

# MINUTES

## Marin County Employees' Retirement Association (MCERA) Retirement Board Strategic Workshop

One McInnis Parkway, First Floor  
San Rafael, CA  
April 27-28, 2021

---

This meeting was held via video conference 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.

### Day 1 April 27, 2021

*Meeting Chair Steven Block*

9:00 a.m.

#### **Call to Order/Roll Call**

Chair Block called the meeting to order at 9:05 a.m.

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

ABSENT: None

#### **Open Time for Public Expression**

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.

9:00 a.m. – 9:45 a.m.

#### **Asset/Liability Study Process Overview**

Jay Kloepfer, Callan, Capital Markets Research

Jim Callahan, President, Callan LLC, presented an overview of the Asset/Liability Study (Study) process the Board goes through every five years. He said the Study is the most important thing Callan does from an investment standpoint because it helps define the Board's risk tolerance and

how assets are allocated over the long term. Mr. Callahan said asset allocation is the primary determinant of return and risk over time.

The first of three phases of the Asset/Liability Study is a review of the current investment program regarding strategic allocation to broad asset classes. Asset class and portfolio expectations are set after considering return, risk, and correlations. Potential asset classes and strategies are also evaluated. The second phase is to build the integrated asset/liability model reflecting June 2020 valuation results rolled forward to June 2021, thus capturing favorable fiscal year performance. Then simulations are run to capture uncertainty and show the impact of different portfolios on funded status and expected contributions, for example. In phase three Callan reviews results with the Actuary and presents recommendations for the Board's consideration.

Mr. Callahan explained the timeline for the Asset/Liability Study is from July-August through September. Preliminary results will be presented to the Board at its October 2021 Strategic Workshop, followed by final results at the December 2021 Board meeting.

Mr. Callahan said the Asset/Liability Study incorporates material changes to regulations or policies. The three main public pension plan policies are the funding policy, benefits policy, and investment policy. Risk is affected by the size of the Plan, which influences access and cost, and by funded status and expected funding requirements. The Plan status for MCERA, which is open to new members, allows for a long time horizon to absorb volatility and risk. Liquidity needs are another consideration as to cash flow resulting from contributions less benefits paid.

On July 1, 2021 simulations will begin to model asset classes broadly defined as Equity, Fixed Income, Real Assets, and Absolute Return, which is the class not represented in MCERA's portfolio. The key inputs on the asset side are capital market 10-year projections. Key liability assumptions are the June 2020 Actuarial Valuation assumptions of a 6.75% expected investment return, 84% funded status, 2.5% inflation, and employee and employer contribution rates as set forth in the Valuation. Different liquidity stress scenarios will be assessed. Based on Study results, five alternative efficient asset mixes are developed, increasing in risk and expected return, to show what the tradeoffs are.

In conclusion, Mr. Callahan explained the pension plan equation: benefits and expenses need to equal the investment return and contributions. He emphasized that the purpose of the Asset/Liability Study is to determine the Board's risk tolerance given funding goals and liquidity parameters and showing what the tradeoffs are.

Trustee Werby asked whether peers use lines of credit for cash needs. In response Mr. Callahan said that is more of an exception than a rule; the primary tool is to have liquid fixed income securities to avoid having to sell equities. He noted some big public plans are adding leverage at the total fund level in order to improve liquidity. Chair Block said at the recent Finance and Risk Management Committee meeting alternatives to increase liquidity were discussed, and he asked if they should be modeled. He also inquired if options such as narrow or broad range rebalancing, or dynamic allocation/portfolio insurance should be modeled as part of the Study. Mr. Callahan said rebalancing requires setting ranges around the target, which is a very important risk control discipline that can be additive to returns. Tail risk hedging is something to discuss outside of the Asset/Liability Study. In Callan's experience tail risk strategies are very expensive in both the explicit cost and the opportunity cost. He said boards cannot stick with it long enough and capitulate at the wrong time. Mr. Wickman noted the governance challenge

with mitigating tail risk is how much of the upside opportunity cost has been lost. Noting most plans have an allocation to cash for liquidity needs, the Administrator said Callan could model adding liquidity to the asset mix. Mr. Callahan confirmed a liquidity analysis will be an explicit part of the Asset/Liability Study.

Trustee Gladstern asked when we have had liquidity problems and Mr. Callahan replied in the 2008 financial crisis MCERA was not able to rebalance as quickly as the policy called for. Now he thinks with the highly liquid Parametric Overlay Program, which performed well in the pandemic crisis, and liquidity in the fixed income program, MCERA is in a better situation. He also noted the maturing private equity program is providing increased distributions. He agreed the degree of liquidity should be explored since there is a low level of negative cash flow.

9:45 a.m. – 10:30 a.m.

### **Measuring Pension Liabilities:**

- **How Do Pension Liabilities Change Over Time**
- **How Do Assumptions About Risk Impact the Measurement of the Liability**
- **How are the Liability Measures Used in the Asset/Liability Study**

Graham Schmidt, ASA, FCA, MAAA, EA Consulting Actuary, Cheiron

Graham Schmidt, Actuary with Cheiron, stated pension liabilities are assumed to grow over time. Mr. Schmidt explained projected benefits for active and inactive members over fifty years are discounted back to today's dollars using the assumed rate of return to reflect the present value of each year's benefit payments. These are added together to represent the total liability, which is the current funding target. Active member benefits can be split into what is already earned, the accrued liability, and the future benefits. He reviewed calculating the liability year to year by adding normal cost and interest less benefit payments.

Trustee Silberstein joined the meeting at 10:10 a.m.

Mr. Schmidt stated inactives (retirees) as a percentage of the total liability increased from 57% to 70% over the last ten years, which is an indication of the continuing maturing of the Plan. Mr. Schmidt said each group's liability shows a steady increase in liabilities over time.

Dividing plan sponsor liabilities by payroll shows that Marin County contribution rates are more consistent than for Novato Fire Protection District and the City of San Rafael, which continue to mature at a greater rate than the County and have higher liabilities as compared with payroll.

Trustee Jones joined the meeting at 10:14 a.m.

Mr. Schmidt said liabilities for the Plan have increased each time the discount rate has been reduced and in 2014 after the generational mortality adjustment to reflect longer life spans. Projections of liabilities to 2050 rise from over \$3 billion to over \$7 billion. This projection can be broken down into inactives, actives and new entrants, who begin to increase the liability after a long period of time. The projections show as of 2050 new PEPRAs members lead to a savings of a 25% increase in liabilities.

Bill Hallmark, Actuary with Cheiron, addressed how risk affects liabilities. Mr. Hallmark explained that the higher the expected returns and risk, the lower the projected total liability. Also, the riskier the asset portfolio is, the wider the range of projected investment returns. The higher the expected return, the wider the range of projected contribution rates. Mr. Hallmark

pointed out that the range of projected investment returns is much larger than the range of projected liabilities. He said with the dominance of the 2% cap COLA group, the COLA is not expected to be a significant factor on the volatility in the liability going forward.

Mr. Hallmark explained that in the Asset/Liability Study liability projections are fixed and are compared to a stochastic projection of assets. He said historical gains and losses show the range of results for assets is much larger than the range for liabilities.

Trustee Werby asked about the effect of COVID-19 on mortality rates. Mr. Schmidt replied as of June 30, 2020 there was no significant impact on mortality. Some plans as of the end of 2020 have experienced a 20% increase in death rates across age levels. However, this would not have a meaningful impact on liabilities until after several years if the higher mortality rate continued. Chair Block asked what assumption is being used for contribution rates to build liability projections. Mr. Hallmark replied that contribution rates are based on the assumptions adopted by the Board and included in its funding policy (actuarial valuation). Liability projections do not depend on either contributions or investment returns, but are based on the discount rate used to determine the present value of future benefits. He added that the unfunded liability is affected by investment returns, which affects contribution rates. Mr. Schmidt noted projected employer contribution rates decrease when the amortization of the 2013 initial UAL layer is paid off.

Chair Block recessed the meeting for a break, reconvening at 11:00 a.m.

10:30 a.m. – 10:45 a.m.

### **Break**

10:45 a.m. – 11:15 a.m.

### **Modern Portfolio Theory: How do investment risk and diversification affect returns**

Jay Kloepfer, Callan, Capital Markets Research

Jay Kloepfer, Executive Vice President and Head of Capital Markets Research with Callan LLC, said Modern Portfolio Theory (MPT) concepts of risk and return, correlation, and portfolio diversification are used to develop efficient portfolios. The theory originated in the 1950's by Harry Markowitz and his student William Sharpe. MPT determines the best return per unit of risk, with risk expressed as standard deviation. The assumptions are that returns have a normal distribution and risk is uncertainty of outcome. MPT facilitates the quantification of portfolio diversification using correlations.

Mr. Kloepfer stated strategic asset allocation focuses on broad asset classes assumed to have normal distributions. The history of U.S. stock market returns shows it skews positive and reflects a normal distribution. Mr. Kloepfer pointed out that higher returns are accompanied by higher standard deviations, and the risk premium demanded by investors implies risk aversion.

In correlation measures, 1.00 means perfectly correlated, 0 means there is no measurable pattern, and -1.00 means two factors move in opposite directions. Correlations have a large impact on the generation of efficient asset mixes using mean-variance optimization. The Sharpe Ratio is the return less the risk-free rate divided by the unit of risk. He explained how a range of asset mixes with decreasing levels of fixed income have increasing projected returns. Mr. Kloepfer stated the most important consideration for the Board is how much risk is appropriate. He also pointed out that time horizon is the most important determinant of how much risk is appropriate. The challenge with current low expectations for investment returns is the tendency to take more risk.

In the Asset/Liability Study Callan will model other potential asset classes. He spoke to the importance of rebalancing to maintain portfolio asset allocations and therefore level of risk. Roles of asset classes include growth, risk mitigation, and diversification. Long term investors may allocate 60-70% of the portfolio to growth assets. Mr. Kloepfer observed that asset allocation policies vary widely by pension plan type.

Chair Block asked for a discussion of the impact of volatility drag on return. In response Mr. Kloepfer said the higher the volatility, the more it affects compounded return. He gave the example of a 50% return followed by a 50% loss resulting in a 25% net loss. He pointed out fixed income has low volatility, but a low expected return. He noted rebalancing during volatility forces discipline.

11:15 a.m. – 11:45 a.m.

### **The Case for Reversion to the Mean**

Jim Callahan, President, Callan LLC

Jay Kloepfer, Callan, Capital Markets Research

Mr. Kloepfer stated the mean reversion thesis is while there are cycles, there is a long-term mean to which returns revert. Callan, as a company, subscribes to this theory over the long term. He presented long-term stock market returns illustrating the concept of mean reversion. Rolling 10, 20, and 30 year periods show the stability of this pattern. Mr. Kloepfer discussed the historical data set for asset class returns and said he expects current relatively low return projections to be higher in the future. He noted the long-term mean return for the S&P 500 is 10.45%.

Mr. Kloepfer observed that U.S. equities are currently overvalued as measured by the forward price/earnings ratio, but he pointed out the denominator was suppressed due to the pandemic. Fixed income shows a remarkable period from mid-60's to the 80's with rising interest rates that subsequently declined, leading to relatively high returns. Mr. Kloepfer said therefore he would temper how high the reversion to the mean will be for fixed income. He stated current low levels of inflation and interest rates justify modest ten-year capital market projections.

Mr. Kloepfer pointed out that over twenty years private equity is expected to have the highest investment return of all asset classes, and non-U.S. equities have disappointed over multiple time frames as to return expectations. Mr. Kloepfer does not believe small cap will have the premium it once had going forward. Capital market projections line up with the mean based on risk premia and real returns, Mr. Kloepfer said.

Mr. Kloepfer presented a comparison of 10-year return projections for a diversified portfolio with actual returns. The analysis shows the two returns track very closely, with the exception of 1999-2000 and 2007-2008 during market dislocations. Mr. Kloepfer concluded Callan's annual capital market expectations are providing meaningful guidance for the long term. He said the biggest change for this year's 10-year capital market projections was lowering expectations for fixed income. The public equity return projection was also reduced but is in line with the long-term equity premium over fixed income.

Chair Block asked about periodicity with respect to mean reversions, noting the fixed income market has longer cycles than the equities market. Mr. Kloepfer agreed and said he expects to see a continuation of lower returns for fixed income and a lower mean return, or a longer time to get there. Chair Block noted the deviation in ten-year capital market projections tends to be on

the downside. Mr. Kloepfer said the projections in terms of standard deviation look reasonable and Callan has, in general, conservative capital market projections.

Trustee Jones was excused from the meeting at 1:00 p.m.

Chair Block recessed the meeting for lunch at 12:01 p.m. and reconvened the meeting at 1:02 p.m.

11:45 a.m. – 1:00 p.m.

### **Lunch Break**

1:00 p.m. – 2:00 p.m.

### **Domestic Equity Structure Review**

Jim Callahan, President, Callan LLC

Mr. Callahan stated the review of the Fund's domestic equity structure is in view of its underperformance to the Russell 3000 Index. He said there are a number of ways to implement domestic equities which currently are targeted at 32% of the Fund. Key decision variables for determining equity structure are size exposures as measured by market capitalization, styles (value, core, and growth), and the amount of active/passive management. Mr. Callahan noted that a diversified structure should reflect the characteristics of the broad market, the Russell 3000 Index. Active managers have historically added more value in mid and small cap equities than large cap.

Two primary determinants of risk relative to the Russell 3000 benchmark are active/passive exposures, Mr. Callahan said. Domestic equities have 70% passive large cap exposure and 30% actively managed small cap exposure. Domestic equities differ from the benchmark in the intentional overweight to small cap, which creates tracking error. The question is whether to make an adjustment in small cap equities.

MCERA's portfolio is similar to the Russell 3000 in having approximately 3,000 stocks and being diversified. The Russell 1000 Index is a large and mid-cap index similar to the S&P 500. Because of outperformance of large cap stocks recently, the Russell 1000 represents 94% of the equity market and the Russell 2000 Index of small and mid-cap equities represents only 6% of the equity market.

Mr. Callahan compared the domestic equity structure to the Russell 3000. Equities are 30% small cap core and 70% S&P 500, and the Russell 3000 is 22% small cap, 11% mid cap stocks, and 67% large caps. So the domestic equity portfolio is underweight to large cap, underweight to mid cap, and overweight to small cap. In 2012 the small cap allocation was increased from 20% to 30% to generate excess return.

Rolling three year returns show over past two or three years the Fund struggled as small caps underperformed the benchmark and the Dimensional Fund Advisors (DFA) tilts were a headwind to performance. Mr. Callahan pointed out that tracking error for the Fund versus the Russell 3000 has spiked recently due to the small cap tilt. The question is how much tracking error the Board is comfortable with, he said.

Trustee Gladstern asked if it can be difficult to sell when a small caps manager owns a relatively large portion of the companies. Mr. Callahan replied there is a capacity to how much managers can manage, particularly in concentrated portfolios. He said it is not an issue for DFA because it

is unique in being one of the largest active small cap managers and actually owning some of the companies in their portfolio.

Mr. Callahan presented three alternative domestic equity structures to consider to reduce tracking error:

1. Keep the current structure but reduce the allocation to DFA to 20%.
2. Change large cap domestic equities to the Russell 1000 Index and reduce DFA to 20%. This gives more exposure to the mid cap equity market and is more consistent with the Russell 3000 Index.
3. Change large cap domestic equities to the Russell Top 200 Index, add a 15% allocation to an active mid cap core manager, and reduce DFA to 15%. This would capture mid cap stocks and reduce tracking error.

Mr. Callahan provided comparisons showing tracking risk and standard deviation would be reduced with all three alternative domestic equity structures. He said the benefit of the alternative structures is the risk reduction and reduced fees.

Trustee Werby asked how to make a decision based on tracking error. Mr. Callahan explained that the key factor is the overweight to small cap that has caused underperformance. Chair Block said the question is whether the assumption that small caps outperform over longer periods of time is still true; and if it is true, then are we getting paid for that misfit. Mr. Callahan noted if you create a structure that does not match the benchmark, it will be difficult to continue with. He said he believes it is better to get rid of the small cap tilt. Trustee Klein asked for a list of reasons why the small cap performance is over. Mr. Callahan replied some believe there is not a small cap premium anymore, and some believe the small cap premium is not over.

Mr. Callahan stated that if he were to provide a recommendation, he would suggest that the Board consider reducing small cap to 20% of the equity portfolio and changing the large cap allocation to the Russell 1000. He said there would still be an overweight to small cap but the index would cover small securities. He believed this was as a reasonable compromise to consider. Trustee Given noted large cap has done well over the last few years and he is concerned about timing risk. Mr. Callahan replied we are not trying to time the market but are making the decision for the long term. The change could be done over a period of months to reduce timing risk. Chair Block said the domestic equity allocation could be discussed further at an Investment Committee meeting.

2:00 p.m. – 3:00 p.m.

### **Absolute Return/Multi-Asset Class Investments**

Jim Callahan, President, Callan LLC

Mr. Callahan stated absolute return and multi-asset class investments are active strategies that try to provide a performance pattern different from other asset classes. These strategies, also known as hedge funds, are unconstrained in how they operate with respect to leverage, shorting securities, and using derivatives. The combination of these three tools is what allows for the performance pattern and taking advantage of market dislocations. Hedge funds can be expensive, opaque, and illiquid at certain times and are usually private placement vehicles. Advantages are they can lead to higher risk-adjusted returns and provide diversification with less

sensitivity to equity market risk. As a result, there is renewed interest in hedge funds as alternatives to lower expected returns for stocks and bonds.

Hedge funds performed well up to 2008 and since then have underperformed the market with a wide dispersion of returns. Hedge funds have performed between stocks and bonds as to risk. Trustee Gladstern asked if there is a market for secondaries and Mr. Callahan replied there is, but it is disjointed and inefficient. Performance metrics show equity hedge funds performed well relative to global equities in volatile periods such as the Great Financial Crisis. Global macro hedge funds have strong outperformance in these periods. Mr. Callahan pointed out that large endowments may have 20 to 30% hedge fund exposure, which are viewed as bringing fixed income behavior patterns such as downside protection and diversification to the portfolio.

Hedge fund strategies include relative value, event-driven, macro, and equity hedge. Relative value strategies match the purchase and sale of similar securities to profit from price divergences. Event-driven strategies capitalize on company or industry events such as a merger or regulatory change. Macro strategies implement thematic investing globally across asset classes to exploit trends and price dislocations. Equity hedge strategies seek alpha through bottom up stock selection in long or short positions. Chair Block asked where activist investors fit in. Mr. Callahan replied multi-strategy hedge funds use a variety of strategies, and high profile activists are in the event-driven bucket, using events to unlock value. The most common hedge funds are equity value. Chair Block asked if the amount of leverage affects the returns and Mr. Callahan replied leverage can have an impact on returns.

Mr. Callahan said the role hedge funds are expected to play in the portfolio include strong risk control and low correlation to equities. He said these attributes match with absolute return strategies, adding that for an equity substitute a directional hedge fund would be advisable.

Mr. Callahan introduced multi-asset class (MAC) strategies that try to address issues hedge funds have had by being transparent, liquid, and with flat fees. The four style groups are long biased, absolute return, risk premia, and risk parity. Long biased are equity oriented and can short and use leverage, for example. Absolute return managers use risk-controlled tactical strategies across multiple asset classes, with low net market exposure. Risk premia in a systematic fashion implement what global macro managers are doing, with balanced and strategic risk-weighted exposure to major asset classes. Trend-following, systematic macro, and macro hedges are highly liquid investments that can be funding sources for rebalancing portfolios and provide diversification. These concepts are gaining interest by investors, Mr. Callahan said. Other alternatives for portfolio diversifiers are reinsurance and private credit with attractive yields.

In summary, Mr. Callahan said hedge fund managers are more investor friendly and a sleeve of hedge fund strategies could replace fixed income with a higher expected return. Key takeaways and conclusions are that hedge funds can move across asset classes and have renewed interest given lower capital market expectations. Hedge fund returns are attractive with downside protection, but with high fees. Most investors benchmark hedge funds using a cash-plus metric.

Chair Block asked whether MCERA can be selective if investing in a fund-of-fund hedge fund manager. In response Mr. Callahan said generally the answer is no. Trustee Gladstern asked how hedge funds compare with market neutral strategies which Mr. Callahan said are risk-constrained portfolios with a net long-short exposure of zero that pair positions. The goal is a small 2-3% return over cash and using that amount to invest in the S&P 500 futures for added return. In the past MCERA used multiple market neutral managers that ultimately



underperformed the S&P 500 and were terminated. Mr. Callahan noted hedge fund fees may not be worth the expected return.

Chair Block thanked Mr. Callahan and Mr. Kloefer for today's presentations.

Trustee Cooper was excused from the meeting at 3:00 p.m.

3:00 p.m. – 3:30 p.m.

### **Closing and Follow-up Items from Today's Agenda**

Chair Block invited comments on today's discussions. Trustee Klein suggested putting the equity portfolio on the agenda for the next Investment Committee meeting. She expressed caution about potentially volatile returns with hedge funds. Trustee Silberstein supported her view, noting there is complexity to hedge funds. Chair Block said returns may be low for fixed income for several years. If that is the case, he suggested considering moving some of the bond allocation to hedge funds and being open to other alternatives. Trustee Silberstein pointed out fixed income allows the Fund to rebalance into equities. Trustee Gladstern views Callan's capital market projections as conservative, but Chair Block noted the risk in the capital market projections is more to the downside.

There being no further business, Chair Block recessed Day One of the Strategic Workshop at 3:29 p.m.

**Day 2**  
**April 28, 2021**

9:00 a.m.

**Call to Order/Roll Call**

Chair Block called the meeting to order at 9:03 a.m.

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

ABSENT: Cooper

**Open Time for Public Expression**

See below.

9:00 a.m. – 10:00 a.m.

**Review and Discussion of Operational Performance Measures**

Jeff Wickman, Retirement Administrator

Michelle Hardesty, Assistant Retirement Administrator

Chair Block said the Review and Discussion of Operational Performance Measures considers what we measure, why we measure them, and other issues MCERA may be confronting. Mr. Wickman began by stating that in 2011 there were no performance measures in place to help assess how MCERA was performing its mission to pay retirees on time and accurately. He noted that both he and Assistant Administrator Hardesty worked in organizations that used performance measures and they both believed that what gets measured gets done. The Administrator said Syd Fowler will be assisting Assistant Retirement Administrator Michelle Hardesty with the presentation.

Ms. Hardesty recalled that on arriving at MCERA she was charged with getting retirement payments out sooner and clearing the backlog of estimates and purchases that members were unhappy about. Efficiencies were added to calculations and performance measures were created with the goal of completing 90% of new payroll inceptions within one month of retirement; now the goal is 95%. Other key measures are completing 80% of retirement benefit estimates within 30 days of receiving the request, and 75% of service purchases within 30 days of the date documentation is available. These measures are included in the Retirement Administrator's annual performance objectives which give them visibility for the Board and staff.

Ms. Hardesty discussed that while we measure only the three main areas, there is much more that we monitor and manage. She discussed the additional work processes from divorce to reciprocity listed in the presentation. She then focused in more detail on the uploading of the active member payroll data from employers into the CPAS system. This process is closely reviewed for accuracy to ensure correct data is put into the CPAS benefit system. Part of the review of active payroll has led to the creation of an employer training program. Trustee Silberstein asked about processing reciprocal members at retirement. Ms. Hardesty replied MCERA shares member data with the reciprocal system and vice versa. About one-third of members are reciprocal.

Syd Fowler said active employer payroll uploads drive paying retirement benefits and meeting performance goals. Syd discussed the recurring processes listed and then explained in more

detail the example of the Member Benefit Statement process where MCERA provides members with annual Benefit Statements which are tracked as to timing and the number needing review.

Michelle Hardesty and Syd Fowler discussed processes performed in other areas of the agency.

Ms. Hardesty then transitioned to the discussion on MCERA's COVID -19 response. She said COVID-19 forced staff to adapt business practices in order to maintain the service goals that have been established. Decisions were made by prioritizing staff safety and member service. After closing on March 17, 2020, MCERA offices were reopened on the first allowable day in June 2020. In order to reopen staff assessed the physical changes that were needed and public health directives and implemented the Site-Specific Protection Plan. Next was assisting staff working remotely and determining who would remain on site to serve members. Staff received specific instructions on safe-guarding member information in the transition to working with electronic files. The County's secure Virtual Private Network (VPN) was utilized for accessing information and laptops and office furniture were provided for staff working remotely. The use of Microsoft Teams has allowed everyone to stay in constant contact and helped facilitate meetings and communication.

Paper processes like imaging and scanning were converted to a paperless workflow process, creating efficiencies that dovetailed with future objectives. In addition, staff began using OneDrive to allow for multiple users of workflow and other common projects. As a result, supervisors are able to track staff work electronically and follow up where any problems arose. Ms. Fowler pointed out only one monthly Board meeting was missed in the transition to Zoom Webinars, and there was no loss of transparency because Board and Committee meetings are accessible to the public on YouTube. Live commenting was introduced at the beginning of 2021, and full Board packets are now posted on MCERA's website.

Ms. Fowler discussed processes implemented during COVID-19 that will remain in place: remote work for some staff, paperless workflow, video conferencing and staff training through Microsoft Teams, and electronic Board meeting packets on MCERA's website. Mr. Wickman observed that video broadcasting allows for additional transparency and provides access for more members of the public to attend Board meetings, and is a best practice that we will continue.

In conclusion, Ms. Hardesty said staff will continue to look for efficiencies to improve services. Plans are to have an improved workflow process allowing for more detail and automatic reporting. Trustee Werby asked when paper files can be removed and Mr. Wickman said files have been removed from the file room and secured in another area. He said the goal is to move the files off site in 2021. Trustee Poirier suggested an idea box and Mr. Wickman said it is a good point to engage staff in ideas for improvement since change and innovation are part of the job.

Trustee Murphy asked if there are any issues with shields and masks. In response Mr. Wickman said during counseling a shield and masks are required and there have been no issues. Ms. Murphy asked if the County Employees Retirement Law of 1937 (CERL) does not accept electronic signatures. Mr. Wickman replied there are still requirements for paper documents in the CERL and hopefully there will be modernization to allow for more electronic signatures. Trustee Gladstern asked when the CERL can be updated and Ms. Dunning replied this is a priority for the SACRS Legislative Committee. Trustee Jones asked if there is an emphasis on cybersecurity in place with the move away from paper documents. Mr. Wickman said MCERA is currently working with Linea Secure to strengthen cybersecurity and going paperless would be

an ongoing goal. Chair Block asked about workflow facilitation through CPAS. Ms. Hardesty replied CPAS and OnBase have workflow systems. The team is evaluating which system would provide the most functionality. Chair Block said it could be difficult to move to another system if more reporting is built through one system. He applauded the strategic approach to driving positive outcomes.

Chair Block invited discussion on additional performance measures to be reported to the Board. Trustee Silberstein asked about the problems in the past with custodial services and whether any measures could improve that process. In response, Mr. Wickman said the past customer service issues have significantly improved over the last twelve months. Trustee Given requested assurance that customer service will continue to be good after the Custodial Services Request for Proposal is completed. Mr. Wickman replied staff will document performance expectations in any new agreements for custodial services.

The Administrator said he is comfortable with current performance measures and invited the Board to suggest other outcomes that could be measured. Chair Block suggested target asset allocations in the Fund could be elevated as key performance measures. Trustee Given said these are reflected as goals the Administrator reports on.

Trustee Gladstern asked about the process around Annual Benefit Statements, including data cleanup, as a reportable measure. The Administrator replied the number of statements needing review has been significantly reduced over the past three years and could be reported out, noting every year data has been cleaned up earlier. The delays in producing annual statements were related to converted data from the prior system into CPAS. Ms. Hardesty said a more frequent quarterly process for data review is being initiated. She explained that data cleanup includes reviewing member tier changes and service credit greater than one year. Mr. Wickman noted staff is working on a faster time frame for all processes. He pointed out the number of tiers within MCERA which adds complexity to the process. He observed that as far as making this a key metric, it can be added to the list of performance measures. Chair Block said he is happy with what staff has been able to achieve.

Chair Block directed deliberations to public comment.

### **Open Time for Public Expression**

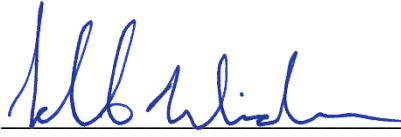
Roland Katz, Executive Director of the Marin Association of Public Employees (MAPE), stated he represents rank and file employees receiving pensions. Mr. Katz recognized Marin County for modernizing its processes and is working with the County to address problems in reporting pensionable hours for some members. Mr. Katz noted that members approaching retirement give considerable credence to MCERA's Annual Benefit Statements. Chair Block thanked Mr. Katz for his remarks.

### **Closing and Follow-up Items from Today's Agenda**

10:00 a.m. – 10:30 a.m.

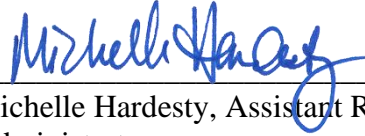
Chair Block invited comments on the Strategic Workshop discussion topics and suggestions for future topics. Trustee Klein encouraged more presentations on MCERA operations, and Chair Block said the Ad Hoc Education Committee is planning to have discussions on relevant operational issues at every Strategic Workshop. Mr. Wickman offered to review MCERA's annual reporting processes at a future meeting.

There being no further business, Chair Block adjourned the meeting at 10:41 a.m.



Jeff Wickman, Retirement Administrator

On behalf of:  
Steve Block, Meeting Chair



Michelle Hardesty, Assistant Retirement Administrator

On behalf of:  
Laurie Murphy, Secretary