

MINUTES

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

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

November 16, 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 December 2, 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 9:04 a.m.

ROLL CALL

PRESENT: Klein, Martinovich, Murphy, Werby

ABSENT: None

MINUTES

It was M/S Werby/Martinovich to approve the August 17, 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 2022/23 Quarterly Review

Consider and review expenses for the quarter and ending September 30, 2022

Jeff Wickman, Retirement Administrator, reported on the Administrative Budget for the first quarter of the fiscal year ending September 30, 2022. Salaries and Benefits were 19.3% of the budgeted amount for the fiscal year due to vacant positions during July and August that have since been filled. Services and Supplies were 21.5% of the budgeted amount. Within that category a significant project to move all member files offsite resulted in expenses of 88.8% of the budgeted amount for records retention. Trustee Werby asked about potentially destroying paper records and Mr. Wickman indicated there are record retention policies that MCERA follows that provide guidelines for when documents can be destroyed.

Bank charges ran at 40% for the quarter due to an increase in fees. In response to Trustee Werby's inquiry Mr. Wickman said there is an analysis fee that is part of maintaining the account, which Ms. Bakerink said is based on the account balance. Memberships in CalAPRS and SACRS and renewal of death location service drove the membership dues costs. Reproduction costs were 42% of the budgeted amount for the year due to mailing Annual Member Benefit statements to active and deferred members. Trustee Werby asked if electronic distribution would work for this purpose. In response Mr. Wickman said that would be a long term goal but there would need to be a process in place for maintaining contact information.

In Services and Supplies additional monitors were purchased for staff. There were no Interdepartmental charges during the quarter which was simply a timing issue for when the charges are provided to MCERA. Overall Administrative expenditures for the quarter were 18.4% of the budgeted amount for the fiscal year.

2. Non-budgeted Expenses

Consider and review non-budgeted expenses for the quarter

Mr. Wickman stated retiree payroll with related expenses at \$45.4 million is the largest category in non-budgeted expenses. Other items include ongoing CPAS hosting fees of \$16,300 for the quarter. Legal fees are in line with expectations although there was a small increase related to work on the annual evaluation of the Retirement Administrator. Trustee Werby asked about the bankruptcy-related item which Mr. Wickman said was the PG&E bankruptcy. He has been working with Nossaman to determine if MCERA would be eligible to submit claims for reimbursement as a result of a holding in PG&E during the claims period. Mr. Wickman will look into the amount of the PG&E loss for Trustee Klein.

3. Quarterly Checklist

Consider, review and updates on the following:

a. Other expenses per Checklist Guidelines

A summary of credit card charges was presented for review that included expenses for attendance at the SACRS Conference, California Special Districts (CSDA) Board Clerk Conference, and the Nossaman Fiduciaries' Forum.

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

See discussion above.

c. MCERA educational and event-related expenses

The report on educational and event-related expenses included Trustee Cooper attending the NCPERS Safety Conference in Nashville and Trustee Gladstern attending the fall CII Conference in Boston. Fall SACRS Conference attendees included Trustees Cooper, Silberstein and Werby. Also, Board Counsel Ashley Dunning attended a CalAPRS Attorneys' Round Table on MCERA's behalf.

d. Continuing Trustee Education Log

Trustees are maintaining the required 24 hours of education every two years.

e. Internal controls, compliance activities and capital calls

Private equity manager Abbott Capital Management distributed \$4.2 million to MCERA from older funds during the quarter. Abbott issued one capital call for the AP 2021 fund for \$1.8 million. MCERA received \$5.6 million in distributions from Pathway Capital Management, which issued one capital call for \$1.28 million. For the private equity program in total for the quarter, MCERA received \$9.8 in distributions and paid \$3.1 million in capital calls. There was no activity in the quarter for Opportunistic managers. Core real estate managers AEW and UBS sent a total of \$1.8 million in dividends to MCERA.

Mr. Wickman reported since September 30, 2022 MCERA received \$468,000 in net distributions from Abbott and \$1.5 million from Pathway. For Opportunistic managers MCERA received capital calls totaling \$5 million from CarVal.

f. Vendor services provided to MCERA

Mr. Wickman said he engaged Nicholson Strategic Services for an amount not to exceed \$50,000 to work with the leadership team on process improvements and human resource issues. He also engaged Alliance Resource Consulting to assist with the recruitment of an Assistant Retirement Administrator for a total cost of \$36,000.

g. MCERA staffing status

The Administrator announced that Michelle Hardesty will be transitioning out of her role as Assistant Retirement Administrator. To cover part of her responsibilities in the interim, work is underway to fill the vacant Retirement Manager position. Chair Murphy asked how long the Assistant Retirement Administrator recruitment would take and Mr. Wickman estimated three to six months. Mr. Wickman reported that there is a Retirement Benefit Technician vacancy as a result of a staff departure.

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

Nothing to report. See audit update below.

i. Other items from the Administrator related to risk and finance – Outsourced Chief Information Security Officer (ACTION)

Mr. Wickman recommended that the Committee consider authorizing the Retirement Administrator to engage Linea Secure to provide Chief Information Security Officer (CISO) services for MCERA. He reviewed the work Linea Secure has previously provided MCERA relating to the Cyber Risk Assessment and implementation of priority items from the assessment. A Statement of Work by Linea Secure was presented showing CISO services would include continuous security scanning, making sure evolving vulnerabilities are addressed, testing of the Incident Response Plan, and third-party security reviews. In addition, the recent discussion with the Board about adding a member portal feature would require significant work to ensure there are no security vulnerabilities.

Chair Murphy asked if this would be an annual engagement Mr. Wickman said that is correct. To her question on compliance with the Health Insurance Portability and Accountability Act of 1996 (HIPAA), Mr. Wickman replied that is MCERA's responsibility.

It was M/S Werby/Klein to recommend that the Board authorize the Retirement Administrator to develop and enter into an agreement with Linea Secure to provide outsourced Chief Information Security officer services for MCERA for \$50,000 per year, subject to successful contract negotiations. The motion was approved by a vote of 4-0 as follows:

AYES:	Klein, Martinovich, Murphy, Werby
NOES:	None
ABSTAIN:	None
ABSENT:	None

4. Annual Audit of Financial Statements Update
Update on annual audit process

The Administrator thanked Anya Bakerink, Chief Financial Officer, and her team for having the drafted financial statements. He said the actuary will be providing a draft GASB 67/68 report that will be finalized next week and then reviewed by the auditors. In view of this schedule, the date for the next Audit Committee meeting was moved to December 7, after the Investment Committee meeting.

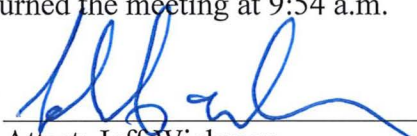
5. Future Meetings
Consider and discuss agenda items for future meetings

Mr. Wickman will bring the annual Information Technology Risk Assessment Report to the next Committee meeting. Chair Klein asked about an investment consultant search which the Administrator said would be an Investment Committee item

There being no further business, Chair Murphy adjourned the meeting at 9:54 a.m.



Todd Werby
Finance and Risk Management Committee Chair



Attest: Jeff Wickman
Retirement Administrator