

MINUTES

**REGULAR BOARD MEETING
MARIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION**

**One McInnis Parkway, 1st Floor
Retirement Board Chambers
San Rafael, CA**

May 20, 2009, 9:00 A.M.

<u>EVENT CALENDAR</u>	9:00 A.M. Retirement Board Meeting
<u>CALL TO ORDER</u>	Chairperson Phillips called the meeting to order at 9:08 A.M.
<u>ROLL CALL</u>	Present: Arrigoni, Given (non-voting), Gladstern, Haim, Hufford, Phillips, Smith, Sweet, Webb (non-voting), Wofford (non-voting) Absent: Bolger, Richardson
<u>MINUTES</u>	April 8, 2009 Regular Meeting April 8, 2009 Investment Committee

It was M/S Gladstern/Sweet to approve the April 8, 2009 minutes of the regular meeting as submitted.

AYES: Arrigoni, Gladstern, Haim, Hufford, Phillips, Smith, Sweet
NOES: none
ABSTAIN: none
ABSENT: Bolger, Richardson

It was M/S Hufford/Gladstern to approve the April 8, 2009 minutes of the investment committee meeting as amended.

AYES: Arrigoni, Gladstern, Haim, Hufford, Phillips, Smith, Sweet
NOES: none
ABSTAIN: none
ABSENT: Bolger, Richardson

A. BOARD OF RETIREMENT MATTERS

1. Administrator's Report (Oral)

The Administrator reported that she and Trustees Phillips and Arrigoni met with County Administrator Matthew Hymel, Supervisors Judy Arnold and Hal Brown, and Sheriff Bob Doyle to discuss assertions made by the Sheriff during a recent budget meeting that disability processing time was "longer than ever". Ms. Benner provided a summary of actual or anticipated processing times for each application from the department, showing an average processing time of 7-10 months; significantly less than the average time of 20-30 months just three years ago. Trustees Arrigoni and

Phillips commented favorably on the meeting and stated that all parties were pleased to have a more thorough understanding of the facts.

2. Trustee Comments

The Chair reported that he and one or two other Retirement Board trustees and the Administrator expect to meet regularly with members of the Board of Supervisors to provide organizational updates.

The Chair also noted that following discussion with Counsel and the Administrator, it had been decided that a Special Meeting of the Retirement Board should be called so as to provide as a forum for MCERA's actuary to review options the Board may consider regarding actuarial assumptions and methodologies. The meeting will provide an educational opportunity for Board members and interested parties, facilitate discussion of individual situations, and help all to understand MCERA's options from both an actuarial and a legal perspective. The Special Meeting is scheduled for June 3, 2009, at 9:00 A.M.

In response to a request by Trustee Smith, Ms. Benner announced that a summary of non-administrative expenses through the March quarter would be provided at the June regular meeting.

Trustee Smith also commented favorably on the legal services provided by Ashley Dunning. Smith also expressed some reservations with the legal fees.

B. OPEN TIME FOR PUBLIC EXPRESSION

None.

C. DISABILITIES

All disability applications are heard in Closed Session unless applicant specifically waives confidentiality and requests that their application be heard in Open Session. Member records are confidential (Government Code Section 31532). (Action)

	<u>Applications to be Heard</u>	<u>Service/Non-Service Connected</u>	<u>Date of Application</u>	<u>Employer</u>
1.	Susan Paul Initial consideration of an application for disability retirement filed by a misc. member.	Non-Service	3/3/2008	Marin Co. DPW
2.	David Moore Initial consideration of an application for disability retirement filed by a safety member.	Service	5/23/2007	Marin Co. Fire
3.	Jeff Powers (Deceased) Initial consideration of an application for disability retirement filed by a safety member.	Service	8/18/08	So. Marin Fire
4.	Glen Hallaway Initial consideration of an application for disability retirement filed by a safety member.	Service	2/7/2008	Marin Co. Sheriff

The board recessed to closed session at 9:35 A.M. and reconvened in open session at 10:32 A.M.

The Chair announced the following votes for the record:

The Board voted unanimously (7-0) to grant a non-service connected disability retirement to Susan Paul.

The Board voted unanimously (7-0) to grant a service connected disability retirement to David Moore.

The Board voted (6-1) to continue discussion of Jeff Powers' application for service connected disability retirement to the June regular meeting.

AYES: Arrigoni, Gladstern, Haim, Phillips, Smith, Sweet
NOES: Hufford
ABSTAIN: none
ABSENT: Bolger, Richardson

The Board voted unanimously (7-0) to grant a service connected disability retirement to Glen Hallaway.

D. LEGAL MATTERS (CLOSED SESSION)

None.

E. OLD BUSINESS

1. **Impact on MCERA Retirement Benefits of Contemplated Furloughs (Action)**

Following Board direction, Counsel prepared a resolution identifying how the calculation of retirement allowances, contributions and service credit will be handled in the event that temporary furloughs are implemented by MCERA plan sponsors. If employees are temporarily furloughed but receive sufficient compensation during the furloughed period to pay full contributions, both employer and employees will be responsible for contributing the full amount of contributions calculated without consideration of the furlough, and full service credit will also be accrued.

Trustee Gladstern recommended that employers who implement a furlough program be required to submit payroll test files in advance of implementation demonstrating that their accounting systems were able to calculate the required contribution amounts.

In response to a question from Trustee Hufford, Ms. Dunning explained that since a furlough is temporary by definition, a sunset clause was not immediately necessary but that the matter could be revisited at a later date.

The following resolution was submitted for approval by the board.

RESOLUTION NO. 2008/09-06

**A RESOLUTION OF THE BOARD OF RETIREMENT OF THE
MARIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION**

PERTAINING TO EMPLOYEE FURLOUGHS AND THE CALCULATION OF MCERA RETIREMENT ALLOWANCES, CONTRIBUTIONS AND SERVICE CREDIT

WHEREAS, the Marin County Employees' Retirement Association ("MCERA") and the MCERA Board of Retirement ("Board") are governed by the County Employees Retirement Law of 1937 (Cal. Gov. Code Sections 31450, et seq.); and

WHEREAS, an MCERA member's retirement allowance is directly dependent upon his or her "final compensation," which is calculated by determining the amount of "compensation earnable" the member has to his or her credit during the member's final compensation period (Gov. Code secs. 31462, 31462.1); and

WHEREAS, the Board must "determine" an MCERA member's "compensation earnable" within statutory boundaries and provides specifically that the "computation for any absence shall be based on the compensation of the position held by the member at the beginning of the absence" (Gov. Code sec. 31461); and

WHEREAS, an MCERA member's retirement service credit depends upon the period of time in service for which retirement contributions are deducted from the member's compensation earnable (Gov. Code sec. 31641); and

WHEREAS, the amount of compensation deemed earnable during a period determines the amount of employee and employer contributions that must be collected for that period in order to fund adequately the MCERA member's projected retirement benefits, and contributions must be collected in order for that period to count as "service" for which the member will receive retirement service credit; and

WHEREAS, the absence of sufficient pay throughout a given pay period would make the deduction of contributions based upon compensation earnable for that period impossible, as there would be insufficient pay from which deductions for contributions could be made; and

WHEREAS, a relatively short furlough may be distinguished from an ordinary period of unpaid leave if the member continues to receive sufficient pay (albeit a reduced amount) during the pay period that includes the furlough to allow the employee MCERA member and employer MCERA plan sponsor to continue to pay full retirement contributions to MCERA on the full compensation deemed "earnable" during the pay period including the short period of furloughed absence(s); and

WHEREAS, the Board seeks to inform all of its members and plan sponsors regarding its calculation of retirement allowances, contributions and service credit in the context of potential employee furloughs.

NOW, THEREFORE BE IT RESOLVED that the MCERA Board of Retirement declares the following:

- 1. The foregoing Recitals are incorporated herein by this reference.**
- 2. During employee furloughs, if any, MCERA plan sponsors shall continue to**

report to MCERA its employees' compensation earnable at the full rate of pay earnable over the period of absence from work as if the employee were not on furlough, and the employee's and the plan sponsor's MCERA contributions for the pay period including any furlough day(s) shall continue to be made based upon that same full compensation earnable pay rate, rather than the actual reduced compensation, for that pay period.

3. As long as the MCERA member employee continues to receive sufficient compensation from the MCERA plan sponsor for full MCERA retirement contributions from the employee and the plan sponsor to be made in the same amounts during the furlough(s) as prior to the furlough(s), then the member's final compensation for retirement purposes will not be decreased, and MCERA service credit will not be affected, by the member working the reduced schedule.

4. If the MCERA member employee's compensation is insufficient to support a continuation of such full retirement contributions to MCERA throughout the furlough, however, then the employee's retirement allowance may potentially be adversely impacted by the furlough(s) and the employee will not receive full MCERA service credit for that period of time as to which full retirement contributions have not been made.

5. This Resolution shall be effective on the date of its adoption by MCERA's Board. Upon adoption by the Marin County Board of Supervisors under Government Code section 31525, this Resolution shall be made a part of the Regulations of the Board of Retirement.

ADOPTED AND APPROVED by the Board of Retirement of the Marin County Employees' Retirement Association on the 20th day of May, 2009.

It was M/S Hufford/Gladstern to adopt the resolution pertaining to employee furloughs and the calculation of MCERA retirement allowances, contributions and service credit as amended.

AYES: Arrigoni, Gladstern, Haim, Hufford, Phillips, Smith, Sweet
NOES: none
ABSTAIN: none
ABSENT: Bolger, Richardson

2. MCERA Code of Fiduciary Conduct, Ethics and Governance (Action)
The Trustee request for inclusion of personal contact information on MCERA business cards was withdrawn.
3. MCERA Travel Expense Policy (Action)
The Administrator requested that agenda item E.3., MCERA Travel Expense Policy, be postponed until later in the meeting. Hearing no objection, the Chair agreed to postpone agenda item E.3. until later in the meeting.

F. NEW BUSINESS

1. Small Cap Growth Equity Manager Search (Action)
Greg Ungermann and Lauren Etcheverry of Callan Associates presented the results of the small cap growth equity manager search. Following quantitative and qualitative

screening assessments and a review by Callan's manager search committee, the following six finalists were chosen as potential replacements for Mazama Capital Management: Columbus Circle Investors, Fort Washington Investment Advisors, Frontier Capital Management Company, Times Square Capital Management, Tygh Capital Management, and Wells Capital Management. Company profiles and performance histories were discussed.

It was M/S Arrigoni/Smith to invite Columbus Circle Investors, Tygh Capital Management, Wells Capital Management, and Fort Washington Investment Advisors to make presentations at a future meeting.

AYES: Arrigoni, Gladstern, Haim, Hufford, Phillips, Smith, Sweet
NOES: none
ABSTAIN: none
ABSENT: Bolger, Richardson

The Board recessed for lunch at 12:09 P.M. and reconvened at 12:37 P.M.

Hearing no objection, the Chair opened discussion of agenda item E.3., MCERA Travel Expense Policy, which was postponed from earlier in the meeting.

3. MCERA Travel Expense Policy (Action)

Following adoption of the amended Travel and Expense Policy at the May 6, 2009 special meeting, several trustees proposed additional amendments to provide exceptions to expenditure guidelines for certain educational events under identified conditions.

It was M/S Hufford/Gladstern to approve amendments the MCERA Travel and Expense Policy as submitted.

AYES: Arrigoni, Gladstern, Haim, Hufford, Phillips, Smith, Sweet
NOES: none
ABSTAIN: none
ABSENT: Bolger, Richardson

2. MCERA Standing Committee Charters (Action)

Trustees Arrigoni, Gladstern, and Wofford, as respective Chairs of the Finance and Risk Management Committee, Governance Committee, and Member Services Committee, met with the Chair, the Administrator, and Counsel to draft charters for each committee.

The draft charter for the Finance and Risk Management Committee was reviewed. After discussion, the Board felt that it would be appropriate for the Charter to state that the Committee must meet at least quarterly rather than requiring six meetings per year. Trustee Arrigoni will Chair the Committee and Trustees Bolger, Given, Phillips, Richardson, and Sweet will also serve.

It was M/S Hufford/Sweet to adopt the Finance and Risk Management Committee charter as amended.

AYES: Arrigoni, Gladstern, Haim, Hufford, Phillips, Smith, Sweet
NOES: none
ABSTAIN: none
ABSENT: Bolger, Richardson

The draft charter for the Member Services Committee was reviewed. After discussion, the Board felt that it would be appropriate for the Charter to require that the Committee meet at least quarterly rather than a minimum of six times per year. Additionally, language was added to clarify that member requests may be submitted to a committee member and to provide for an extension of time for staff to respond to member requests if legal opinions or additional information or research is necessary. Trustee Wofford will Chair the Committee and Trustees Hufford, Phillips, Smith, and Webb will also serve.

It was M/S Hufford/Gladstern to adopt the Member Services Committee charter as amended.

AYES: Arrigoni, Gladstern, Haim, Hufford, Phillips, Smith, Sweet
NOES: none
ABSTAIN: none
ABSENT: Bolger, Richardson

The draft charter for the Governance Committee was reviewed. After discussion, the Board removed item number 6 on the list of responsibilities. Trustee Gladstern will Chair the Committee and Trustees Bolger, Haim, and Webb will also serve.

It was M/S Hufford/Gladstern to adopt the Governance Committee charter as amended.

AYES: Arrigoni, Gladstern, Haim, Hufford, Phillips, Smith, Sweet
NOES: none
ABSTAIN: none
ABSENT: Bolger, Richardson

Future regular meeting agendas will include committee reports and recommended action items as appropriate. Committee meetings will be scheduled through the Chair and the Administrator.

G. INVESTMENT INFORMATION

Nothing to report.

H. FINANCIAL INFORMATION

1. Treasurer's Monthly Report

The Board accepted the Treasurer's monthly report on short Term Investments for the period ending March 31, 2009.

I. OTHER INFORMATION

1. Approved Trustee Training Calendar
2. Advance notice of upcoming educational and training opportunities:

- None.*
3. 2009 Updates to 1937 Act
 4. MCREA – *Keeping in Touch* Newsletter, May 2009
 5. Artisan Partners – Email from Lori Johnson re: Business Reorganization, 4/13/09
 6. Black Rock – Fixed Income Markets Review, 1Q 2009
 7. ING Clarion – Clarion Lion Properties Fund Quarterly Review, 1Q 2009
 8. Barclays – Alpha Advantage Strategy Commentary, 1Q 2009
 9. RREEF – America REIT III Performance Update, 1Q 2009
 10. RREEF – Market Watch as of 3/30/09
 11. Morgan Stanley – Letter from Stu Bohart re: Changes to International Equity Team, 4/28/09
 12. AXA Rosenberg – Secondary Market Outlook, May 2009
 13. Morgan Stanley – International Equity Trust Performance Review, April 2009
 14. Dimensional – Quarterly Institutional Review, 1Q 2009
 15. State Street Passes Federal Reserve Stress Test

The Chair requested that the Administrator invite State Street to give a general update presentation to the Board at a future meeting.

J. CONSENT CALENDAR (Action)

It was M/S Hufford/Gladstern to approve the consent calendar as submitted.

AYES: Arrigoni, Gladstern, Haim, Hufford, Phillips, Smith, Sweet
NOES: none
ABSTAIN: none
ABSENT: Bolger, Richardson

There being no further business, the meeting was adjourned at 1:40 P.M.

James Phillips, Chairperson

Michael Smith, Secretary