

**MINUTES**

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

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

**January 12, 2022 – 9:00 a.m.**

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This meeting was held via videoconference pursuant to MCERA Board of Retirement Resolution 2021/22-01, which invoked Government Code section 54953(e) for all MCERA Board and standing committee meetings through January 14, 2022. The public was able to listen to and observe the meeting and provide comment through Zoom.

**CALL TO ORDER**

Chair Silberstein called the meeting to order at 9:01 a.m.

**ROLL CALL**

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

**ABSENT:** None

**MINUTES**

It was M/S Werby/Murphy to approve the December 8, 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, Tomlin, Werby

**NOES:** None

**ABSTAIN:** None

**ABSENT:** None

It was M/S Block/Murphy to approve the December 2, 2021 Special 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, Tomlin, Werby

**NOES:** None

**ABSTAIN:** None

**ABSENT:** None

It was M/S Given/Murphy to approve the December 15, 2021 Special 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, Tomlin, Werby  
NOES: None  
ABSTAIN: None  
ABSENT: None

It was M/S Block/Murphy to approve the December 15, 2021 Investment Committee Meeting Minutes as amended with one administrative edit. The motion was approved by a vote of 9-0 as follows:

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

Trustee Martinovich joined the meeting at 9:03 a.m.

**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. TOPIC OF GENERAL INTEREST**

1. Reconsideration of State of Emergency conditions under Assembly Bill (AB) 361 (Action)

Reconsider and take possible action to invoke Government Code section 54953(e), and to extend MCERA Resolution 2021/22-01 Authorizing Teleconferencing for Board and Standing Committee Meetings through February 11, 2022, because at least one of the following circumstances exists:

1. The State of Emergency proclaimed remains in effect and continues to directly impact the ability of the members to meet safely in person; or
2. State or local officials continue to impose or recommend measures to promote social distancing.

Retirement Administrator Jeff Wickman reviewed the Board’s adoption on October 13, 2021 of Resolution 2021/22-01 Authorizing Teleconferencing for Board and Standing Committee

Meetings Pursuant to Government Code section 54953(e) of the Brown Act, and its subsequent actions to extend those provisions for another 30 days. In its most recent action on December 15, 2021, the Board considered the circumstances and made a finding to reinvoke section 54953(e) provisions to be able to hold today's meeting virtually. He stated the Board may determine whether the two circumstances listed above still exist, and, if so, whether to extend Government Code section 54953(e) provisions for another 30 days through February 11, 2022, thus allowing the January 19, 2022 Investment Committee and February 9, 2022 Board meetings to be teleconferenced. Staff recommends that the Board reinvoke the provisions because the two conditions listed above still exist.

It was M/S Werby/Gladstern to invoke Government Code section 54953(e), and to extend MCERA Resolution 2021/22-01 Authorizing Teleconferencing for Board and Standing Committee Meetings through February 11, 2022, because both of the circumstances listed above exist. The motion was approved by a vote of 9-0 as follows:

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

### **C. MATTERS OF GENERAL INTEREST**

#### **1. Preliminary Actuarial Valuation Results June 30, 2021 (Action) – Cheiron,**

**Graham Schmidt**

Presentation of preliminary results for the annual actuarial valuation

Mr. Wickman reminded the Board that, with respect to the June 30, 2021 Actuarial Valuation, it does not have to make any changes with regard to MCERA's current funding policy. Today's presentation by the actuary will show how this year's investment return will be recognized in the Actuarial Valuation following the current funding policy. He is recommending that the Board follow current funding policy rather than choose the Fresh Start option, where all prior amortization layers are set to zero.

Mr. Schmidt discussed preliminary Actuarial Valuation results as of June 30, 2021. Mr. Schmidt stated MCERA is made up of over 7,000 members, 40% of whom are actively contributing and the remainder are inactive (retirees, beneficiaries or deferred) members. In terms of the actives, about 77% are general members and the rest are public safety. PEPRAs now make up a larger portion of active members than Classic members. However, Classic members still dominate the active liability since it takes a long time to build up the value of active benefits. Plan sponsors are the County and Special District group, the City of San Rafael (San Rafael) and Novato Fire Protection District (Novato).

The actuary noted that the funded status of the Plan has increased significantly because of the investment gains for the fiscal year ending June 30, 2021. The value of the actuarial liability, which is the funding target, is \$3.218 billion, and assets are \$3.362 billion. Since assets exceed liabilities, there is a funding surplus. Assets, liabilities and funded status are tracked separately for each valuation group. Marin County, Novato and the Plan as a whole have a funding surplus, and San Rafael has a deficit.

Beginning with 2014 any new change in the unfunded actuarial liability has been amortized over a 24 year period. Using direct rate smoothing, the payment schedule is phased in over 5 years and phased out over 5 years. The reason for this funding approach is to maintain stable contribution rates for employers. As a result of this year's investment gain, the net expected payment declines over time and becomes negative after 2030. However, under PEPRRA, the Normal Cost payment may not be less than zero. Therefore, employers will pay for benefits earned each year, leading to stabilized payments, assuming all current assumptions are met.

Trustee Silberstein asked why San Rafael did not have a surplus like the other two valuation groups. In response, Mr. Schmidt explained that the County issued a Pension Obligation Bond in 2002 which increased their assets relative to other employers. Counsel Dunning noted that when San Rafael and Novato joined MCERA it was agreed that their assets and liabilities would be separate from the County Group. Mr. Wickman noted miscellaneous benefit improvements along with safety improvements also impacted the cost of benefits for San Rafael. Mr. Schmidt explained gains and losses affect San Rafael more because of its higher ratio of safety employees relative to the County Group. The actuary further stated that San Rafael's payroll has not grown as much as the other groups.

Mr. Schmidt said employer contribution rates are expressed as a percentage of projected pensionable pay and new rates will be effective July 1, 2022. For the total Plan the employer contribution rate is 27.57% of pay. There are three parts to the employer contribution rate: the employer Normal Cost, administrative expenses, and the unfunded actuarial liability, which is expected to decline with the recognition of recent investment gains.

Mr. Schmidt discussed reasons for the reduction in the average employer contribution rate from 30.5% of pay in the prior fiscal year to the current 27.57% of pay. Over the past few years actuarial losses in the form of assumption changes and falling below the investment target have been phased in, which increases cost and therefore the contribution rate. This year the 32.15% return on assets had the biggest impact on contribution rates and will be phased in, reducing the employer contribution rate by 3.4% of pay for the Plan this year. Demographic factors had a negligible effect on contribution rates. There was a small impact overall from payroll growth that was expected to grow at 3% of pay per year, but instead grew at 1.4% of pay. This increased the overall contribution rate for the Plan by 0.2%. Of employer groups, Novato had the biggest impact due to higher asset- and liability-to-payroll ratios. Returns reduced the employer contribution rate by more than 5% of pay for Novato and by more than 6% of pay for San Rafael, because its ratio of assets to payroll is higher than for the County group. There was a cost increase for San Rafael due to a reduction in its active work force. The net impact of all factors was an approximate net decrease in contribution rates of 3% for the overall Plan, under 3% for the County group, 4% for San Rafael, and over 5.5% for Novato.

In summary, Mr. Schmidt explained that employer contribution rates can fluctuate more because of changes in the unfunded liability. The funded ratio for the Plan was 84% last

year and is 104.4% this year. The Plan's prior unfunded actuarial liability has been declining since 2012 up until 2021, and now the Plan has a surplus where assets exceed liabilities.

Bill Hallmark, Actuary with Cheiron, explained that the Fresh Start option would remove the prior positive amortization layers, leaving only the Normal Cost going forward. Mr. Hallmark said this approach would result in a steeper decline in the employer contribution rate in the coming year from 25% to under 14% for the County Group. The effect on the funded ratio would be minimal. The Fresh Start option has no impact on employee contribution rates. Trustee Gladstern asked about wiping out only the 2009 extraordinary loss layer, and Mr. Schmidt said the impact would not be that different, because the duration of the amortization is now similar to the normal amortization layers. Trustee Klein asked if it makes the most sense to use the Fresh Start option. Mr. Hallmark indicated all things being equal it might, but the Fresh Start could have an unintended impact on governmental budgets because it may be more difficult to increase costs in future years with such a steep one-year drop, therefore making gradual changes in employer contribution rates would be preferable. Mr. Schmidt also noted that it is okay to have some level of surplus in the Plan if in the future returns may not meet the target goal. Mr. Wickman reminded Board members that in 2014 the Board put the current funding policy together with the goal of providing contribution rate stability. Current policy continues to give more predictability to employer contribution rates, he said. Counsel Dunning noted that regarding the impact on employer budgets, this Board is to have an eye to prudent management of the Plan and properly fund the Plan so it can pay promised benefits over time.

Mr. Wickman noted that if the Board prefers to follow current funding policy, no action is required. Trustee Block asked whether or not for purposes of this valuation we need to consider whether our economic assumptions are reasonable at this time. Mr. Schmidt replied that actuaries are required to disclose the reasonableness of economic assumptions for the long term and this was done at the October 2021 Workshop. Trustee Block stated his opinion that since the October Strategic Workshop there is a growing consensus for higher levels of inflation for the intermediate future at least and asked if the real rate of return assumption is still valid. He noted that in the 1970's inflation caused a prolonged period of negative real equity returns. Mr. Schmidt replied that over the long term the difference between inflation-protected government bonds and non-inflation-protected government bonds, termed the breakeven point, is about 2.5%, which is equal to MCERA's inflation assumption. The actuary stated recent surveys of investment consultants still support MCERA's 4.25% real return assumption and there is no market information showing that long term assumptions are unreasonable. Chair Silberstein agreed with Mr. Schmidt's assessment on inflation. Trustee Gladstern said the Board should stay the course and maintain a long-term view. Trustee Given supported her view, noting that conditions and assumptions are reviewed on an annual basis.

Chair Silberstein directed deliberations to **Agenda Item E, Disability Consent Agenda.**

**E. DISABILITY CONSENT AGENDA (TIME CERTAIN: 10 a.m.) (Action)**

Any item that a Board member requests be pulled from the Disability Consent Agenda will be considered in Closed Session under the authority of Government Code section 54957(b), unless the applicant specifically waives confidentiality and requests that their application be considered in Open Session.

1. Sara Hernandez                                      Service Connected                                      Marin Superior Court

Consider and take possible action to adopt Administrative Recommendation to grant service-connected disability retirement application.

2. Ross Cascio    Service Connected                                      County of Marin

Consider and take possible action to adopt Administrative Recommendation to grant service-connected disability retirement application.

It was M/S Given/Gladstern to adopt the Administrative Recommendation to grant Sara Hernandez’s service connected disability retirement application with an effective date of January 28, 2020. The motion was approved by a vote of 9-0 as follows:

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

It was M/S Gladstern/Cooper to adopt the Administrative Recommendation to grant Ross Cascio’s service connected disability retirement application with an effective date of September 8, 2019. The motion was approved by a vote of 9-0 as follows:

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

Chair Silberstein directed deliberations to **Agenda Item D, Board of Retirement Matters.**

**D. BOARD OF RETIREMENT MATTERS**

1. Administrator’s Report  
a. Administrator’s Update

Mr. Wickman welcomed Mina Martinovich to the Board of Retirement as the new Alternate Ex Officio Member. Ms. Martinovich expressed appreciation for the opportunity to serve on the Board. She is the Assistant Director of Finance with Marin County, overseeing financial reporting, payroll services and internal audit.

The Ad Hoc One McInnis Committee met in December to review lease terms for Suite 175. With the consensus agreement of the Committee, the Administrator executed the

lease with the Center for Voluntary and Nonprofit Leadership. The plan is for the new tenant to be onsite no later than April 1, 2022. The last vacant space is Suite 150.

Annual Benefit Statements were mailed to members at the end of December.

Staff are starting the second employer audit and in the process of scheduling the third employer audit. The Administrator thanked Lisa Jackson and Michelle Hardesty for their work in moving that process along judiciously.

b. Staffing Update

The Senior Retirement Benefits Technician recruitment resulted in the hiring of Robert Sanders. Mr. Sanders was previously a Retirement Benefit Technician with a focus on active member payroll. A recruitment will be opened to fill Robert's prior position.

c. Facility Use Report

No facility use in the period to report.

d. Future Meetings

- January 19, 2022 Investment Committee
- February 9, 2022 Board

2. Trustee Comments

a. Educational Training: Reports by Trustees and Staff

No education training to report.

b. Other Comments

No other comments.

**F. NEW BUSINESS**

1. Fiduciary Liability Insurance (Action)

Consider and take possible action on selection of fiduciary liability insurance provider

Mr. Wickman reported that through MCERA's broker, Risk Strategies, he received a proposal from current carrier Euclid/Hudson to renew fiduciary liability insurance. Other insurers declined to bid, he said. The proposed premium increased by about \$8,300 over the current policy. Under deductible and retention Hudson proposed a unique retention for class action claims of \$250,000. Last year staff was successful in getting this change removed from the renewal proposal. However, this year the special retention will have to be accepted in order to renew the policy. Mr. Wickman also noted that specific reimbursement rates for the work of counsel were not included in the proposal. MCERA believes these reimbursement rates should be included and increased over the prior year and have asked the carrier to make this change.

Mr. Wickman is recommending the Board approve the renewal, subject to resolution of the question about reimbursement rates. In response to Chair Silberstein's question on how our premium compares to peer systems, Mr. Wickman said based on what he knows of other systems, MCERA's premium is very competitive with peer systems. Counsel Dunning noted on class action claims, she is not in favor of the higher retention provisions and believes the retention should be lower, but it is a provision across comparable policies.

It was M/S Werby/Gladstern to select Euclid/Hudson Insurance Company as fiduciary liability insurance provider for 2022 in accordance with the proposed agreement and subject to resolution of the outstanding items by the Administrator and Counsel. The motion was approved by a vote of 9-0 as follows:

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

2. Future Meetings  
Consider and discuss agenda items for future meetings.

The next regular Board meeting is February 9, 2022.

## **G. OTHER INFORMATION**

1. Training Calendar (Action)

Mr. Wickman presented the monthly Training Calendar. A number of new CalAPRS events have been added to the calendar. Other new events are the Wharton investment strategies course, Pension Bridge annual conference, the California Retired County Employee Association (CRCEA) spring conference, and several sessions of the Callan Introduction to Investments course.

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, Tomlin, Werby  
NOES: None  
ABSTAIN: None  
ABSENT: None

## **H. CONSENT CALENDAR (Action)**

Chair Silberstein asked about returns of contributions on the December Consent Calendar. Mr. Wickman replied that members are required to acknowledge they are relinquishing their rights to future pension benefits before MCERA will refund any member contributions. The refunded overpayment of contributions is a different situation related to when a member gets to 30 years of service and no longer has to pay employee contributions to MCERA. In this



situation the member had continued to pay contributions after reaching 30 years and MCERA is refunding those erroneous contributions.

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

**CONSENT CALENDAR**

**MCERA BOARD MEETING, WEDNESDAY, January 12, 2022**

**DECEMBER 2021**

<b>RETURN OF CONTRIBUTIONS</b>			
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Lindsay Contreras	Full Refund - Termination	\$	41,128.54
Tom Nunes	Partial Refund - 30 year overpayment	\$	37,185.12

<b>BUYBACKS</b>			
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Laura Beam		\$	2,000.00
Mohamad Bobat		\$	9,526.38
Mark Miller		\$	4,353.31
Summer Nipomnick		\$	25,228.02
Jack Stern		\$	5,779.11

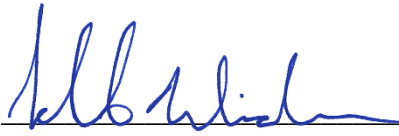
<b>NEW RETIREES</b>	
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Cheryl Anisman	County of Marin - Health & Human Services
Garnell Baron	County of Marin - Sheriff/Coroner
David Dibble	County of Marin - Parks
Gilda McAfee	County of Marin - Sheriff/Coroner
Gary Schwartz	County of Marin - Department of Finance
Nina Snyder	County of Marin - Sheriff/Coroner
Jason Webb	Novato Fire

<b>DECEASED RETIREES</b>	
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Glenn Klavert	County of Marin - Beneficiary
Edward Levine	County of Marin - Sheriff/Coroner
Sylvia Mitchell	County of Marin - Beneficiary
Antonio Ret	County of Marin - Public Works

There being no further business, Chair Silberstein adjourned the meeting at 10:33 a.m.



Jeff Wickman  
Retirement Administrator

On behalf of:  
Steve Silberstein, Board Chair



Michelle Hardesty  
Assistant Retirement Administrator

On behalf of:  
Laurie Murphy, Secretary