyone is waiting for a decision from the California Supreme Court in the pending public pension cases, but that the ongoing litigation puts California public pension funds in a precarious position regarding what to do with issues in front of the Court that may be applicable to their system. He said the effect of prior settlement agreements is uncertain. Yuliya Oryol of Nossaman had a lot to say about addressing the scope of responsibilities in contracts. In our case, he continued, our Investment Policy Statement, which is incorporated into our agreements, is fairly detailed, but worth looking at periodically. There also was discussion about agreements regarding our benefit system that was valuable for administrators and attorneys. There are a lot of liabilities and contingent liabilities involved; for example, if a software firm is infringing on a copyright. He discussed looking into whether MCERA has sufficient liability insurance for these items, such as in MCERA's copyright liability rider, and Ms. Dunning and Mr. Wickman will follow up.

Trustee Silberstein also attended the Nossaman Forum and he commended Ms. Dunning's legal work on MCERA's behalf. He also expressed appreciation for the work of the Institutional Limited Partners Association (ILPA) with respect to things to watch out for in our agreements, noting we need advocates for fairness. Trustee Jones also found the Nossaman forum very useful, saying she learns something every time she goes.

Mr. Wickman reported that the Nossaman Forum was well done, and he found two of the sessions to be most valuable. These topics were about pension fund administration

and insurance coverage; in particular, the dynamic on denial of coverage that was an interesting presentation and discussion for the group. He indicated an interest in discussing at a future meeting what it would mean to be part of ILPA. Trustee Block supported this idea and the Administrator will look for an opportunity to add this topic to a future agenda.

Counsel Dunning said she is impressed by the content in the guide on U.S. Public Pensions given to attendees during the keynote presentation. The guide covers pension fund matters such as actuarial funding, governance and fiduciary duties, and could be used as a resource for trustees, she said. Trustee Jones endorsed this idea.

b. Other Comments

No discussion.

Chair Gladstern recessed the meeting for a break at 9:51 a.m. and reconvened the meeting at 10:00 a.m.

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

[Any item that a Board member requests be pulled from the Disability Consent Agenda will be considered in Closed Session under the authority of Government Code section 54957(b), unless the applicant specifically waives confidentiality and requests that his or her application be considered in Open Session.]

1. Chris Donohue Service-connected City of San Rafael Fire Department

Adopt Administrative Recommendation to grant service-connected disability retirement.

2. Kenneth Ingram Service-connected Marin County Sheriff

Adopt Administrative Recommendation to grant service-connected disability retirement.

Trustee Cooper recused himself and left the room for consideration of Agenda Item D.1 because he is in the same department as the applicant and was involved in the incidents.

It was M/S Thomas/Block to adopt the Administrative Recommendation to grant Chris Donohue's application for service-connected disability retirement.

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

It was M/S Werby/Silberstein to adopt the Administrative Recommendation to grant Kenneth Ingram's application for service-connected disability retirement.

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

ABSTAIN: None
ABSENT: None

E. NEW BUSINESS

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

Chair Gladstern reported the Board went through an evaluations process resulting in an excellent evaluation for the Retirement Administrator. Counsel Dunning noted that the evaluation itself is confidential.

2. Custodial Search Proposal (Action)

Consider, discuss and take possible action to approve proposal to lead custodial search

Mr. Wickman presented a Custodial Search Proposal from Callan LLC and discussed his memo on the matter. In 2007 MCERA transitioned the custodial service provider from Bank of New York to State Street. After being served by State Street's Alameda office, MCERA's support was moved to the Sacramento office. Subsequently, State Street made the decision to move support for MCERA to its Kansas City office. Despite expressing our concerns and State Street's assurances, there has been continuing frustration on the quality of service. Mr. Wickman noted that the Board has already expressed support for a custodial search. He pointed out that it has been 12 years since the last custodial Request for Proposal (RFP). While MCERA could produce and manage the RFP process, Mr. Wickman indicated there would be value to MCERA in using Callan's expertise on the matter. Callan's \$80,000 proposal includes a review of MCERA's existing financial process as it relates to the custodian today. Callan's review would benefit MCERA by identifying process and operational improvements will improve the interactions with a future custodian.

Trustee Klein stated that eighteen weeks seems like an extraordinary amount of time and asked if all custodians do the same thing. In response, Mr. Wickman explained that Callan's proposal is an estimate of needed time and has additional time built in for MCERA's review. He further stated that in his experience an RFP process can run nine to 12 weeks. Trustee Given supported Callan's proposal, with the additional provision that Callan conduct a post-implementation review and report on whether MCERA is receiving the services the custodian said it would provide. Trustee Werby asked about separating operational items from the search process, and using recommendations rather than an RFP to select a custodian. Mr. Wickman explained that he believes the Board would have the flexibility to hire a company directly but the RFP process would provide a better mechanism for evaluating companies through an open process. Trustee Block observed that operational shortcomings by the custodian are the main cause of custodial risk, so he would endorse the Callan proposal for that reason. Chair Gladstern voiced support for the Callan proposal as the Board wants custodial services to work well for a long period of time.

Trustee Block made a motion to approve the Callan Custodial Search Proposal as submitted.

Trustee Given requested that the Callan proposal be amended to include follow up as discussed above.

It was M/S Block/Given to approve the Callan custodial search proposal as amended.

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

3. SACRS Voting Delegate (Action)

Select delegate and alternate delegate to vote on MCERA's behalf at the SACRS business meeting November 15, 2019

Mr. Wickman stated the fall SACRS conference will be held in Monterey the second week of November. Chair Gladstern asked for volunteers from those attending the conference to serve as delegates.

It was M/S Cooper/Werby to select Phillip Thomas as delegate and Laurie Murphy as alternate delegate to vote on MCERA's behalf at the November 15, 2019 SACRS business meeting.

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

4. Future Meetings

Consider and discuss agenda items for future meetings

Chair Gladstern noted that Board members would like to learn more about the Institutional Limited Partners Association (ILPA).

F. OTHER INFORMATION

1. Training Calendar (Action)

It was M/S Murphy/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

September Issue, Association of Retired Employees newsletter

G. CONSENT CALENDAR (Action)

It was M/S Murphy/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, September 11, 2019

August 2019

RETURN OF CONTRIBUTIONS		
Jennifer Caramucci	Partial Refund of Contributions (age change)	\$ 354.64
Diane Dillon	Partial Refund of Contributions (30 years)	\$ 36,529.93
Allison Gould	Full Refund of Contributions (termination)	\$ 93,212.58
Cindy Lane	Full Refund of Contributions (deferred death-Dawn Marie Carlson)	\$ 11,020.77
Leticia Martinez	Full Refund of Contributions (termination)	\$ 2,820.81
Geoffrey Prenter	Full Refund of Contributions (termination)	\$ 13,827.44
Justin Schraeder	Partial Refund of Contributions (age change)	\$ 18,066.28
Kristen Thomas	Full Refund of Contributions (DRO)	\$ 75,167.03
Hector Zaragoza	Full Refund of Contributions (termination)	\$ 8,167.58

BUYBACKS	
Paul Machado	\$ 21,991.04

NEW RETIREES	
Leslie Alden	County of Marin - Board of Supervisors
Janet Bosnich-Seijas	County of Marin - Human Resources
Shanna Cronan	County of Marin - Health & Human Services
Jeffrey Davis	Novato Fire
Robert De Miguel	County of Marin - Sheriff/Coroner
Fitzgerald Gaines	City of San Rafael
Kenneth Frey	County of Marin - Sheriff/Coroner
Kendall Gewalt	County of Marin - Sheriff/Coroner
Marty Isom	County of Marin - Community Development Agency
Gayle Jacobson	County of Marin - Health & Human Services
Richard Leahy	County of Marin - Public Works
Jerome Niess	County of Marin - Sheriff/Coroner
Randall Saxe	County of Marin - Health & Human Services
Bertha Seebach	County of Marin - DRO
David Tamura	City of San Rafael
Michelle Wagner	County of Marin - Sheriff/Coroner
Mary Wahlberg	County of Marin - Agricultural Weights and Measures
Michael Wong	County of Marin - Information Services & Technology

DECEASED RETIREES

Donna Balestrieri	County of Marin - Beneficiary
June Colwell	County of Marin - Assessor-Recorder-County Clerk
Robert Davis	County of Marin - Public Works
John Griffin	County of Marin - Fire Department
Jeanne Leoncini	City of San Rafael
Dorothy Lobedan	City of San Rafael
Miriam Lowry	County of Marin - Health & Human Services
Glin Morgan	County of Marin - Beneficiary
Ronald Retana	County of Marin - Sheriff/Coroner

CONFERENCES/SEMINARS

There being no further business, Chair Gladstern adjourned the meeting at 10:26 a.m.



Maya Gladstern, Board Chair



Laurie Murphy, Secretary