

MINUTES

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

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

May 3, 2023 – 9:00 a.m.

This meeting was held at the address listed above and, absent technological disruption, 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 9:04 a.m.

ROLL CALL

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

ABSENT: Gullett (alternate safety)

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

MINUTES

It was M/S Silberstein/Gladstern to approve the March 29, 2023 Investment Committee Meeting Minutes as submitted. The motion passed by a vote of 8-0 as follows:

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

NOES: None

ABSTAIN: None

ABSENT: Gullett, Martinovich

It was M/S Gladstern/Silberstein to approve the April 12, 2023 Board Meeting Minutes as submitted. The motion passed by a vote of 8-0 as follows:

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

NOES: None

ABSTAIN: None

ABSENT: Gullett, Martinovich

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. BOARD OF RETIREMENT MATTERS

1. Administrator's Report

a. Administrator's Update

Retirement Administrator Jeff Wickman reported Kelsey Poole's election as the Third Member of the Retirement Board is expected to be affirmed by the Board of Supervisors on May 16, 2023. Then Ms. Poole will begin serving out the term of office expiring October 31, 2023 and continue through the next three-year term.

MCERA just submitted its cyber insurance renewal with the assistance of Jim Vorhis who specializes in insurance at Nossaman.

The plan is to conduct the May 16-17 Strategic Workshop in the normal structure in order to be able to stream the meeting.

The Administrator reported seeing additional tours of the vacant Suite 150.

Michelle Hardesty's last day at MCERA will be June 30, 2023. An informal gathering to thank her for her tenure is planned after the June 14 Board meeting.

b. Staffing Update

Interviews for the Retirement Benefits Technician position are finished and after conducting reference checks an offer will be made to one of the candidates.

c. Facility Use Report

No facility use in the period.

d. Future Meetings

- May 16-17, 2023 Strategic Workshop
- May 17, 2023 Audit Committee
- May 24, 2023 Finance and Risk Management Committee
- June 14, 2023 Board

Trustee Martinovich joined the meeting at 9:11 a.m.

2. Standing Committee Report – Governance Committee

a. Proxy Votes

Proxy voting records of public equity managers for December 31, 2022

Governance Committee Chair Cooper reported the Committee met on April 19, 2023 and reviewed proxy voting reports for the second half of 2022. Institutional Shareholder Services (ISS) voted proxies for DFA and State Street portfolios in accordance with Public Fund Policy recommendations.

b. Proxy Voting Reports – Executive Compensation

Review and discuss the ISS executive compensation proxy voting reports for the Dimensional Fund Advisors and State Street Global Advisors portfolios

Proxy reporting included voting rationales and votes on executive compensation,

c. Governance Risk Report – Institutional Shareholder Services (ISS)

Review and discuss the ISS quarterly Risk Assessment Report

Staff provided a separate report showing which of MCERA's investment managers were investing in the companies on the Quality Score list along with MCERA's specific investment value. Most votes against management are coming from the DFA and State Street portfolios and are seen in executive compensation and audit proposals.

d. Custom ISS Proxy Voting Guideline on CEO Pay (ACTION)

Consider possible action on Governance Committee recommendation to adopt proxy voting guideline regarding CEO pay

Chair Cooper reported at the Committee meeting staff presented three "say on pay" proposals for consideration: voting no on CEO pay that exceeds 50, 75, or 100 times median company pay. During 2022 if MCERA used these criteria to vote on CEO pay packages it would have voted no on 68%, 61%, and 53% of CEO pay packages, respectively.

Committee member Trustee Silberstein explained that currently MCERA is voting against 27% of CEO pay packages. He observed that while MCERA's policy links executive pay to performance and relative to the other employees, our proxy votes do not actually follow the relative pay factor. This proposal considers the relative pay of the CEO and the worker. He noted last year CEO pay increased on average 20% and worker pay increased 4%, which he termed a disparity. There are other public pension funds that vote against more CEO pay packages than does MCERA. Trustee Gladstern observed that the Committee had a robust discussion of this matter.

Chair Cooper stated the Governance Committee recommends that the Board direct Institutional Shareholder Services to vote against Chief Executive Officer (CEO) pay packages that are more than 100 times the pay of the median worker in the corporation. The motion passed by a vote of 9-0 as follows:

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

Mr. Wickman presented the Proxy Voting and Corporate Governance Policy with an update to bring it into alignment with the CEO pay guideline approved above.

It was M/S Cooper/Gladstern to approve updates to the Proxy Voting and Corporate Governance Policy. The motion passed by a vote of 9-0 as follows:

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

e. Existing Policies – Standard Review with Proposed Updates

1. Conflict of Interest Code (ACTION)

Consider possible action on Governance Committee recommendation to adopt updates to policy

The update to the Conflict of Interest Code adds the disclosure category of Security Consultant to Form 700 designated filers.

Chair Cooper stated the Governance Committee recommends that the Board adopt updates to the Conflict of Interest Code as presented. The motion passed by a vote of 9-0 as follows:

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

2. Actuarial Funding Policy (ACTION)

Consider possible action on Governance Committee recommendation to adopt updates to policy

Updates to the Actuarial Funding Policy align amortization periods and dates with the June 30, 2022 Actuarial Valuation.

Chair Cooper stated the Governance Committee recommends that the Board adopt updates to the Actuarial Funding Policy as presented. The motion passed by a vote of 9-0 as follows:

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

f. Existing Policies – Standard Review without Proposed Updates

Chair Cooper stated the Governance Committee recommends that the Board accept the review of the policies listed below in Agenda Items B.2.f.1 and B.2.f.2. The motion passed by a vote of 9-0 as follows:

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

1. Policy Regarding Implementation of Felony Forfeiture Laws (ACTION)
Conduct standard policy review and consider possible action on Governance Committee recommendation to review without making updates
2. Travel and Expense Policy (ACTION)
Conduct standard policy review and consider possible action on Governance Committee recommendation to review without making updates

3. Trustee Comments

a. Educational Training: Reports by Trustees and Staff

Trustee Vasquez shared concepts presented and discussed during the Wharton Investment Strategies and Portfolio Management course, which he termed a deep dive into the latest academic research, knowledge and practice in the investment world. There were 40 participants spanning other investment funds and sovereign wealth funds from across the globe, including California. He noted asset classes we explore and evaluate are set within the context of the U.S. economy with assets of \$167 trillion and liabilities of \$20 trillion. This speaks to the solvency issue, he said. The most recent debates around the debt ceiling are instructive and revolve around a liquidity issue and how we treat our income statement for the nation. In discussions about the state of the investment management industry, a point made was that various asset classes like private markets, real estate, bond markets and, to an extent, equity markets, are so contingent on the interest rate, the most consequential price in all of capitalism. Right now, the posture for many participants is a wait and see mode. After the U.S. had the longest bull market in history of 13 years, he indicated it may be prudent to prepare for a number of lean years to follow. New concepts were introduced such as gross alpha, net alpha, and value added as metrics to evaluate investment managers. He said value added says something about the skill of managers. These measures are akin to using internal rates of return and net present value as performance metrics in private equity and venture capital. There was

discussion about traditional concepts such as efficient market theory as opposed to fundamental analysis using discounted cash flow. In efficient markets return is a reflection of risk, but permanent loss of capital is not captured in the volatility measure.

One idea proposed to generate alpha was to mix high alpha managers, rather than high Sharpe ratio managers, in order to achieve low beta portfolios. When managers report their alpha, risk-adjusted data should be requested and compared. The role of benchmark selection is important to determine if managers are engaging in style diversion. There is such a thing as over diversification in the context of both systemic and non-systemic risk. Regarding corporate governance, Trustee Vasquez gave the example about the movement to divest from firms doing business with South Africa a number of years ago. Instead of divesting, the path is to use corporate governance to change the system from within. In conclusion, Trustee Vasquez said private markets are attractive at this point but are also in a wait and see posture. The private equity industry is going through fundamental changes in terms of industry structure, and excess profits are being competed away. Moving forward this sector will require some extra margin of safety. Trustee Vasquez recommended this Wharton course for all trustees.

b. Other Comments

No other comments.

C. 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.

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| 1. John McHugh | Service connected | Southern Marin Fire Protection District |
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Consider and take possible action to adopt Administrative Recommendation to grant service-connected disability retirement application.

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| 2. Thomas Moran | Service connected | Southern Marin Fire Protection District |
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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 John McHugh's service connected disability retirement application with an effective date of March 20, 2022. The motion passed by a vote of 9-0 as follows:

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

It was M/S Werby/Silberstein to adopt the Administrative Recommendation to grant Thomas Moran's service connected disability retirement application with an effective date of July 25, 2021. The motion passed by a vote of 9-0 as follows:

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

Chair Murphy recessed Open Session and reconvened the meeting in Closed Session at 9:45 a.m.

Trustee Klein and Trustee Cooper were excused from the meeting at 10:28 a.m.

Chair Murphy recessed Closed Session and reconvened the meeting in Open Session at 10:30 a.m.

D. CONSIDERATION OF AND ACTION ON NON-CONSENT AGENDA DISABILITY RETIREMENT APPLICATIONS (TIME CERTAIN: 9:30 a.m.) (CLOSED SESSION) (ACTION)

Any non-Consent Agenda disability retirement application, whether pulled from the Disability Consent Agenda or originally agendized as a non-Consent agenda item, will be considered in Closed Session unless the applicant specifically waives confidentiality and requests that his or her application be considered in Open Session. The Board will move into Closed Session via virtual breakout room. The live stream will indicate the Board is in Closed Session.

1. Brendan O'Hagan Service-Connected County of Marin

Initial consideration of an application for service-connected disability retirement.

Chair Murphy reported the Board granted Brendan O'Hagan's service connected disability retirement application with an effective date of February 21, 2019. Motion was by Trustee Cooper and seconded by Trustee Werby. The motion passed by a vote of 7-2 as follows:

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

E. NEW BUSINESS

1. Determine Salary of Assistant Retirement Administrator Appointee (ACTION)

Consider and take possible action to determine salary of Assistant Retirement Administrator

Mr. Wickman stated at its April 12, 2023 meeting the Board authorized him to offer the position of Assistant Retirement Administrator to Anya Bakerink, subject to the start date and salary negotiations. Ms. Bakerink accepted the offer with an effective date of May 14, 2023. Mr. Wickman recommends a starting salary of \$180,981, which is the second of three salary steps for the position in the Marin County salary ordinance.

It was M/S Werby/Martinovich to approve a salary of \$180,981 for Assistant Retirement Administrator Anya Bakerink. The motion passed by a vote of 7-0 as follows:

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

NOES: None

ABSTAIN: None

ABSENT: Cooper, Gullett, Klein

2. SACRS Voting Delegate (ACTION)

Select delegate and alternate delegate to vote on MCERA's behalf at the 2023 SACRS Business Meeting May 12, 2023

Mr. Wickman said at the SACRS Spring Business meeting on May 12, 2023 in San Diego, each system will be asked to vote on the Board of Directors election and the 2021-2022 Annual Audit. He recommended delegating authority to vote on MCERA's behalf to a Board member attending the Conference.

It was M/S Werby/Vasquez to select Chair Murphy as delegate to vote on MCERA's behalf at the 2023 SACRS Business Meeting on May 12, 2023. The motion passed by a vote of 7-0 as follows:

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

NOES: None

ABSTAIN: None

ABSENT: Cooper, Gullett, Klein

3. SACRS Business Meeting Agenda and Action Items (ACTION)

Consider and discuss items on the business meeting agenda that will be voted on by SACRS member systems and provide direction to the MCERA Voting Delegate

At the SACRS Business Meeting on May 12, 2023 in Sn Diego, delegates from the member systems will be asked to vote on two items in the Business Meeting Packet.

Agenda Item #6 – SACRS Nominating Committee: 2023-24 Board of Directors Election

At the April 12, 2023 Board meeting the Board of Retirement adopted the SACRS Nominating Committee's recommended slate of officers for 2023-24. MCERA's voting delegate should be directed to vote in favor of a motion that adopts the Nominating Committee's recommended slate of candidates.

Agenda Item #7 – SACRS Audit Report

Staff recommends the Board direct MCERA's delegate to vote in favor of a motion to adopt the Audited June 30, 2022 and 2021 SACRS Financial Statements.

It was M/S Gladstern/Jones to direct the MCERA voting delegate to vote in favor of the two action items listed above to be considered at the May 12, 2023 SACRS Business Meeting. The motion passed by a vote of 7-0 as follows:

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

4. Future Meetings

Consider and discuss agenda items for future meetings

No discussion.

F. OTHER INFORMATION

1. Training Calendar (ACTION)

The monthly Training Calendar updates the location of the CalAPRS Intermediate Course in Retirement Plan Administration in Burbank, California, and adds the Advanced Course in Retirement Plan Administration.

It was M/S Gladstern/Silberstein to approve the Training Calendar as submitted. The motion passed by a vote of 7-0 as follows:

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

G. CONSENT CALENDAR (ACTION)

Mr. Wickman presented the monthly Consent Calendar for consideration, noting that in March and April this year there were fewer retirees than normal. Mr. Wickman said Joshua Thomas, a former member of the Retirement Board for many years, passed away.

It was M/S Jones/Gladstern to approve the Consent Calendar as submitted. The motion passed by a vote of 7-0 as follows:

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

CONSENT CALENDAR

MCERA BOARD MEETING, WEDNESDAY, MAY 3, 2023

APRIL 2023

RETURN OF CONTRIBUTIONS			
Alandis Hampton-Pratt	Refund of contributions (termination)	\$	47,944.89
Sovin Keans	Refund of contributions (termination)	\$	3,549.24
Abraham Negash	Refund of contributions (termination)	\$	1,226.49
Megan Wintermute	Refund of contributions (termination)	\$	13,062.77
Victoria Seils	Partial refund of contributions (correction)	\$	359.00
Zachary Yadao	Refund of contributions (termination)	\$	4,356.70

BUYBACKS			
Michael Eaton		\$	870.16
Scott Klunk		\$	5,713.52

NEW RETIREES	
Eithne Bullick	County of Marin - Community Development
Jerry Burger	County of Marin - Public Works
Brian Burkhard	County of Marin - Fire
Bridgette Choate	County of Marin - Community Development
Jolie Clark	County of Marin - Health & Human Services
Joseph F. Doherty	Novato Fire
Richard Dunckel	County of Marin - Health & Human Services
Timothy Farrell	County of Marin - Probation
Stephen Ferrario	City of San Rafael
Kenneth Forkes	Novato Fire
Martin Graff	County of Marin - Health & Human Services
James Hickey	County of Marin - Sheriff/Coroner
Nancy Hillman	County of Marin - Probation
Sheila Lichtblau	County of Marin - County Counsel

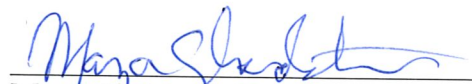
Jack Liebster	County of Marin - Community Development
Kerry Livingston	County of Marin - Library
Irene Mariani	Marin Superior Court
James Marino	County of Marin - Public Works
Lori Marziano	County of Marin - Probation
Ann O'Hagan	County of Marin - Assessor-Recorder-County Clerk
William Passmore	County of Marin - Sheriff/Coroner
Eli Peck	Novato Fire
Juanita Stender	County of Marin - Health & Human Services
Jennifer Tong	County of Marin - District Attorney
Rosalind Tuthill	County of Marin - Health & Human Services

DECEASED RETIREES

Dolores Almanzo	County of Marin - Finance
Darryl Anderson	Southern Marin Fire
Lena DeJoy	County of Marin - Citizens Service Office
Merritt Hewitt	City of San Rafael
Janet McCombs	County of Marin - Probation
William Palmaymesa	Marin Superior Court - Beneficiary
Grace Schmidt	County of Marin - Board of Supervisors
Norma Skinner	County of Marin - Beneficiary
Joshua Thomas	County of Marin - District Attorney

There being no further business, Chair Murphy adjourned the meeting in honor of former Retirement Board member Joshua Thomas at 10:40 a.m.


Laurie Murphy, Board Chair


Maya Gladstern, Secretary