This meeting was held via teleconference pursuant to Executive Order N-25-20, issued by Governor Newsom on March 12, 2020, Executive Order N-29-20, issued by Governor Newsom on March 17, 2020, and Executive Order N-35-20, issued by Governor Newsom on March 21, 2020.

To listen by phone, public were to call (213) 929-4212 at 9:00 am and enter Access Code 997-275-597 and press pound, then press pound again when prompted to enter your Audio PIN. To listen and observe using the GoToWebinar app on a mobile device or tablet, public could download the GoToWebinar app and join using Webinar ID 813-376-451. If members of the public wished to comment, those comments could be submitted to MCERA via email before or during the meeting at MCERABoard@marincounty.org. This account was monitored prior to and for the duration of the meeting. If public wished to provide comments verbally, they were to state this in the email message and instructions to do this would be given.

The Board of Retirement 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.

**EVENT CALENDAR**

9 a.m. Regular Board Meeting

**CALL TO ORDER**

Mr. Wickman said he is assisting Chair Silberstein in the operation of today’s meeting, which is the first Board meeting held using a teleconferencing tool. Mr. Wickman asked Board members to state their name when asking questions so the public would know who was speaking. Members of the public wishing to comment before or during the meeting send emails that will be read at the appropriate section.

Retirement Administrator Jeff Wickman called the webinar meeting to order at 9:07 a.m.

**ROLL CALL**

**PRESENT:** Block, Cooper, Given, Gladstern, Jones (alternate retired), Klein, Murphy, Poirier (alternate safety), Shaw (ex officio alternate), Silberstein, Thomas, Werby

**ABSENT:** None
MINUTES

It was M/S Block/Thomas to approve the March 4, 2020 Board Meeting Minutes as submitted. The motion was approved by unanimous vote that was taken by roll call as follows:

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.

No members of the public submitted comment through email for this topic.

B. BOARD OF RETIREMENT MATTERS

1. Administrator’s Report
   a. Administrator’s Update
      - Business Operations – COVID-19 Impacts and Planning
      - Financial Operations – Retiree Payroll

   Retirement Administrator Jeff Wickman thanked staff for their dedication in working at the office or remotely and for supporting Marin County as Disaster Service Workers as the coronavirus unfolds. The Board has a very dedicated and committed team, he said. Since the Shelter in Place Order, MCERA offices have been closed to the public with five to six staff members working on site, two to three staff members rotating into the office periodically and the other staff members working remotely or supporting disaster service work. Mr. Wickman thanked Business System Analyst Vladimir Matyurin for setting up the remote access technology.

   MCERA’s primary mission is to ensure the monthly payment of benefits to retirees and beneficiaries. Staff completed March payroll with no incidents and are gearing up for April, which is the busiest month of the year because of the volume of new retirees and the annual cost of living adjustment in the April payroll. Another item of focus has been to make sure there are no liquidity issues for the next 90 days, and that is all in place.
Due to the Shelter-in Place-Order, construction work has stopped on Suite 250. When the Order is lifted, staff will work with the tenant to establish a new move-in date.

One ongoing area of concern remains the number of retirees who are still receiving paper checks. This concern has been heightened over the last few years with the devastating fires and now the COVID-19 pandemic. There are approximately 60 retirees receiving paper checks. Staff will be contacting these retirees, most of whom live in Marin and Sonoma County, to see if they can be transitioned to direct deposit.

The Administrator reported that after discussing the matter with the President of the Marin County Association of Retirees (MCARE), it was agreed the Keeping in Touch newsletter will be removed as a standing item on the Board meeting agenda and a courtesy copy of the newsletter will sent to Board members electronically, separate from agenda packets.

Mr. Wickman invited comments and Trustee Werby asked if staff has had any conversations with One McInnis Parkway tenants regarding rent payment. The Administrator replied the current tenant in Suite 200 is on site and so far, our property manager reports there are no issues about rent payment. For Suite 250, the Administrator is working with the property manager to address any issues caused by the delay in completing the suite construction.

Trustee Gladstern noticed there were not a lot of retirements in March as reflected on the Consent Calendar. Mr. Wickman explained that one or two members rescinded their retirement applications, and those retiring in late March will show up on the April Consent Calendar.

b. Staffing update

No staffing matters to report.

c. Facility Use Report

No facility use since the last meeting.

d. Future Meetings

- May 6, 2020 Board

Mr. Wickman noted that as with today’s meeting, future Board and Committee meetings may be conducted via Webinar depending on public health guidelines related to the coronavirus.

2. Ad Hoc Committee Reports

a. Ad Hoc One McInnis Committee

Mr. Wickman reported Ad Hoc One McInnis Committee members Roy Given, Maya Gladstern and Todd Werby met after the March Board meeting to consider
reconfiguring the first floor to reduce MCERA’s footprint to provide more rentable space for Suite 150. A plan has been to expand Suite 150 and create a new restroom corridor. Committee members were invited to comment and there were none.

3. **Trustee Comments**
   a. Educational Training – Reports by Trustees and Staff

   Mr. Wickman reported the CalAPRS General Assembly was interesting, convening March 7-10, 2020 when Covid-19 was just becoming a part of the national conversation. Among a number of good presentations was ethics training on the first day, a first at the General Assembly. He gave thanks to Board Counsel Ashley Dunning for conducting that session. In another session actuaries explored cost savings for public pension plans in the six years since the implementation of the PEPRA legislation. The unique Canadian Model was discussed. State Street’s presentation on the economic outlook was challenging given how markets were moving as they gave their presentation. Julie Wyne, CEO of the Sonoma County Employees’ Retirement Association, and Jesse Evans, Jr., Director of the City of New Orleans retirement system, talked about the lessons they learned from Hurricane Katrina and the Tubbs Fires. The most important point was to have a business continuity plan. Then, the most important aspect is to be flexible with operations and with staff; recognize what the immediate needs are and try to manage those as best as you can.

   Trustee Steve Silberstein reported on the CII Spring Conference that also took place at the beginning of the pandemic and went on as scheduled. A speaker from the Trump administration noted that China is a country to stay away from with respect to investment, but another speaker focused on opportunities for investment in China. Trustee Silberstein commented that the different opinions on this topic were interesting. He also reported that the keynote speaker at CII noted that the large run-up in U.S. large cap stocks is not likely to continue into the future.

   b. Other Comments

   No other comments.

C. **INVESTMENT COMMITTEE UPDATE**

1. **Portfolio Update - Jim Callahan, President, Callan LLC**

   Mr. Wickman explained that the Investment Committee consists of all members of the Board. He introduced Jim Callahan, President of Callan LLC, to present an update on market conditions and the portfolio. Mr. Callahan stated that the effects of Covid-19 on the equity market started on February 19, 2020 and led to an extremely volatile decline. In 23 trading days through March 23, 2020, the trough so far, the S&P 500 Index fell more than 34%, which is unprecedented in how quickly it happened. This was evidenced by a big jump in the VIX, the volatility index. The reason for this is uncertainty with respect to the health of our country, our economy, and the capital markets.
Currently, volatility remains but the S&P has recovered some of the initial loss and through yesterday is down 17.2% in 2020. Mr. Callahan pointed out that as of April 8, 2019, the one-year return of the S&P 500 Index is down 6.2%, which doesn’t sound terrible and lends perspective.

Trustee Klein inquired about the degree to which short volatility plays were in the market before the downturn and whether they caused some of the market volatility and there were blown out positions. In response Mr. Callahan explained a short volatility strategy is a trade an investment manager may put on a portfolio. Through the options market the manager puts on a series of options and, if the market stays in a low volatility mode, can harvest returns from those trades. In high volatility, those trades become deeply out of the money, and the speculation is that trade became very crowded before this market decline. He pointed out that the worst of this decline was in the days and weeks leading up to the triple option expiration date of the third Friday in March. He said there was speculation that a Bridgewater hedge fund had large short volatility positions late in 2019. Mr. Callahan stated it is hard to say how much volatility was driven by short volatility plays. He observed that the VIX has calmed down since the options expiration date, so the plays may have contributed to the high volatility and the drawdowns in the market.

Trustee Klein indicated there also is a huge Over the Counter (OTC) derivatives market and she has heard rumors some hedge funds have gone out of business. She asked if that takes some volatility out and what is left is due to market uncertainty over Covid-19. Mr. Callahan said he could not quantify that, noting there have been implosions of some products that had short volatility trades on.

For the quarter ending March 31, 2020, Mr. Callahan reported the S&P 500 Index was down almost 20%. Small caps struggled during the quarter, with the Russell 2000 Index down almost 31%. He noted the underperformance for small cap equities has occurred for a period of time now. There is also a continuing disparity of performance between value and growth, with value underperforming. He reported the two worst sectors were energy and financials. The price of oil declined with devastating effect on the energy sector; as the uncertainty started to grab hold, there was a big selloff in financials. Sectors holding up well were consumer staples, health care, and technology, including big tech and consumer names. This is more of the same in what has been leading the markets, Mr. Callahan said.

In the international portfolio, China was down 10% for the quarter but returns were relatively better than many emerging markets. The U.S. Dollar strengthened during the quarter versus most currencies, which was a headwind for asset performance, notably in international equity and the global bond portfolio.

Bonds held up well in the flight to quality, Mr. Callahan reported. The Bloomberg-Barclays Index was up 3.2% for the quarter as fixed income has been the safe haven. Interest rates have declined dramatically, with the 10-year U.S. Treasury note yield at 0.71% as of yesterday, historically low territory. Within fixed income the best performing sector was U.S. Treasury’s – the long index was up 22.5% for the quarter in longer-dated U.S. Treasury’s. What did not do well in the fixed income market was
credit-related corporate bonds, for example. He noted that managers tend to be underweight U.S. Treasury’s.

Trustee Klein asked what the Federal Reserve is doing with new facilities. Mr. Callahan replied the Federal Reserve in general has tried to turn on the spigots to provide monetary stimulus. For example, the Fed brought the Fed Funds rate down and has very quickly moved to quantitative easing by buying up assets to add liquidity. Callan has spent a lot of time talking to managers to assess the degree of liquidity or transaction cost issues. In the early stages of the market decline, transactions were taking place, but slowly and with high cost. Managers have been able to execute sells by breaking up orders into smaller amounts. One positive is that people are getting in and out of securities lending and money market funds, which dried up as sources of capital during the global financial crisis. Mr. Callahan added that government measures to get funds into consumers’ hands has taken time which creates uncertainty.

In the real estate portfolio, transactions have come to a halt and appraisers are having a difficult time coming up with valuations. As a result, many have decided to carry valuations over from prior periods. For this reason negative performance is not showing up yet; devaluations are expected to happen gradually in the later quarters of the year.

Trustee Klein asked about the status of rent payments in the commercial real estate market. Ms. Heaphy stated Callan expects to receive updated information on rent soon. She stated both AEW and UBS have received requests from tenants to delay rent and are working to strike a balance on a case-by-case basis. Mr. Callahan said this is consistent with what Callan is hearing from other funds as well.

Mr. Callahan reported private equity transactions also have ground to a halt and general partners are trying to understand the impact on their portfolio companies. Some are raising funds, but the expectation is deadlines for private equity fund raising will be pushed out.

The overall impact of Covid-19 is that the U.S. will experience negative growth in Gross Domestic Product (GDP). There is a wide divergence of opinions and range of projections for GDP; it is likely to be a sharp negative decline. Consumers, who represent two-thirds of GDP and are under pressure financially, will have a big impact on GDP. Mr. Callahan stated the question is what kind of recovery will occur once Covid-19 cases subside, and this is hard to predict.

In summary, Mr. Callahan presented historical market performance data showing the power of being in the market and also rebalancing. He stated we have seen market declines before and want to be able to tolerate these types of drawdowns. As the data shows, markets can rebound strongly over the 12 months following historical market declines. The point is one needs to be in the market because by missing only a few or a handful of days in the market, a large amount of the performance is missed.

Trustee Silberstein asked about the rebalancing in the Fund over last several months. In response, Mr. Callahan said the first step was to connect with Mr. Wickman on cash flow needs to pay benefits and meet capital calls, and this was done quickly. Next Callan
advised raising additional cash for a little further out for assurance. Parametric’s feedback on rebalancing was that U.S. Treasury futures were not operating as well as in normal circumstances. Parametric has changed its futures positions as the markets have changed.

Trustee Block asked if it is time to consider having a line of credit (LOC) since we were a little bit cash constrained. Mr. Wickman replied most of the cash raised in the last month was for margin calls ($20 million), as there was enough to make the March payroll and expenses. Mr. Callahan agreed there is not a need for the LOC at this point in time. Trustee Block asked if it would be prudent and cost effective to have the LOC available. Mr. Callahan said this could be explored as an insurance policy.

a. March Flash Performance Report

Mr. Callahan presented preliminary returns for the Fund for 2019 and the first quarter of 2020. For calendar year 2019 the Total Fund return net of fees was 17.5%, with notable underperformance by the DFA small cap portfolio. During the first quarter of 2020 the Total Fund net-of-fee return was negative 14.2%. The Russell 3000 was down 21% and the domestic equity portfolio fell 23.3% due to the overweight to small cap and underperformance by DFA. With this market reversal, Parametric rebalanced the portfolio from short S&P 500 futures at the end of 2019 to now being long that position.

The international equity portfolio outperformed the benchmark in 2019. In the first quarter of 2020 both large cap portfolios had good relative performance; Morgan Stanley with its quality tilt held in well for that reason. The small cap portfolio underperformed its benchmark. In the emerging markets space, Parametric underperformed due to its underweight to China, which was the best-performing country. Overall, Mr. Callahan said, the international portfolio is in line with expectations.

The fixed income portfolio was down modestly in the first quarter of 2020, underperforming the blended benchmark but serving its role in the Fund as the anchor to windward. It was a good year for the public real assets portfolio in 2019 that returned 15.5%. In the first quarter this group was down 19.6% and in line with the blended benchmark. The Invesco commodities portfolio underperformed and the KBI Global Resources Fund is outperforming significantly with minimal energy exposure. Real estate returns were carried forward. Through March 31, 2020 the preliminary fiscal year net-of-fee return for the Fund is down 9.5%.

In conclusion, Mr. Callahan emphasized the benefit of being a long-term investor and being disciplined by rebalancing as effectively as possible according to allocation targets. These policies allow for objective discipline in managing the Fund. He observed that the long economic expansion and market improvement had a long duration and assets became expensive. With the market disruption in the first quarter of 2020, everything is getting re-priced and there may be attractive opportunities to reposition the portfolio.
The Administrator invited questions and Trustees Werby and Klein asked for clarification about data presented in a slide related to the fiscal stimulus and GDP projections. Mr. Callahan said the global GDP forecast is based on a quarterly federal guide prepared three weeks ago. He stated the takeaway is an expectation that the deficit will increase to make up a spending gap. Trustee Werby asked what the impact of an additional $3 trillion in borrowing would be. In response, Mr. Callahan said it may have an inflationary impact, but this was the idea during the financial crisis and inflation did not happen. Mr. Callahan offered to provide updated information when it becomes available.

2. **Investment Manager Update - UBS Trumbull Property Fund**

Anne Heaphy, Senior Vice President of Callan, reported on the status of the UBS Trumbull Property Fund. She stated that UBS is discussing creating two buckets for fund assets. One bucket would hold about 70% of fund properties as long-term strategic assets to be managed by Paul Canning. The goal is to expedite sales of the other 30% of non-strategic assets that are expected to take a few years.

Trustee Block asked if they are doing a separate partnership agreement for the new structure. Ms. Heaphy replied she was not sure but is expecting to learn more detail later today. Mr. Callahan said his understanding is the two buckets would be within the existing Trumbull Property Fund. UBS has gotten pushback from investors and so is still considering the matter, he said. Trustee Block asked who is working on the matter and Ms. Heaphy said Callan’s real estate group has been in close contact with UBS. Mr. Callahan stated the agreement is not a limited partnership but changes to master documents will be needed, and Callan will provide guidance on what makes the most sense. The situation is fluid, he said. The queue is almost half of the NAV, so many investors are moving on. MCERA has a small amount in the redemption queue. Currently, redemptions have been suspended.

Investment Committee Chair Sara Klein asked, since no appraisal is being done, to what extent stale valuations affect the Trumbull Property Fund. Mr. Callahan said third-party appraisers rely heavily on transactions to reappraise properties and ultimately it is just going to be delayed. Trustee Silberstein observed that MCERA’s real estate funds are not highly leveraged but nevertheless have mortgage payments to make and he asked if the managers are seeking deferrals. In response, Mr. Callahan said he does not know, but noted their debt tends to be laddered to spread the risk out over time. Going forward, Ms. Heaphy will add performance of all real estate sectors to the report on retail sector returns for NFI-ODCE funds.

E. **NEW BUSINESS**

1. **Future Meetings**

   Consider and discuss agenda items for future meetings

   Mr. Wickman said future Board and Committee meetings may be held by tele/video conferencing or at MCERA offices, depending on public health orders at the time. Trustees were encouraged to submit topic suggestions to the Chair. Trustee Block indicated he is concerned about risk around the valuation of real estate assets and wants
to discuss how to approach this with auditors since it complicates the process. Mr. Wickman replied the Audit Committee will meet in May.

F. CONSENT CALENDAR (Action)

It was M/S Gladstern/Given to approve the Consent Calendar as submitted. The motion was approved by unanimous vote, stated by roll call, as follows:

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

CONSENT CALENDAR
MCERA BOARD MEETING, WEDNESDAY, APRIL 8, 2020

March 2020

RETURN OF CONTRIBUTIONS

<table>
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<th>BUYBACKS</th>
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<tr>
<td>Nathan Craver</td>
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<td>Pompey Festejo</td>
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<tr>
<td>Gretchen Forrey</td>
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<td>David Lloyd</td>
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NEW RETIREES

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<th>Name</th>
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</thead>
<tbody>
<tr>
<td>Earl Boisclair</td>
<td>City of San Rafael</td>
</tr>
<tr>
<td>Kathleen Carnahan</td>
<td>County of Marin - District Attorney</td>
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<tr>
<td>Kirt DeMichiel</td>
<td>County of Marin - Health &amp; Human Services</td>
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<tr>
<td>Virginia Faria</td>
<td>County of Marin - Department of Finance</td>
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<tr>
<td>Marlena Gallegos</td>
<td>City of San Rafael</td>
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<tr>
<td>Terri Hampton</td>
<td>County of Marin - Human Resources</td>
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<tr>
<td>Hwei Ru Hochstaedter</td>
<td>County of Marin - Information Services &amp; Technology</td>
</tr>
<tr>
<td>Cesar Lagleva</td>
<td>County of Marin - Health &amp; Human Services</td>
</tr>
<tr>
<td>Robert Lenke Jr.</td>
<td>County of Marin - Sheriff/Coroner</td>
</tr>
<tr>
<td>Tex Ritter</td>
<td>County of Marin - Child Support Services</td>
</tr>
<tr>
<td>Marlene Say</td>
<td>County of Marin - Information Services &amp; Technology</td>
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<tr>
<td>Catharine Zane</td>
<td>County of Marin - Health &amp; Human Services</td>
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<tr>
<td>Lynn Zimmerman</td>
<td>County of Marin - Health &amp; Human Services</td>
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DECEASED RETIREES

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<tbody>
<tr>
<td>Karen Costanza</td>
<td>County of Marin – Parks</td>
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<tr>
<td>Leontine Damazio</td>
<td>County of Marin – Beneficiary</td>
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</table>
In conclusion, Mr. Wickman reported no further public comment was submitted through email. He said the tele/video conference process seems to work and staff will explore technology to have more trustees being visible on the video.

There being no further business, Mr. Wickman adjourned the webinar meeting at 10:50 a.m.

Jeff Wickman, Retirement Administrator
Michelle Hardesty, Assistant Retirement Administrator

On behalf of:
Steve Silberstein, Board Chair
Laurie Murphy, Secretary