

MINUTES

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

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

December 13, 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 9:02 a.m.

ROLL CALL

PRESENT: Gladstern, Klein, Martinovich, Murphy, Poole, 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 Board members requested to teleconference.

MINUTES

It was M/S Werby/Silberstein to approve the September 27, 2023 Investment Committee Meeting Minutes as submitted. The motion passed by a vote of 8-0 as follows:

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

It was M/S Silberstein/Gladstern to approve the October 17, 2023 Strategic Workshop Minutes as submitted. The motion passed by a vote of 8-0 as follows:

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

It was M/S Silberstein/Vasquez to approve the October 31, 2023 Board Meeting Minutes as submitted. The motion passed by a vote of 8-0 as follows:

AYES: Gladstern, Klein, Martinovich, Murphy, Poole, Silberstein, Vasquez, Werby
NOES: None
ABSTAIN: None
ABSENT: Cooper, Gullett (alternate safety)

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. GASB 67/68 Report (ACTION) – Cheiron, Graham Schmidt

Consider and take possible action to adopt June 30, 2023 GASB 67/68 Report

Retirement Administrator Jeff Wickman introduced Graham Schmidt, Actuary with Cheiron, to present results of the June 30, 2023 GASB 67/68 Report. Mr. Wickman explained the report provides accounting and financial reporting information that MCERA and its employers use for their annual financial statements. GASB 67 provided the required information for MCERA's financial statements while GASB 68 provides financial data for participating employers.

Mr. Schmidt stated that the report is used for accounting purposes only and does not impact the contribution rates for MCERA members and employers. Mr. Schmidt stated liabilities in the GASB 67/68 Report are rolled forward from June 30, 2022 to June 30, 2023. For assets the actual value as of June 30, 2023 is used. He reported that the Net Pension Liability decreased by about \$24 million from the prior year. Reasons for the change included contributions exceeding the interest on the Unfunded Actuarial Liability. In addition, there were small actuarial losses, mostly due to retiree Cost of Living Adjustments (COLAs), that were offset by slight investment gains above the assumed rate of return. The net impact was a reduction in the Net Pension Liability.

The GASB standard requires that the actuary produce a sensitivity analysis showing the impact of increasing and decreasing the current discount rate by 1.0%. Mr. Schmidt reported the Funded Ratio using the current discount rate of 6.75% is 91.6%. The sensitivity analysis shows the Funded Ratio decreases by about 10% when the discount rate is reduced by 1% and increases by about 10% when the discount rate is increased by 1%. Trustee Martinovich asked about the relationship of changes in the discount rate to liabilities. In response, Mr. Schmidt explained the analysis shows what the Total Pension Liability and Net Pension Liability would be if the discount rate changed up or down 1%. For this report a lower discount rate increases these liabilities and a higher discount rate lowers both liabilities, resulting in a surplus in the Net Pension Liability.

Mr. Schmidt discussed the Pension Expense, which is a balancing item of the net impact from one year to the next, not the contributions paid by employers. Employers record the Pension Expense on their financial statements.

Mr. Schmidt discussed the allocation of the Net Pension Liability for the Plan in proportionate shares to employers. The proportionate share for each employer is based on the employer's share of the Net Pension Liability.

Trustee Klein asked about membership data in the Report dated 2022. Mr. Schmidt explained this is part of the roll forward process for liabilities since the June 30, 2023 Actuarial Valuation is not yet completed. Mr. Wickman explained the Actuarial Valuation setting forth funding methodologies will be considered in the next few months.

It was M/S Silberstein/Klein to adopt the June 30, 2023 GASB 67/68 Report. The motion passed by a vote of 8-0 as follows:

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

2. Audited Financial Statements for Fiscal Year Ending June 30, 2023 (ACTION)
Discuss and consider Audit Committee recommendation to adopt the Audited Financial Statements for June 30, 2023

Audit Committee Chair Maya Gladstern reported Auditors Neeraj Datta and Andy Paulden of Brown Armstrong met with the Audit Committee on November 29th and reviewed the Audited Financial Statements with the Committee. They discussed the review process, methodologies, and key areas of focus. The Auditors issued an unmodified, clean opinion verifying the financial statements as of June 30, 2023 are in accordance with Generally Accepted Accounting Principles (GAAP). No noncompliance or material weaknesses or significant deficiencies were noted. MCERA management has responded to the items in the Agreed Upon Conditions Report.

Audit Committee Chair Gladstern stated the Audit Committee recommends that the Board adopt Audited Financial Statements for the Fiscal Year ending June 30, 2023 as submitted. The motion passed by a vote of 8-0 as follows:

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

Chair Murphy directed deliberations to **Agenda Item E, Disability Consent Agenda.**

E. 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. Eric Smith Service-Connected Marin County Sheriff

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

It was M/S Gladstern/Vasquez to adopt the Administrative Recommendation to grant Eric Smith's service-connected disability retirement application with an effective date of March 30, 2022. The motion passed by a vote of 8-0 as follows:

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

Chair Murphy directed deliberations to **Agenda Item C, Appointment of Board Standing Committees.**

C. APPOINTMENT OF BOARD STANDING COMMITTEES

1. Appointment of Standing Committees and Standing Committee Chairs (ACTION)

Mr. Wickman presented Standing Committees and Standing Committee Chairs as appointed by Chair Murphy for the Board's consideration.

INVESTMENT COMMITTEE

Sara Klein, Chair
Chris Cooper
Maya Gladstern
Chris Gullett
Dorothy Jones
Mina Martinovich

Laurie Murphy
Kelsey Poole
Karen Shaw
Steve Silberstein
Daniel Vasquez
Todd Werby

FINANCE AND RISK MANAGEMENT COMMITTEE

Todd Werby, Chair
Mina Martinovich
Laurie Murphy
Daniel Vasquez

GOVERNANCE COMMITTEE

Chris Cooper, Chair
Maya Gladstern
Dorothy Jones
Kelsey Poole
Steve Silberstein

AUDIT COMMITTEE

Mina Martinovich, Chair
Laurie Murphy
Steve Silberstein

It was M/S Werby/Silberstein to approve Standing Committees and Standing Committee Chairs as appointed by Chair Murphy. The motion passed by a vote of 8-0 as follows:

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

D. BOARD OF RETIREMENT MATTERS

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

Mr. Wickman reported he gave his annual address to the Marin County Association of Retired Employees (MCARE) on the 14th of November. The Administrator updated the group on the state of the Fund and Sydney Fowler-Pata explained changes to the medical plans provided by Marin County. Trustee Gladstern also attended as did Chair Murphy, who noted the event was well attended.

Last week Mr. Wickman attended the Abbott Funds Advisory Committee meeting on private equity. He offered to share meeting materials with those interested.

In 2024 the Actuary will present the Preliminary Actuarial Valuation Report in January, followed by the final version in February. In addition, the Actuary will review the final Experience Study in February, including a review of demographic assumptions of the Plan.

The Public Employees' Pension Reform Act (PEPRA) compensation cap is calculated by the California Actuarial Advisory Panel. For non-Social Security participants the 2024 cap is \$181,734, up about 3% from the prior year. This is the maximum amount

that can be used to calculate the retirement benefit. This cap and the cap for Social Security participants (\$151,446) have been communicated to all MCERA employers for use in their payroll systems.

b. Staffing Update

Staff are still recruiting for Retirement Benefits Technician and Media Specialist positions. In addition, a recruitment for an Accounting Technician will be opened due to a vacancy.

c. Facility Use Report

The Marin County Association of Retired Employees (MCARE) met in the Board Conference Room on the 2nd of December.

d. Future Meetings

- January 10, 2024 Board
- January 17, 2024 Investment Committee

2. Standing Committee Reports

a. Finance and Risk Management Committee

1. Administrative Budget Fiscal Year 2023/24 Quarterly Review

Consider and review expenses for the quarter ending September 30, 2023

Finance and Risk Management Committee Chair Todd Werby reported the Committee reviewed the administrative budget for the quarter ending September 30, 2023. Total administrative expenditures for the first quarter were 19.4%. Total Salaries and Benefits were slightly under budget due to vacancies. Overall Services and Supplies expenses for the quarter were 21.3%.

2. Non-budgeted Expenses

Consider and review non-budgeted expenses for the quarter

See Finance and Risk Management Committee Minutes.

3. Quarterly Checklist

Consider, review and updates on the following:

a. Other expenses per Checklist Guidelines

See Finance and Risk Management Committee Minutes.

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

See discussion above.

c. MCERA educational and event-related expenses

Conference expenses included a corrected amount for the CalAPRS course on Pension Governance.

d. Continuing Trustee Education Log

The Continuing Trustee Education Log shows all trustees are achieving 24 hours every two years.

e. Internal controls, compliance activities and capital calls

Total private equity distributions received were \$11 million and total capital calls were over \$3.2 million. Opportunistic managers called just under \$1 million in capital in the quarter. Since September 30, 2023 MCERA has received private equity distributions of over \$2.8 million and received capital calls of about \$4 million.

f. Vendor services provided to MCERA

See Finance and Risk Management Committee Minutes.

g. MCERA staffing status

See Finance and Risk Management Committee Minutes.

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

See Finance and Risk Management Committee Minutes.

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

See Finance and Risk Management Committee Minutes.

4. Annual Audit of Financial Statements Update

Update on annual audit process

The annual audit of financial statements is on schedule and the financial statements and audit report were presented to the Board earlier today.

b. Audit Committee

1. Financial Audit Review

Review and discuss audit results

Audit Committee Chair Gladstern reported Neeraj Datta and Andy Paulden from Brown Armstrong met with the Committee on November 29th. The update from

that meeting has already been reported with the adoption of the June 30, 2023 Annual Financial Statements under **Agenda Item B.2.**

2. Financial Statements (ACTION)

Discuss and consider Audit Committee recommendation to adopt the Audited June 30, 2023 Financial Statements

See **Agenda Item B.2.**

3. Trustee Comments

a. Educational Training: Reports by Trustees and Staff

Trustee Silberstein reported at the November 2023 SACRS Conference the first speaker was former Congresswoman Stephanie Murphy who introduced a bill to stop drilling for oil off the Florida coast. Working with her fellow Congress members she agreed to a compromise that allowed military maneuvers to continue. Next was Wil VanLoh from a private equity firm that invests in clean energy and also oil and gas. His key takeaway was the most optimistic forecast is that by 2050 only one-third of energy will come from renewables, thus requiring using oil and gas during the transition to renewables. Divesting is considered the worst thing to do because that would require using less clean energy being provided by less developed countries. Another point made was the transition to alternative energy is not moving as fast as it could. The reason is outdated regulations that make it hard to build transmission lines, for example.

Trustee Vasquez highlighted three takeaways from the SACRS Conference. The first was to look closely at what the risk-free rate of return should be in the current investment landscape. Historically, it has been the yield on the 10 year U.S. Treasury, but the rate of return on cash is almost equivalent. This calls into question the meaning of risk free. The second point is about the new global south in terms of prosperity in the emerging world, specifically, investment opportunity in Africa. Demographics supporting this thesis include the lower median age of emerging market populations: 19 years in Africa, 28 years in India, and 38 years in both the U.S. and China. Trustee Vasquez stated economic growth is the sum of population growth and productivity growth. He indicated the future purchasers of our assets are going to be the working and middle class from the emerging world. Finally, there have been a number of labor-related state legislative proposals, including one signed by the Governor to address the issue of paid sick leave. More labor-related bills are on the Governor's desk, and in 2024 SACRS will be submitting four legislative proposals. Trustee Vasquez offered to share materials from the SACRS Conference with those interested.

Trustee Poole reported at the SACRS Conference an FBI agent shared ideas on avoiding cybersecurity issues. These include not using social media and being cautious about clicking on links to emails. He noted that cell phones are not as vulnerable to viruses as computers. Trustee Poole also attended the session with a labor organizer who discussed the recent Writers Guild of America (WGA) strike.

Counsel Ashley Dunning said her partner presented at the Attorneys Breakout session of the SACRS Conference on cybersecurity-related guidance issued by the Department of Labor (DOL). She noted that the DOL regulates private pension plans governed by the Employee Retirement Income Security Act (ERISA), but that the DOL's cybersecurity-related guidance is beneficial for governmental plans such as MCERA to consider as well.

b. Other Comments

No other comments.

E. NEW BUSINESS

1. Future Meetings

Consider and discuss agenda items for future meetings.

Trustee Vasquez proposed reviewing the Trustee Due Diligence Policy in 2024 with respect to all third-party providers. Mr. Wickman noted this could be referred to the Chair of the Governance Committee. Trustee Poole asked about the Investment Consultant Request For Proposal which Mr. Wickman said will be initiated in 2024 with the Ad Hoc Investment Consultant RFP Committee leading the process.

F. OTHER INFORMATION

1. Training Calendar (ACTION)

Mr. Wickman presented the Training Calendar for consideration. New events for 2024 are two Callan Introduction to Investments courses in March and September, the NCPERS Annual Conference in May and Public Pension Funding Forum in August, and the Wharton Investment Strategies & Portfolio Management course in October. Trustee Silberstein will be attending the Dimensional Fund Advisors (DFA) Conference in February and the May SACRS Conference.

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

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

G. CONSENT CALENDAR (ACTION)

Mr. Wickman presented the Consent Calendar for consideration by the Board. Trustee Gladstern asked about the member age change. Mr. Wickman explained the age of the member was younger than had been reported by a reciprocal system, requiring a refund of member contributions.

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

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

CONSENT CALENDAR

MCERA BOARD MEETING, WEDNESDAY, DECEMBER 13, 2023

NOVEMBER 2023

RETURN OF CONTRIBUTIONS			
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Bishal Basnet	Full Refund - Termination	\$	7,309.64
Daniel Curry	Partial Refund - Age change	\$	50,879.60
Cynthia Green	Full Refund - Termination	\$	2,378.65
Shane Hudlin	Full Refund - Termination	\$	42,265.92
Stephen Prince	Full Refund - Termination	\$	36,083.37
Maria Ramirez	Full Refund - Termination	\$	8,960.02
Annette Rodriguez	Full Refund - Termination	\$	23,021.60

BUYBACKS			
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Christine Wheeler		\$	19,780.83
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NEW RETIREES	
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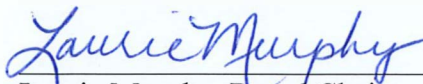
Anne Battaglia	County of Marin - Retirement
Ladan Brabo	County of Marin - Health & Human Services
Daniel Curry	County of Marin - Health & Human Services
Ryan Dunnigan	County of Marin - Health & Human Services
Laura Leclerc	City of San Rafael - DRO
Murat Ozgur	County of Marin - District Attorney
Virgil Pina	County of Marin - Public Works
Rafat Raie	City of San Rafael


DECEASED RETIREES	
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Judith Brusati	County of Marin - County Counsel
Gay Lilly Cavagnolo	County of Marin - Public Works
Jeffrey Davis	Novato Fire District
Evangeline Gillespie	County of Marin - Board of Supervisors

Glenn Godfrey	County of Marin - Sheriff/Coroner
David Hill	County of Marin - Information Services & Technology
Joan Latty	County of Marin - Beneficiary
William Le Noue	City of San Rafael
Marjorie Macris	County of Marin - Community Development
Virginia Rayment	County of Marin - Health & Human Services
Marsha Toll	County of Marin - Health & Human Services

There being no further business, Chair Murphy adjourned the meeting at 10:24 a.m.


Laurie Murphy, Board Chair


Kelsey Poole, Secretary