

MINUTES

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

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

June 14, 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 9:05 a.m.

ROLL CALL

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

ABSENT: Klein, Martinovich, 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/Gladstern to approve the May 3, 2023 Board Meeting Minutes with Trustee Vasquez's corrections to his comments on educational events. The motion passed by a vote of 8-0 as follows:

AYES: Cooper, Gladstern, Murphy, Poole, Shaw, Silberstein, Vasquez, Werby

NOES: None

ABSTAIN: None

ABSENT: Klein, 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 welcomed new General Member Kelsey Poole to the Board.

This evening the Administrator will be meeting with the Marin/Sonoma Mosquito Vector Control District Board to provide his annual MCERA update.

Work is underway on a potential lease for Suite 150.

b. Staffing Update

Mr. Wickman reported Assistant Retirement Administrator Michelle Hardesty is leaving after twelve years with MCERA. He stated her tenure included implementation of the new benefit management system, a significant accomplishment that is now the backbone of MCERA's business. Ms. Hardesty contributed to the decision-making process and provided valuable organizational skills. Trustee Gladstern said Ms. Hardesty was the best candidate for the position and wished her good luck. Trustee Shaw and Chair Murphy thanked her for being a good partner with the Department of Finance and for her responsiveness, respectively. Ms. Hardesty said it has been an honor to work for the Retirement Board and with the staff.

An offer for the vacant Chief Financial Officer position has been made.

The recruitment for a Retirement Benefits Technician is complete with an offer made to Syd Fowler.

c. Facility Use Report

The Marin County Association of Retired Employees Board used the Executive Conference room last week.

d. Future Meetings

- June 20, 2023 Audit Committee
- June 21, 2023 Investment Committee
- July 12, 2023 Board

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 March 31, 2023

Finance and Risk Management Committee Chair Todd Werby reported total expenditures through the 3rd quarter were 61% of the budgeted amount. Total Salaries and Benefits were 23% for the quarter and 62% for the fiscal year. Services and Supplies were 61% of the budgeted amount for the fiscal year.

b. Non-budgeted Expenses

Consider and review non-budgeted expenses for the quarter

See Committee Minutes.

c. Quarterly Checklist

Consider, review and updates on the following:

1. Other expenses per Checklist Guidelines

See Committee Minutes.

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

See discussion above.

3. MCERA educational and event-related expenses

Conference attendance is increasing as we come out of COVID restrictions.

4. Continuing Trustee Education Log

The Continuing Trustee Education Log shows trustees are meeting the 2-year requirement.

5. Internal controls, compliance activities and capital calls

For the private equity program MCERA received nearly \$24 million in distributions and paid \$6.4 million in capital calls through the third quarter of the fiscal year. Credit managers CarVal and Fortress capital calls totaled \$7.6 million and Varde distributed \$6.3 for the fiscal year to date. Since March 31, 2023 MCERA has received total distributions of about \$9.6 million and paid capital calls of about \$2.6 million.

6. Vendor services provided to MCERA

Nothing to report.

7. MCERA staffing status

Interviews of candidates for the Chief Financial Officer and an offer for the Retirement Benefits Technician position were expected shortly.

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

Nothing to report.

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

Nothing additional to report.

10. Form 700 Summary

The Form 700 Summary showed no holdings or gift issues for staff, trustees or consultants.

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

Consider and take possible action on Finance and Risk Management Committee recommendation to adopt Administrative Budget for Fiscal Year 2023/24

Salaries and Benefits are the single largest portion of the proposed budget (65%). Salaries and Benefits will increase in 2023/24 due to a 3% cost of living increase for employees in July 2023 and funding the Retirement Manager position that had been previously used to underfill one of the Retirement Benefit Supervisor positions. Services and Supplies increase slightly from the prior fiscal year.

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.

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

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

e. MCERA Insurance Review

Review, discuss and consider MCERA's insurance coverage

The Committee received an attorney-client privileged memorandum on insurance coverage. Jim Vorhis of Nossaman said MCERA has good, broad insurance coverage and noted insurance policies are becoming more expensive. The decreasing limits and increasing premiums for cyber coverage are beginning to level out. The renewal for property insurance is increasing due to more property claims, and may be worth exploring.

f. Annual Audit of Financial Statements Update

Update on annual audit process

See Committee minutes.

3. Trustee Comments

a. Educational Training: Reports by Trustees and Staff

Chair Murphy reported the CalAPRS Trustee Round Table was an in-depth look at asset allocation, the prime driver of investment return. Differences among investment policy guidelines were discussed. Approaches to asset allocation include the Norwegian Model of 60% equities and 40% bonds, the Endowment Model with more private alternative investments, the Canadian model focusing on opportunity cost across investment classes, and the total portfolio approach using a risk budget and benchmark reflecting the need of clients. Consultant advice to Boards on asset allocation includes employing a liquidity analysis and monitoring complex asset classes. Also recommended are quarterly capital market projections, an asset/liability study every three to five years, and tactical asset allocation based on near term conditions that is within the strategic asset allocation. To determine the desired asset allocation, one peer system begins with comparing a 70-30 portfolio with other allocations. This is then narrowed down to a handful of portfolios for additional analysis, including evaluating relative risks and returns.

Several trustees shared takeaways from the Spring SACRS Conference. Trustee Werby reported David Adelman, former Ambassador to Singapore, described the dramatic urbanization of China as people moved off farms in an attempt to create a more vibrant consumer economy. Mr. Adelman highlighted three potential flash points of Taiwan, North Korea and the South China Seas. Conflict in those areas would threaten economic growth. Chair Murphy recalled Mr. Adelman saying China's economic growth has not translated to stock market returns and demographics may further restrict the economy. Trustee Cooper referenced the speaker's unique and refreshing on book on the history of conflict, noting Mr. Adelman indicated there may be no change in the politics of North Korea or Taiwan.

Chair Murphy reported the Girls Who Invest session highlighted the under-representation of women in the investment business. To cure this a summer program for university students offers paid internships at a leading investment firm.

Trustee Werby discussed the session on private credit versus fixed income and private equity versus public equity. Private credit has higher yield, more risk and is difficult to value. A secondary market is emerging, but the ability to source deals is critical. The rising cost of capital has hurt private equity, but double-digit growth is expected. Trustee Werby said takeaways from the session on geopolitics include that Poland may be our best NATO ally, China will use intimidation to make the U.S. back off Taiwan, and conflicts are usually the result of miscalculation by the aggressor.

Reporting on the session on the economy, Trustee Werby said it was pointed out the Ukraine conflict resulted in unexpected inflation and high interest rates that have affected real estate. This led to stress in the banking system regarding new transactions. Suburban offices are leading the distress in real estate. Given excess retail capacity, no new malls are planned. The economy is returning to business and leisure travel. Millennials are starting families and looking for real estate, and baby boomers are not downsizing which constrains supply. Chair Murphy added there is a two-year delay in building multi-family homes and incentives may be needed to entice workers back to the office.

Trustee Cooper said he enjoyed the SACRS Conference which he encouraged the trustees to attend in the spring and fall. He said SACRS is good at providing trustee education and networking among other county retirement system trustees.

Chair Murphy reported on the session Examining the Experiences of Public Pension plans since the Great Recession. During that downturn losses were around 25%, and most public pension plans recovered after 6 years. As a result, many plans made significant changes to economic assumptions. In addition, some plans adopted shorter amortization periods that although increased plan costs, should strengthen plans' financial position in the future.

b. Other Comments

Trustee Silberstein encouraged trustees to attend the September CII Conference in Long Beach that centers on corporate governance. He suggested that MCERA communicate its recent proxy voting changes on executive pay to other CII members using their Listserv. Mr. Wickman offered to compose such a communication at the direction of the Board. Trustee Gladstern said it would be good to let others know what MCERA's governance practices are, and Trustee Vasquez voiced his support. Mr. Wickman accepted this direction and will follow up.

C. NEW BUSINESS

1. Future Meetings

Consider and discuss agenda items for future meetings

No discussion.

D. OTHER INFORMATION

1. Training Calendar (ACTION)

Mr. Wickman presented the monthly Training Calendar updated with nine new events: three sponsored by Callan, NCPERS Public Pension Funding Forum, Nossaman Fiduciaries' Forum, Wharton Investment Strategies and Portfolio Management course, and for 2024 the CalAPRS General Assembly and CII Conference. He will attend the Administrators' Round Table next week. Trustees Martinovich and Vasquez will attend the SACRS investment course at U.C. Berkeley. In the fall, Trustee Vasquez will also attend the CII Conference and Nossaman Fiduciaries' Forum. Trustee Poole will be taking the Callan Introduction to Investments course.

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

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

E. CONSENT CALENDAR (ACTION)

Mr. Wickman presented the monthly Consent Calendar, highlighting a refund of employee contributions to a beneficiary.

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

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

CONSENT CALENDAR**MCERA BOARD MEETING, WEDNESDAY, JUNE 14, 2023****MAY 2023**

RETURN OF CONTRIBUTIONS			
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Don Dumford	Full Refund - Termination	\$	10,098.50
Meshanette Johnson-Sims	Full Refund - Termination	\$	31,974.44
Britten Smith	Full Refund - Active Death of Robert Smith	\$	156,875.17

BUYBACKS			
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Sarah Broderick		\$	772.83
Matthew Lucchesi		\$	10,691.65
Nicole McKnight		\$	48,651.77
William Reid		\$	7,378.85
Laila Salaam		\$	3,500.00

NEW RETIREES	
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Bryna Holland	County of Marin - Public Defender
Laurie Lewis	County of Marin - Health & Human Services
Ana Hilda Mosher	County of Marin - Community Development
Deborah Moss	County of Marin - Health & Human Services
Leticia Navarrete	County of Marin - Public Works

DECEASED RETIREES	
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Sandra Blauvelt	County of Marin - Board of Supervisors
George Boghosian	County of Marin - Health & Human Services
Joseph Doherty	County of Marin - Probation
Dolores Dressel	City of San Rafael - Beneficiary
Joel Martinez	County of Marin - DRO
Barbara Sussman	County of Marin - Probation
Celestina Sumagaysay	County of Marin - Health & Human Services
Zelma Victorino	County of Marin - Beneficiary

There being no further business, Chair Murphy adjourned the meeting at 10:04 a.m.


Laurie Murphy, Board Chair


Maya Gladstern, Secretary