

MINUTES

FINANCE AND RISK MANAGEMENT COMMITTEE MARIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION (MCERA)

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

August 17, 2022 – 9:00 a.m.

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 September 9, 2022. The public was able to listen to and observe the meeting and provide comment through Zoom.

CALL TO ORDER

Chair Murphy called the meeting to order at 9:00 a.m.

ROLL CALL

PRESENT: Klein, Martinovich, Murphy, Werby

ABSENT: None

MINUTES

It was M/S Werby/Martinovich to approve the May 25, 2022 Finance and Risk Management Committee Meeting Minutes as submitted. The motion was approved by a vote of 4-0 as follows:

AYES: Klein, Martinovich, Murphy, 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. NEW BUSINESS

1. Administrative Budget Fiscal Year 2021/22 Fiscal Year Review

Consider and review expenses for the quarter and fiscal year ending June 30, 2022

Retirement Administrator Jeff Wickman reported on administrative expenses. For the quarter ending June 30, 2022, Salaries and Benefits were 26.2% of the annual budgeted amount due to one extra pay period and overtime. In Services and Supplies bank charges were higher during the quarter due to the timing of billing. Document reproduction costs were higher due to mailing the annual cost of living adjustment (COLA) letter to retirees. Services and Supplies overall were 20.5% of the budgeted amount for the year. Total administrative expenditures were 22.7% for the quarter ending June 30, 2022.

For the fiscal year, Salaries and Benefits were 83% of the budgeted amount due to vacancy savings during the year. In Services and Supplies bank charges were higher than the budgeted amount, and all insurance premiums rose during the year. Higher document reproduction costs revolved around disability-related medical examinations, which Mr. Wickman pointed out are the most challenging to budget. Ergonomic assessments and supplies to support remote work resulted in costs well over the budgeted amount. Nevertheless, overall Services and Supplies were 100% of the budgeted amount, and total Administrative Expenditures were 88% of the budgeted amount for the fiscal year.

Trustee Werby inquired if COLA letters could be emailed to retirees to save costs. Mr. Wickman replied this could be done. Assistant Retirement Administrator Michelle Hardesty confirmed this, noting that retirees without email addresses could receive the letters by mail.

2. Non-budgeted Expenses

Consider and review non-budgeted expenses for the quarter

Reporting on non-budgeted expenses, Mr. Wickman noted retiree payroll was higher in the month of April due to new retirees, the cost of living adjustment (COLA) and retroactive disability retirement benefit payments. Nossaman fees for the quarter outside of general counsel work were due to specialists working on leasing activity and insurance policies.

For the fiscal year, the increase in retiree expenses in the 4th quarter is due to adding the COLA to retiree payroll and having the largest number of new retirees in that period. Legal fees included investment-related work on new commitments made during the year, and on side letters modifications.

3. Quarterly Checklist

Consider, review and updates on the following:

a. MCERA educational and event-related expenses

In educational and event-related expenses, trustees attended the Spring SACRS Conference and there was one payment for the 2021 SACRS conference. Total educational and event expenses for the fiscal year were \$10,727.

b. Continuing Trustee Education Log

Trustees have achieved the 24 hours of education due in 2022 and many have done so for 2023.

c. Other expenses per Checklist Guidelines

Mr. Wickman presented the credit card summary, explaining that GMEI is an organization administering the local entity identifier required by investment managers that MCERA must renew each year. Other expenditures are normal office supplies and the Zoom expense for holding remote meetings.

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

See discussion above.

e. Vendor services provided to MCERA

No new vendor services.

f. MCERA staffing status

MCERA is now fully staffed with no vacant positions.

g. Internal controls, compliance activities and capital calls

The Administrator reported on capital flows for the Fund. In the private equity program for the Abbott portfolio there was one small capital call and no distributions during the quarter. For the fiscal year MCERA paid in over \$7.5 million in capital calls to Abbott and received over \$41 million in distributions. These distributions fund new capital calls and other cash needs. For the Pathway portfolio the oldest fund had minor capital calls during the quarter and significant distributions. Other Pathway funds paid distributions in the quarter, and newer Pathway funds had capital calls in period. For the fiscal year, MCERA paid Pathway \$12.1 million in capital calls and received \$45.9 million in distributions. For the private equity program as a whole, MCERA paid \$19.6 million in capital calls and received over \$87 million in distributions for the fiscal year.

Credit managers are in the funding phase. There was no activity during the quarter in the CarVal portfolio, and Fortress called \$665 thousand in capital during the quarter. Varde is the most active portfolio with over \$7 million in capital calls in the quarter. For the Opportunistic portfolio MCERA paid \$24.2 in capital calls for the fiscal year and has \$56.7 million in uncalled capital remaining.

The Administrator reported that since June 30, 2022 MCERA has received \$3.3 million in additional distributions from Abbott and Pathway private equity managers and paid \$3.1 million in capital calls.

Mr. Wickman reported portfolios out of target ranges were rebalanced by moving \$10 million from the Invesco commodities portfolio and redistributing \$6 million to the BlackRock TIPS portfolio and \$4 million to the BlackRock REIT portfolio. He also reported MCERA received the \$20 million redemption it requested from UBS.

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

Nothing to report.

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

Mr. Wickman referenced a confidential memo from the Board Counsel.

In response to a request by the Committee, Mr. Wickman presented the administrative budgets of County Employees Retirement Law of 1937 (CERL) systems, the percentage of the actuarial accrued liability, and the actuarial accrued liability. He said one takeaway is that the larger the actuarial accrued liability, the more likely it is for the budget to be a smaller percentage of the actuarial accrued liability. The Administrator also observed that complexity is a factor in the size of the administrative cap and annual budget, noting that MCERA had a larger budget and administrative cap amount than some systems who were similar to MCERA in terms of the number of members. Ms. Dunning added that complexity also can be driven by the number of participating employers in the Plan. Trustee Werby asked if our owning the building makes a difference in the administrative budget from peer systems and Mr. Wickman replied he did not think that was a factor because many CERL systems own their buildings.

4. Annual Audit of Financial Statements Update

Update on annual audit process

The Administrator reported that the Audit Committee met in early August and was introduced to a new auditing partner who is experienced in working with other CERL systems. The annual audit is slightly behind schedule and auditors are currently conducting participant testing. Anya Bakerink, Chief Financial Officer, is getting up to speed on the annual audit and accounting department processes and procedures.

5. Future Meetings

Consider and discuss agenda items for future meetings

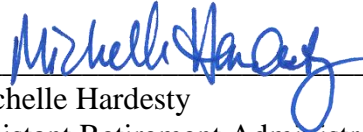
The Chair invited comments on topics for future meetings.

There being no further business, Chair Murphy adjourned the meeting at 9:42 a.m.



Jeff Wickman
Retirement Administrator

On behalf of:
Laurie Murphy
Finance and Risk Management Committee Chair



Michelle Hardesty
Assistant Retirement Administrator

On behalf of:
Jeff Wickman
Retirement Administrator