

MINUTES

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

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

February 8, 2023 – 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 February 10, 2023. 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: Cooper, Gladstern, Klein, Martinovich, Murphy, Silberstein, Vasquez, Werby, Gullett (alternate safety) Jones (alternate retired), Shaw (ex officio alternate)

ABSENT: None

MINUTES

It was M/S Silberstein/Werby to approve the January 11, 2023 Board Meeting Minutes as submitted. The motion was approved by a vote of 9-0 as follows:

AYES: Cooper, Gladstern, Gullett, Klein, Martinovich, Murphy, Silberstein, Vasquez, Werby

NOES: None

ABSTAIN: None

ABSENT: None

It was M/S Silberstein/Gladstern to approve the January 18, 2023 Investment Committee Meeting Minutes as submitted. The motion was approved by a vote of 9-0 as follows:

AYES: Cooper, Gladstern, Gullett, Klein, Martinovich, Murphy, Silberstein, Vasquez, 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. MATTERS OF GENERAL INTEREST

1. Annual Cost of Living Adjustment (COLA) (ACTION)

Retirement Administrator Jeff Wickman stated the Board’s action is to affirm the Actuary’s calculation of the annual Cost of Living Adjustment (COLA) for retirees as of April 1, 2022. Mr. Wickman stated that the ability for a retiree to receive a Cost of Living Adjustment (COLA) is part of the benefit tier agreed to between the employers and their employees under Sections 31870, 31870.1 or 31874.2 of the County Employees Retirement Law of 1937 (CERL).

Graham Schmidt, Actuary with Cheiron, stated the COLA is calculated by averaging the prior two calendar year increases in the Consumer Price Index (CPI) for the San Francisco-Oakland-Hayward area. This annual increase in the CPI was 5.62%, which is rounded to the nearest half percent to 5.5% in accordance with the CERL. As a result, each of the different tiers will receive their maximum COLA, with any overage banked for future use. Trustee Cooper asked if the COLA is funded to the maximum for each tier. Mr. Schmidt replied funding the COLA is not based on the maximum COLA, but the assumed growth rate of the COLA over the long term, which is less than the capped amounts of 2%, 3%, and 4%. Mr. Schmidt added that over the past ten years, all groups have not been receiving the maximum COLA. He also explained that the funding process provides that if the COLA is higher than the assumed rate, the resulting increase in the liability will be included in future contribution rates. He further stated that assuming all retirees would receive a maximum COLA every year could result in overfunding the COLA.

It was M/S Werby/Gladstern to affirm the Actuary’s calculation of the annual Cost of Living Adjustment for retirees effective April 1, 2023. The motion was approved by a vote of 9-0 as follows:

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

2. Actuarial Valuation Report as of June 30, 2022 (ACTION) – Cheiron, Graham Schmidt
Consider and take possible action to adopt Actuarial Valuation Report as of June 30, 2022

Mr. Schmidt presented the Actuarial Valuation Report as of June 30, 2022. He said this report includes information on the Plan's assets and liabilities, the funded status of the Plan, and the development of employer and employee contribution rates for the fiscal year beginning July 1, 2023. Mr. Schmidt reported the liability increased by about \$1 million from the preliminary results reported earlier due to minor data corrections, and contribution rates are close to the preliminary results. Net employer contribution rates are: MCERA as a whole, decreased from 27.61% to 26.91%; County of Marin and Special Districts, decreased from 22.35% to 21.83%; Novato Fire Protect District, increased from 43.01% to 44.27%; City of San Rafael, decreased from 58.91% to 56.76%.

Mr. Schmidt pointed out that total projected pensionable payroll for the Plan increased nearly 6%. Contribution rates were expected to decline from the prior year due to the phasing in of investment gains from the June 30, 2021 fiscal year. This was partially offset by this fiscal year's investment losses which will be phased in over a period of five years. He explained that the biggest factor causing the increase in the employer contribution rate for Novato was that payroll did not grow as fast as expected. For San Rafael the payroll base increased, resulting in a lower employer contribution rate.

The Unfunded Actuarial Liability (UAL) increased by \$460.5 million from the prior year due mainly to investment losses experienced for this Valuation date. Also contributing to the increase in the UAL were greater than expected salary increases from wage agreements for several County bargaining units.

Mr. Schmidt discussed forward looking projections of employer and employee contribution rates and the funded status of the Plan. These projections show that employer and employee contribution rates are expected to remain fairly stable for 10 years. After 2032, the bulk of the amortization payment for the UAL is paid off, leading to significantly lower employer contribution rates for each employer group. Projections of assets and liabilities for each employer group were presented based on all assumptions being met.

Mr. Schmidt stated the biggest risk to funding the Plan is the investment return. He pointed out that over the past ten years the UAL has decreased by approximately \$279 million, due primarily to investment gains and contributions that offset assumption changes that otherwise increased the UAL. He noted the previous fiscal year's investment gain was greater than the 2022 fiscal year's investment loss. A sensitivity analysis shows the present value of future benefits versus assets based on varying the expected return on assets 1% above and 1% below the current 6.75% assumed rate of return.

Mr. Schmidt said one measure of Plan maturity is the ratio of inactive members to active members. This Support Ratio has grown from approximately 1.4 in 2013 to nearly 1.7 in 2022, reflecting that for some time MCERA has had more retirees than active members. This increases the ratio of assets to payroll, resulting in more sensitivity of the Plan to investment returns.

In conclusion, Mr. Schmidt highlighted the Development of Amortization Payment table showing there are 8 years remaining in the amortization of the initial UAL. Once completed, contribution rates are expected to decline.

It was M/S Gladstern/Silberstein to adopt the Actuarial Valuation Report as of June 30, 2022 and employee and employer contribution rates therein to be effective on July 1, 2023. The motion was approved by a vote of 9-0 as follows:

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

C. BOARD OF RETIREMENT MATTERS

1. Administrator's Report

a. Administrator's Update

Mr. Wickman reported that the Marin County Board of Supervisors conducted interviews February 7th for the Fourth and Sixth Members of the Retirement Board whose terms have expired. He congratulated Trustees Silberstein and Klein on their respective reappointments to new terms expiring October 31, 2025.

As of March 1, 2023 the Retirement Board and Committee meetings will be held in person in the Board Chambers. These meetings will continue to be broadcast to provide for remote public access.

b. Staffing Update

The initial period to submit applications for the Assistant Retirement Administrator position has closed. Staff will be scheduling interviews for qualified candidates later this month. The first round of interviews will be conducted with staff, with Board members participating in the second round of interviews.

The Retirement Benefits Technician position recruitment is close to an offer being made.

c. Facility Use Report

No facility use in the period to report.

d. Future Meetings

- March 1, 2023 Board
- March 22, 2023 Finance and Risk Management Committee
- March 29 Investment Committee

2. Trustee Comments

a. Educational Training: Reports by Trustees and Staff

There were no planned events attended.

b. Other Comments

No other comments by the trustees.

D. NEW BUSINESS

1. Election of Vacant Third General Member Position (ACTION)

Consider, discuss, and take possible action regarding timing of election for Third General Member

Mr. Wickman stated because the Third Member resigned effective January 3, 2023, MCERA’s Bylaws require a Special Election to be held, in addition to the normal summer election for this position that expires October 31, 2023. Since this would involve running two elections back to back, staff is proposing to run a single election beginning this March. The election would follow Special Election guidelines in order to fill the position as soon as practicable to meet fiduciary obligations for Board composition. To accomplish this the Board must waive the related election provisions in the MCERA Bylaws to support the single election. The Administrator stated the provisions setting forth the stipulations for the proposed single election of the Third Member vacancy and term beginning November 1, 2023. Counsel consulted with Marin County on this proposal to ensure no issues were identified.

It was M/S Gladstern/Silberstein to “(1) to waive the date provisions in MCERA Board’s Bylaws, Part VIII, Section 801, governing nomination and election dates for the Regular Election of the Third General Member for purpose of the 2023 election, (2) to consolidate that Regular Election with the Special Election triggered by a vacancy that occurred in January 2023 in the Third General Member position on the Board, and (3) to conduct the consolidated Special Election to fill both the vacancy and the three-year term of the Third General Member position in accordance with Bylaws, Part II, Section 201, and all other provisions Bylaws, Part VIII, Section 801.” The motion was approved by a vote of 9-0 as follows:

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

2. Form 700 Refresher – Nossaman, Ashley Dunning

Presentation on Updated Fair Political Practices Commission Form 700 and Related Rules

Ashley Dunning, Board Counsel, stated Form 700 requires most state and local government officials to disclose publicly their personal assets and income upon assuming office, annually, and upon leaving office. The Fair Political Practices Commission (FPPC) provides advice, implements compliance, and establishes gift limits every two

years. Disclosures include gross income from non-governmental sources and financial interests of spouse and children.

Non-reportable interests include insurance policies, government bonds and diversified mutual funds registered with the Securities and Exchange Commission (SEC). Business interests and real property may need to be reported. Rental income is reported according to a minimum amount.

The first of two \$590 gift limits is the ethics gift limit applying to gifts received in a calendar year from a single source. The second gift limit is the conflict of interest gift limit applicable to the 12 months prior to potential participation in a Board matter. Gifts include anything of value, such as tickets, flowers, meals and beverages, with some exceptions. Gifts of \$50 or more received from a single source during the preceding calendar year are reportable.

Ms. Dunning stated many gift exceptions to not apply to the “Little i’s” category; an example would be a banker who may want to provide services to MCERA. Gift exceptions include informational material to assist with Board duties, and gifts returned to the donor or donated to a qualified organization. Reciprocal exchanges are excluded from gift rules, unless related to a lobbyist. If the official is giving a speech at an event, receiving food or lodging are not considered gifts. Bereavement gifts and acts of human compassion are typically not reportable gifts.

In conclusion, Ms. Dunning advised that to keep within gift limits, officials may buy down, timely return, or refuse gifts. She provided a log to track gifts and resources for inquiries on the Form 700.

Mr. Wickman encouraged the trustees to determine whether a gift was received, and then determine whether exceptions apply. Ms. Dunning noted that trustees are always public officials, no matter the occasion. Dinners during conferences not listed on the agenda and sponsored by a group of investment managers are reportable depending on the cumulative value received from each source over the course of the calendar year. Meals provided by the event sponsor, so long as MCERA has paid an amount sufficient to the sponsor to cover the meals provided to attendees at the conference, are not reportable gifts.

Chair Murphy recessed Open Session and reconvened the meeting in Closed Session at 10:36 a.m. At 11:26 a.m. the Chair recessed Closed Session and reconvened the meeting in Open Session.

3. Public Employee Performance Evaluation (CLOSED SESSION)

In accordance with MCERA’s Retirement Administrator Annual Performance Evaluation Policy, Section 3(b), conduct informal mid-year performance review

Chair Murphy reported there was no reportable action for this agenda item.

4. Future Meetings

Consider and discuss agenda items for future meetings

No discussion.

E. OTHER INFORMATION

1. Training Calendar (ACTION)

Mr. Wickman presented the monthly Training Calendar showing additional CalAPRS events, including the upcoming Trustees Round Table on April 21, 2023.

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

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

F. CONSENT CALENDAR (ACTION)

The Consent Calendar for the month of January 2023 was presented for consideration by the Board. Chair Murphy noted the large number of retirees, and Assistant Retirement Administrator Michelle Hardesty explained that January is the second largest retirement month.

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

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

CONSENT CALENDAR

MCERA BOARD MEETING, WEDNESDAY, February 8, 2023

JANUARY 2023

RETURN OF CONTRIBUTIONS			
Christine Andrew	Refund of contributions (termination)	\$	5,089.35
Carla Kacmar	Partial refund of contributions (correction)	\$	668.82
Zaid Khan	Refund of contributions (termination)	\$	4,066.32

Maria Maldonado	Refund of contributions (termination)	\$ 20,019.76
Brijette Overby	Partial refund of contributions (correction)	\$ 101.45

BUYBACKS		
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Tarisha Bal		\$ 9,479.41
John Duong		\$ 9,714.63
Carol Farrer		\$ 6,130.92
Nancy Hillman		\$ 1,090.19
Liria Topuz		\$ 9,754.83

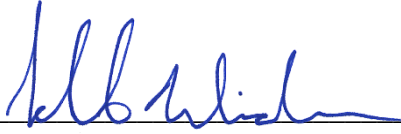
NEW RETIREES		
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Judy Arnold	County of Marin - Board of Supervisors
Otis Bruce	County of Marin - District Attorney
Kathleen Fitzhugh Remitz	County of Marin - Library
Sharon Fong	County of Marin - Sheriff/Coroner
David Froman	County of Marin - Public Works
Jacqueline Graf	County of Marin - Sheriff/Coroner
Cynthia Gunselman	County of Marin - Health & Human Services
Encarnacio Humaran	County of Marin - Public Works
Elizabeth Lewis	County of Marin - Public Works
Jonathan Madarang	County of Marin - District Attorney
Charles McKee	County of Marin - County Counsel
Antonio Millan	County of Marin - Public Works
Pedro Oliveros	County of Marin - Public Defender
Brijette Overby	County of Marin - Health & Human Services
Shelly Scott	County of Marin - Assessor-Recorder-County Clerk
Eric Swift	County of Marin - Health & Human Services
Jeanne Villa	Novato Fire
Janis West	County of Marin - Administrator

DECEASED RETIREES		
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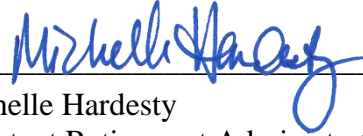
Cynthia Barrows	County of Marin - Beneficiary
Paul Crimmins	City of San Rafael
Sandra Duzak	County of Marin - Library
Thomas Hendricks	County of Marin - County Counsel
Elwood Love	County of Marin - Sheriff/Coroner
Beverly Thomas	City of San Rafael

There being no further business, Chair Murphy adjourned the meeting at 11:31 a.m.



Jeff Wickman
Retirement Administrator

On behalf of:
Laurie Murphy, Board Chair



Michelle Hardesty
Assistant Retirement Administrator

On behalf of:
Maya Gladstern, Secretary