AGENDA

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

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

July 13, 2022 – 9:00 a.m.

This meeting will be held via videoconference pursuant to MCERA Board of Retirement Resolution 2021/22-01, which invoked Government Code section 54953(e) for all MCERA Board and standing committee meetings through July 15, 2022.

Instructions for watching the meeting and/or providing public comment, as well as the links for access, are available on the Watch & Attend Meetings page of MCERA's website. Please visit https://www.mcera.org/retirementboard/agendas-minutes/watchmeetings for more information.

The Board of Retirement encourages a respectful presentation of public views to the Board. The Board, staff and public are expected to be polite and courteous, and refrain from questioning the character or motives of others. Please help create an atmosphere of respect during Board meetings.

CALL TO ORDER

ROLL CALL

MINUTES

May 16-17, 2022 Strategic Workshop
June 8, 2022 Board meeting
June 15, 2022 Investment Committee meeting

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.

B. TOPIC OF GENERAL INTEREST

1. Reconsideration of State of Emergency conditions under Assembly Bill (AB) 361 (ACTION)
   Reconsider and take possible action to invoke Government Code section 54953(e), and to extend MCERA Resolution 2021/22-01 Authorizing Teleconferencing for Board and Standing Committee Meetings through August 12, 2022, because at least one of the following circumstances exists:

   1. The State of Emergency proclaimed remains in effect and continues to directly impact the ability of the members to meet safely in person; or

   2. State or local officials continue to impose or recommend measures to promote social distancing.

C. BOARD OF RETIREMENT MATTERS

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

   b. Staffing Update

   c. Facility Use Report

   d. Future Meetings
      - August 3, 2022 Audit Committee
      - August 10, 2022 Board
      - August 17, 2022 Finance and Risk Management Committee

2. Trustee Comments
   a. Educational Training: Reports by Trustees and Staff

   b. Other Comments

D. 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. Lori Marziano Service-Connected County of Marin

   Adopt Administrative Recommendation to adopt Administrative Law Judge's proposed findings of fact and recommended decision to grant service-connected disability retirement application.

E. NEW BUSINESS

1. Russia/Belarus Divestment Legislation (ACTION)
   Consider and take possible action regarding divestment legislation

2. Future Meetings
   Consider and discuss agenda items for future meetings.

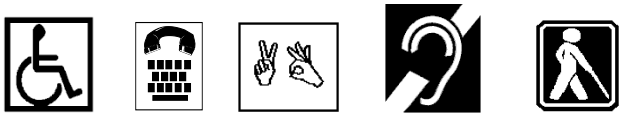
F. OTHER INFORMATION

1. Training Calendar (ACTION)

G. CONSENT CALENDAR (ACTION)

Note on Process: Items designated for information are appropriate for Board action if the Board wishes to take action. Any agenda item from a properly noticed Committee meeting held prior to this Board meeting may be considered by the Board.

Note on Voting: As provided by statute, the Alternate Safety Member votes in the absence of the Elected General or Safety Member, and in the absence of both the Retired and Alternate Retired Members. The Alternate Retired Member votes in the absence of the Elected Retired Member. If both Elected General Members, or the Safety Member and an Elected General Member, are absent, then the Elected Alternate Retired Member may vote in place of one absent Elected General Member.



Agenda material is provided upon request. Requests may be submitted by email to MCERABoard@marincounty.org, or by phone at (415) 473-6147.

MCERA is committed to assuring that its public meetings are accessible to persons with disabilities. If you are a person with a disability and require an accommodation to participate in a County program, service, or activity, requests may be made by calling (415) 473-4381 (Voice), Dial 711 for CA Relay, or by email at least five business days in advance of the event. We will do our best to fulfill requests received with less than five business days' notice. Copies of documents are available in alternative formats upon request.

The agenda is available on the Internet at http://www.mcera.org

For consideration at July Board meeting

MINUTES

Marin County Employees' Retirement Association (MCERA)
Retirement Board Strategic Workshop

One McInnis Parkway, First Floor
San Rafael, CA
May 16-17, 2022

This meeting was held via videoconference pursuant to MCERA Board of Retirement Resolution 2021-22/01, which invoked Government Code section 54953(e) for all MCERA Board and standing committee meetings through June 3, 2022. The public was able to listen to and observe the meeting and provide comment through Zoom.

Day 1
May 16, 2022

Meeting Chair Stephen Silberstein

9:00 a.m.
Call to Order/Roll Call

Chair Silberstein called the meeting to order at 9:00 a.m.

PRESENT: Cooper, Gladstern, Klein, Martinovich, Murphy, Silberstein, Tomlin, Werby, Poirier (alternate safety), Jones (alternate retired), Shaw (ex officio alternate)

ABSENT: None

Open Time for Public Expression
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.

9:00 a.m. – 10:00 a.m.
China Investment Considerations
Dr. Robert Spalding, Author and Former U.S. Air Force Brigadier General (Ret.)

Retirement Administrator Jeff Wickman introduced Dr. Robert Spalding, retired U.S. Air Force Brigadier General and former White House National Security Council Senior Director for Strategic Planning. Dr. Spalding previously presented to the CalAPRS General Assembly in 2021 and the Sonoma County Employees' Retirement Association Board. There he discussed

the importance of understanding the underlying risks of investing in China. These are the same topics the Board has been asking to discuss in recent months.

Dr. Spalding said he lived and studied Civil Engineering in China from 2002 to 2004 when China had just joined the World Trade Organization. Upon returning to the U.S., Dr. Spalding worked for the Secretary of Defense negotiating directly with the Chinese military on behalf of U.S. interests. On the Council on Foreign Relations he was a Senior Military Fellow working with investment industry and financial leaders. Then he worked for the Chairman of the Joint Chiefs as the Senior Advisor on China and China policy. Dr. Spalding commented that, at the time, the main issue was the islands in the South China Sea being built on by China in international waters. He stated that this was determined to be illegal, but now the islands have become completely militarized with Chinese naval and air bases. This informed his understanding of how the Chinese Communist Party was operating militarily and in a broader sense.

Dr. Spalding described the Pentagon's initiation of a study on implications of the U.S. relationship with China. In one example, a hedge fund exited China because it was believed the country was heading in the wrong direction. In another instance, a chemical firm received an unsolicited offer at a low value from a Chinese company that had been partnering with the firm. A private equity firm became suspicious and found the firm had been hacked into and had its records altered to reflect a decrease in performance.

Dr. Spalding compared China's methods of attacking U.S. companies to a war campaign in which the political sovereignty of other nations is attacked. This type of infiltration applied to companies in many industries across the U.S. as a result of a sophisticated campaign by China. Dr. Spalding said his view changed in wanting to explain how China's interference extended far beyond the militarization of the islands in the South China Sea. He stated there is growing bipartisan consensus in Washington, D.C. that something needs to be done about this.

Dr. Spalding discussed geopolitical risks. Prior to invading Ukraine, Russia's leader met with his Chinese counterpart and the two released a statement about strengthening their partnership and imposing their values on the world order. Then, Russia invaded Ukraine. Dr. Spalding noted that the resulting sanctions against Russia have become increasingly stringent and have destructive outcomes for the Russian economy and for investors in that economy. Dr. Spalding stated several Indo-Pacific commanders believe China will invade Taiwan within the next five years. At the end of April 2022 the Chinese called in a large group of world bankers to discuss the implications of sanctions on China, if they should happen as a result of invading Taiwan.

Dr. Spalding discussed an example of the Commerce Department putting technology companies on the Entity List. China has the ability to use data and artificial intelligence in a systematic way to understand human behavior. Dr. Spalding explained this practice extends to U.S. interactions with China. This influence takes many forms, he said, and extends to our financial and political systems, as well as academia. Another example Dr. Spalding identified of China's influence on our policies is with corporations, such as those in the chip industry, lobbying Congress.

In conclusion, Dr. Spalding said globalization and the internet have bound us together with an authoritarian regime. He argued that democratic order is under assault from the subtle undermining of the principles and values under which the international order was established. The prelude to the United Nations, the Atlantic Charter signed by Winston Churchill and Franklin Delano Roosevelt, laid out the idea of the four freedoms speech. This became pivotal in

the formation of the United Nations, trade organizations, and international institutions to support these principles in the U.S. and abroad. Dr. Spalding stated that after the end of the Cold War, the U.S. stopped promoting these principles and interests in a way to ensure they continued to thrive. Now, he asserted, global institutions and member countries are being influenced by the Chinese Communist Party to detract from these principles. For example, China placed three directors in the World Bank to ensure China receives money, despite China being the second largest economy in the world. Dr. Spalding said this is a challenge our system is not equipped to deal with. He described it as global political warfare designed to promote the interests of the Chinese Communist Party and its allies and partners. Dr. Spalding said this is to the detriment of investors in China once this becomes more understood and the U.S. begins to push back.

Chair Silberstein asked if there is danger in investing with other authoritarian regimes. Dr. Spalding stated Saudi Arabia is strategically problematic and will be the factor that limits the number of sanctions on Middle East countries. He noted that this is weighing on those who think about national security in Washington, D.C.

Mr. Wickman asked about the impact of the rise of the Chinese internet. Dr. Spalding replied the move from 4G to 5G enables the widespread use of cameras with artificial intelligence inference. He said China seeks to dominate data and artificial intelligence, noting it does not have laws restricting how the data is used. Algorithms are not just useful in an economic sense, but in a social and political sense. Dr. Spalding said mobile internet data can be bought and is how China runs its authoritarian system. As an example, he described a Chinese student who comes to the U.S. and goes on Chinese social media platforms which are censored and curated by the Communist Party. He said there is a Chinese 50c Army paid to post on social media to promote China and enflame divisions in democracy. He asserted that the goal is to pit American against American and erode people's beliefs in the fundamental premise of democracy. Dr. Spalding claimed that China uses information technology tools as a bonding agent to control the narrative. Further, he stated, the ability to monitor and control social media is how they intend to slowly erode support of democracy as an institution and nation states that otherwise would be free.

Trustee Klein asked about onshoring manufacturing back into the U.S. for national security reasons and the risk of U.S. manufacturers being kicked out of China. In response Dr. Spalding said onshoring has not happened in a significant way. He said companies will fight to keep supply chains in China because China subsidizes the cost of factories there. According to Dr. Spalding, the social contract in China is to give up your political freedom in exchange for economic support. He is more concerned about the fact that once the Chinese decide to invade Taiwan, the U.S. will not have a diversity of supply chains in pharmaceuticals, microelectronics, or rare earth metals. This is due to failure to invest in manufacturing or infrastructure in our own communities, which he states will lead to significant challenges ahead.

Trustee Murphy joined the meeting at 9:45 a.m.

Asked by Trustee Klein about the chances of a Taiwan invasion and what the U.S. response might be, Dr. Spalding put the probability at 100%, noting that direct involvement by the U.S. leading to nuclear war needs to be avoided. He stated that resupply and evacuation of Taiwan would be the alternative course of action. Trustee Werby asked if there is a way for us to win in the Taiwan situation. In response Dr. Spalding said no because U.S. interests in the area could be hit by overwhelming Chinese military power.

Chair Silberstein asked if foreign investors pulling out of China are causing the decline in the Chinese stock market. Dr. Spalding replied he is starting to see that, adding that China is trying to reduce reliance on the U.S. now so it will be less susceptible to U.S. sanctions. One such strategy is the closed economic system known as the Belt and Road Initiative. Mr. Wickman asked Dr. Spalding to expand on this plan. In response, Dr. Spalding said the idea is to create satellites in other countries to interact with China's economy. He gave the example of China's biggest investment in Africa of low value-added manufacturing including smart phones and infrastructure such as ports, which exclude the U.S. and India, to bring resources back to China and create external capabilities.

10:00 a.m. – 11:00 a.m.
Inflation: A Historical Perspective and Looking Forward
Jay Kloepfer, Executive Vice President, Head of Capital Markets Research, Callan LLC

Jay Kloepfer, Executive Vice President with Callan, stated the Consumer Price (CPI) Index based on a basket of goods is the best-known measure of inflation. Another measure preferred by the Federal Reserve (Fed) is the Personal Consumption Expenditures (PCE) Index, based on a survey of what is being sold. Mr. Kloepfer explained the CPI tends to be static and does not capture changes in prices as fast as the PCE. This is due to component weights in the CPI changing over time, and the challenge of capturing imputed rent that increases with home values.

Since 1926 the average CPI is 3%. In the 1970's with higher unemployment and lower GDP, a wage-price spiral was fueled by the OPEC oil embargo and inflation peaked at 12.3% in 1979. Early inflation drivers were housing and food. In the late 1980's another inflationary period was driven by rising housing costs. Inflation reached 6.2% and subsided following the Fed raising interest rates and implementing tight monetary policy to slow the economy.

In April 2022, year-over-year inflation was 8.2% and both stock and bond markets fell in the first quarter. Contributors to recent inflation are food and beverage, housing and transportation. In addition, GDP declined driven by inventory building and weak net exports. As a result, forecasters are lowering GDP estimates, which may lead to lower inflation. Complicating factors include supply chain challenges, the invasion of Ukraine, and pressure on energy and food prices.

Mr. Kloepfer stated the Fed has made it clear it will act to reduce inflation by increasing interest rates. Currently the forecasted inflation median is 3.5 to 4.0% for the near term. The breakeven rate has climbed to just below 3%, and the five-year forward rate is just under 2.5%. Longer term, the consensus is inflation is transitory, will average back to 2.0% in 10 years, and will not affect growth.

Mr. Kloepfer said in inflationary periods equity returns average 7.35%, lower than in other environments. The best scenario for equity returns is low inflation and high economic growth.

Factors leading to forecasters being wrong on the upside for inflation could be labor and manufacturers fueling one another with rising prices, commodities entering a super cycle, the Fed failing to tame inflation, or geopolitical upheaval extending for several years. On the downside, the Fed could over-tighten and push the economy into recession, demand could fall, or geopolitical conflict could abate. Mr. Kloepfer said the risk for inflation seems to be on the upside.

Chair Silberstein asked if the increase in the federal deficit affects inflation. Mr. Kloepfer said yes, and deficits matter and have to be paid. He noted the Fed indicates it will taper bond purchases, and as bonds mature they naturally reduce the balance sheet.

Trustee Gladstern asked about bond returns in the early 1980's and Mr. Kloepfer replied short-term yields peaked at 14% in 1980 and returns were volatile. As yields came down, bond returns rose. Mr. Callahan explained that when interest rates are high the price change has less of an effect on return. Now, with coupons so low, bonds are overwhelmed by price declines and higher interest rates. Trustee Klein noted the unusually wide range of projections for inflation, which Mr. Kloepfer attributed to uncertainty around geopolitics.

11:00 a.m. – 12:00 p.m.
COVID-19 Mortality Impacts and Projections
Graham Schmidt, ASA, FCA, MAAA, EA Consulting Actuary, Cheiron

Graham Schmidt, Actuary with Cheiron, discussed COVID-19 mortality impacts and projections using data through June 30, 2021. Mr. Schmidt stated in the U.S. most COVID-related deaths in females occur for those over 85 years old. Centers for Disease Control and Prevention (CDC) data show that for deaths in those over age 35, 12 to 15% are COVID related. Mr. Schmidt said there is likely under reporting of COVID-related deaths.

Mr. Schmidt stated since April 2020 through March 2022, excess deaths from what is expected for all causes are just over 15%. During that period, in California the excess death average was 20%. In Marin County the percentage of deaths related to COVID were lower, in part due to the County's high vaccination rate. Mr. Schmidt said even at a 15 to 20% rate for excess deaths, life expectancy is reduced 1 to 2 years on average assuming the death rate increase is permanent. If instead the increase in the death rate lasts for two years, then the mortality projections do not affect the Plan as much, reducing liabilities by about 0.3%. Most actuaries have concluded it is too soon to tell if the higher death rate will continue into the future, Mr. Schmidt said.

Bill Hallmark, Actuary with Cheiron, discussed how the pandemic has disrupted the workforce and its effect on retirement and termination experience. He said in national data, resignations since 2020 are up to 3%, which is relatively high. However, Social Security has not seen in increase in retirement rates, and employment rates have bounced back from levels when the pandemic began. For MCERA the average number of retirements per year were about the same in the years before and after COVID. Mr. Hallmark concludes these data points suggest people are looking for different jobs rather than retiring. Mr. Schmidt confirmed that more workers have been looking for lateral transfers, which does not impact liabilities either way.

In the new Experience Study scheduled for next year, the actuaries will be looking at all assumptions relative to the experience in the study that covers the COVID period. If the experience differs, then an assessment of whether the change will continue into the future will be needed. Mr. Hallmark added inflation is a building block for assumptions and will be higher this year. Currently the long-term inflation assumption is 2.5%. He pointed out that because over one-half of liabilities are attributed to groups with a 2% maximum COLA, the effect of higher inflation on liabilities is muted. Mr. Schmidt said what is interesting is how much inflation can change, and he emphasized the importance of not overreacting to these changes. He said as part of the Experience Study, there may be small changes in assumptions depending on the data.

Chair Silberstein recessed the meeting for lunch at 11:44 a.m., reconvening at 1:15 p.m.

12:00 p.m. – 1:15 p.m.
Lunch Break
1:15 p.m. – 2:15 p.m.

Tail Risk Hedging
Mark Spitznagel, Chief Investment Officer
Brandon Yarckin, Chief Operating Officer
Ron Lagnado PhD, Director, Research
Universa Investments L.P.

Brandon Yarckin, Chief Operating Officer with Universa Investments L.P., introduced Mark Spitznagel, Chief Investment Officer and founder, and Dr. Ron Lagnado, Director of Research, for an educational session on tail risk hedging. Mr. Yarckin said Universa is known for turning tail risk hedging (tail hedging) into an institutional asset class. The objective of tail hedging is to build a more efficient portfolio resulting in lower risk and increased returns. Mr. Yarckin stated a Universa-hedged portfolio with a 3% allocation for the tail risk has outperformed an unhedged S&P 500 portfolio by over 400 basis points life to date.

Mr. Spitznagel stated maximizing the compounded rate of return is the goal of both investing and tail hedging. He said tail hedging can be compared to other forms of risk mitigation, and the costs of risk mitigation should not be higher than the cost of what you are trying to mitigate against. Using the statistically based example of the Petersburg Merchant Trade developed by Daniel Bernoulli, Mr. Spitznagel demonstrated that tail hedging can raise the rate of compounding over time. Pointing out that a 50% loss requires a 100% return to get back to even, Mr. Spitznagel said it becomes apparent that big losses are so important, one can afford risk mitigation. Mr. Spitznagel emphasized the need to look wholistically at the cost effectiveness of risk mitigation, pointing out that the underperformance of diversifying assets is an opportunity cost.

Trustee Klein asked if Universa is buying puts on the S&P 500. Mr. Yarckin replied when hedging S&P 500 exposure they use S&P 500 puts and other mechanisms to subsidize the puts, with the objective of minimizing cost and maximizing payoff in stress environments. He explained hedges are linked to the investor's exposure. Trustee Klein asked if delta hedging is employed and if it affects portfolio rebalancing. In response, Mr. Yarckin explained there is predefined amount of equity exposure to hedge, and in a down market the hedge makes up the loss which is converted into realized cash. This process could involve delta hedging or trading positions around, he said.

Trustee Cooper was excused from the meeting at 1:55 p.m.

In summary, Mr. Yarckin said the idea of tail hedging is to eliminate less cost-effective risk mitigation. As an example, some clients lowered the fixed income allocation to add a tail hedge and additional equities over time. Doing so minimizes drawdowns by making the portfolio asymmetric and provides cash in a market crash to pay capital calls and benefits so that assets need not be liquidated at inopportune times. Mr. Yarckin said a small amount of capital can have a meaningful impact on systematic risk mitigation.

Trustee Werby asked about counterparty risk. Mr. Yarckin replied that basic exchange-traded options are used and counterparties have the highest credit worthiness of any counterparty. In rising markets there may be losses in the hedge allocation.

Dr. Lagnado discussed his experience implementing the tail risk hedge at a public pension plan. The strategy was employed subsequent to a lack of liquidity experienced during the Global Financial Crisis and the portfolio drag of the increased allocation to fixed income. He discussed cognitive biases that lead to poor decisions, noting tail risk hedging mitigates panic selling at a market bottom, attempting to time the market, and over-rebalancing. Dr. Lagnado advised recognizing that risk mitigation has a cost, comparing the costs of alternative risk mitigation strategies, maintaining a long-term view, and taking necessary risk.

Chair Silberstein asked if other Callan clients are using this strategy, and Mr. Callahan replied some clients are using tail risk hedging or are considering it. He said challenges have been the explicit cost and being able to hold onto the strategy long enough for it to work. Mr. Callahan said tail risk hedging is a portfolio construction process that is useful to hear about to begin the education process. In response to Trustee Werby's inquiry on the effectiveness of tail hedging, Mr. Callahan said he did not know for the recent downturn, noting it depends on the variables including time frame. Chair Silberstein asked about details for how the tail risk would be constructed, and Mr. Yarckin indicated details could be discussed in another session.

2:15 p.m. – 2:30 p.m.
Closing and Follow-up Items from Today's Agenda

No discussion.

Chair Silberstein recessed the meeting for the evening at 2:28 p.m.

Day 2
May 17, 2022

9:00 a.m.
Call to Order/Roll Call

Chair Silberstein called the meeting to order at 9:01 a.m.

PRESENT: Gladstern, Klein, Martinovich, Murphy, Silberstein, Tomlin, Werby, Poirier (alternate safety), Jones (alternate retired), Shaw (ex officio alternate)

ABSENT: Cooper

Open Time for Public Expression

No members of the public provided comment.

TOPIC OF GENERAL INTEREST
Reconsideration of State of Emergency conditions under Assembly Bill (AB) 361 (ACTION)
Reconsider and take possible action to invoke Government Code section 54953(e), and to extend MCERA Resolution 2021/22-01 Authorizing Teleconferencing for Board and Standing Committee Meetings through June 16, 2022, because at least one of the following circumstances exists:

1. The State of Emergency proclaimed remains in effect and continues to directly impact the ability of the members to meet safely in person; or

2. State or local officials continue to impose or recommend measures to promote social distancing.

Retirement Administrator Jeff Wickman stated the Board is to consider whether one or both conditions listed above exist to invoke Government Code section 54953(e), and to extend MCERA Resolution 2021/22-01 Authorizing Teleconferencing for Board and Standing Committee Meetings through June 16, 2022. The extension is recommended by staff and will allow the June 8 Board and June 15, 2022 Investment Committee meetings to be held remotely.

It was M/S Gladstern/Murphy to extend MCERA Resolution 2021/22-01 Authorizing Teleconferencing for Board and Standing Committee Meetings through June 16, 2022 because both of the circumstances listed above exist. The motion was approved by a vote of 8-0 as follows:

AYES: Gladstern, Klein, Murphy, Poirier, Shaw, Silberstein, Tomlin, Werby
NOES: None
ABSTAIN: None
ABSENT: Cooper

9:00 a.m. – 10:00 a.m.
Meet MCERA Members
Syd Fowler-Pata, Department Analyst
Jeff Wickman, Retirement Administrator

Mr. Wickman introduced Peter Mixon, Partner at Nossaman, serving as Board Counsel for today's meeting. Mr. Wickman said this topic gives an overview of who MCERA members are and how we serve them. Michelle Hardesty, Assistant Retirement Administrator, outlined the presentation and introduced Syd Fowler-Pata, Department Analyst, who began with MCERA's history. The Plan began on July 1, 1950 with the County of Marin as Plan sponsor. In the following years multiple special districts followed, as well as the City of San Rafael and Novato Fire Protection District, totaling nine current employers. Employers are diverse across member type, General or Safety, and the types of services provided.

Ms. Fowler-Pata defined a member of MCERA as any person working at least 75 percent of full time in a permanent position for a participating employer. Members may be active, deferred, retired, or beneficiaries. Most members are Classic members, but the number of Public Employees' Pension Reform Act of 2013 (PEPRA) members is growing. About 75% of members are General members and the remainder are Safety members. Of MCERA's 7,037 total member population, the majority, 3,592, are retirees. Employers differ in that the County of Marin members are mostly General members, whereas Novato Fire Protection District members are mostly Safety members. The oldest payee is 102 years old, the youngest payee is 9 years old, and one active member has 55 years of service credit. Ms. Fowler-Pata listed multiple roles and services provided by active members, ranging from child welfare workers to park rangers and public defenders.

Retirement benefits are determined by each employer and defined in the different benefit tiers. In total there are 45 tiers across all 9 MCERA employers. A member's tier is based on when they entered MCERA membership. The tier includes the benefit formula, highest average compensation period, maximum cost of living adjustment, and minimum retirement age. In some situations the member may have multiple tiers. This can happen when an employee changes positions with the same employer or leaves to work for another MCERA employer who has a different retirement tier. Benefits are calculated separately for each tier and then combined together for the benefit payment. Ms. Fowler-Pata reviewed the tiers for each employer.

In response to Chair Silberstein's inquiry, Mr. Wickman said MCERA's benefit management system tracks service credit according to each employer and the benefit tier in order to calculate retirement benefits. Chair Silberstein asked when employers negotiate with unions what tier changes can be made. Mr. Wickman replied the only tiers that can be offered are those described in the County Employees Retirement Law of 1937 (CERL). He explained that PEPRA created new tiers that all employers must use from January 1, 2013 forward and removed the ability to provide enhanced benefit tiers.

Ms. Hardesty said MCERA complies with governing laws including: the CERL, Internal Revenue Code, PEPRA, Family Code, MCERA Bylaws, policies and resolutions, employer-specific governance, and other regulations such as HIPAA and those governing cybersecurity. MCERA's Plan Document incorporates all the above provisions and is maintained by staff.

MCERA is organized into the benefits team/customer service, finance, administration, information technology and security, and employer audit. Mr. Wickman said customer service

is a key aspect to MCERA operations, so although he does not calculate retirement benefits, he does pay close attention to how we interact with our members and how they feel about the service MCERA provides. He does meet with members who are planning for retirement or have service issues they want to discuss. Chair Silberstein asked about the number of staff members, and Ms. Fowler-Pata said there are 18 total employees, with one onboarding at the end of June.

Ms. Hardesty said the benefits and finance teams provide the following services: benefit estimates and purchase calculations, annual benefit statements, Forms 1099 for retired members, disability retirement, counseling on retirement options, administering the retirement process, accurate financial accounting, and retiree medical benefits administration. MCERA also prioritizes being accessible to members and demonstrated this by providing on-site member services throughout the pandemic.

In response to Trustee Gladstern's inquiry, Ms. Hardesty said since the pandemic staff provides one-on-one counseling virtually or by phone call. Staff will also meet in person with members and retirees in the redesigned counseling room. Ms. Fowler-Pata said the member Workshop program will return in the form of broadcast workshops and customized videos covering specific topics. She explained that due to the complexity of the Plan, it is difficult to tailor live workshops to each member.

For employers Ms. Hardesty said the Retirement Administrator regularly meets with the various employer boards and governing bodies. He also attends new employee orientation for the County of Marin. Staff also provide information on contribution rate changes and retiree medical benefits, and provide support including training for active payroll. Employer audits involve a review of the information provided to MCERA by employers and are an avenue for education on potential efficiencies. In the coming year employers will have access to resources on a customized employer web page.

In conclusion, Ms. Hardesty stated the mission is to provide superior customer service. Staff understand the importance of being responsive to members and employers. Chair Silberstein asked when imaging member files began, and Ms. Hardesty said in 2007. She said staff use the electronic system to access member records as opposed to reviewing a member's paper file.

Chair Silberstein thanked Ms. Hardesty and Ms. Fowler-Pata for the interesting presentation.

10:00 a.m. – 11:00 a.m.
MCERA Retiree Population by Geography and Economic Impact
Michelle Hardesty, Assistant Retirement Administrator
Syd Fowler-Pata, Department Analyst

Ms. Fowler-Pata gave an overview of where MCERA retirees live and receive pension benefits as of December 31, 2021. Of 3,422 total retirees, 2,835 are located in California with the majority living in Marin County. Sonoma County has the second highest number of retirees. Of $14.4 million in total benefits paid each month, $12.3 million stays in California, and of that amount $10.7 million (87%) stays in the Bay area with $5.1 million staying in Marin County.

Responding to Chair Silberstein's inquiry, La Valda Marshall, Accounting Unit Manager, stated employer contributions are between $9 million and $11 million per month.

Closing and Follow-up Items from Today's Agenda

For consideration at July Board meeting

11:00 a.m. – 11:30 a.m.

Trustee Martinovich thanked Ms. Fowler and Ms. Hardesty for lending a deeper understanding of MCERA, its members, and where the benefits flow. Trustee Jones thanked presenters for the interesting workshop.

There being no further business, Chair Silberstein adjourned the meeting at 10:30 a.m.

Jeff Wickman, Retirement Administrator	Michelle Hardesty, Assistant Retirement Administrator
On behalf of: Steve Silberstein, Meeting Chair	On behalf of: Laurie Murphy, Secretary

For consideration at July Board meeting

MINUTES

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

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

June 8, 2022 – 9:00 a.m.

This meeting was held via videoconference pursuant to MCERA Board of Retirement Resolution 2021/22-01, which invoked Government Code section 54953(e) for all MCERA Board and standing committee meetings through June 16, 2022. The public was able to listen to and observe the meeting and provide comment through Zoom.

CALL TO ORDER

Chair Silberstein called the meeting to order at 9:02 a.m.

ROLL CALL

PRESENT: Gladstern, Klein, Murphy, Silberstein, Tomlin, Werby, Jones (alternate retired), Poirier (alternate safety), Shaw (ex officio alternate)

ABSENT: Cooper, Martinovich

MINUTES

It was M/S Werby/Murphy to approve the May 4, 2022 Board Meeting Minutes as submitted. The motion was approved by a vote of 8-0 as follows:

AYES: Gladstern, Klein, Murphy, Poirier, Shaw, Silberstein, Tomlin, Werby
NOES: None
ABSTAIN: None
ABSENT: Cooper, 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 reported elections will be held this summer for the Seventh Member Safety and the Second Member General positions on the Retirement Board. Nomination petitions will be available on June 8, 2022, for submission by June 22. Ballots will be mailed on July 8. The vacant Fifth Member position will close on July 1 and the Board of Supervisors will be considering applicants.

Consideration of extending remote meetings another 30 days in accordance with AB 361 is planned for the June 15, 2022 Investment Committee meeting. Today's meeting falls within the extension approved by the Board on May 17, 2022 during the Strategic Workshop.

The Marin County Association of Retired Employees (MCARE) has requested to use MCERA's board conference room for their Board meetings. The Administrator is considering approving this request based on current public health guidelines.

As part of its strategic plan SACRS will be holding meetings of its Board of Directors at different member systems around the state. MCERA's Retirement Administrator and Board Chair have been invited to attend the SACRS Board meeting in Sonoma on June 21, 2022. Mr. Wickman said he plans to attend and will confer with Chair Silberstein on his plans.

The cyber insurance renewal application has been submitted to the broker for quotes.

b. Staffing Update

Staff are in the process of the recruitment for a Chief Financial Officer (CFO). The initial closing date for applications is June 10, 2022. First round of interviews is scheduled for the week of June 13-17.

David Paganini has been hired as the Retirement Benefits Technician

c. Facility Use Report

There was no facility use in the period.

d. Future Meetings
- June 15, 2022 Investment Committee
- July 13, 2022 Board

2. Standing Committee Reports
   a. Finance and Risk Management Committee
      1. Administrative Budget Fiscal Year 2021/22 Quarterly Review
         Consider and review expenses for the quarter ending March 31, 2022

         Finance and Risk Management Committee Chair Laurie Murphy reported total expenditures through the 3rd quarter of the fiscal year were 65.5% of the budgeted amount. Salaries and Benefits expenses were 56% of the budgeted amount for the year primarily due to position vacancies. Services and Supplies were 79.9% of the budgeted amount for the year. Expenses included annual insurance premiums, the annual 1099R production, and electronic equipment needed for telework and ergonomics.

      2. Non-budgeted Expenses
         Consider and review non-budgeted expenses for the quarter

         No report – see Committee minutes.

      3. Quarterly Checklist
         Consider, review and updates on the following:

         a. MCERA educational and event-related expenses

            Educational and event-related expenses were $7,500 for the fiscal year to date. Event expenses included the SACRS Fall Conference, CalAPRS Administrators' Institute and General Assembly.

         b. Continuing Trustee Education Log

            The Continuing Trustee Education Log shows trustees have met fall deadlines.

         c. Other expenses per Checklist Guidelines

            No report – see Committee minutes.

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

            See discussion above.

         e. Vendor services provided to MCERA

            No new vendor services.

For consideration at July Board meeting

f. MCERA staffing status

See staffing update in Administrator's Report above.

g. Internal controls, compliance activities and capital calls

For the private equity program MCERA received $81.3 million in distributions and paid $16.7 million in capital calls so far this fiscal year. MCERA has received all of the $20 million redemption request from UBS.

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

Nothing to report.

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

See discussion of cyber insurance in Administrator's Report above.

j. Form 700 Summary

The annual Form 700 Summary identified no financial interests that would lead to potential recusal. Trustee Gladstern noted some items list names of interested parties and some do not. Counsel Dunning indicated the additional specificity is meant to address any ambiguity on the financial interest.

4. Administrative Budget for Fiscal Year 2022/23 (ACTION)
Consider and take possible action on Finance and Risk Management Committee recommendation to adopt Administrative Budget for Fiscal Year 2022/23

Salaries and benefits are 64% of the proposed budget. Cost of living adjustments include 2.5% effective July 1, 2022 and the current fiscal year 1.5% increase that was not included in when it was approved last June. Benefits were calculated at 52% of pay, the same percentage used for the current fiscal year. The Chief Financial Officer position was used for the salary budget. The services and supplies budget increased from the prior year due to higher insurance and independent medical examinations costs.

The total proposed budget is $4.69 million, 15 basis points of the accrued actuarial liability.

Finance and Risk Management Committee Chair Murphy stated the Committee recommends the Board approve the Administrative Budget for Fiscal Year 2022/23 as submitted. The motion was approved by a vote of 8-0 as follows:

AYES: Gladstern, Klein, Murphy, Poirier, Shaw, Silberstein, Tomlin, Werby
NOES: None
ABSTAIN: None
ABSENT: Cooper, Martinovich

5. Annual Audit of Financial Statements Update
   Update on annual audit process

   The Audit Committee met with Brown Armstrong May 17, 2022 to review the audit process, schedule, and deliverables. A new audit team leader has been assigned by Brown Armstrong.

b. Audit Committee
   1. Annual Financial Audit Scope of Services and Processes
      Consider and discuss annual audit processes

      Audit Committee Chair Maya Gladstern reported CPA Rosalva Flores is this year's audit Engagement Partner and Alaina Vandermade is the Engagement Manager. Audit Objectives include issuing opinions that the financial statements conform to all applicable standards. Observations and advice on best practices for financial reporting, accounting, and internal controls are directed to management.

      Audit areas of focus include revenue recognition, journal entry control, and investments and related earnings. The audit will also focus on employer contributions, benefit payments, actuarial data, and participant data. This year's audit will include evaluating the County payroll system and conducting a survey to determine appropriate general controls for information technology.

   2. Audit Committee 2022 Audit Schedule
      Review and discuss schedule of audit activities for 2022

      The planning phase begins in June with auditors deciding what information to gather and request from MCERA. Interim fieldwork will be conducted in August, followed by final fieldwork in September when any findings or additional procedures are considered. Final reports will be presented to the Committee in November, with the auditors scheduled to present to the Board at the December 14, 2022 Board meeting.

3. Trustee Comments
   a. Educational Training: Reports by Trustees and Staff

      Trustee Murphy shared her takeaways from the May SACRS Conference. The first session on inflation included the speaker's prediction that inflation would decline to the 2% to 2.5% range over the next five years. Cryptocurrency platforms will have more efficient functionality for financial transactions. The speaker on China is pro investing in China, pointing out that more is being done to hold businesses accountable. In the second session on inflation, investing in commodities and real estate was proposed. Ms. Murphy shared references to resources from the presentation with the Board.

      Counsel Dunning reported on the CalAPRS Attorneys' Roundtable. Topics included common pitfalls occurring in investment documentation that can be addressed in Side

Letters. This was followed by discussion on what types of communications retirement systems have with deferred members about the timing of their retirement relative to their age. The next topic was a discussion of the legal considerations when resolving 1099-R errors, such as overreporting of tax-exempt income. Steps CalPERS has taken with its Board to propose regulations dealing with retirees going back to work in an effort to refine what "limited duration" means were discussed. The next topic was on Assembly Bill 2493, which some CERL systems are considering opposing. (See also Agenda Item C.1 below.) There was also discussion on a Brown Act amendment that would allow remote meetings to continue as long as a quorum of the Board meets in person. Ms. Dunning stated a Russia/Belarus divestment bill making its way through the state legislature would impact CERL systems.

Counsel Dunning also reported on the Attorneys' Breakout at the May SACRS Conference. Discussions included the demands of certain investment managers for personally identifiable information of trustees that has become a problem in some systems. There is a pending lawsuit in the Court of Appeal involving the Orange County Employees' Retirement System about the intersection of disability retirement and service retirement from two different systems at the same time. Ms. Dunning invited questions on her report.

b. Other Comments

No other comments by the trustees.

C. NEW BUSINESS

1. Assembly Bill 2493 (ACTION)

Discuss Assembly Bill 2493 and consider letter of concern or opposition.

Mr. Wickman stated Assembly Bill (AB) 2493 provides relief to county retirement systems that did not implement the Public Employees' Pension Reform Act of 2013 (PEPRA) until after the California Supreme Court upheld its constitutionality in the *Alameda County Deputy Sheriff's Association v. Alameda County Employees' Retirement Association* (2020) 9 Cal.5th 1032 (*Alameda*) decision. Staff is recommending the Board consider sending a letter of opposition to the proposed legislation.

As background the Administrator explained MCERA timely implemented the PEPRA provisions on January 1, 2013. Specifically, the Board adopted a Compensation Earnable and Pensionable Compensation policy that clarified which items on compensation could be included in the retirement benefit calculations for PEPRA members and Classic members under the provisions of Assembly Bill 340. The result was certain pay items were excluded from that date forward.

Subsequently, MCERA was challenged on its implementation of the PEPRA provisions. The California Supreme Court affirmed the action was appropriate, and MCERA has been administering the PEPRA law consistent with what the courts have said. A number of CERL systems did not implement PEPRA provisions and continued to accept contributions on pay items that should have been excluded. The *Alameda* decision ruled

on the items of pay in question and subsequently these systems have been forced to take action to exclude pay items and adjust paid-in contributions and retirement benefits.

The bill allows those systems that did not implement PEPRA to provide extra compensation from their employers to be added to their retirement benefits, which PEPRA did not permit. The Administrator pointed out this would complicate the work of the actuary with regard to benefit calculations and is inconsistent with the stated goal of the PEPRA legislation. The California State Association of Counties (CSAC) has written a letter in opposition of the bill.

Counsel Dunning added that this proposed legislation makes MCERA subject to regulations the CalPERS Board adopts to implement compensation earnable. MCERA's Board Counsel advised the bill thus adds a level of vulnerability that is ripe for potential litigation and abrogates the role of this Board by incorporating pensionability rules adopted by a retirement board that is not subject to CERL.

Chair Silberstein asked if AB 2493 changes the PEPRA legislation. Mr. Wickman replied the bill applies only to public Safety members of CERL systems and makes amendments to some existing PEPRA provisions. Chair Silberstein noted if the bill passes then benefits would increase and some employers would oppose this legislation due to the added cost, and Ms. Dunning and Mr. Wickman affirmed this would be the case.

Trustee Gladstern said the legislation should be opposed because it would result in different pay rules for Safety members versus General members. Trustee Poirier asked if other systems did not do anything to comply with PEPRA. Mr. Wickman noted some systems that were unsure about pay items outside of the normal work schedule continued to take contributions on these pay items and include them in benefit calculations.

Ms. Dunning said there were additional dynamics with some systems having to do with settlement agreements the systems entered into in order to implement the *Ventura* decision. The courts have made clear that settlement agreements may not alter PEPRA provisions. Trustee Poirier asked if AB 2493 would change what is pensionable for MCERA. Mr. Wickman said he does not see a change in how MCERA has implemented PEPRA; however, that does not mean that someone could not challenge MCERA's implementation based on the new law if it passes.

It was M/S Werby/Murphy to authorize the Retirement Administrator to send a letter jointly signed by MCERA and the Sonoma County Employees' Retirement Association in opposition to Assembly Bill (AB) 2493. The motion was approved by a vote of 7-1 as follows:

AYES:	Gladstern, Klein, Murphy, Shaw, Silberstein, Tomlin, Werby
NOES:	Poirier
ABSTAIN:	None
ABSENT:	Cooper, Martinovich

For consideration at July Board meeting

2. Future Meetings
   Consider and discuss agenda items for future meetings.

   Mr. Wickman said if pending California legislation on divesting from Russia and Belarus passes, the matter will be agendized for a future meeting to discuss what it will mean for MCERA. Ms. Dunning said the Senate passed the Bill and it is moving to the Assembly, and that it contains an urgency clause, meaning it would take effect immediately if enacted. Chair Silberstein and Trustee Werby asked if the topic can be placed on the June 15, 2022 Investment Committee agenda, and Mr. Wickman said he will check, but at a minimum, the matter can be considered at the July 13, 2022 Board meeting.

D. OTHER INFORMATION

1. Training Calendar (ACTION)

   Mr. Wickman reviewed new items on the Training Calendar – the California Retired County Employees Association fall conference, and for 2023 the CalAPRS General Assembly, CII Spring Conference, and Callan National Conference.

It was M/S Werby/Gladstern to approve the Training Calendar with administrative corrections. The motion was approved by a vote of 8-0 as follows:

AYES: Gladstern, Klein, Murphy, Poirier, Shaw, Silberstein, Tomlin, Werby
NOES: None
ABSTAIN: None
ABSENT: Cooper, Martinovich

E. CONSENT CALENDAR (ACTION)

The monthly Consent Calendar was presented for consideration. Assistant Retirement Administrator Michelle Hardesty explained the large return of contributions was for the beneficiary of a member who deferred his retirement upon terminating employment and since then has passed away. She explained the one-time payment includes the member's accumulated contributions, interest, and a death benefit based on 50% of earnings paid in the 12 months prior to death.

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

AYES: Gladstern, Klein, Murphy, Poirier, Shaw, Silberstein, Tomlin, Werby
NOES: None
ABSTAIN: None
ABSENT: Cooper, Martinovich

CONSENT
CALENDAR
MCERA BOARD MEETING, WEDNESDAY, JUNE 8, 2022

MAY 2022

RETURN OF CONTRIBUTIONS			
Lorenzo Cordova	Refund of Contributions (termination)	$	50,594.41
Kathleen Fitzhugh Remitz	Partial Refund of Contributions (correction)	$	260.93
Jorge Flores	Refund of Contributions (termination)	$	6,173.45
William Guerin	Partial Refund of Contributions (age change)	$	959.05
Shibani Nag	Refund of Contributions (termination)	$	34,040.87
Jacob Noonan	Partial Refund of Contributions (age change)	$	419.03
Jeremy Santos	Refund of Contributions (termination)	$	43,954.13
Steven Seidler	Refund of Contributions (termination)	$	30,202.84
Sophea Uch-Castillano	Refund of Contributions (termination)	$	18,037.92
Anthony Vasco	Refund of Contributions (deferred death - Joe Vasco)	$	561,446.64

BUYBACKS		
Lea Aschkenas	$	9,736.11
Zachary Baron	$	14,558.41
Mark Hale	$	3,563.40
Brittany Laino	$	20,416.89
Silvia Molina	$	5,189.25
Vincent Reybet-Degat	$	2,488.92
Susanna Struzzo	$	3,731.16
Earl Titman	$	24,027.13
Haydon Turpin	$	1,840.66

NEW RETIREES	
Steve Buffenbarger	City of San Rafael
Matthew Bouchard	Southern Marin Fire
Jack Stage Jr.	County of Marin - Child Support Services
Susan Ventura	County of Marin - Agriculture, Weights and Measures

For consideration at July Board meeting

DECEASED RETIREES	
Kathleen Baca	County of Marin - Health & Human Services
Timothy Garthwaite	County of Marin - Probation
Timothy Haddad	County of Marin - Community Development
Michael Kildow	Southern Marin Fire
Edwin Koehn	County of Marin - Sheriff/Coroner
Walter Kosta	City of San Rafael
Richard Tipping	County of Marin - Cultural Services
Nancy Zaharin	County of Marin - Child Support Services

There being no further business, Chair Silberstein adjourned the meeting at 10:18 a.m.

_____

Jeff Wickman
Retirement Administrator

On behalf of:
Steve Silberstein, Board Chair

_____

Michelle Hardesty
Assistant Retirement Administrator

On behalf of:
Laurie Murphy, Secretary

For consideration at July Board meeting

MINUTES

INVESTMENT COMMITTEE MEETING
MARIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION (MCERA)

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

June 15, 2022 – 9:00 a.m.

This meeting was held via videoconference pursuant to MCERA Board of Retirement Resolution 2021/22-01, which invoked Government Code section 54953(e) for all MCERA Board and standing committee meetings through June 16, 2022. The public was able to listen to and observe the meeting and provide comment through Zoom.

CALL TO ORDER

Chair Klein called the meeting to order at 9:01 a.m.

ROLL CALL

PRESENT: Cooper, Gladstern, Klein, Martinovich, Murphy, Silberstein, Tomlin, Werby
Jones (alternate retired), Shaw (ex officio alternate), Poirier (alternate safety)

ABSENT: None

A. OPEN TIME FOR PUBLIC EXPRESSION

Note: The public may also address the Committee regarding any agenda item when the Committee considers the item.

Open time for public expression, from three to five minutes per speaker, on items not on the Committee Agenda. While members of the public are welcome to address the Committee during this time on matters within the Committee'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 Committee concerning a non-agenda item. Members of the Committee may (1) briefly respond to statements made or questions posed by persons addressing the Committee, (2) ask a question for clarification, or (3) provide a reference to staff for factual information.

No members of the public provided comment.

For consideration at July Board meeting

B. TOPIC OF GENERAL INTEREST

1. Reconsideration of State of Emergency conditions under Assembly Bill (AB) 361 (ACTION)

   Reconsider and take possible action to invoke Government Code section 54953(e), and to extend MCERA Resolution 2021/22-01 Authorizing Teleconferencing for Board and Standing Committee Meetings through July 15, 2022, because the State of Emergency proclaimed under Government Code section 8625 remains in effect, and at least one of the following circumstances exists:

   1. As a result of the emergency meeting in person would present imminent risks to the health or safety of attendees; or

   2. State or local officials continue to impose or recommend measures to promote social distancing.

   Retirement Administrator Jeff Wickman stated the Board is to consider whether one or both conditions listed above exist to invoke Government Code section 54953(e), and to extend MCERA Resolution 2021/22-01 Authorizing Teleconferencing for Board and Standing Committee Meetings through July 15, 2022. The extension would allow the July 13, 2022 Board meeting to be held remotely. The Board could also consider and discuss returning to in-person meetings while continuing to broadcast the meetings for the public.

   Trustee Poirier asked whether all Board members would need to be present to conduct in-person meetings. Mr. Wickman replied some CERL systems are conducting hybrid meetings where some trustees come into the office for the meeting and others continue to attend remotely. Counsel Ashley Dunning noted that with a hybrid meeting model provisions to extend remote meetings would still need to be invoked.

   Trustee Jones stated because there are Board members who are at risk of getting COVID and the nature of new variants is not known, moving to in-person meetings is premature at this time. Chair Klein said she is ready to return to in-person meetings, but understands if the Board prefers to delay another month.

It was M/S Silberstein/Gladstern to extend MCERA Resolution 2021/22-01 Authorizing Teleconferencing for Board and Standing Committee Meetings through July 15, 2022 because both of the circumstances listed above exist. The motion was approved by a vote of 8-0 as follows:

AYES:	Cooper, Gladstern, Klein, Martinovich, Murphy, Silberstein, Tomlin, Werby
NOES:	None
ABSTAIN:	None
ABSENT:	None

C. MANAGER REPORTS

1. Manager Overview – Jim Callahan, Callan LLC

   Jim Callahan, President of Callan LLC, introduced managers presenting portfolio reviews. Dimensional Fund Advisors (DFA) manages the active domestic small cap equity allocation, and Fidelity Institutional Asset Management (FIAM) manages the Select Emerging Markets Equity strategy.

2. Dimensional Fund Advisors – Core Small Cap Equities – Gavin Crabb, Ted Simpson, Karlene Lousignont
   TIME CERTAIN: 9:05 a.m.

   Ted Simpson, Relationship Manager with Dimensional Fund Advisors, introduced Gavin Crabb, a senior portfolio manager. Mr. Simpson noted that DFA reduced MCERA's fee from 30 to 25 basis points earlier this year. Mr. Crabb stated the DFA strategy involves identifying premiums resulting in higher returns, which are company size, relative price, and profitability. For the U.S. small cap strategy, the market cap ceiling is $10 billion, and companies with high growth rates and low profitability are excluded because they have lower expected returns. The portfolio is rebalanced every day to achieve strategy objectives, minimize portfolio drift, and add an edge. Daily trading is managed by making meaningful transactions and being flexible to drive trading costs down and optimize price.

   Mr. Crabb discussed other factors considered in managing the strategy. Securities with a high demand to borrow are expected to have lower returns in the near term. Over the short term downward or upward momentum is allowed to continue and then subside before buying or selling.

   Trustee Silberstein asked about the size of DFA's small cap assets overall and how MCERA's account is managed. Mr. Crabb replied DFA manages about $30 billion in the small cap arena and MCERA's account is managed separately. Trustee Silberstein asked about the weighting of companies with improving profitability. In response, Mr. Crabb said if a firm has better profitability, it will be considered relative to its sector. In addition, models apply numerous factors to determine the ideal set of securities to buy each day. Mr. Simpson added the market cap of securities is considered and adjusted depending on profitability and other characteristics.

   Trustee Gladstern asked if DFA owns large percentages of any company. Mr. Crabb replied DFA holdings for individual companies are capped in the high single digit range, and within each account holdings are well diversified. From a governance perspective DFA has a team considering proxy votes carefully.

   As of March 31, 2022, the DFA Small Cap Core strategy outperformed the Russell 2000 Index for the quarter, year, and past 3 years. Mr. Crabb attributed outperformance to excluding high growth companies with low profitability from the strategy, noting these securities underperformed the market.

3. Fidelity Institutional Asset Management – Select Emerging Markets Equity– Art Greenwood, John Chow
   TIME CERTAIN: 9:35 a.m.

   Art Greenwood, Relationship Manager with Fidelity Institutional Asset Management, introduced John Chow, Portfolio Manager for the Select Emerging Markets Equity strategy, to present the portfolio review. Mr. Greenwood noted the Select Emerging Markets Equity strategy had a challenging year in 2021. He noted at the end of October 2021 the Select Emerging Markets Equity fund was flat versus the benchmark, and then had a challenging November – December 2021 period.

   Mr. Chow reported the first quarter of 2022 was marked by the Russian invasion of Ukraine. The underweight to middle eastern countries hurt the strategy as economies levered to energy did well. In the second part of the quarter, intense risk aversion drove the emerging markets equity markets down. Mr. Chow pointed out that due to geopolitical expertise within FIAM, the fund's overweight to Russian securities late in 2021 was trimmed beginning in January 2022 just before the Ukraine invasion. Subsequently, Mr. Chow continued trimming by exiting eastern European banks and added to commodity exposure.

   Mr. Chow termed the first quarter of 2022 an unusual market environment marked by a lack of dispersion and challenges with differentiating winners from losers in the short term. Sentiment, including fears of stagflation and global recession, dominated over fundamental factors. Mr. Chow said in this environment it is important to manage risk, with the expectation over the long term the market will return to being driven by fundamentals.

   Currently, the fund is overweight energy, India, Korea and Indonesia and underweight China and Taiwan. Mr. Chow said going forward the outlook for emerging markets equities is tempered as the recovery from the pandemic is pushed out further. Rising energy and food inflation will pressure company margins and also fiscal budgets. He also noted it is difficult for emerging markets to perform well with a strong U.S. dollar. If there is recession in the U.S., the risk/reward of China would improve as it does not have the inflation problem and has an ample food supply.

   Trustee Silberstein asked about the potential for China to invade Taiwan or to shut down individual companies. Mr. Chow said his view is a Taiwan invasion is less likely in the near term due to the potential sanctions involved. Mr. Chow acknowledged there is an issue of corporate governance in China and the risk premium is high, which is a reason the strategy is underweight China. Chair Klein asked about the disposition of Russian securities remaining in the portfolio, and Mr. Chow replied he is waiting for clarity at a firm level on disposing these securities.

D. NEW BUSINESS

1. Fixed Income Structure Review – Jim Callahan, Callan LLC

   Mr. Callahan reviewed the Fund's fixed income structure and presented four alternative structures for discussion. He highlighted the sharp increase in bond yields this year, as evidenced by the increase in the U.S. 10-year Treasury yield from 1.5% at the beginning of

2022 to its current 3.48% yield. He noted when yields increase, the price of the bond goes down, which raises the need to review the fixed income structure and discuss potential changes. Currently, the fixed income allocation is 23% of the Fund, structured as 50% U.S. Core Plus managed by Wellington Management, 25% U.S. Intermediate Credit managed by Western Asset Management, and 25% Global Fixed Income managed by Colchester. Mr. Callahan pointed out that due to the strong U.S. dollar the global strategy has faced a headwind.

Mr. Callahan reviewed allocations in the Bloomberg U.S. Aggregate Bond Index, noting as of March 31, 2022 its duration of 6.6 years is longer than the 5.5 year duration of MCERA's fixed income allocation. This shorter duration benefited the Fund's returns as rates have risen in 2022. The yield of the fixed income portfolio is slightly higher than the benchmark, and he pointed out that over time yields drive fixed income returns. The investment consultant said the current structure is reasonable, but it is useful to explore different combinations given market conditions as to risk and duration.

The fixed income portfolio has an A+ rating, which is high but slightly under the index. There is an overweight to corporate and government-related bonds and a significant underweight to U.S. Treasurys. Mr. Callahan noted that outside of the standard fixed income allocation, the Fund holds U.S. Treasury Inflation-Protected Securities (TIPS) in the real assets allocation and private credit in the Opportunistic allocation, bringing the total fixed income allocation closer to 25% of the Fund.

Mr. Callahan stated the purpose of fixed income is to be a low-risk asset to diversify equity exposure and provide downside protection and liquidity in a stressed environment. Historically, bonds buffer downturns in equities, but the first quarter of 2022 has been unusual as bonds declined along with equities.

MCERA's liquidity profile projects net cash outflow rising over the next 10 years to 4%, which Mr. Callahan said is manageable and allows for taking on credit and duration risk. Given market conditions and the current fixed income structure, Mr. Callahan presented four alternative fixed income structures for discussion:

- Mix A – 50%-50% core plus managed by Western Asset and Wellington.
- Mix B – reduces the global fixed income allocation to 10%, with 40% intermediate credit managed by Western Asset and 50% core plus managed by Wellington.
- Mix C – introduces 25% intermediate U.S. Treasurys as a pure liquidity component (represents 3 years of benefit payments), 15% global, 20% intermediate credit, and 40% core plus.
- Mix D – increases intermediate U.S. Treasurys to 30%, adds unconstrained multi-sector credit of 35%, and 35% intermediate credit. The intention is to increase yield while preserving the liquidity characteristic of the allocation.

Mr. Callahan discussed the tradeoffs of each proposed fixed income allocation with regard to yield, fees, credit risk, diversification, tracking error, duration and Sharpe ratio. In a 14-

year lookback of yield and duration for each asset mix, all of the alternatives outperformed the Bloomberg Aggregate benchmark.

Trustee Silberstein voiced a preference for Mix A and reducing the fixed allocation from 23% to 20% to increase portfolio return. Trustee Gladstern agreed with lowering the allocation and suggested implementing Mix C. Trustee Werby would retain the current fixed income structure including global bonds, saying the U.S. dollar may not continue its relative strength to other currencies. Trustee Martinovich supported this approach, suggesting leaning into safety of principle and consistency of returns with minimal volatility. Chair Klein prefers Mix A that eliminates the Colchester global bond portfolio, which she said has been on the Watchlist, has higher fees, and is less liquid than the core plus strategy.

Mr. Wickman said if there is interest in Mix A, Callan can present additional information on how Western Asset would manage the core plus fixed income strategy at a future meeting. Trustee Murphy supported this approach and considering lowering the fixed income allocation. Mr. Callahan noted that Callan had recommended lowering the fixed income allocation to 20% and this can be revisited, along with more detail on Mix A, at a future meeting. He emphasized for the Committee to consider the best way to position the fixed income allocation over the long term. He added that with supply-driven inflation, the Fed's increase of interest rates has less efficacy.

2. Future Meetings

No discussion.

Mr. Wickman requested allowing for public comment and no members of the public provided comment.

E. INVESTMENT CONSULTANT QUARTERLY REPORT

1. Summary Report as of March 31, 2022

Anne Heaphy, Senior Vice President with Callan, reported equity markets were down in the first quarter of 2022. U.S. large cap equities outperformed U.S. small caps for the quarter and prior 12 months. Emerging markets were down for the quarter and prior 12 months as China's challenged economy was exacerbated by the Ukraine invasion. In the U.S. private real estate was positive for the quarter and 12-month period. Through September 30, 2021, private equity had positive returns for the quarter and prior 12 months. Commodities had strong returns driven in part by higher energy prices. Fixed income returns were negative for the quarter and preceding 12 months driven by higher interest rates.

The Total Fund value as of March 31, 2022 is $3.35 billion and the net return is negative 4.1% for the quarter and up 6.8% for the prior 12 calendar month period. Ms. Heaphy said the fiscal year-to-date return is expected to be slightly negative. Asset allocations are close to targeted amounts. In the domestic equity portfolio, Dimensional Fund Advisors (DFA) is outperforming the benchmark over the quarter, year, and 3-year periods. In international equities Morgan Stanley's underweight to energy detracted from

performance. For the Artisan portfolio the exposure to Russian stocks and growth orientation were headwinds.

The fixed income portfolio returns were negative for the quarter and prior 12 calendar months. Wellington and Western Asset fixed income portfolios outperformed respective benchmarks. The AEW Core Property Trust had positive returns for the quarter and year periods, modestly trailing the benchmark for the year. The UBS Trumbull Property Fund had positive returns for the quarter and year but underperformed the benchmark. UBS has sold 56% of the non-strategic asset pool and expects final dispositions to occur next year. The firm is repositioning property weights and Callan has confidence in the management team.

The real assets portfolio had positive returns for the quarter and year, led by the Invesco commodities portfolio and KBIGI global resources portfolios. In private equity, as of September 30, 2021 the portfolio is 85.93% paid in and distributions have been strong. The Total Value to Paid-In Capital (TVPI) is 2.15x and the net Internal Rate of Return (IRR) is close to 18%. In the Opportunistic portfolio of $100 million committed, 43.4% was paid in as of March 31, 2022.

2. Flash Performance Update as of May 31, 2022

   Ms. Heaphy presented the Flash Performance update, reporting as of May 31, 2022 the preliminary fiscal year-to-date return for the Fund is negative 3.8%.

There being no further business, Chair Klein adjourned the meeting at 12:02 p.m.

Jeff Wickman Retirement Administrator	Michelle Hardesty Assistant Retirement Administrator
On behalf of: Sara Klein, Investment Committee Chair	On behalf of: Jeff Wickman, Retirement Administrator

MCERA

Phone **415 473-6147**
Fax (benefits) **415 473-3612**
Fax (admin) **415 473-4179**
MCERA.org

July 6, 2022

To: Board of Retirement
Marin County Employees' Retirement Association (MCERA)

From: Jeff Wickman
Retirement Administrator

Subject: Considerations for Invoking the Provisions of Assembly Bill 361 in order to Conduct Board and Standing Committee Meetings Virtually

Background

On October 13, 2021, the Board of Retirement adopted Resolution No. 2021/22-01 Authorizing Teleconferencing for Board and Standing Committee Meetings Pursuant to Government Code §54953(e) of the Brown Act ("Section 54953(e)"), through November 12, 2021. The Resolution was adopted in recognition that the conditions for invoking the provisions in Assembly Bill (AB) 361, permitting the Board to conduct remote access meetings, were similar to the way it had been meeting during the COVID-19 pandemic. Since this time the Board has taken the following subsequent actions:

- November 3, 2021, the Board considered the circumstances of the emergency and made findings to support invoking the provisions through December 3, 2021.
- December 2, 2021 the Board considered the circumstances of the emergency and made findings to support invoking the provisions through January 1, 2022.
- December 15, 2021, the Board considered the circumstances of the emergency and made findings to support invoking the provisions through January 14, 2022.
- January 12, 2022, the Board considered the circumstances of the emergency and made findings to support invoking the provisions through February 11, 2022.
- February 9, 2022, the Board considered the circumstances of the emergency and made findings to support invoking the provisions through March 11, 2022.
- March 2, 2022, the Board considered the circumstances of the emergency and made findings to support invoking the provisions through April 1, 2022.
- March 16, 2022, the Board considered the circumstances of the emergency and made findings to support invoking the provisions through April 15, 2022.
- April 13, 2022, the Board considered the circumstances of the emergency and made findings to support invoking the provisions through May 13, 2022.
- May 4, 2022, the Board considered the circumstances of the emergency and made findings to support invoking the provisions through June 3, 2022.
- May 17, 2022, the Board considered the circumstances of the emergency and made findings to support invoking the provisions through June 16, 2022.
- June 15, 2022, the Investment Committee considered the circumstances of the emergency and made findings to support invoking the provisions through July 15, 2022.

The precondition to the Board reinvoking Section 54953(e) and conducting its meetings via Zoom and YouTube for an additional thirty (30) days, if certain conditions exists, has been the State of Emergency that the Governor Newsom declared in March 2020. The state of emergency is still in place.

Recommendation

Because the state of emergency is still in place, the Board may, consistent with its prior actions, make the finding(s) necessary to continue to conduct meetings via Zoom and YouTube under Section 54953(e), for the next thirty (30) days, if the following conditions exist: 1) a State of Emergency under Government Code section 8625 remains in effect; and 2) (i) State or local officials have put in place social distancing measures to protect health, or, (ii) the local agency board determines that meeting in person would present imminent risks to the health and safety of attendees. The provisions would extend through August 12, 2022 covering the August 3 Audit Committee and August 10 Board meetings.

The Board may also wish to return to in-person meetings, while continuing to broadcast online and consider if any social distancing and masking requirements should be in place for attendance in the boardroom.

C.1 Administrator's Report

This is a discussion with no backup.

C.2.a Educational Training – Reports by Trustees and Staff

This is a discussion with no backup.

C.2.b Other Comments

This is a discussion with no backup.

LORI MARZIANO

MCERA

Phone 415 473-6147
Fax (benefits) 415 473-3612
Fax (admin) 415 473-4179
MCERA.org

Date: July 8, 2022

To: Board of Retirement
Marin County Employees' Retirement Association (MCERA)

From: Jeff Wickman
Retirement Administrator

Subject: **Senate Bill 1328—Prohibited investments and contracts: Russia and Belarus**

Background

Senate Bill (SB) 1328 was introduced on February 18, 2022, and was last amended on May 19, 2022. If passed and signed into law as currently drafted, the portion of the bill applicable to MCERA and all other county retirement systems will add section 7513.73 to the Government Code.

The proposed new section 7513.73 would prohibit new, additional, or renewed "investments"[1] in (1) any "prohibited company,"[2] (2) any company that the United States government has designated "as complicit in the aggressor countries' war against Ukraine," or (3) any company that "supplies military equipment to the aggressor countries."

The statute would also require county retirement systems to "liquidate any existing investments" in such companies "in a manner consistent with the board's fiduciary responsibilities as described in Section 17 of Article XVI of the California Constitution."

---

1 SB 1328 defines "invest" or "investment" as "the purchase, ownership, or control of stock, a partnership interest, or a membership interest of a prohibited company, bonds issued by the government or a political subdivision of Russia or by the government or a political subdivision of Belarus, corporate bonds or other debt instruments issued by a company domiciled in Russia or Belarus, or the commitment of funds or other assets to a company domiciled in Russia or Belarus, including a loan or extension of credit to that company, unless the investment is authorized by the United States Department of the Treasury, Office of Foreign Assets Control.

2 SB 1328 defines "prohibited company" as either of the following:

> (A) A sole proprietorship, organization, association, corporation, partnership, venture, or other entity, or its subsidiary or affiliate that exists for profitmaking purposes or to secure economic advantage, that is domiciled in Russia or Belarus.
>
> (B) A sole proprietorship, organization, association, corporation, partnership, venture, or other entity, or its subsidiary or affiliate that exists for profitmaking purposes or to secure economic advantage, that is owned or controlled, directly or indirectly, by the government of Russia or Belarus or by a sanctioned person.

SB 1328 further requires county boards of retirement to file an annual report with the Legislature, commencing on or before January 1, 2023, describing their "investments" (as defined), whether it has divested from such investments, and if not, a description of when it will divest from those investments or "the reasons why a sale or transfer of investments is inconsistent with its fiduciary responsibilities as described in Section 17 of Article XVI of the California Constitution."

SB 1328 contains certain humanitarian exceptions and identified actions (such as halt of the invasion and occupation of Ukraine as determined by the United States government) that would result in automatic repeal of the statute.

The bill is currently before the Assembly Committee on Public Employment and Retirement, and the June 22 hearing that was scheduled on the bill was postponed by the Committee.

The bill contains an Urgency clause, such that if it were enacted, it would be effective immediately.

Discussion

Three of MCERA's investment managers have small holdings that may qualify as prohibited investments under SB 1328. Fidelity Institutional Asset Management (FIAM) and Artisan each hold investments for MCERA in commingled funds. Western Asset holds a bond that may also meet the definition of the prohibited investments. MCERA's investment with Western Asset is held in a separate account.

While these holdings are insignificant from a financial perspective (and in some cases have been written down by MCERA managers to have zero value currently), the commingled investments cannot physically be separated from the partnership interests that MCERA owns in such funds. Thus, under SB 1328, MCERA would have to consider liquidating its holdings in such international funds entirely, or, more likely, would have to report to the Legislature why this action is not consistent with its fiduciary responsibilities of prudence and loyalty to MCERA's members and beneficiaries.

According to the Legislature's website, the California Public Employees' Retirement System, California State Teachers' Retirement System, and State Association of County Retirement Systems (SACRS) have stated their official opposition to SB 1328. A copy of the letter from SACRS is attached here.

Recommendation

Staff recommends that the Board hold off on making any decisions to oppose the bill. The July Legislative Update form SACRS indicated that the bill was set to be heard in the Assembly Public Employment and Retirement Committee in late June with potential amendments being proposed. The bill sponsor did not support the proposed amendments so the bill was pulled from the Committee and will not be heard again this year.

Providing insight. Fostering oversight.

April 14, 2022

The Honorable Bill Dodd, Chair
Senate Governmental Organization Committee
State Capitol
Sacramento, CA 95814

RE: SB 1328 (as amended March 3, 2022)

Dear Chairman Dodd,

The State Association of County Retirement Systems (SACRS) is writing to express concern with SB 1328, specifically how it impacts the ability of County Employees Retirement Law (CERL) plans to administer their investment programs and ensure trust fund assets are expended solely for the purpose of paying benefits and reasonable administrative expenses. SACRS is not opposed to the humanitarian goals of the bill, however executing a divestment in accordance with the bill's provisions presents significant obstacles.

The 20 CERL plans are varied in size, plan member demographics, investment portfolios and assets, but the one thing they have in common is that they use external investment managers to invest trust fund assets. This is a cost-effective and efficient way to access institutional markets without the necessity of employing experts in active investing, and it satisfies the constitutional fiduciary duty to prudently manage the trust. This bill would require the plan to engage in a detailed analysis to identify prohibited holdings and hire a research firm to perform the same analysis, and then notify companies that were flagged and require certain actions. There are additional administrative steps to be followed, all of which require the expenditure of trust fund assets and personnel time in smaller, local retirement systems that do not have the capacity of corporate governance divisions in the bigger, statewide pension systems.

The reality is that the CERL plans collectively have minimal exposure to investments with direct ties to Russia and Belarus but the definition of "active business operations" is sufficiently broad to include any company that has a facility or any personnel in those countries. This would include companies like Amazon, McDonald's and other global enterprises. Divesting from every company with "active business operations" could mean significantly changing the investment mandates given to external investment managers which would override the plenary authority of the CERL Boards in making active investment management decisions.

SACRS™

The humanitarian crisis that is unfolding in Ukraine has already led to unprecedented sanctions on Russia's economy and financial assets tied to Russia. The speed of global reaction to the invasion has resulted in a "de facto divestment" that has rendered the de miminis assets the CERL plans had prior to the invasion worth even less or stranded, with uncertainty over how these positions can be unwound if and when Russian markets re-open.

Prior legislation on other divestment matters have focused on the influence and impact of the statewide retirement systems, inherently recognizing the scale and administrative constraints of local retirement systems. With SB 1328, SACRS requests the same discretion be extended to local retirement boards to determine the most appropriate course to navigate current Russian divestment efforts.

Respectfully,

Vivian Gray
SACRS President

cc: Senator Mike McGuire
Senator Dave Cortese
Consultant Senate Governmental Organization Committee

MARIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION (MCERA) STATEMENT OF INVESTMENT POLICY REGARDING DIVESTMENT

ADOPTED: July 10, 2013
REVIEWED: May 4, 2016
REVIEWED: May 1, 2019
REVIEWED: May 4, 2022

I. PURPOSE

The MCERA Investment Policy Statement sets forth MCERA's overarching investment purposes and objectives with regard to all of its investment programs.

This document sets forth MCERA's policy ("Policy") for responding to external or internal initiatives that urge MCERA to sell investments or refrain from making additional investments ("Divesting") for the purpose of achieving certain goals that do not appear to be primarily investment-related ("Divestment Initiatives"). Typically, Divestment Initiatives focus on companies that do business in a specified country, or engaged in a specified industry, or in specific practices deemed undesirable by federal and state law ("Targeted Companies").

II. BACKGROUND

MCERA wants companies in which it invests to meet high corporate governance and ethical standards of conduct. The MCERA Board of Retirement and Investment Committee believe that such standards generally will promote superior long-term investment performance. The MCERA Board of Retirement and Investment Committee concur with the California Public Employees' Retirement System's determination in its Policy Regarding Divestment dated February 17, 2009, however, that "prefers constructive engagement to Divesting as a means of affecting the conduct of entities in which it invests" (the "CalPERS Policy"). To the extent possible MCERA will seek to collaborate with other public retirement systems such as CalPERS and organizations such as the State Association of County Retirement Systems (SACRS) to seek good governance and conduct from the companies hired to invest trust fund assets.

MCERA's Board of Retirement and its staff have fiduciary duties of loyalty and prudence under the California Constitution, article XVI, section 17, and California Government Code section 31588, and are required to discharge their duties regarding investments and otherwise "with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of a like character and with like aims." (Cal. Const., art. XVI, sec. 17 (c).)

These fiduciary duties generally forbid MCERA from compromising investment performance for the purpose of achieving goals that do not directly relate to the MCERA operations or benefits. As stated in the CalPERS Policy:

> Divesting appears to almost invariably harm investment performance, such as by causing transaction costs (e.g., the cost of selling assets and reinvesting the proceeds) and

compromising investment strategies. In addition, there appears to be considerable evidence that Divesting is an ineffective strategy for achieving ethical or political goals, since the unusual consequence is often a mere transfer of ownership of divested assets from one investor to another. Investors that divest lose their ability as shareowners to influence the company to act responsibly.

This Policy, therefore, generally discourages Divesting in response to Divestment initiatives, but encourages MCERA to use constructive engagement, where consistent with fiduciary duties, to help Divestment Initiatives achieve their goals.

III. POLICY

Consistent with MCERA's Investment Policy Statement, which describes the utilization of external investment managers to invest and manage plan assets, investment managers shall have designated discretion to direct and manage the investment and reinvestment of assets provided by MCERA unless otherwise provided in their contract. Because these managers have been provided certain discretion over investment management, MCERA will not undertake discussions of Divestment Initiatives with external managers if investments in the Targeted Companies align with the style and methodology for which the manager was hired. This approach is consistent with that taken by other public retirement systems including CalPERS.

If MCERA were to undertake the internal management of specific trust fund assets, the Board may exercise its discretion to establish parameters to limit how trust fund dollars are to be deployed in different asset classes, subject to fiduciary diligence regarding the risk/return expectations prior to taking such action.

MCERA may undertake constructive engagement, and/or collaborate with fellow public pension systems, in support of Divestment Initiatives to the extent the MCERA Investment Committee determines to be appropriate or as required by law. MCERA will only sell Targeted Companies or refrain from making additional investments if the following conditions apply:

A. Investment in the Targeted Company is imprudent and inconsistent with fiduciary duties. MCERA recognizes that the prudence of an investment may depend on its purposes. For example, it may be imprudent to retain an investment in an actively managed portfolio, but prudent to retain it in an indexed portfolio.

B. The investment is in violation of constitutional federal or California state laws that require Divesting, if any.

When evaluating whether to undertake constructive engagement in support of Divestment Initiatives, and/or to support other public pension systems in such efforts, the Investment Committee will use the following criteria as a general evaluation guideline:

1. Principles: To what extent is the issue clearly aligned with principle/policy language already developed by MCERA?

2. Capacity: Does MCERA, with or without other public retirement system partners, have the expertise and resources to influence a meaningful outcome?

3. Risk/Return: Has sufficient analysis been performed for MCERA to be reasonably confident that pursuing the initiative will have a positive or neutral impact on MCERA's risk-adjusted returns?

4. Timeliness: Is the issue time sensitive with a clearly defined deadline?

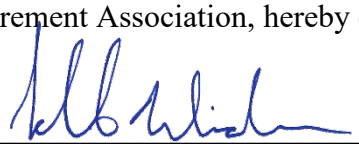
5. Definition and Likelihood of Success: Is there a likelihood of success that MCERA action will influence an outcome that can be measured? Can we partner with others to achieve success?

IV. POLICY REVIEW

The Board shall review this Policy at least every three years to ensure that it remains relevant and appropriate. The Policy may be amended at any time by majority vote.

V. RETIREMENT ADMINISTRATOR'S CERTIFICATE

I, Jeff Wickman, the duly appointed Retirement Administrator of the Marin County Employees' Retirement Association, hereby certify the review of this Policy on May 4, 2022.



Retirement Administrator

E.2 Future Meetings

This is a discussion with no backup.

F.1

MCERA
Conference and Training Calendar
July 2022

Cooper	Gladstern	Jones	Klein	Martinovich	Murphy	Poirier	Shaw	Silberstein	Tomlin	Werby	Wickman	Hardesty	Matyurin	Dunning	Date	Approved	Sponsor	Program	Location
															TBD		ILPA Institute	Private Equity for Trustees	TBD
															7/17-20/22	*	SACRS	Modern Investment Theory & Practice for Pension Systems	U.C. Berkeley, CA
															7/25-27/22	*	CalAPRS	Management Academy 3	Pasadena, CA
															8/21-23/22	**	NCPERS	Public Pension Funding Forum	Los Angeles, CA
															8/29-9/1/22	*	CalAPRS	Principles of Pension Governance for Trustees	Tiburon, CA
															9/8/22	*	CalAPRS	Investments Round Table	Virtual
															9/13/22	*	CalAPRS	Accountants' Round Table	Virtual
												✪			9/16/22	*	CalAPRS	Benefits Round Table	Virtual
														✪	9/16/22	*	CalAPRS	Attorneys' Round Table	Virtual
															9/21-23/22	*	CII	Fall Conference	Boston, MA
															9/20-22/22	*	Callan	Introduction to Investments	Virtual
											✪				9/28-30/22	*	CalAPRS	Administrators' Institute	Long Beach, CA
															10/7/22	*	CalAPRS	Course in Disability Retirement Administration	Oakland, CA
															10/9-12/22	**	CRCEA	Fall Conference	Sacramento, CA
															10/17-18/22	*	Nossaman	Public Pensions & Investments Fiduciaries' Forum	Los Angeles, CA
															10/18/22	*	CalAPRS	Administrative Assistants' Round Table	Virtual

Cooper	Gladstern	Jones	Klein	Martinovich	Murphy	Poirier	Shaw	Silberstein	Tomlin	Werby	Wickman	Hardesty	Matyurin	Dunning	**Date**	Approved	**Sponsor**	**Program**	**Location**
													✪		10/21/22	*	CalAPRS	Information Technology Round Table	Virtual
															10/28/22	*	CalAPRS	Trustees' Round Table	Virtual
															11/2-4/22	*	CalAPRS	Intermediate Course in Retirement Plan Administration	TBD – In person
															11/8-11/22	*	SACRS	Fall Conference	Long Beach, CA
															12/7-9/22	*	CalAPRS	Advanced Course in Retirement Plan Administration	TBD – In person
															3/4-7/23	*	CalAPRS	General Assembly	Monterey, CA
															3/6-8/23	*	CII	Spring Conference	Washington, DC
															4/2-4/23	*	Callan	National Conference	Scottsdale, AZ
															5/9-12/23	*	SACRS	Spring Conference	San Diego, CA

*Pre-approved events: CalAPRS; Callan; CII; Nossaman LLP; NCPERS; SACRS – ** Board-approved events – New event or attendee

CALLAN Callan College
http://www.callan.com/education/college
Callan investment Institute
http://www.callan.com/education/cii/conferences.asp

NCPERS National Conference of Public Employee Retirement Systems
SACRS State Association of County Retirement Systems
http://www.sacrs.org

CONSENT CALENDAR
MCERA BOARD MEETING, WEDNESDAY, JULY 13, 2022

JUNE 2022

RETURN OF CONTRIBUTIONS			
Jaishree Chandrasekar	Refund of Contributions (termination)	$	4,888.88
Crystal Nielsen-Ramirez	Refund of Contributions (termination)	$	27,009.37
Catherine Pfister	Refund of Contributions (termination)	$	29,091.61
Justin Schraeder	Partial Refund of Contributions (age change)	$	16,148.07
Andrew Swain	Refund of Contributions (termination)	$	124,543.43

BUYBACKS		
John Aitchison	$	12,960.31
Jennifer Black	$	3,300.02
Kerline Gilles-Ngnitang	$	9,686.25
Icela Gonzalez	$	3,259.91
Alfredo Limeta	$	13,728.43
Jon Montgomery	$	10,243.61
Marc Oncina	$	6,400.69
Rashida Skaar	$	5,149.08
Cynthia Smith	$	1,235.74
Laurie Soderstrom	$	12,050.33
Emily Stickel	$	529.00
Thomas Wong	$	11,035.02

NEW RETIREES	
Ben Berto	County of Marin - Community Development
Barbara Douglas-White	Marin City Community Services District
Donald Donlon	County of Marin - Finance
Joseph Duong	County of Marin - Health & Human Services
Lisa Goldfien	City of San Rafael
Bernadette Helson	County of Marin - Health & Human Services
Konrad Knudsen	County of Marin - Health & Human Services
Margie Roberts	County of Marin - Finance

DECEASED RETIREES	
Anneliese Brandt	County of Marin - Probation
Danilo Briones	County of Marin - Finance
Patricia Calhoon	County of Marin - Health & Human Services
Elizabeth Fegan	County of Marin - Probation
Robert Hess	City of San Rafael
Karen Hope	County of Marin - Health & Human Services
Robert Klein	County of Marin - Sheriff/Coroner
Jan Linder	Marin Superior Court
Lance Mannetter	County of Marin - Sheriff/Coroner
Patricia Ruth	County of Marin - District Attorney