

MINUTES

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

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

August 16, 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 through December 31, 2025.

CALL TO ORDER

Chair Werby called the meeting to order at 9:01 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 Committee members requested to teleconference.

MINUTES

It was M/S Martinovich/Vasquez to approve the June 7, 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 Fiscal Year Review

Consider and review expenses for the quarter and fiscal year ending June 30, 2023

Retirement Administrator Jeff Wickman reported on expenditures relative to the budgeted amounts. For the quarter ending June 30, 2023, total Salaries and Benefits expenses were 27.6% of the budget amount. An adjustment for an incorrect journal posting in a prior period caused the slight increase during the quarter. Services and Supplies expenses were 18.3% for the quarter. Within Services and Supplies, categories over the budgeted amount included payments to Innovest for the annual 1099 mailing. Records Retention expenses increased in the quarter due to sending more files offsite. Subscriptions included the annual fee for PBI Research, the vendor utilized for death searches. Conference and trainings expenses increased due to Board members attending more conferences as we emerge from pandemic conditions. Other additional expenses were due to investigations for one of the disability retirements and for County-related services for the July 2023 Board election. Total administrative expenses were \$1.17 million, 22.8% for the quarter.

Salaries and Benefits expenses were 89% for the fiscal year due to vacancies. Services and Supplies expenses totaled 79% for the fiscal year. Within that area, Records Retention, Subscriptions, and Document Reproduction costs were over the budgeted amount. Total administrative expenses came in at \$4.3 million, 84% for the fiscal year. Mr. Wickman noted that the savings during the year were largely due to staffing vacancies. Anya Bakerink, Assistant Retirement Administrator, noted depreciation expense will accrue in the 3rd and 4th quarters of the fiscal year.

2. Non-budgeted Expenses

Consider and review non-budgeted expenses for the quarter

Mr. Wickman reported on non-budgeted expenses, noting the biggest area is retiree benefit payments that increased during the quarter due to the April 1, 2023 annual Cost of Living Adjustment (COLA) and adding new retirees in March. CPAS service agreement fees in May were for two months. Other categories presented are Legal and Investment Education Expense which includes the annual cost of the Institutional Shareholder Services (ISS) Governance Risk Report and its proxy voting services.

For the fiscal year, total non-budgeted expenses include the \$1.5 million increase in retiree payroll from the 3rd to the 4th quarter. Legal expenses are in line with prior years. The Administrator noted Nossaman's legal expenses are broken down into categories that include investment-related work and work around leasing space at One McInnis Parkway.

Mr. Wickman presented investment manager fees with updated annualized fees and market values. He said annual totals will be provided in the next quarterly report. Chair Werby asked about there being no fees for Abbott Fund VI during the 4th quarter and Mr. Wickman will check into this question.

3. Quarterly Checklist

Consider, review and updates on the following:

a. Other expenses per Checklist Guidelines

Credit card expenses for the quarter include office supplies and conferences and training events. The Administrator explained that the DTCC expense is the annual fee for MCERA to renew its Legal Entity Identifier (LEI) which is required for international investment managers. The California Special District item is for its annual Board Secretary Conference attended by the Board Clerk. In response to Chair Werby's inquiry, the Administrator discussed the complications encountered in providing electronic subscriptions to the Wall Street Journal for the trustees.

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

See discussion above.

c. MCERA educational and event-related expenses

Educational and event-related expenses increased in the 4th quarter as trustees attended more events. These included the SACRS Spring Conference and the CII Conference in Washington D.C. The Board Counsel attends CalAPRS Attorneys' Round Tables on behalf of MCERA. For the fiscal year, educational and event-related expenses totaled slightly over \$40,000.

d. Continuing Trustee Education Log

The Continuing Trustee Education Log shows trustees have achieved the required 24 hours of training due in 2023 and are on track to complete hours due in 2024.

e. Internal controls, compliance activities and capital calls

The Administrator reported on capital calls and distributions. During the quarter ending June 30, 2023, MCERA paid private equity manager Abbott Capital Management \$1.4 million in capital calls and received distributions of \$3.5 million. For the fiscal year MCERA paid \$3.9 million in capital calls and received distributions of close to \$18 million from Abbott. For Pathway Capital Management, MCERA paid \$6.7 million in capital calls for newer funds during the quarter and received just under \$18 million in distributions. For the overall private equity program, MCERA paid \$10.7 million in capital calls and received distributions of nearly \$36 million for the fiscal year. This positive cash flow helps with MCERA's cash needs, including capital calls for new commitments.

Chair Werby asked about uncalled capital reported in an older private equity fund. In response, Mr. Wickman explained this has to do with how manager fees are reported by Abbott and Pathway.

During the quarter Opportunistic manager Fortress issued a capital call for slightly over \$1 million, and Värde paid MCERA a distribution of over \$2 million. For the fiscal year, Opportunistic managers together called \$8.6 million in capital and distributed \$8.3 million to MCERA.

In other transactions, MCERA continues to receive distributions from both real estate managers, totaling \$2.9 million from UBS and \$4 million from AEW for the fiscal year.

Mr. Wickman provided an update on capital calls and distributions since the June 30, 2023 quarter ended. Abbott has called \$625,000 in capital and paid MCERA \$1.4 million in distributions. Pathway has called \$684,00 in capital and paid distributions of \$3.2 million. For the total private equity program since June 30, 2023, MCERA paid \$1.3 million in capital calls and received \$4.6 million in distributions.

Trustee Martinovich asked about the lag in final valuations for private equity portfolios. In response, Mr. Wickman said the valuation are lagged by one quarter with final valuations coming in about five months from the end of the quarter. Trustee Martinovich made a suggestion to report known Net Asset Values rather than estimating what the current quarter will be.

f. Vendor services provided to MCERA

No new vendor services in the quarter.

g. MCERA staffing status

Mr. Wickman reported there are two positions to be filled, Department Analyst and Retirement Manager.

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

Nothing to report.

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

Nothing to report.

4. Annual Audit of Financial Statements Update

Update on annual audit process

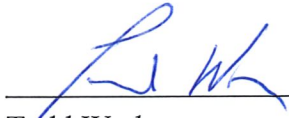
The annual financial statement audit is underway. Once the auditors have completed the interim fieldwork phase, they will provide a status report to the Audit Committee. Mr. Wickman expects the audit timeline to be achieved.

5. Future Meetings

Consider and discuss agenda items for future meetings

No discussion.

There being no further business, Chair Werby adjourned the meeting at 9:43 a.m.



Todd Werby
Finance and Risk Management Committee Chair



Attest: Jeff Wickman
Retirement Administrator