

MINUTES

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

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

February 14, 2024 – 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 9:03 a.m.

ROLL CALL

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

ABSENT: Gladstern, Martinovich, Poole, 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/Vasquez to approve the January 10, 2024 Board Meeting Minutes as submitted. The motion passed by a vote of 7-0 as follows:

AYES: Cooper, Klein, Murphy, Shaw, Silberstein, Vasquez, Werby

NOES: None

ABSTAIN: None

ABSENT: Gladstern, Gullett, Jones, Martinovich, Poole

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. Final Experience Study (ACTION) – Cheiron, Graham Schmidt, Bill Hallmark
Consider and take possible action to adopt Experience Study and any demographic or economic assumption changes

Graham Schmidt, Actuary with Cheiron, presented the Final Experience Study for July 1, 2020 through June 30, 2023. This report is for the use of the Retirement Board in selecting assumptions to be used in actuarial valuations beginning July 1, 2023. Mr. Schmidt presented preliminary results for demographic and economic assumptions during prior Board meetings. Mr. Schmidt stated that Cheiron is not recommending any changes to economic assumptions. There are minimal changes to demographic assumptions based on Experience Study results. The net impact on the employer contribution rate of demographic assumption changes is: -0.36% for the County of Marin; 0.23% for the Novato Fire Protection District; and -0.45% for the City of San Rafael. Similarly, the effect of assumption changes on employee contribution rates is minimal.

It was M/S Silberstein/Cooper to adopt the Actuarial Experience Study for July 1, 2020 through June 30, 2023 as submitted. The motion passed by a vote of 7-0 as follows:

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

2. Actuarial Valuation Report as of June 30, 2023 (ACTION) – Cheiron, Graham Schmidt, Bill Hallmark
Consider and take possible action to adopt Actuarial Valuation Report as of June 30, 2023

Mr. Schmidt presented the Actuarial Valuation Report as of June 30, 2023. He said this report includes information on the Plan's assets and liabilities, the funded status of the Plan, and the development of employer and employee contribution rates for the fiscal year beginning July 1, 2024. Mr. Schmidt stated at the January Board meeting he discussed preliminary results of the Actuarial Valuation which have not changed significantly.

Mr. Schmidt reported the Actuarial Liability increased from just over \$3.3 in the prior fiscal year to just under \$3.5 billion, assets increased from \$3 billion to \$3.1 billion, and the Unfunded Actuarial Liabilities (UAL) increased from \$315.9 million to \$328.4 million, mostly due to the impact of Cost-of-Living Adjustments (COLAs) being higher than the plan assumptions. The resulting funded ratio of the Plan based on the market value of assets remained constant at 90.5%. Employer contribution rates for the total Plan

decreased from 26.91% to 25.93; County of Marin and Special Districts, decreased from 21.83% to 20.99%; Novato Fire Protect District, increased from 44.27% to 44.68%; City of San Rafael, decreased from 56.76% to 55.83%. Projected payroll for the Plan increased by 7.5%, driven by the increase in the active workforce.

Mr. Schmidt discussed projections for employer contribution rates. For the County of Marin, the contribution rate is about 22% for 7 years, then it drops to about 14% of pay when the UAL is paid off. This pattern is similar for the City of San Rafael and Novato Fire District. The funded ratio of the Plan is expected to improve each year if all current assumptions are met.

Bill Hallmark, Actuary with Cheiron, reviewed changes in the UAL over the last ten years. The UAL increased \$105 million from salary increases, retirement rates, COLAs, and mortality rates. Assumption changes during that period increased the UAL by about \$198 million. The replacement of the actuarial valuation of the assets with the market value of assets reduced the UAL by \$205 million and investment gains have reduced the UAL by \$129 million. Contributions above what is required to maintain a constant UAL reduced the UAL by \$178 million.

Addressing risk, Mr. Hallmark presented a sensitivity analysis showing that increasing the discount rate by 1% would reduce the Actuarial Liability. Alternatively, reducing the discount rate by 1% would increase the Actuarial Liability. In addition, the study shows the Actuarial Liability would rise from \$3.47 billion to \$4.31 billion if the discount rate were reduced to 5.00%, which is the rate for low default risk fixed income securities. Mr. Hallmark pointed out the resulting liability increase can be viewed as the cost of not investing in risk assets. There is a cost to minimizing investment risk, he said.

It was M/S Werby/Silberstein to adopt the Actuarial Valuation Report as of June 30, 2023 and employee and employer contribution rates therein to be effective on July 1, 2024. The motion passed by a vote of 7-0 as follows:

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

Trustee Vasquez asked about the data used for the wage growth assumption. Mr. Schmidt replied the wage growth assumption is made up of the inflation assumption of 2.5% plus another 50 basis points for long-term real wage growth. The Social Security Administration Trustees' Report projects higher real wage growth which is a mean assumption. The wage data is also sourced from the U.S. Bureau of Labor Statistics (BLS) local government employee quarterly salary data. Finally, average increases for MCERA employee wages are considered.

3. Annual Cost of Living Adjustment (COLA) (ACTION)

Retirement Administrator Jeff Wickman stated the Board's action is to affirm the Actuary's calculation of the annual Cost of Living Adjustment (COLA) for retirees. Mr. Wickman stated that the ability for a retiree to receive a COLA is part of the benefit tier agreed to between the employers and their employees under Sections 31870, 31870.1 or 31874.2 of the County Employees Retirement Law of 1937 (CERL).

Graham Schmidt, Actuary with Cheiron, stated the COLA is calculated by averaging the prior two calendar year increases in the Consumer Price Index (CPI) for the San Francisco-Oakland-Hayward area. This annual increase in the CPI was 3.67%, which is rounded to the nearest half percent to 3.5% in accordance with the CERL.

MCERA retiree COLAs are capped at 2%, 3%, or 4% per year according to Tier. When the CPI is above the cap, the residual amount is banked for future use. Mr. Schmidt presented and reviewed details on the COLA banks for each Tier and employer.

Trustee Jones joined the meeting at 9:39 a.m.

It was M/S Cooper/Vasquez to affirm the Actuary's calculation of the Annual Cost-of-Living Adjustment for retirees effective April 1, 2024. The motion passed by a vote of 8-0 as follows:

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

C. BOARD OF RETIREMENT MATTERS

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

Mr. Wickman reported the Investment Consultant Request for Proposal (RFP) has been published on MCERA's website at www.mcera.org and sent directly to six different firms. Questions from respondents are due on February 20, 2024 and MCERA is to respond by February 27.

MCERA has entered into an agreement with State Street Global Advisors (SSGA) for the MSCI World Ex US international fund. This Friday funds will be sourced from Artisan and Morgan Stanley portfolios, with 50% allocated to the MSCI World Ex US index and the remaining 50% divided equally between the Fidelity Institutional Asset Management emerging markets portfolio and the TimesSquare Capital Management international small cap equity portfolio.

With the completion of the Actuarial Experience Study and Actuarial Valuation Report, plans are to engage a firm to conduct an audit of these reports. Results will be reported to the Board in late summer of 2024.

b. Staffing Update

Preparations to interview candidates for the Retirement Benefits Technician position are underway. In addition, this week staff are conducting interviews for the vacant Accounting Technician position. An interview pool of candidates with the best skill sets will be selected for the Media Specialist position.

c. Facility Use Report

No facility usage to report in the period.

d. Future Meetings

- March 13, 2024 Board
- March 20, 2024 Investment Committee
- March 27, 2024 Finance and Risk Management Committee

2. Trustee Comments

a. Educational Training: Reports by Trustees and Staff

Mr. Wickman reported the most valuable portion of the CalAPRS Administrators' Roundtable is hearing what other pension systems are working on and the challenges they are having. The Orange County Employees' Retirement System (OCERS) is putting significant effort into developing Artificial Intelligence (AI) customer service modules and will be evaluating how well the new processes match with customer service. There was an extensive discussion of the taxability of disability retirement benefits and how the Cost of Living Adjustment (COLA) included with the disability should be calculated.

Another matter addressed was the challenge of getting good speakers for Retirement Board offsites. Systems shared their experiences with various speakers, which he will review for potential discussion with the Ad Hoc Strategic Workshop Committee. A few systems have implemented a tool that works with their benefit management systems to allow for more easily customizable ad hoc reporting. There was discussion about Basel III requirements and potential impacts to the custodial systems which may impact MCERA operations.

Another discussion was how different systems manage the need for quorums at meetings. The Administrator said it was interesting to hear the variety of ways systems manage quorums, including having related policies to address challenges. Trustee Klein asked about the Board's policies on meeting attendance. Mr. Wickman replied the Code of Fiduciary Conduct, Ethics and Governance sets forth broad guidelines on attendance expectations.

Board Counsel Ashley Dunning reported her partner at Nossaman, Michelle McCarthy, attended and provided a written report on the recent CalAPRS Attorneys' Roundtable. The Legislative Update included an omnibus bill with some cleanup for the County Employees Retirement Law of 1937 (CERL). Some bills address the

It was M/S Silberstein/Jones to adopt the Administrative Recommendation to grant Geraldina De Romero's non-service connected disability retirement application as of March 23, 2019. The motion passed by a vote of 8-0 as follows:

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

Chair Murphy recessed the meeting for a break at 10:10 a.m., reconvening at 10:29 a.m.

E. NEW BUSINESS

1. Form 700 Refresher – Nossaman, Ashley Dunning

Presentation on Updated Fair Political Practices Commission Form 700 and Related Rules

Ashley Dunning, Board Counsel, Nossaman LLP, presented a review of Form 700 and related rules. Ms. Dunning explained that the Political Reform Act requires most state and local officials to disclose certain of their personal financial interests to the public. The Fair Political Practices Commission (FPPC) is responsible for issuing the Statement of Economic Interests (Form 700) and interpreting the Political Reform Act.

Members of the Board of Retirement are considered statutory filers of Form 700. Form 700 is filed upon assuming office, annually, and then within 30 days of leaving office. Amendments may be filed at any time. Ms. Dunning stated categories of financial interests include non-governmental gross income, investments, business positions, real estate, or income from other sources doing business in Marin County. Gifts from all sources as defined by law are reportable within certain limits and conditions that she discussed. Financial interests of spouses and dependent children must also be disclosed.

Ms. Dunning discussed the Schedules for reporting different categories of financial interests. Individual stocks are disclosed but diversified mutual funds are not. Real property in or within 2 miles of Marin County is reportable; however, a filer's own residence need not be disclosed unless it is used as a rental or for a business with a tax deduction. Trustee Silberstein asked if income from stocks is reportable and Ms. Dunning replied this would be generally reportable on Schedule A-1.

Ms. Dunning explained reporting thresholds for gifts. The ethics gift limit provides that the filer may not receive more than \$590 from a single source in the calendar year. There is also a conflict of interest gift limit of \$590 which applies on a rolling 12-month period. Gifts are defined as anything of value received without equal consideration. Examples are tickets to shows or sporting events, flowers, meals and beverages. Gifts valued at \$50 or more are reportable with some exceptions. Items received that are not considered gifts include informational material at a conference, or gifts that are returned unused within 30 days or donated with no tax deduction. Other gift exceptions under specific circumstances include home hospitality, reciprocal exchanges, bereavement, neighborliness, acts of human compassion, and wedding gifts.

In conclusion, Ms. Dunning advised that to stay within gift limits trustees may buy down gifts, timely return unused gifts, or refuse gifts. Board members were provided with a Gift Log and resources available for questions they may have.

2. Notification of SACRS Board of Directors Election 2024-2025

Consider and discuss election process and deadlines

Mr. Wickman presented the SACRS Nominating Committee's notice of the SACRS Board of Directors Elections for 2024-2025. He stated that any regular member is eligible to serve on the SACRS Board of Directors, and the deadline for nominations is March 1, 2024. The Nominating Committee will develop a slate of candidates to recommend to member systems. The vote will occur on May 10, 2024 during the spring SACRS Conference.

Chair Murphy directed deliberations to **Agenda Item E.4, Future Meetings.**

4. Future Meetings

Consider and discuss agenda items for future meetings

No discussion.

F. OTHER INFORMATION

1. Training Calendar (ACTION)

The Administrator presented the monthly Training Calendar for consideration by the Board. Trustee Werby plans to attend the CalAPRS General Assembly in March.

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

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

G. CONSENT CALENDAR (ACTION)

Mr. Wickman presented the monthly Consent Calendar for consideration by the Board.

It was M/S Cooper/Silberstein to adopt the Consent Calendar as presented. The motion passed by a vote of 8-0 as follows:

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

CONSENT CALENDAR**MCERA BOARD MEETING, WEDNESDAY, February 14, 2024****January 2024**

RETURN OF CONTRIBUTIONS		
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Claudia Banegas	Full Refund-Termination	\$ 1,952.93
Kyle Horn	Full Refund-Termination	\$ 49,724.08
Stephanie Strozier	Full Refund-Termination	\$ 450.94
Divi Toledo	Full Refund-Termination	\$ 30,631.91

BUYBACKS	
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Andrew Wayda	\$ 7,178.43
Michael Wells	\$ 2,535.34

NEW RETIREES	
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Rachel Arthur	County of Marin - Health and Human Services
Susan Britt	County of Marin - Health and Human Services
Mehmet Cuhadaroglu	County of Marin - Information Services & Technology
Terri Fachko	County of Marin - Health and Human Services
Teri Lane	City of San Rafael
Benita McLarin	County of Marin - Health and Human Services
Mark Messner	County of Marin - Probation
James Moore	Southern Marin Fire
Catherine Morocco	Marin Superior Court
Vicki Nightingale	County of Marin - Health and Human Services
Marilyn Norman	County of Marin - Health and Human Services
Andrew Rounds	County of Marin - Sheriff/Coroner
Kraig Tambornini	City of San Rafael
Ellen Yee	County of Marin - District Attorney

DECEASED RETIREES	
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Patricia Boos	Marin Superior Court
Richard Broderick	County of Marin - Beneficiary
Doris Cooper	City of San Rafael - Beneficiary
Ursel Minkin	County of Marin - Elections
Eugenia Vial	County of Marin - Health and Human Services

Chair Murphy recessed Open Session at 11:13 a.m. and directed deliberations to **Agenda Item E.3, Public Employee Performance Evaluation**, in Closed Session.

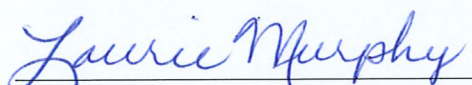
Chair Murphy recessed Closed Session and reconvened in Open Session at 11:54 a.m.


3. Public Employee Performance Evaluation (CLOSED SESSION)

In accordance with MCERA's Retirement Administrator Annual Performance Evaluation Policy, Section 3(b), conduct informal mid-year performance review

Chair Murphy reported there was no reportable action on this agenda item.

There being no further business, Chair Murphy adjourned the meeting at 11:54 a.m.


Laurie Murphy, Board Chair


Kelsey Poole, Secretary