

MINUTES

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

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

December 14, 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 30, 2022. The public was able to listen to and observe the meeting and provide comment through Zoom.

CALL TO ORDER

Vice Chair Werby called the meeting to order at 9:02 a.m.

ROLL CALL

PRESENT: Cooper, Gladstern, Klein, Martinovich, Tomlin, Vasquez, Werby, Jones (alternate retired), Shaw (ex officio alternate)

ABSENT: Murphy, Silberstein, Gullett (alternate safety)

MINUTES

It was M/S Gladstern/Vasquez to approve the October 25-26, 2022 Strategic Workshop Minutes as submitted. The motion was approved by a vote of 8-0 as follows:

AYES: Cooper, Gladstern, Jones, Klein, Martinovich, Tomlin, Vasquez, Werby

NOES: None

ABSTAIN: None

ABSENT: Murphy, Silberstein, Gullett

It was M/S Gladstern/Jones to approve the November 2, 2022 Board Meeting Minutes as submitted. The motion was approved by a vote of 8-0 as follows:

AYES: Cooper, Gladstern, Jones, Klein, Martinovich, Tomlin, Vasquez, Werby

NOES: None

ABSTAIN: None

ABSENT: Murphy, Silberstein, Gullett

It was M/S Jones/Cooper to approve the November 30, 2022 Special Board Meeting Minutes as submitted. The motion was approved by a vote of 8-0 as follows:

AYES: Cooper, Gladstern, Jones, Klein, Martinovich, Tomlin, Vasquez, Werby
NOES: None
ABSTAIN: None
ABSENT: Murphy, Silberstein, Gullett

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 January 13, 2023, 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 stated the Board is to consider whether one or both conditions listed above exist to invoke Government Code section 54953(e), and to extend MCERA Resolution 2021/22-01 Authorizing Teleconferencing for Board and Standing Committee Meetings through January 13, 2023. The extension would allow the January 11, 2023 Board meeting to be held remotely. Staff recommends extending remote meeting provisions for this purpose. The Governor announced the State of Emergency would be lifted on February 28, 2023.

It was M/S Gladstern/Martinovich to invoke Government Code section 54953(e), and to extend MCERA Resolution 2021/22-01 Authorizing Teleconferencing for Board and Standing Committee Meetings through January 13, 2023 because both of the conditions listed above still exist. The motion was approved by a vote of 7-1 as follows:

AYES: Gladstern, Jones, Klein, Martinovich, Tomlin, Vasquez, Werby
NOES: Cooper
ABSTAIN: None
ABSENT: Murphy, Silberstein, Gullett

C. MATTERS OF GENERAL INTEREST

1. GASB 67/68 Report (ACTION) – Cheiron, Graham Schmidt

Consider and take possible action to adopt June 30, 2022 GASB 67/68 Report

Graham Schmidt, Actuary with Cheiron, presented the GASB 67/68 Report as of June 30, 2022. The report provides accounting and financial reporting information that MCERA and its employers use for their annual financial statements. GASB 67 provided the required information for MCERA’s financial statements while GASB 68 provides financial data for participating employers. Mr. Schmidt stated that the report is used for accounting purposes only and does not impact the contribution rates for MCERA members and employers.

Mr. Schmidt discussed the Change in Collective Net Pension Liability from year to year in Table V-1. The funding target is known as the Total Pension Liability, the assets of the Plan are the Plan Fiduciary Net Position, and the difference is the Net Pension Liability. Liabilities for the GASB Report are based on a 12-month roll forward value. This will differ from the liabilities in the Actuarial Valuation Report to be presented to the Board early next year, which will reflect actual data. Last year the Plan had a surplus but this year there is a Net Pension Liability due to negative investment returns.

Mr. Schmidt discussed the Pension Expense, which is a balancing item of the net impact from one year to the next, not the contributions paid by employers. Employers record the Pension Expense on their financial statements.

Mr. Schmidt discussed the allocation of the Net Pension Liability for the Plan in proportionate shares to employers. He said the methodology was changed to align proportionate shares with the expected valuation results as of June 30, 2022, rather than the prior year. The report presents the determination of proportionate shares for each employer based on each employer’s share of the Net Pension Liability. Vice Chair Werby asked about the methodology change. In response, Mr. Schmidt explained that the Actuarial Valuation Report will show that as of June 30, 2022 all employers have an unfunded liability, so it is not a concern.

It was M/S Gladstern/Cooper to adopt the June 30, 2022 GASB 67/68 Report as submitted. The motion was approved by a vote of 8-0 as follows:

AYES: Cooper, Gladstern, Jones, Klein, Martinovich, Tomlin, Vasquez, Werby
NOES: None
ABSTAIN: None
ABSENT: Murphy, Silberstein, Gullett

2. Audited Financial Statements for Fiscal Year Ending June 30, 2022 (ACTION) – Brown Armstrong, Neeraj Datta, CPA, Audit Manager

Discuss and consider Audit Committee recommendation to adopt the Audited Financial Statements for June 30, 2022

Audit Committee Chair Gladstern reported Neeraj Datta and Andy Paulden of Brown Armstrong met with the Audit Committee on December 7th and reviewed the audited annual financial statements with the Committee. They discussed the review process, methodologies, and key areas of focus. The Auditors issued an unmodified, clean opinion verifying the financial statements as of June 30, 2022 are in accordance with Generally Accepted Accounting Principles. No noncompliance or material weaknesses or significant deficiencies were noted. MCERA management has responded to the items in the Agreed Upon Conditions Report.

Audit Committee Chair Gladstern stated the Audit Committee recommends that the Board adopt the Audited Financial Statements for Fiscal Year ending June 30, 2022 as submitted. The motion was approved by a vote of 8-0 as follows:

AYES: Cooper, Gladstern, Jones, Klein, Martinovich, Tomlin, Vasquez, Werby
NOES: None
ABSTAIN: None
ABSENT: Murphy, Silberstein, Gullett

D. APPOINTMENT OF BOARD STANDING COMMITTEES

1. Appointment of Standing Committees and Standing Committee Chairs (ACTION)

Mr. Wickman presented Chair Murphy's appointments to Standing Committees and Standing Committee Chairs. Chair appointments are the same with the exception of the Finance and Risk Management Committee Chair.

INVESTMENT COMMITTEE

Sara Klein, Chair
Chris Cooper
Maya Gladstern
Chris Gullett
Dorothy Jones
Mina Martinovich
Laurie Murphy
Karen Shaw
Steve Silberstein
Amanda Tomlin
Daniel Vasquez
Todd Werby

FINANCE AND RISK MANAGEMENT COMMITTEE

Todd Werby, Chair
Sara Klein
Mina Martinovich
Daniel Vasquez

GOVERNANCE COMMITTEE

Chris Cooper, Chair
Maya Gladstern
Dorothy Jones
Steve Silberstein
Amanda Tomlin

AUDIT COMMITTEE

Maya Gladstern, Chair
Mina Martinovich
Steve Silberstein

It was M/S Cooper/Gladstern to approve Standing Committees and Standing Committee Chairs as appointed by Chair Murphy. The motion was approved by a vote of 8-0 as follows:

AYES: Cooper, Gladstern, Jones, Klein, Martinovich, Tomlin, Vasquez, Werby
NOES: None
ABSTAIN: None
ABSENT: Murphy, Silberstein, Gullett

E. BOARD OF RETIREMENT MATTERS

1. Administrator's Report
 - a. Administrator's Update

Mr. Wickman reported this is the busiest part of year leading up to the Board's adoption of the GASB 67/68 Report and the audited financial statements for June 30, 2022. In January 2023 the preliminary Actuarial Valuation Report will be presented to the Board.

The employer audit program is moving along well, thanks to the excellent work being done by Lisa Jackson.

- b. Staffing Update

A recruitment for a Retirement Benefits Technician is open and the Administrator is working with Alliance Resource Consulting to recruit the Assistant Retirement Administrator position.

c. Facility Use Report

No facility use in the period to report.

d. Future Meetings

- January 11, 2023 Board
- January 18, 2023 Investment Committee

2. Standing Committee Reports

a. Finance and Risk Management Committee

1. Administrative Budget Fiscal Year 2022/23 Quarterly Review

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

Total administrative expenditures through the 1st quarter of the fiscal year were 18.4% of the budgeted amount.

Salaries and Benefits expenses were 19.3% of the budgeted amount for the year due to staff vacancy savings.

Services and Supplies were 21.5% of the budgeted amount for the year. Expenses included bank charges, memberships, reproduction expenses for mailing Annual Member Benefit statements, and additional monitors for staff.

2. Non-budgeted Expenses

Consider and review non-budgeted expenses for the quarter

See Finance and Risk Management Committee minutes.

3. Quarterly Checklist

Consider, review and updates on the following:

a. Other expenses per Checklist Guidelines

See Finance and Risk Management Committee minutes.

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

See Finance and Risk Management Committee minutes.

c. MCERA educational and event-related expenses

Educational and event-related expenses supported attendance at the NCPERS Safety Conference, CII Conference, SACRS Fall Conference, and a CalAPRS Attorneys' Round Table.

d. Continuing Trustee Education Log

The Continuing Trustee Education Log shows trustees are maintaining the required 24 hours of education every two years.

e. Internal controls, compliance activities and capital calls

For the private equity program MCERA received over \$9.8 million in distributions and paid \$3.1 million in capital calls in the quarter.

Credit managers are in the funding phase that included \$5 million in capital calls from CarVal.

f. Vendor services provided to MCERA

Mr. Wickman reported hiring Nicholson Strategic Services to work with the leadership team and Alliance Resource Consulting to assist with recruitment for a new Assistant Retirement Administrator.

g. MCERA staffing status

See Finance and Risk Management Committee minutes.

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

See Annual Audit of Financial Statements Update below.

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

Mr. Wickman presented a proposal to the Committee regarding Outsourced Chief Information Security Officer services. He explained this is primarily to support staff's efforts to continually monitor and maintain cybersecurity.

On behalf of Finance and Risk Management Committee Chair Murphy, Mr. Wickman stated the Finance and Risk Management Committee recommends 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 8-0 as follows:

AYES: Cooper, Gladstern, Jones, Klein, Martinovich, Tomlin, Vasquez, Werby
NOES: None
ABSTAIN: None
ABSENT: Murphy, Silberstein, Gullett

4. Annual Audit of Financial Statements Update

Update on annual audit process

The Audit Committee met on December 7 to consider the audited financial statements.

b. Audit Committee

1. Financial Audit Review

Review and discuss audit results

Audit Committee Chair Gladstern reported Neeraj Datta and Andy Paulden from Brown Armstrong met with the Committee on December 7th. The update from that meeting has already been reported with the adopting of the June 30, 2022 Annual Financial Statements under Item C.2 above.

2. Financial Statements (ACTION)

Discuss and consider Audit Committee recommendation to adopt the Audited June 30, 2022 Financial Statements

See Agenda Item C.2 above.

3. Trustee Comments

a. Educational Training: Reports by Trustees and Staff

Trustee Cooper reported on the NCPERS Public Safety Conference. He said it was an excellent conference with very good presentations.

Trustee Vasquez reported on his attendance at the SACRS Fall Conference. In the session on Navigating Uncertainty: Identifying Opportunities and Spotting Risks, the takeaway is the global economy is undergoing tectonic shifts that present unique challenges and opportunities. These include deflation from a technological perspective, massive investments in energy, and technology acceleration. In addition, demographic challenges present both headwinds for advanced modern economies and tailwinds for emerging nations. The U.S. has a competitive advantage in terms of research and innovation and venture capital. There is bifurcation of the world into economic poles of the China-led ecosystem and the U.S. Asset allocation opportunities include long-duration assets such as 30-year bonds and alternative fixed income, such as private credit. Real estate is expected to remain volatile and is segmented. Creative, innovative companies in biomedical sciences and artificial intelligence are among opportunities.

Trustee Vasquez discussed points made in the Trustee Breakout session on Asset Allocation. The 60-40 (equities-bonds) portfolio has made its return and has a place in institutional investing. The world of the last 30 years with low interest rates is gone and inflation is expected to trend at 3 to 4% over the long term. The hottest 'emerging market' is middle America with the return of manufacturing and old-line industries. In another session Admiral Bill McRaven, noted former Navy seal and advisor to the Carlisle Group, said the rules-based world order is being chipped away. He advised embracing challenges by working together and cooperating with competitors to solve problems. As an example, he cited joint efforts to alleviate global energy concerns.

Trustee Vasquez said the main takeaways from the Chief Investment Officer Breakout Session on Investment Leadership Through Changing and Unpredictable Markets regarding asset allocation was to look for seasoned managers who have been through different market cycles, hire great staff, and remain curious. In the session on The Perfect Storm: Global Tensions, Rising Rates, and High Volatility, the speaker's point was there is a need to hedge currency risk, which is one-third of the equity risk premium.

Trustee Werby discussed key points from different SACRS sessions he attended. Real estate's role as an inflation hedge is challenged by higher capitalization rates. Challenges to political stability in Asia is a key concern as investors risk losing property by investing in real estate. Distressed loans can create opportunities for limited partners to negotiate terms, and cold storage has become more attractive than general office space. With regard to water resources, 2 billion people worldwide do not have access to safe drinking water. Demand for water is tilted to agricultural and industrial economies. For example, the drought in Taiwan contributed to the semiconductor chip shortage due to the industry's heavy water usage. Since 1990 water patents have doubled; examples are new technologies for wastewater treatment, desalination, and smart infrastructure to reduce leakage. Institutional investment in water infrastructure is expected to increase. Trustee Werby reported with higher interest rates some investors are moving from equities into income strategies. Investment opportunities include new infrastructure for charging stations and mining minerals needed to produce batteries and semiconductors.

Dale Barre, MCERA Clerk to the Board, reported on the California Special Districts Association (CSDA) Board Secretary/Clerk Conference in Monterey. In general the special districts are subject to the same compliance regulations as MCERA. The conference began with an inspirational speaker on being extraordinary and encouraging self-development. A session on ADA compliance detailed how websites can comply with accessibility standards. Speakers suggested meeting minutes should be kept brief. There was a comprehensive discussion on the foundations for administering a special district; for example, organizational structure and providing orientation for trustees. There was advanced training on the Public Records Act, and finally a discussion of board member and district liability issues. In response to Trustee Werby's inquiry about the minutes, Counsel Dunning stated MCERA is better positioned by having more information in the minutes, which has been very helpful in litigation to support the action and discussion Board members have when voting on issues.

b. Other Comments

No other comments by the trustees.

F. NEW BUSINESS

1. Future Meetings

Consider and discuss agenda items for future meeting

No discussion on this item.

G. OTHER INFORMATION

1. Training Calendar (ACTION)

Mr. Wickman reviewed updates to the monthly Training Calendar. In February 2023 Callan is offering an Alternative Investments session and in March the CalAPRS Advanced Principles of Pension Governance for Trustees course will be held in Los Angeles. In April the California Retired County Employees Association (CRCEA) holds its Spring Conference, and the NCPERS Annual Conference is in May. In the fall of 2023 the CII Conference will be in Long Beach and the CalAPRS Administrators’ Institute convenes in Carmel.

It was M/S Vasquez/Jones to approve the Training Calendar as submitted. The motion was approved by a vote of 8-0 as follows:

- AYES: Cooper, Gladstern, Jones, Klein, Martinovich, Tomlin, Vasquez, Werby
- NOES: None
- ABSTAIN: None
- ABSENT: Murphy, Silberstein, Gullett

H. CONSENT CALENDAR (ACTION)

It was M/S Cooper/Jones to approve the Consent Calendar as submitted. The motion was approved by a vote of 8-0 as follows:

- AYES: Cooper, Gladstern, Jones, Klein, Martinovich, Tomlin, Vasquez, Werby
- NOES: None
- ABSTAIN: None
- ABSENT: Murphy, Silberstein, Gullett

CONSENT CALENDAR

MCERA BOARD MEETING, WEDNESDAY, December 14, 2022

NOVEMBER 2022

RETURN OF CONTRIBUTIONS			
Alexis Bailey	Refund of Contributions (termination)	\$	45,192.45
Eric Faulks	Refund of Contributions (termination)	\$	12,991.19
Francisco Flores	Refund of Contributions (termination)	\$	693.66
Zhuldyz Sandybayeva	Refund of Contributions (termination)	\$	4,422.83

Carolyn Tsai Partial Refund of Contributions (age change) \$ 1,371.46

BUYBACKS

John Buscovich \$ 19,480.31
Michael Donato \$ 20,895.43
Alexander Guerin \$ 3,804.98
Nancy Hillman \$ 1,139.94


NEW RETIREES

Brian Crosby County of Marin - Assessor, Recorder, County Clerk
Charles Cutter County of Marin - Health & Human Services
Jon Janzen County of Marin - Parks
Deidre Johnson County of Marin - Public Works
LaRee Marquardt-Byrd County of Marin - Health & Human Services
Kathryn Reza County of Marin - DRO
Pamela Thompson County of Marin - Public Works

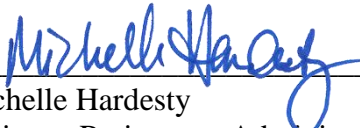
DECEASED RETIREES

Joan Augustine County of Marin - Beneficiary
Patricia Carr County of Marin - Elections
Gary Erickson County of Marin - Sheriff/Coroner
Marlene Freetly County of Marin - Health & Human Services
Reed Haslam County of Marin - Beneficiary
Jean-Marie Heskett County of Marin - Beneficiary
William Humes County of Marin - Health & Human Services
Homer Laird County of Marin - DRO
Gene Orro Tamalpais Community Services District
Nicole Ours County of Marin - Beneficiary

There being no further business, Chair Werby adjourned the meeting at 10:15 a.m.



Jeff Wickman
Retirement Administrator



Michelle Hardesty
Assistant Retirement Administrator

On behalf of:
Todd Werby, Board Vice Chair

On behalf of:
Maya Gladstern, Secretary