

## **MINUTES**

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

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

**June 7, 2023 – 9:00 a.m.**

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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 Werby called the meeting to order at 9:05 a.m.

#### **ROLL CALL**

PRESENT: Klein, Martinovich, Vasquez, Werby

ABSENT: None

#### **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 Vasquez/Martinovich to approve the March 22, 2023 Finance and Risk Management Committee Meeting Minutes as submitted. The motion passed by a vote of 4-0 as follows:

AYES: Klein, Martinovich, 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. NEW BUSINESS**

### **1. Administrative Budget Fiscal Year 2022/23 Quarterly Review**

Consider and review expenses for the quarter ending March 31, 2023

Retirement Administrator Jeff Wickman reported on the Administrative Budget for the quarter ending March 31, 2023. Salaries and Benefits expenditures were 23% for the quarter. There was a slight increase due to having three pay periods in the quarter. Services and Supplies expenses were 14.9% of the quarterly budget. Within that category, Records Retention increased due to moving all member and disability files off site. Chair Werby inquired about the timing to retain member files and Mr. Wickman said that each document type has its own retention schedule, but member files are generally retained permanently. He noted that an effort was undertaken to identify and remove unneeded files a couple of years ago. At some point in time the records will need to be reviewed again to determine what may not be needed. Fiduciary Liability insurance was paid for the entire year during the quarter, and Interdepartmental Charges was slightly higher. Overall administrative expenses for the quarter are 23.1% of the annual budget.

For the fiscal year to date, Salaries and Benefits are 62% of the budgeted amount due to vacancies. Overall Services and Supplies are 61% of the budgeted amount, with the Subscriptions category slightly above budget. Trustee Martinovich asked about quarterly posting of depreciation which Ms. Bakerink said would show up in the next quarter.

### **2. Non-budgeted Expenses**

Consider and review non-budgeted expenses for the quarter

Mr. Wickman reported the highest portion of non-budgeted expenditures are for retiree payroll, which will increase in April after the cost of living adjustment is applied and new retirees are added to payroll. The biggest Computer expense is the annual renewal of CPAS support for the benefit management system. There were no unusual legal expenses. Nossaman expenses went up in March due to additional contractual reviews and the special election for the Third Member.

For the fiscal year to date, non-budgeted expenses were in line with prior years. Trustee Klein and Chair Werby asked about market values in the investment manager fee report and Mr. Wickman indicated they need to be updated. Trustee Vasquez asked when investment fees are reassessed, and Mr. Wickman said Callan includes all fees and values in its Quarterly Report provided to the Investment Committee.

### 3. Quarterly Checklist

Consider, review and updates on the following:

#### a. Other expenses per Checklist Guidelines

Credit card expenses include equipment purchases needed to operate the Board Chambers and travel expenses for trustees and staff attending training events.

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

See discussion above.

#### c. MCERA educational and event-related expenses

There has been an increase in expenses for Board member attendance at conferences as we come out of the COVID restrictions. Staff attendance at conferences and training included Board Counsel Ashley Dunning's attendance at CalAPRS Attorneys' Round Tables.

#### d. Continuing Trustee Education Log

The Continuing Trustee Education Log shows trustees are meeting the requirement of 24 hours every two years.

#### e. Internal controls, compliance activities and capital calls

For the fiscal year to date, Abbott Capital Management called capital of \$2.5 million and sent over \$13.5 million in distributions to MCERA. Pathway Capital Management called capital of \$3.9 million and distributed \$10.3 million to MCERA.

In the Opportunistic funds, AB Carval was the most active during the fiscal year to date with capital calls totaling \$6.7 million. Värde had a large distribution to MCERA of \$6.3 million. For the fiscal year Opportunistic capital calls were \$7.6 million and distributions totaled \$6.3 million. In addition, MCERA received dividends of \$2.2 million from UBS and nearly \$3 million from AEW.

Since March 31, 2023, Abbott distributed \$887,500 to MCERA with no capital calls. Pathway distributed a net \$6.7 million, which included a capital call of \$400,000. Pathway also called \$1.58 in capital for PPEF I-10. Total private equity distributions received after the end of the quarter were \$7.6 million and capital calls were \$1.58 million.

#### f. Vendor services provided to MCERA

No new vendor services during the quarter.



g. MCERA staffing status

The second round of interviews of candidates for the Chief Financial Officer (CFO) position will occur this week. The Administrator is expecting to make an offer for the vacant Retirement Benefits Technician position this week.

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

Nothing to report.

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

Nothing additional to report.

j. Form 700 Summary

Counsel Dunning presented the annual Form 700 Summary listing financial interests of trustees, consultants and filing staff members identified on their Forms 700. No holdings were identified that overlap MCERA investments and no gifts from a single source exceeded the statutory limit of \$590.

4. Administrative Budget for Fiscal Year 2023/24 (ACTION)

Consider and possibly recommend adoption of Administrative Budget for Fiscal Year 2023/24

Mr. Wickman stated in the proposed Administrative Budget for Fiscal Year 2023/24, Salaries and Benefits are the largest expenditure category. All positions are budgeted at the top step, which most employees are already in. A 3% cost of living increase for employees will be effective July 1, 2023, and the proposed benefit multiplier is 50%, reduced from 52% used in the current fiscal year. The Administrator stated another higher-level position is needed to perform complex benefit work and analysis. He stated that at the March Committee meeting staff proposed adding a Senior Department Analyst position. In the proposed budget staff are recommending that the existing Retirement Manager position be budgeted for this purpose, and a new Retirement Benefits Supervisor position will be added. Mr. Wickman said there are two Retirement Benefit Supervisors on staff but only one position. The second supervisor is being funded by underfilling the Retirement Manager position. Using the Retirement Manager position as the underfill prevents that position from being used. Trustee Vasquez asked who had been doing the work that would be proposed for the new Retirement Manager. Mr. Wickman replied some work is being done by the Assistant Retirement Administrator, some is being done by the Benefit Supervisors and some by the Department Analyst. Having the Assistant Retirement Administrator take on these tasks has diverted attention away from the Assistant Administrator's leadership responsibilities. Trustee Martinovich supported hiring a Retirement Manager, noting that new initiatives such as service improvements can only be achieved when managers have the capacity to complete them. Chair Werby inquired about the percentage increase in Salaries and Benefits which Mr. Wickman affirmed.

In conclusion, Mr. Wickman stated the proposed budget for Services and Supplies increases slightly and Interdepartmental Charges are projected to decrease. After adjusting to remove investment management and administration of medical plans, the proposed Administrative Budget for Fiscal Year 2023/24 is \$4.98 million. The legislated limit for the Administrative Budget is 21 basis points of the total Plan liability, or \$6.98 million. Mr. Wickman presented additional budget details, including the Organizational Chart and Position List, in accordance with the Budget Policy and Adoption Process and invited further comments from the Committee. The Administrator noted MCERA will benefit as a result of reduced expenses when One McInnis Parkway is fully leased.

It was M/S Vasquez/Klein to recommend that the Board adopt the Administrative Budget for Fiscal Year 2023/24 as submitted. The motion passed by a vote of 4-0 as follows:

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

5. MCERA Insurance Review

Review, discuss and consider MCERA's insurance coverage

Mr. Wickman introduced Jim Vorhis, Counsel and Head of the Insurance Recovery Practice Group at Nossaman, and expressed appreciation for his increasingly complex work on behalf of MCERA. Counsel Dunning noted she relies heavily on Mr. Vorhis in the insurance arena. She said details of his and their collective analysis of the strengths and potential areas for improvement for MCERA's insurance coverage have been provided to the Board in an attorney-client privileged memorandum.

Counsel Vorhis stated MCERA has good, broad insurance coverage and noted insurance policies are becoming more expensive. He said Mr. Wickman has been proactive regarding policy renewals, which ends up achieving good results for insurance coverage. MCERA's fiduciary liability insurance policy is robust, with a few items to be considered for the renewal. The decreasing limits and increasing premiums for cyber coverage are beginning to level out, he said, since insurers are able to identify risks better. The commercial general liability and property insurance policies are good. The renewal for this insurance is increasing due to more property claims, and may be worth exploring.

Trustee Vasquez asked why insurers are decreasing cyber coverage. In response, Counsel Vorhis explained this is because insurers are getting so many claims, and public pensions are a high-risk area. In addition, over the past three years the number of insurers has gone down to one or two. Counsel Dunning added during a CalAPRS Attorneys' Round Table one presenter on cyber risk noted ransomware is becoming the biggest risk. Trustee Vasquez asked if there is an existing framework for insurers to price cyber risk and Mr. Vorhis replied there is not. Trustee Klein observed some insurers are no longer issuing property insurance for homeowners. Counsel Vorhis noted risks are different for homeowners and he is not aware of this translating into the commercial area.



Chair Werby asked if the timing of this year's property insurance renewal affected the policies. In response, Counsel Vorhis indicated the renewal process was not smooth. He stated it is important to be comfortable with the insurance broker and advised reconsidering this engagement regularly. Trustee Martinovich asked whether MCERA considered using new brokers. In response, Mr. Wickman said that MCERA moved away from placing the properties in the Woodmont pool for a couple of years but moved back to placing the insurance through Woodmont. This year the timing for the renewal was short, he said, indicating reconsidering the broker for property insurance may be a good approach next year. Chair Werby supported his view.

6. Annual Audit of Financial Statements Update

Update on annual audit process

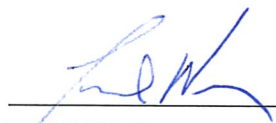
The Audit Committee will meet with Brown Armstrong during its June 20, 2023 meeting to kick off the annual financial audit and review the audit schedule.

7. Future Meetings

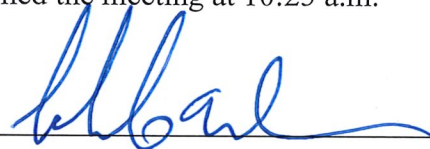
Consider and discuss agenda items for future meetings

No discussion.

There being no further business, Chair Werby adjourned the meeting at 10:25 a.m.



Todd Werby  
Finance and Risk Management Committee Chair



Attest: Jeff Wickman  
Retirement Administrator