

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

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

February 10, 2021 – 9:00 a.m.

This meeting was held via videoconference 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. The public was able to listen to and observe the meeting on YouTube and provide comment through Zoom.

EVENT CALENDAR 9 a.m. Regular Board Meeting

CALL TO ORDER

Chair Silberstein called the meeting to order at 9:01 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/Given to approve the January 13, 2021 Board Meeting Minutes as submitted. The motion was approved by a vote of 9-0 as follows:

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

NOES: None

ABSTAIN: None

ABSENT: None

It was M/S Given/Block to approve the January 20, 2021 Investment Committee Meeting Minutes with one spelling correction. The motion was approved by a vote of 9-0 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.

B. MATTERS OF GENERAL INTEREST

1. Actuarial Valuation Report as of June 30, 2020 (Action) – Cheiron, Graham Schmidt
Consider and take possible action to adopt Actuarial Valuation Report as of June 30, 2020.

Graham Schmidt, Actuary with Cheiron, presented the Actuarial Valuation Report as of June 30, 2020. The report includes the actuarial assumptions used to determine the cost of the plan and the contribution rates for employees and employers effective July 1, 2021. The three valuation groups are the County of Marin and Special Districts (County), Novato Fire Protection District (Novato), and the City of San Rafael (San Rafael).

Mr. Schmidt stated that for the Plan as a whole, the liability increased from the prior fiscal year by about \$150 million and assets on a market basis went up about \$50 million. Therefore, the unfunded actuarial liability (UAL) went up about approximately \$100 million and the funded ratio of the Plan declined by about 2.5%. Active member growth was flat during the year with the ratio of retired to active members continuing to increase. Overall payroll grew although certain employers experienced no payroll growth. Average pay for an active member also increased by a little over 3.0% during the measuring period.

Mr. Schmidt discussed the factors causing contribution rates to increase. Assets earned less than the expected return, increasing the total contribution rate for the Plan by about 0.33%. For Novato and San Rafael the increase was higher because they have more assets for every dollar of payroll. For the County the impact was slightly lower.

Salaries for returning members were very close to expectations and did not have much impact on contribution rates. If payroll grows faster than the actuarial assumption, the contribution rate would be expected to fall. This occurred for the County and for Novato which reduced their contribution rates. But for San Rafael payroll was static, causing the contribution rate to increase because the cost is being spread out over a smaller payroll base.

The net impact of assumption changes increased the cost for the County and Novato and slightly less for San Rafael. The total increase in employer contribution rates as a result of all factors for the Plan was 0.85%. For the County and Special District Group the contribution rate increase was 0.91%, for Novato 1.55%, and for San Rafael 1.80%. The

specific employer contribution rates for each employer in the County and Special District group are detailed in the Valuation Report beginning on page 39.

Mr. Schmidt discussed the reconciliation of the unfunded actuarial liability from the prior fiscal year. Of the \$100 million increase from the prior fiscal year, \$70 million was due to investments returns being less than the target. Assumption changes caused the UAL to increase \$34 million. These are the two primary items affecting the unfunded actuarial liability, the Actuary said.

Trustee Block asked about the reserve account for the County. Mr. Schmidt explained that MCERA has an Interest Crediting policy that defines how the system will account for statutory and non-statutory reserves. Contingency reserves can be created when all other reserves have been credited and there are additional funds that can be set aside in a non-valuation reserve account. Reserve assets can be used in years when return assumptions are not met to dampen the impact on the contribution rate. Mr. Wickman noted that the reserve assets are all recorded in the financial statements, and the Board's Interest Crediting policy is in accordance with the County Employees' Retirement Law of 1937 (CERL). Mr. Schmidt noted at this point there are no more reserves to draw on in future years.

Trustee Gladstern asked about reducing the amortization period for the Special Amortization Layer created in 2013 that accounts for the extraordinary investment loss from 2009. Mr. Schmidt replied to shorten that amortization layer by one year would have a negligible impact on employer contribution rates. He recommended considering that approach when investment gains are significantly higher than the assumed rate of return. In response to Trustee Block's inquiry, the Actuary said he expects pension plans may consider the same approach for other risk mitigation measures, such as reducing the assumed rate of return.

Mr. Schmidt invited questions on the Actuarial Valuation Report. Trustee Block observed that the leverage and support ratios seem to have large increases over the past 10 years. He asked how they compare with other public pension plans and if the ratios can be projected. In response Mr. Schmidt referenced a prior presentation to the Board on maturity measures. He stated liability-to-payroll ratios are expected to stabilize going forward since liabilities tend to be more stable than assets, except when big changes to funding policy are implemented such as in 2014. He observed that cost of living adjustment (COLA) caps will help to stabilize the liability-to-payroll ratio, especially for San Rafael and Novato which have mature populations. Novato will always have a higher liability-to-payroll ratio due to having more safety members.

Trustee Werby asked why the projected drop in contribution rates in 2030 is bigger for San Rafael than for Novato. Mr. Schmidt explained that San Rafael has a lower normal cost than Novato but a higher unfunded actuarial liability payment. He noted San Rafael's payroll reductions increase the UAL payment as a percentage of pay. For Novato, the normal cost percentage payment is roughly equal to the liability payment. As a result, when the 2013 layer of the UAL is paid off in 2030, San Rafael will see a bigger reduction than Novato in its contribution rate.

Mr. Wickman stated by adopting the Actuarial Valuation the Board is also adopting the employer and contribution rates contained in the report effective July 1, 2021.

It was M/S Block/Werby to adopt the Actuarial Valuation Report as of June 30, 2020 and the employer and employee contribution rates set forth therein. The motion was approved by a vote of 9-0 as follows:

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

2. Annual Cost of Living Adjustment (COLA) as of April 1, 2021 (Action)

Consider and take possible action to affirm calculation of annual cost of living adjustment for retirees.

Mr. Wickman stated that the ability for a retiree to receive a cost of living adjustment (COLA) is part of the benefit tier agreed to between the employers and their employees under Sections 31870, 31870.1 or 31874.2 of the County Employees Retirement Law of 1937 (CERL). Mr. Wickman explained that each year the Board's actuary computes whether the statutory preconditions for providing a COLA exist, based on an increase in the Consumer Price Index (CPI) for All Urban Consumers in the area in which the county seat is situated, as the CERL requires. For MCERA this is the San Francisco-Oakland-Hayward area CPI. The Administrator stated that the Board's action is to review the COLA calculation the actuary has made and how it will be applied to the retiree groups.

Mr. Schmidt explained that the COLA is calculated by averaging the prior two calendar year increases in the Consumer Price Index (CPI) for the San Francisco-Oakland-Hayward Area. In accordance with statute, the resulting 1.73% is rounded to the nearest half percent for a 1.5% COLA.

Carryover balances in COLA banks are drawn down so retirees will receive the COLA cap amount for each group, except those who do not have a COLA bank. According to the Administrator, approximately 81% of retirees will receive a 2% or 1.5% COLA and 18% of retirees will receive a 3% COLA.

It was M/S Gladstern/Given to affirm the actuary's calculation of the 2021 annual cost of living adjustment (COLA) for retirees. The motion was approved by a vote of 9-0 as follows:

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 the 1099-R tax forms were delivered to retirees before the end of January. He thanked Benefits Manager David Sousa who led the project, Vladimir Matyurin, Senior Business Analyst, Senior Accountant Lisa Jackson, and La Valda Marshall, Accounting Unit Manager, for their work and diligence on this project.

The cybersecurity risk mitigation project is under way with Vladimir Matyurin, Michelle Hardesty, Assistant Retirement Administrator, and Syd Fowler working with Linea Secure's team on the project. The projection is it will take two months to implement the recommendations from the report.

At the January Investment Committee meeting the Committee voted to hire Institutional Shareholder Services (ISS) to vote proxies for domestic equity portfolios managed by Dimensional Fund Advisors (DFA) and State Street Global Advisors. The implementation is expected to be completed by the end of this week.

Mr. Wickman reported that MCERA received notice from DFA it will reduce the investment fee for the small cap core equity portfolio from 33 basis points to 30 basis points effective March 1, 2021.

This week the Administrator expects to have the final construction walk-through on Suites 150 and 175. Staff continues to work with the leasing team on a weekly basis to complete the leasing process.

The Administrator said the final registration date for the March CalAPRS General Assembly is getting close and he encouraged more trustees to register.

b. Staffing Update

Nothing to report.

c. Facility Use Report

Nothing to report in the period.

d. Future Meetings

- March 3, 2021 Board
- March 17, 2021 Investment Committee
- March 24, 2021 Finance and Risk Management Committee

2. 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 presented the proposed agenda for the April 27-28 Strategic Workshop. He said the bulk of the agenda is intended to set up the asset/liability study to be provided by Callan later this year. Workshop topics include an overview of the asset/liability study process, measuring pension liabilities, and how investment risk and diversification affect returns over time. Other topics addressed are how returns tend to regress to the mean, an overview of the domestic equity portfolio structure, and absolute return strategies which may be a non-correlated assets. The second day is a presentation by the Administrator and Assistant Retirement Administrator on key operational performance measures.

It was M/S Werby/Gladstern to approve the proposed agenda for the Strategic Workshop on April 27-28, 2021. The motion was approved by a vote of 9-0 as follows:

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

NOES: None

ABSTAIN: None

ABSENT: None

3. Trustee Comments

a. Educational Training: Reports by Trustees and Staff

Trustee Block reported on his review of the 2020 capital markets assumptions survey the actuary used in the Experience Study. He was comforted by the breadth and quality of the respondents and the comments publisher Horizon provides about the nature of the survey. He said it was a valuable read. Mr. Schmidt noted the survey is a good reference and widely read. Mr. Wickman noted Callan will address additional information on the Horizon survey at the Strategic Workshop.

b. Other Comments

No other comments.

D. NEW BUSINESS

1. Form 700 Refresher – Nossaman, Ashley Dunning

Presentation on Updated Fair Political Practices Commission Form 700 and Related Rules

Mr. Wickman noted that Trustees have received compliance information for 2021, including a reminder to complete the Annual Affirmation as to Key Policies by March 1.

Ms. Dunning presented an overview of the Form 700, the Statement of Economic Interests required by the Political Reform Act (PRA) that public officials are required to file. The Fair Political Practices Commission (FPPC) promulgates and enforces rules regarding

Form 700 filings. Form 700 is filed when assuming office, annually and then upon leaving office.

All MCERA Board members are deemed to be public officials who manage public investments; designated filers are listed in MCERA's Conflict of Interest Code. The Form 700 once submitted is a public record. Economic interests to report include gross income from non-governmental sources, investments, real estate, or income from businesses doing business in Marin County. These interests of a spouse are also reported. Gifts with some exceptions must be reported.

Ms. Dunning reviewed the mechanics of filling out Form 700 and each schedule. Stocks in a 401K or IRA must be reported, but insurance policies and diversified mutual funds do not need to be reported. Interests of 10% or greater in a business or trust are reported on a separate schedule. Only rental property in Marin County need be reported, and business use of the personal residence would also be reported if used for a tax deduction.

Gifts of \$50 or more from a single entity or person must be disclosed on Schedule D. There is a maximum gift limit of \$500 from a single entity. Two gift limits apply for the 2020 reporting period: The ethics gift limit prohibits accepting gifts of more than \$500 from a single source during the calendar year. The conflict of interest gift limit is \$500 during a 12-month period. If exceeded, the trustee would have to recuse from considerations having to do with the source of the gift. Examples of reportable gifts are plaques, flowers, or tickets. Gifts to family members are reportable unless there is an independent relationship between the giver and the family member. Ms. Dunning explained gift rules with respect to adult children.

Broad exceptions to reportable gifts include the “little i’s”, informational material to assist in performance of duties, or gifts returned before 30 days or donated to 501(c)(3) organizations. Gifts from close relatives such as grandparents or in-laws are not reportable. In some circumstances home hospitality is not considered reportable. In general gifts received at weddings, through neighborliness or acts of human compassion are not reportable – exceptions apply that are outlined in the presentation. Gifts valued at \$50 or more received from a group are not reportable unless the value is \$50 or more from one entity or individual.

Ms. Dunning explained reporting rules for travel and lodging related to speaking engagements. She provided a log to record gifts and resources for further inquiries on Form 700 reporting requirements.

Chair Silberstein directed deliberations to **Agenda Items D.3., E and F.**

3. Future Meetings

Consider and discuss agenda items for future meetings.

Trustee Poirier asked about the quality control process when MCERA receives payroll data from the County’s new payroll system. He said he experienced problems with leave and pre- or post-tax items. He asked how we know if payroll data from the County is correct. Mr. Wickman said we receive detailed payroll data from the County and have the ability to review the files before they are finalized. Ms. Hardesty said staff works closely with the

County to analyze the data and make any corrections needed. Our goal is to ensure that employees receive the correct service credit for the payroll period, she said. Chair Silberstein asked if County auditors review payroll calculations. The Administrator stated all pay calculations were reviewed by the County in detail before going live with the new system. He noted that many of the issues that are uncovered when reviewing payroll files are related to incorrect time entry. All employees are required to enter their time in the new system. If individuals are on alternative work schedules time entry can be more complicated and lead to errors.

E. OTHER INFORMATION

1. **Training Calendar (Action)**

Mr. Wickman reviewed upcoming and new events on the Training Calendar.

It was M/S Gladstern/Murphy to approve the Training Calendar as submitted. The motion was approved by a vote of 9-0 as follows:

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

F. CONSENT CALENDAR (Action)

It was M/S Werby/Block to approve the Consent Calendar as submitted.

Trustee Gladstern asked if staff is tracking the number of deaths as compared with the prior year. The Administrator replied yes but he noted there would need to be a consistent pattern over time to consider a change in the mortality rate.

The motion was approved by a vote of 9-0 as follows:

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

**CONSENT CALENDAR
 MCERA BOARD MEETING, WEDNESDAY, February 10, 2021**

January 2021

RETURN OF CONTRIBUTIONS		
Peter Arian	Full Refund - Termination	\$70,211.83
Jeffrey Chance	Partial Refund - Correction	\$324.17
Margaret Fisher	Full Refund - Termination	\$68,815.78
Chad Jones	Full Refund - Termination	\$1,522.44

Luis Rodriguez	Full Refund - Termination	\$15,519.02
David Smail	Partial Refund - 30 year overpayment	\$2,951.21

BUYBACKS

Dean V. Barsocchini		\$8,180.85
Brenda Godoy		\$381.54

NEW RETIREES

Reina Barone	County of Marin - Department of Finance
Eva Bennett	County of Marin - Public Defender
Jeffrey Chance	Southern Marin Fire
Richard Ebert	County of Marin - Public Works
Tamara Gonzalez	County of Marin - Library
Donalyn Julihn	County of Marin - DRO
Michael Lellis	County of Marin - Fire
Jennifer Livingston	County of Marin - Library
Christopher Morin	City of San Rafael
Christie Neill	County of Marin - Fire
Nick Picinich	Marin Sonoma Mosquito & Vector Control
James Raives	County of Marin - Parks & Open Space
Raul Rojas	County of Marin - Public Works
Lorna Rudd	County of Marin - Retirement
Joyce Siegan	County of Marin - Public Works
David Smail	County of Marin - Community Development
Esta Suen	County of Marin - Department of Finance
John Volpe	County of Marin - Sheriff/Coroner
Ronnie Wagner	County of Marin - District Attorney

DECEASED RETIREES

Gretchen Antill	County of Marin - Health & Human Services
Robert Burbank	County of Marin - Public Works
Beverly Carrino	County of Marin - Beneficiary
Charlotte Crake	County of Marin - Health & Human Services
Joseph Leonard	City of San Rafael
Doreen McBirney	County of Marin - Child Support Services
Patricia Owen	County of Marin - Beneficiary
Margaret Raymond	County of Marin - Beneficiary
Barbara Thunen	County of Marin - Administrator's Office
Pauline Wendling	City of San Rafael - Beneficiary

Chair Silberstein recessed Open Session for a 5 minute break and reconvened in Closed Session at 11:10 a.m., directing deliberations to **Agenda Item D.2**.

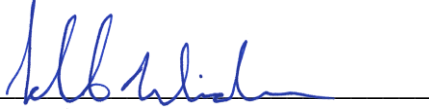
The Chair recessed Closed Session and reconvened in Open Session at 12:42 p.m.

2. Public Employee Performance Evaluation (CLOSED SESSION)

In accordance with MCERA's Retirement Administrator Annual Performance Evaluation Policy, Section 3(b), conduct informal mid-year performance review.

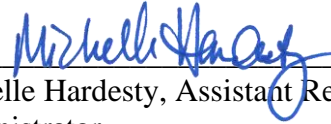
Chair Silberstein reported there is nothing to report on this agenda item.

There being no further business, Chair Silberstein adjourned the meeting at 12:43 p.m.



Jeff Wickman, Retirement Administrator

On behalf of:
Steve Silberstein, Board Chair



Michelle Hardesty, Assistant Retirement Administrator

On behalf of:
Laurie Murphy, Secretary