

MINUTES

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

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

April 12, 2023 – 9:00 a.m.

This meeting was held at the address listed above and was accessible via videoconference and conducted in accordance with Government Code section 54953 and 54954.2.

CALL TO ORDER

Chair Murphy called the meeting to order at 9:06 a.m.

ROLL CALL

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

ABSENT: Cooper, Gullett (alternate safety)

CONSIDER ANY BOARD MEMBER REQUESTS TO TELECONFERENCE FOR “JUST CAUSE” OR “EMERGENCY,” AS SET FORTH ON THIS AGENDA BELOW

No discussion.

MINUTES

It was M/S Werby/Silberstein to approve the March 1, 2023 Board Meeting Minutes as submitted. Trustee Jones voted for the Third Member. The motion passed by a vote of 8-0 as follows:

AYES: Gladstern, Jones, Klein, Martinovich, Murphy, Silberstein, Vasquez, Werby

NOES: None

ABSTAIN: None

ABSENT: Cooper, 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. MATTERS OF GENERAL INTEREST

1. Procedure for Loss of Internet Connection, Or Other Teleconference Incompatibility, During Board and Committee Meetings (ACTION)

Consider, discuss and take possible action regarding conduct of Board meetings upon losing internet connection and other inability to use teleconferencing during certain meetings of the Board and its standing committees

Retirement Administrator Jeff Wickman said during Board/committee meetings on occasion the internet connection with YouTube and Zoom has been lost temporarily. This brings up the question of whether to move forward with the meeting in the event of loss of internet connection. Staff recommends that the Board or committee continue their meeting in the situation where an interruption has stopped the streaming services, provided no Board/committee members are attending by teleconference. Language has been added to the meeting agenda to alert the public that the meeting will continue if there is a disruption in the online broadcast.

It was M/S Silberstein/Martinovich to continue Board or Committee meetings upon losing internet connection or other inability to use teleconferencing when no Board or Committee members are attending under special teleconferencing rules. Trustee Jones voted for the Third Member. The motion passed by a vote of 8-0 as follows:

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

C. BOARD OF RETIREMENT MATTERS

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

Nominations for the vacant Third Member election are due April 19, after which the election will move forward.

The Retirement Administrator is looking at ways to increase the seating capacity at the boardroom staff table.

MCERA was notified by Abbott Capital Management that the ACE VI extension request passed by a majority of limited partners.

b. Staffing Update

Staff are conducting interviews this week for the vacant Retirement Benefits Technician recruitment.

c. Facility Use Report

The Marin County Association of Retired Employees (MCARE) used the Board conference room for a planning workshop.

d. Future Meetings

- April 19, 2023 Governance Committee
- May 3, 2023 Board
- May 16-17, 2023 Strategic Workshop
- May 17, 2023 Audit Committee
- May 24, 2023 Finance and Risk Management Committee

2. Standing Committee Report – Finance and Risk Management Committee

a. Administrative Budget Fiscal Year 2022/23 Quarterly Review

Consider and review expenses for the quarter ending December 31, 2022

Todd Werby, Chair of the Finance and Risk Management Committee, reported total expenditures through the 2nd quarter of the fiscal year were 38% of the budgeted amount. Total Salaries and Benefits were slightly under budget due to vacancies. In Services and Supplies the annual audit fee was included in the quarter, which is consistent with the prior year.

b. Non-budgeted Expenses

Consider and review non-budgeted expenses for the quarter

No discussion – see Committee Minutes.

c. Quarterly Checklist

Consider, review and updates on the following:

1. Other expenses per Checklist Guidelines

No discussion – see Committee Minutes.

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

See discussion above.

3. MCERA educational and event-related expenses

No discussion – see Committee Minutes.

4. Continuing Trustee Education Log

The Continuing Trustee Education Log shows current trustees will meet hours due in 2023.

5. Internal controls, compliance activities and capital calls

For the private equity program MCERA received over \$19 million in distributions and paid \$5.3 million in capital calls in the first half of the fiscal year. Credit managers CarVal and Fortress capital calls totaled \$7.5 million in the quarter. Since December 31, 2022 MCERA has received total distributions of about \$9 million and paid capital calls of about \$1 million.

6. Vendor services provided to MCERA

No new vendor services in the period.

7. MCERA staffing status

Recruitments for Assistant Retirement Administrator and Retirement Benefits Technician positions are moving forward.

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

No discussion.

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

The impact of recent bank failures was addressed.

d. Budget Priorities for Fiscal Year 2023/24 (ACTION)

Consider and take possible action on recommendation to adopt budget priorities for fiscal year 2023/24

The Committee reviewed proposed budget priorities for fiscal year 2023/24. Salaries and Benefits are 64% of the budget. Salaries and benefits will increase in 2023/24 because of planned cost of living increases in July 2023. Services and Supplies comprise 28% of the budget and are impacted by costs related to the processing of disability cases. New priorities are to add a Senior Department Analyst position.

Chair Werby stated the Finance and Risk Management Committee recommends that the Board adopt proposed Budget Priorities for Fiscal Year 2023/24 as submitted. Trustee Jones voted for the Third Member. The motion passed by a vote of 8-0 as follows:

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

- e. Information Technology Security Assessment Report
Staff report on risk planning and processes

Staff presented the annual Information Technology Risk Assessment for the period of July 1, 2021 through June 30, 2022. During this time improved security measures were implemented including new passwords and passcodes for trustee iPads, new information security policies, a County risk assessment and user education, installation of encryption on desktops and laptops connected to the County network, and multi-factor authentication for all devices connecting to the County network. One fraud incident occurred which has previously been reported to the Board.

3. Trustee Comments

- a. Educational Training: Reports by Trustees and Staff

Trustee Gladstern reported on the spring Council of Institutional Investors (CII) Conference. The pros and cons of the Universal Proxy Card which uses a single ballot were discussed. Bob Prince, Co-CIO of Bridgewater Associates and economist, gave a good explanation of the current inflationary economic cycle, international challenges, and income disparities. Washington updates included new SEC executive compensation rules and Dodd-Frank clawback regulations that finally have been defined. In a discussion of investor relations best practices around Environmental-Social-Governance (ESG), the conclusion is shareholder proposals on ESG have long-term value to society. In an interesting lightning round attendees discussed their actions on shareholder resolutions, board governance, and corporate engagement. Trustee Gladstern suggested working with the Los Angeles County Employees Retirement Association (LACERA), the California Public Employees' Retirement System (CalPERS) and the San Francisco Employees' Retirement System (SFERS) who are joined together to do corporate engagement with 60 corporations.

Trustee Silberstein also attended the CII Conference, reporting that the first speaker, Jeff Smith who runs the Starboard Hedge Fund, tries to get portfolio companies to perform better. Mr. Smith talked about the shortage of good corporate directors, and is not in favor of the Universal Proxy Card because having one slate to pick from confuses the issue. In another session the speaker advocated investing in China as inexpensive and providing diversification from the U.S. economy. In the speaker's view, China has decided to increase per capita income over the next 10 years and has been investing in infrastructure. Another takeaway is corporate value is mostly determined by the reputation of the company and the brand rather than assets. Trustee Silberstein added that the topics raised at the CII Conference were thought provoking.

Trustee Vasquez added to CII Conference takeaways, saying there is momentum in the trend from tangible to intangible assets as measures of corporate value. Intangibles on

corporate balance sheets include intellectual property, branding, software, and artificial intelligence. He said Bob Prince emphasized the notion of a multi-polar world consisting of Asia, the U.S., and the European block, each with its own economic activity, accompanied by tightening supply chains and regionalization of economic activity. In addition, trade transactions across nations are beginning to settle outside of the U.S. dollar. The notion of dual class shares is a relatively recent phenomenon that presents unequal accountability. Trustee Vasquez observed that as we are morphing into an internet-based economy, old models of asset valuation will be put to scrutiny.

Chair Murphy directed deliberations to **Agenda Item D, Disability Consent Agenda** at 9:30 a.m.

D. DISABILITY CONSENT AGENDA (TIME CERTAIN: 9:30 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. Michael Boals Service-Connected Novato Fire Protection District

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

It was M/S Gladstern/Werby to adopt the Administrative Recommendation to grant Michael Boals' service connected disability retirement application with an effective date of September 1, 2021. Trustee Jones voted for the Third Member. The motion passed by a vote of 8-0 as follows:

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

2. Christopher Coale Service-Connected City of San Rafael

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

It was M/S Silberstein/Gladstern to adopt the Administrative Recommendation to grant Christopher Coale's service connected disability retirement application with an effective date of June 23, 2020. Trustee Jones voted for the Third Member. The motion passed by a vote of 8-0 as follows:

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

3. Thomas Gaulke Service-Connected Novato Fire Protection District

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

It was M/S Silberstein/Gladstern to grant adopt the Administrative Recommendation to grant Thomas Gaulke's service connected disability retirement application with an effective date of February 10, 2022. Trustee Jones voted for the Third Member. The motion passed by a vote of 8-0 as follows:

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

4. Rebecca Morris Service-Connected County of Marin

Consider and take possible action to adopt Administrative Recommendation to adopt Administrative Law Judge's proposed findings of fact and recommended decision to grant service-connected disability retirement application.

It was M/S Silberstein/Gladstern to adopt the Administrative Recommendation to adopt the Administrative Law Judge's proposed findings of fact and recommended decision to grant Rebecca Morris' service connected disability retirement application with an effective date of March 11, 2018.

Trustee Werby questioned the Board's initial consideration process when the Administrative Law Judge (ALJ) reverses its decision. Mr. Wickman said staff's analyses are sound and are based on the work of the disability coordinator, counsel and the reports of the medical advisors and independent medical advisors. He noted that if an application is denied and it goes to an administrative hearing it is always possible that the judge could come to a different conclusion after weighing the evidence and testimony. Counsel Dunning stated the Board's procedure for considering disability retirement applications without having to go to a hearing is expedited and requires the applicant to have the burden of proof. Once the applicant has a due process hearing, the credibility of witnesses and the medical evidence is assessed. Ms. Dunning advised that the fact the Board did not grant a disability retirement application based on an expedited process does not mean it was not valid. Mr. Wickman added staff considers whether anything was missed in these cases and analyzes what could be done better.

Trustee Jones voted for the Third Member. The motion passed by a vote of 8-0 as follows:

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

Consider and take possible action to adopt Administrative Recommendation to adopt Administrative Law Judge's proposed findings of fact and recommended decision to grant service-connected disability retirement application.

It was M/S Gladstern/Silberstein to adopt the Administrative Recommendation to adopt the Administrative Law Judge's proposed findings of fact and recommended decision to grant Scott Wallace's service connected disability retirement application with an effective date of June 2, 2018. Trustee Jones voted for the Third Member. The motion passed by a vote of 8-0 as follows:

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

Chair Murphy redirected deliberations to **Agenda Item C.3.a., Educational Training.**

Chair Murphy attended the CalAPRS General Assembly, learning in the Public Pension Issues and Trends session of the extensive public pension fund data available on the National Association of State Retirement Administrators (NASRA) website. Brian Nick of Nuveen Asset Management presented Searching for A Soft Landing in 2023, defining a soft landing as unemployment under 4.5% and growth reaccelerating by year end. Mr. Nick said consumers continue to spend, and the chronic shortage of workers is making the existing workforce more productive. In the Digital Opportunities Panel: Online Retirement Process, Trustee Electronic Elections, and Multi-Factor Authentication/ID-ME session, hybrid electronic elections processes and the use of automated benefit calculations by the Orange County Employees' Retirement System (OCERS) were discussed.

Mr. Wickman also attended the CalAPRS General Assembly. He offered to share the NASRA public pension plan data resources, and said the legal mock trial was a valuable method of learning about situations that board members are faced with when exercising their roles as trustees. The moderator of the Investments in 2023 session noted lower returns are projected for private equity. Another session addressed the Society of Actuaries' updated Actuarial Standard of Practice #4 "Measuring Pension Obligations and Determining Pension Plan Costs or Contributions." This introduces a Low-Default-Risk Obligation Measure for liabilities that will be added to the Actuarial Valuation Report and discussed by the actuary at the Board's Strategic Workshop in May.

Trustee Vasquez reported the Callan National Conference sessions were excellent. Keynote speaker Rana Foroohar's points were that from 2003 to 2007 during the golden era of globalization the idea was that prices could be reduced. But now there is price divergence and uneven income levels between the developed and undeveloped world. Over the last 50 years three major forces have been cheap

capital, cheap energy, and cheap labor. Going forward regionalization of supply chains is becoming prominent. Another point made is the first wave of innovation was consumer centric, and going forward the wave of innovation will be more producer centric with increased productivity.

Trustee Silberstein also attended the Callan conference. He reported that Jim Callahan, President of Callan LLC pointed out that nonprofit organizations have a problem going forward due to the requirement to disburse 5% of their endowment every year. As a result, due to inflation and the declining real value of investments, nonprofits are moving into alternative investments. In another discussion the speaker predicted the Fed will succeed in lowering inflation and the risk free rate will decline from 5.0% to 2.5%. One speaker uses Chat GPT-4 with students because the quality of the output is based on the nature of the questions asked. His outlook is that intellectual professional's wages will decline while lower wage workers would benefit from the use of Chat GPT-4. In a discussion of digital etiquette when teleconferencing, challenges include overcoming biases and making sure one person does not dominate the conversation so that everyone participates.

Trustee Werby relayed his takeaways from the Callan conference. In the economy, because capital is no longer cheap, the economic cycle will shorten. For supply chains resiliency is valued over lowest price. In the capital markets the concern is regional banks will be impacted by recent events which will add to recession risk. Private equity valuations are lower as fund raising has slowed. Economics Professor Tyler Cowen indicated difficulty with building and permitting will impede progress and there is a long lead time for new power sources.

Mr. Wickman also attended the Callan conference, reporting that Rana Foroohar's presentation was excellent. Addressing regionalization of production, she contended it is possible to move production around and to reduce costs. Noting 92% of chips are produced in Taiwan, she questioned whether that makes sense. In the Capital Markets Panel session, one concept was inflation could reappear and make real assets more valuable. In the discussion of Chat GPT-4 one forecast was that all programming would be automated within the next two years. During the Market Intel Live panel there was discussion on whether investment advisors had oversold investors on diversification, which did not help during 2022. Also, it was noted that non-U.S. equity has not outperformed for 15 years, but may do so going forward.

b. Other Comments

No other comments by the trustees.

Chair Murphy recessed Open Session and reconvened in Closed Session at 10:35 a.m. The Chair recessed Closed Session at 11:11 a.m., reconvening in Open Session at 11:12 am.

E. NEW BUSINESS

1. Public Employee Appointment, Title: Assistant Retirement Administrator (ACTION)
Consider and take possible action to appoint Assistant Retirement Administrator, effective on a date to be determined. (CLOSED SESSION pursuant to Government Code section 54957)

Chair Murphy reported that Board authorized the Retirement Administrator to offer the position of Assistant Retirement Administrator to Anya Bakerink. Motion was by Trustee Werby and seconded by Trustee Gladstern. Trustee Jones voted for the General Member. The motion passed by a vote of 8-0 as follows:

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

2. Conference with Labor Negotiators. Agency designated representatives: Retirement Administrator. Unrepresented employee: Assistant Retirement Administrator (CLOSED SESSION pursuant to Government Code section 54957.6)

No reportable action on this agenda item.

3. Notification of SACRS Board of Directors Election 2023-2024
Consider and discuss election process and deadlines

Mr. Wickman presented the notification of the SACRS Board of Directors election which includes processes and deadlines.

4. SACRS Board of Directors Election (ACTION)
Consider and take possible action on SACRS Nominating Committee final ballot

Mr. Wickman stated staff recommends approving the SACRS Nominating Committee's final ballot for members of the Board of Directors. He noted one candidate withdrew their nomination so there is one open position. The Bylaws permit the SACRS Board to fill the vacant position at its first Board meeting in July.

It was M/S Werby/Vasquez to direct MCERA's delegate to vote for the SACRS Nominating Committee's slate for the Board of Directors as presented. Trustee Jones voted for the Third Member. The motion passed by a vote of 8-0 as follows:

Trustee Gladstern suggested encouraging SACRS to diversify its Board of Directors geographically and Mr. Wickman said he will follow up with the SACRS Administrator.

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

5. Future Meetings

Consider and discuss agenda items for future meetings

No discussion.

F. OTHER INFORMATION

1. Training Calendar (ACTION)

Mr. Wickman presented the monthly Training Calendar, noting four trustees will be attending the Spring SACRS conference in San Diego.

It was M/S Silberstein/Martinovich to approve the Training Calendar as submitted. Trustee Jones voted for the Third Member. The motion passed by a vote of 8-0 as follows:

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

G. CONSENT CALENDAR (ACTION)

The monthly Consent Calendar was presented for consideration by the Board.

It was M/S Gladstern/Klein to approve the Consent Calendar as submitted. Trustee Jones voted for the Third Member. The motion passed by a vote of 8-0 as follows:

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

CONSENT CALENDAR

MCERA BOARD MEETING, WEDNESDAY, APRIL 12, 2023

MARCH 2023

RETURN OF CONTRIBUTIONS			
Amber Henry	Refund of contributions (termination)	\$	1,771.31
Thomas Lai	Partial refund of contributions (30 year)	\$	5,196.14
Elise Loftin	Partial refund of contributions (30 year)	\$	1,132.74
Judith Verworn	Refund of contributions (termination)	\$	41,740.46
Devon Webb	Refund of contributions (termination)	\$	5,663.99

BUYBACKS	
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Karen Brisson	\$ 1,926.65
Jamie Goekler	\$ 27,422.48
Colin Gray	\$ 16,204.59
Alicia Giudice	\$ 9,375.44

NEW RETIREES	
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Joseph Calabrese	County of Marin - Sheriff/Coroner
Gregory Farley	County of Marin - District Attorney
Susan Gallegos	County of Marin - Finance
Vanard Goodman	County of Marin - Public Works
Cynthia Hernandez	City of San Rafael
Thomas Lai	County of Marin - Community Development
Daniel Leslie	Marin/Sonoma Mosquito and Vector Control District
Kevin MacDougald	City of San Rafael
Laura Machado	County of Marin - Sheriff/Coroner
Pamela Moghbel	County of Marin - Health & Human Services
Geraldine Tellez-Talavera	County of Marin - Public Works
Mike Tito	County of Marin - Probation
Robert Vanderlind	County of Marin - Sheriff/Coroner
Tamara Wilson	Marin Superior Court


DECEASED RETIREES	
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Charlene Asher	County of Marin - Health & Human Services
Alma Cooper	County of Marin - Elections
James Dal Bon	County of Marin - Assessor-Recorder-County Clerk
John Ginocchio	City of San Rafael
Joseph McNern	Novato Fire
Frank Tamba	County of Marin - Public Works
June Thomas	County of Marin - Beneficiary
Jerry Williams	County of Marin - Public Works
Nellie Woodard	City of San Rafael

Trustee Jones spoke of Thomas Hendricks, who recently passed away, as being highly respected and well regarded for his work as County Counsel. She noted that Mr. Hendricks represented the Retirement Board for many years.

There being no further business, Chair Murphy adjourned the meeting in honor of Thomas Hendricks at 11:20 a.m.


Laurie Murphy, Board Chair


Maya Gladstern, Secretary