

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

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

June 9, 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 and provide comment through Zoom.

EVENT CALENDAR 9 a.m. Regular Board Meeting

CALL TO ORDER

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

ROLL CALL

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

ABSENT: None

MINUTES

It was M/S Gladstern/Murphy to approve the May 5, 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, Poirier, Silberstein, Werby

NOES: None

ABSTAIN: None

ABSENT: None

It was M/S Murphy/Gladstern to approve the April 27-28, 2021 Strategic Workshop Minutes as submitted. The motion was approved by a vote of 9-0 as follows:

AYES: Block, Cooper, Given, Gladstern, Klein, Murphy, Poirier, Silberstein, 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.

Amanda Tomlin, librarian at Marin County Free Library, said she is applying for the vacant 3rd General Member seat on the Board.

B. BOARD OF RETIREMENT MATTERS

1. Administrator's Report

a. Administrator's Update

Retirement Administrator Jeff Wickman reported today is the due date to submit nomination forms for the elections for the 3rd General Member position and 8th Retired and Alternate Retired Member positions. Two individuals, Maya Gladstern and Adam Brolin, turned in nomination forms for the Retired Member position. Dorothy Jones submitted a nomination form for the Alternate Retired Member position.

Mr. Wickman reported on the timing of returning to in-person meetings. Information has been communicated to other local government employers that Executive Order N29-20 will not terminate on June 15 when the Blueprint is scheduled to terminate. Notice will be provided to affected stakeholders in advance of rescission of this provision to provide state and local agencies and boards time necessary to meet statutory and logistical requirements.

The Administrator reported an uptick in leasing activities for Suites 150 and 175 at One McInnis Parkway. MCERA held a one-day open house for brokers from throughout the North Bay with good attendance and positive feedback.

Beginning this week the first pilot employer audit program is starting. The Administrator thanked Project Leader Lisa Jackson and Assistant Retirement Administrator Michelle Hardesty for their work to get the program ready and in place.

b. Staffing Update

There is an active recruitment for a Senior Accountant.

c. Facility Use Report

No facility use in the period to report.

d. Meetings

- June 16, 2021 Investment Committee
- July 7, 2021 Audit Committee (since moved to August 4, 2021)
- July 14, 2021 Board

2. Standing Committee Reports

a. Finance and Risk Management Committee

1. Administrative Budget Fiscal Year 2020/21 Quarterly Review

Consider and review expenses for quarter ending March 31, 2021

Finance and Risk Management Committee Chair Todd Werby reported on expenditures as of March 31, 2021, the third quarter of the 2020/21 fiscal year. Total Administrative expenses were 68.8% of the budgeted amount for the fiscal year to date, primarily due to open positions. For the quarter ending March 31, 2021, Salaries and Benefits expenses were 20.5% of the budgeted amount due to vacancies, and Services and Supplies were 27.9% of the budgeted amount due to bank services, annual insurance and other services, and higher depreciation.

2. Non-budgeted Expenses

Consider and review non-budgeted expenses for the quarter

The Committee reviewed non-budgeted expenses which included an \$85,000 payment to investment consultant Callan for private credit manager due diligence.

3. Quarterly Checklist

Consider, review and updates on the following:

a. MCERA educational and event-related expenses

Educational and event-related expenses were for trustees to attend the CalAPRS General Assembly and the Administrator to attend the SACRS Spring Conference. Staff attended CalAPRS Benefits and Accountants' Round Tables and professional accountant's training.

b. Continuing Trustee Education Log

The Continuing Trustee Education Log shows good progress for all trustees in meeting the 24 hours of education required.

c. Other expenses per Checklist Guidelines

The Committee reviewed credit card expenditures.

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

See discussion above.

- e. Vendor services provided to MCERA

No report.

- f. MCERA staffing status

See above.

- g. Internal controls, compliance activities and capital calls

Total private equity program distributions to MCERA from July 1, 2020 through March 31, 2021 were \$57.5 million and total capital calls sent to managers were \$20.9 million. During the quarter MCERA sent capital calls to one opportunistic manager and received \$5.8 million in real estate dividends.

Linea Secure was engaged to work with staff to develop a suite of policies to manage internal and external cybersecurity controls. The project is expected to take longer than the original June 30th due date.

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

No report.

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

No report.

4. Administrative Budget for Fiscal Year 2021/22 (Action)

Consider and take possible action on Finance and Risk Management Committee's recommendation to adopt administrative budget for the next fiscal year

Finance and Risk Committee Chair Werby reported the Committee recommends that the Board adopt the Administrative Budget for Fiscal Year 2021/22 as presented. The motion was approved by a vote of 9-0 as follows:

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

5. Cash Management

Consider and discuss cash management process

The Administrator reviewed MCERA's cash management processes. As part of the Asset/Liability Study Callan will be assessing liquidity and cash needs to determine if there are any issues.

6. Annual Audit of Financial Statements Update
Update on audit process

Brown Armstrong is going to begin the annual audit in May.

3. Trustee Comments

a. Educational Training: Reports by Trustees and Staff

Trustee Gladstern reported the first session at the CalAPRS Trustees' Roundtable on "Public Pension Reform: Lessons from Canada for the U.S." was a broad discussion. She learned that in Canada the average public pension system investment return assumption is 5.6%. During the "Understanding the Role of Public Pension Funds in Shareholder Litigation and Other Options for Exercising Shareholder Rights" session there were suggestions to set a soft loss threshold and when switching custodians to ensure there is coverage for filing claims. There was discussion around the Morrison decision, which had to do with lawsuits having to be filed where a corporation is based.

Chair Silberstein also attended the Trustees' Round Table and reported the lower discount rate of Canadian public pension funds results in more being paid by employer and employee contributions. He said that having a large part of funding from investments results in more volatility in the funded ratio. Europeans also use lower discount rates and more funding from employees and government, and pension plans are more centralized. In California, the Cost of Living Adjustment (COLA) is not related to investment performance, whereas in some states there is no COLA unless investments perform well. Trustee Silberstein added that in Quebec the pension board has other goals such as to take part in the economic development of the Province.

Trustee Gladstern attended the SACRS Spring Conference and reported during the first General session there were suggestions to read *No Filter, Bad Blood*, and *AI Superpowers: China, Silicon Valley, and the New World Order* regarding China public and private equity markets. During the Legislative Committee update she learned there are three bills currently in the legislature that address the future of virtual meetings. Assembly Bill 845 proposes a Covid presumption for service-connected disability if acquired on the job that would be refutable.

Mr. Wickman also attended the SACRS Conference, reporting that Keynote Speaker David Kelly from JP Morgan said there is value in value stocks and emerging markets. Mr. Kelly also said the Federal Reserve should be careful about setting markets because the fall could be damaging. A panel of Chief Investment Officers (CIOs), Daryn Miller from Kern County Employees' Retirement Association, Steve Sexauer from San Diego County Employees Retirement Association, and Steve Davis from Sacramento County Employees' Retirement System, were concerned that current high returns may take away from future returns. The three said that traditional 60-40 portfolios (60% equity and 40% bonds) are projected to have lower returns in the future and they believe that inflation will be transitory. David Rubenstein of Carlyle said his biggest concern was the challenges of trying to address growing income inequality. He also said so much liquidity encourages risk taking. Moderator Seema Hingorani of Morgan Stanley and

the founder of *Girls Who Invest* presented the “Diversity, Equity and Inclusion” session. Ms. Hingorani said the program’s *30 by 30* goal is to have 30% of the world’s investable capital managed by women by 2030. The last session “How California Is Leading the Revolution in Sustainable Energy and the Future of Transportation” was moderated by consultant Steve Westly. He spoke about sustainable energy, pointing out the substantial growth of lithium ion plants from 2 to 192 over the last 10 years. Mr. Westly predicts that in the future most automobiles will be owned by fleet companies and Bitcoin will become the new coal as it uses a lot of energy.

Board Counsel Ashley Dunning said the focus of the agenda for the CalAPRS Attorneys’ Round Table was to have an open discussion about various legal issues for retirement systems as we come out of the pandemic. The first discussion was about public board meetings and the dynamics during virtual meetings, notably how to get public comment effectively. There were different iterations about how boards have handled public comment on non-agendized and agendized topics. The California Governor’s office has reassured local agencies that there will be notice provided to allow for a planned transition back to normal Brown Act rules, which had to be suspended during the pandemic. In discussions on return to work rules for staff, some observations were that successful approaches in saving money or being generally more efficient may be retained. These include conducting investment manager interviews by teleconference and providing member counseling with virtual conferences or only on particular days. Regarding operations, systems vary as to how many staff will return to the office or work remotely. For disability hearings, some systems would like to keep new procedures, including allowing for some telemedicine with Independent Medical Examiner (IME) exams, virtual hearings to make scheduling simpler, and transmitting medical records to physicians electronically.

Systems are modifying policies and approaches around digital signatures. Some systems have made amendments to regulations and some have modified policies. In order to address public health concerns some systems have made renovations on heights of cubicles. Many systems are upgrading video capabilities to stream public meetings and potentially to take public comment from remote locations, and have presenters present through those video platforms.

b. Other Comments

There were no other comments.

C. NEW BUSINESS

1. Election to fill Board Officer Vacancy (Action)

Consider and take possible action on nominations for Vice Chair

Mr. Wickman said Trustee Thomas, who recently retired as the 3rd General Member, had been the Vice Chair. In accordance with the Election and Duties of Board Officers Policy the Board is to elect a replacement for the Vice Chair position.

It was M/S Gladstern/Murphy to nominate Todd Werby to serve as Vice Chair for the remainder of the term of office through the November 3, 2021 Board meeting.

The Chair invited other nominations or discussion on the motion.

The motion was approved by a vote of 8-0-1 as follows:

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

Chair Silberstein congratulated Trustee Werby on being elected Vice Chair and said he looks forward to his additional service on the Board.

2. MCERA's Funding Policy

Consider and discuss the potential development of a standalone Funding Policy for MCERA

Mr. Wickman stated at the May 5, 2021 Board meeting there was a request to agendize the Board's funding policy. He said historically the Board has used the Actuarial Valuation as its funding policy. The funding methodologies and practices are captured in the Actuarial Valuation. In doing research on other County Employees Retirement Law (CERL) systems, he found some have separate funding policies that extrapolate information from the Valuation report. He observed there would need to be an annual review of a funding policy to keep it up to date. The discussion today is whether to direct the Governance Committee to consider developing a separate funding policy to be returned to the Board for final action.

Counsel Dunning advised that funding from all participating employers and members varies based on both legal requirements and policy and contractual relationships that have developed over the years that would need to be reflected in a separate funding policy.

Trustee Block said the CalPERS funding policy, for example, is relatively simple and addresses primarily amortization payments due from employers. The reason he feels a funding policy is important is that the Actuarial Valuation and Experience Study reflect that the Board has adopted a funding policy. By having a separate funding policy, users or stakeholders would be able to go directly to the policy.

Trustee Gladstern asked if MCERA's current policy regarding economic assumptions could be modified as part of a funding policy and Mr. Wickman said he could take that approach. Trustee Cooper offered to place the matter on the next Governance Committee meeting agenda and the Administrator confirmed this will be done.

3. Future Meetings

Consider and discuss agenda items for future meetings

Trustee Block recommended the book *Noise* to the trustees which specifies a protocol as a way of eliminating noise in the Board's decision making. He said one valuable insight in

Noise is that the aggregation of expert judgment improves decision-making accuracy. Chair Silberstein recommended an article in the last issue of the *New Yorker* magazine on ransomware hackers which the Administrator will send to the Board members.

D. - OTHER INFORMATION

1. Training Calendar (Action)

Mr. Wickman highlighted changes in meetings on the Training Calendar.

It was M/S Werby/Gladstern 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, Poirier, Silberstein, Werby
NOES: None
ABSTAIN: None
ABSENT: None

E. CONSENT CALENDAR (Action)

The monthly Consent Calendar was presented to the Board for consideration. Trustee Werby asked about the age change. In response, Mr. Wickman explained classic members have age-based contribution rates and there are occasions when staff discover that the initial age-based rate needs to be changed. This typically happens after MCERA receives validation of the correct age of entry from the member’s prior reciprocal employer.

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

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

CONSENT CALENDAR

MCERA BOARD MEETING, WEDNESDAY, JUNE 9, 2021

May 2021

RETURN OF CONTRIBUTIONS		
Elia Lawatsch	Full Refund - Termination	\$ 11,894.80
Fred Marziano	Partial Refund - 30 year overpayment	\$ 5,196.05
Anthony Schweitzer	Full Refund - Termination	\$ 3,153.72
Steve Wilbur	Partial Refund - Age change	\$ 4,556.43

BUYBACKS

Ian Adams	\$ 22,183.72
David T. Chavez	\$ 3,942.88
Guy Crow	\$ 7,791.90
Raquel Heraldez	\$ 22,500.00
Scott Pedersen	\$ 51,728.78
Catherine Quffa	\$ 12,624.66

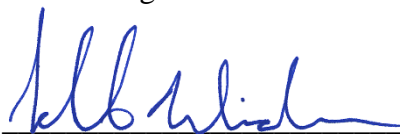
NEW RETIREES

Bruce Abbott	County of Marin - Assessor-Recorder-County Clerk
George Bernheim	County of Marin - Sheriff/Coroner
Andrea Salas	County of Marin - Sheriff/Coroner
Brian Scott	County of Marin - Public Works
Phillip Thomas	County of Marin - Public Works
Laurie Thompson	County of Marin - Library
Laura Turrini	County of Marin - Information Services & Technology
Beverly Wood	Marin County Superior Court

DECEASED RETIREES

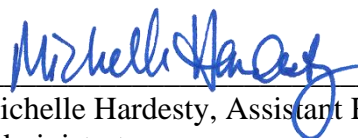
Albert Aramburu	County of Marin - Board of Supervisors
Robert Beedle	County of Marin - Fire
Joanne Buckwalter	County of Marin - Probation
Enes Lonsway	County of Marin - Health & Human Services
Glee-Caroline Murphy	County of Marin - Beneficiary
Sol Silver	County of Marin - Community Development

There being no further business, Chair Silberstein adjourned the meeting at 10:14 a.m.



Jeff Wickman, Retirement Administrator

On behalf of:
Steve Silberstein, Board Chair



Michelle Hardesty, Assistant Retirement Administrator

On behalf of:
Laurie Murphy, Secretary