AGENDA

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

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

January 10, 2024 – 9:00 a.m.

This meeting will be held at the address listed above and, absent technological disruption, will be accessible via videoconference and conducted in accordance with Government Code section 54953 and 54954.2 through December 31, 2025.

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

CONSIDER ANY BOARD MEMBER REQUESTS TO TELECONFERENCE FOR "JUST CAUSE" OR "EMERGENCY," AS SET FORTH ON THIS AGENDA BELOW

MINUTES

December 6, 2023 Investment Committee Meeting
December 13, 2023 Board 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. MATTERS OF GENERAL INTEREST

1. Preliminary Actuarial Valuation Results June 30, 2023 – Cheiron, Graham Schmidt
   Presentation of preliminary results for the annual actuarial valuation

2. 2023 Experience Study Preview – Demographic Assumptions – Cheiron, Graham Schmidt
   Presentation of preliminary demographic results from the 2023 Experience Study

C. BOARD OF RETIREMENT MATTERS

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

   b. Staffing Update

   c. Facility Use Report

   d. Future Meetings
      - January 17, 2024 Investment Committee
      - February 14, 2024 Board

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

   b. Other Comments

D. CONSIDERATION OF AND ACTION ON NON-CONSENT AGENDA DISABILITY RETIREMENT APPLICATIONS (TIME CERTAIN: 9:30 a.m.) (CLOSED SESSION) (ACTION)

Any non-Consent Agenda disability retirement application, whether pulled from the Disability Consent Agenda or originally agendized as a non-Consent agenda item, will be considered in Closed Session unless the applicant specifically waives confidentiality and requests that his or her application be considered in Open Session. The Board will move into Closed Session via virtual breakout room if the applicant or counsel appear before the Board remotely. The live stream will indicate the Board is in Closed Session.

1.	Rachael Yamanoha	Service-Connected	Marin County District Attorney

Initial consideration of an application for service-connected disability retirement.

E. NEW BUSINESS

1. Fiduciary Liability Insurance (ACTION)
   Consider and take possible action on selection of fiduciary liability insurance provider

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.

Note on Board Member requests to participate by teleconference under Government Code section 54953, subdiv. (f): At least a quorum of the Board must be present together physically at the meeting to invoke this provision. The provision is limited to "just cause" and "emergency" circumstances, as follows:

> "Just cause" is only: (1) a childcare or caregiving need of a child, parent, grandparent, grandchild, sibling, spouse or domestic partner that requires them to participate remotely; (2) a contagious illness that prevents a member from attending in person; (3) a need related to a physical or mental disability, as defined; or (4) travel while on official business of MCERA or another state or local agency. A Board member invoking "just cause" must provide a general description of the circumstances relating to their need to appear remotely at a given meeting, and it may not be invoked by a Board member for more than two meetings in a calendar year.
>
> "Emergency circumstances" is only: "a physical or family medical emergency that prevents a member from attending in person." The Board member invoking this provision must provide a general description of the basis for the request, which shall not require the member to disclose personal medical information. Unlike with "just cause," the Board must by majority vote affirm that an "emergency circumstance" situation exists.

As to both of the above circumstances, the Board member "shall publicly disclose at the meeting before any action is taken whether any other individuals 18 years of age or older are present in the room at the remote location with the member and the general nature of the member's relationship with any such individuals." Also, the Board member "shall participate through both audio and visual technology," and thus be both audible and visible to those attending. Finally, no Board member may invoke these teleconference rules for more than three consecutive months or 20 percent of the regular meetings of the Board.

Note on teleconference disruption that interrupts the live stream: In the event of a technological or similar disruption, and provided no Board/committee members are attending by teleconference, the meeting will continue in person.

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

MINUTES

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

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

December 6, 2023 – 9:00 a.m.

This meeting was held at the address listed above and was accessible via videoconference and conducted in accordance with Government Code section 54953 and 54954.2.

CALL TO ORDER

Chair Klein called the meeting to order at 9:03 a.m.

ROLL CALL

PRESENT: Gladstern, Klein, Martinovich, Murphy, Poole, Silberstein, Vasquez, Werby, Shaw (ex officio alternate)

ABSENT: Cooper, Gullett (alternate safety), Jones (alternate retired)

CONSIDER ANY BOARD MEMBER REQUESTS TO TELECONFERENCE FOR "JUST CAUSE" OR "EMERGENCY," AS SET FORTH ON THIS AGENDA BELOW

No Board members requested to teleconference.

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.

B. MANAGER REPORTS

1. Manager Overview – Jim Callahan, Callan LLC

   Jim Callahan, President of Callan LLC, stated AEW manages one of two core private real estate portfolios for MCERA. Mr. Callahan noted the real estate sector has had challenges over the past year.

2. AEW – Real Estate – Lily Kao, Candida Hoeberichts
   TIME CERTAIN: 9:05 a.m.

   Lily Kao, Senior Portfolio Manager for the AEW Core Property Fund, reported after 13 years of appreciating real estate values, the past year has been volatile with declining valuations reflecting a real estate correction. Ms. Kao said the quick rise in interest rates and post-Covid environment have affected valuations and contributed to headwinds in the Office sector. Nevertheless, the Fund continues to outperform by investing in high-quality assets with durable income.

   Ms. Kao reported average occupancy in the Fund is 95% and nearly 70% of assets are invested in the Industrial and Residential sectors. Since 2021 the Industrial allocation has been increased and the Office sector reduced. These sector allocations and increasing net operating income are driving portfolio performance. Ms. Kao noted the core strategy limits risk through relatively low leverage of 28% loan-to-value and limited debt maturity risk. Trustee Werby asked about the marked difference between income and appreciation returns for one year, and Ms. Kao said she will get back to him on those calculations.

   Chair Klein asked about the appraisal process. In response, Ms. Kao stated all properties are valued every quarter by a third party based on cash flows and replacement cost. She noted in general real estate trades are down from what is normal activity and the buyer pool has more private buyers rather than institutions.

   Trustee Silberstein asked if Ms. Kao anticipates changing sector allocations. Ms. Kao replied historically the portfolio has been weighted to the East and West Coasts of the U.S. and also the South. Sectors have a material weight to Industrial which is diversified by investing in cold storage. Going forward they will look for opportunities to purchase more multifamily properties, and the Office allocation will continue to be reduced. Ms. Kao said due to the quiet transaction market, AEW is being patient and disciplined about acquisitions.

   Trustee Vasquez asked about the makeup of Industrial properties, which Ms. Kao said are primarily warehouses with a small allocation to cold storage. Geographically, most Industrials are located in Los Angeles, northern New Jersey, and Miami because they have the best supply-demand drivers. Trustee Werby asked how climate risk is assessed for properties in South Florida. Ms. Kao replied AEW provides information to the Global Real Estate Sustainability Benchmark and has a Chief Sustainability Officer who assesses physical and governance risk for properties across the portfolio.

Trustee Werby asked if fewer people are using office space and Ms. Kao indicated occupants are 50 to 60% of prior levels depending on the location. She indicated some industries and jobs are completely virtual and therefore is expecting structurally lower office occupancy going forward.

Addressing debt, Ms. Kao stated the portfolio is not exposed to loans with high interest rates and 84% of loans have fixed rates. Ms. Kao noted in 2023 AEW was able either to pay off or extend loans with no paydowns. For 2024, Ms. Kao said the plan is to exercise extension rights which most loans have.

Chair Klein asked about apartment rents, which Ms. Kao said are rising at a modest pace due to people moving to the suburbs and working from home. Trustee Silberstein noted it is cheaper to rent rather than own housing and asked if this disparity would continue. Ms. Kao replied she likes the housing sector, explaining the U.S. is undersupplied and she expects demand to be strong, noting that every submarket has different drivers. In the near term an economic slowdown would be likely to result in less robust growth in the multi-family sector.

Chair Klein asked if Ms. Kao would consider repurposing office buildings and she replied that is not a strategy for this core real estate fund because of the risk. Trustee Vasquez asked if the government would buy distressed properties and then sell them later, such as happened in the savings and loan crisis. In response, Ms. Kao stated that she did not see the government taking this approach due to the potential risk. She is expecting a long-term structural vacancy in the Office sector.

Jim Callahan asked how AEW is working on the redemption queue. Ms. Kao replied that the redemption queue is being paid down, but not with significant amounts due to the quiet real estate market. The redemption queue began in 2022 and is just under $1 billion, about 15% of the Net Asset Value (NAV) of the Fund.

C. NEW BUSINESS

1. <u>Watch Period Review – Callan LLC – Jim Callahan, Anne Heaphy</u>
   a. <u>Invesco Balanced-Risk Commodities Fund (ACTION)</u>
   Consider and take possible action regarding Watchlist status

   Anne Heaphy, Senior Vice President with Callan LLC, stated Callan's proposal is to remove the Invesco Balanced-Risk Commodities Fund from the Watchlist because it no longer qualifies based on quantitative criteria. Ms. Heaphy explained the 3-year net-of-fee return has improved this year.

It was M/S Werby/Vasquez to remove the Invesco Balanced-Risk Commodities Fund from the Watchlist for one year. The motion passed by a vote of 8-0 as follows:

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

b. Wellington Core Plus Fixed Income (ACTION)
Consider and take possible action regarding Watchlist status

Ms. Heaphy stated the Wellington Core Plus Fixed Income portfolio qualifies for the Watchlist based on its 5-year peer group ranking being slightly below the median. She noted duration positioning above the index has been a headwind to performance. Trustee Vasquez asked what the strategy was going forward and Ms. Heaphy replied the manager expects interest rates to decline. Mr. Callahan added Wellington is definitely overweight long duration, which has helped performance over the short term. He noted the guidelines for fixed income portfolios constrain interest rate bets.

It was M/S Vasquez/Gladstern to place the Wellington Core Plus Fixed Income portfolio on the Watchlist for one year.

Trustee Werby asked if Mr. Callahan is recommending adding the Wellington portfolio to the Watchlist. In response, Mr. Callahan suggested following the Investment Policy Statement provisions on qualifying for the Watchlist. Trustee Silberstein supported this view.

The motion passed by a vote of 8-0 as follows:

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

2. International Equity Allocation – Passive Manager (ACTION)
Consider and take possible action to select passive manager

Ms. Heaphy said at its last meeting the Investment Committee determined to reallocate the international equity portfolio as follows: 50% passive non-US Developed, 25% active non-US Small Cap, and 25% active emerging markets. For the 50% passive sleeve the Committee narrowed manager candidates to State Street Global Advisors (SSGA) and BlackRock. Current active managers Fidelity Institutional Asset Management and TimesSquare will continue managing the Emerging Markets and non-US Small Cap funds, respectively.

Ms. Heaphy presented fee proposals from SSGA and BlackRock to manage the MSCI World ex-U.S. Index as the vehicle for the 50% passive Non-U.S. sleeve. For the securities lending vehicle, SSGA fees totaled $112,561 and BlackRock fees totaled $104,501 (based on recent market values). SSGA's fee proposal also lowers the fee for the Russell 1000 Index portfolio it manages to 2 basis points and removes the annual fee, saving approximately $35,000 per year. By comparison, BlackRock fees would be the same for the current TIPS and REIT portfolios it manages.

Ms. Heaphy discussed the difference between the lending and non-lending vehicles in response to Trustee Gladstern's inquiry. Trustee Vasquez asked if securities lenders know the borrowers. Mr. Callahan explained borrowers may be hedge funds or institutions needing to settle trades. He stated Callan is comfortable with the securities lending vehicles. Trustee Silberstein asked if using one supplier would help operations. Mr. Wickman replied MCERA has relationships with both managers, noting that SSGA manages MCERA's Russell 1000 portfolio and BlackRock is the manager for TIPS and REITS.

It was M/S Silberstein/Murphy to select State Street Global Advisors to manage the passive MSCI World ex-U.S. Index lending equity portfolio. The motion passed by a vote of 8-0 as follows:

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

3. Investment Policy Statement updates (ACTION)
Consider and take possible action on recommended amendments to the Investment Policy Statement.

   a. Investment Goal Statement: Add PEPRA reference

   b. Investment Goal Statement: Update rebalancing procedure

   c. Appendix A – Long-Term Strategic Asset Allocation Targets and Ranges: Update rebalancing procedures

Mr. Wickman stated the Governance Committee is recommending that updates to the Investment Policy Statement be considered by the Investment Committee. The first update is to include a reference to the Public Employees' Pension Reform Act (PEPRA) in the Policy. Other updates have to do with the process of rebalancing the Fund. The intent is to tighten up the time frames for the physical rebalancing of portfolios when they pierce target ranges.

Mr. Callahan explained that Parametric monitors target ranges on a daily basis for major categories such as fixed income and U.S. equities. Trustee Werby asked if the word "materially" should be defined and it was generally agreed to remove the word.

It was M/S Silberstein/Vasquez to approve amendments to the Investment Policy Statement with the word "materially" removed. The motion passed by a vote of 8-0 as follows:

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

4. Future Meetings

No discussion.

D. INVESTMENT CONSULTANT QUARTERLY REPORT

1. Summary Report as of September 30, 2023

Mr. Callahan reported on the capital markets for the quarter ending September 30, 2023. Public equity returns were negative for the quarter due to concern about rising interest rates. For the calendar year to date, large cap stocks have performed meaningfully better than small caps, with the 'Magnificent Seven' large cap stocks driving the vast majority of market performance. As a result, the Fund's overweight to small cap equity has been a headwind to performance. International equities have been underperforming U.S. equities. Interest rates rose during the quarter, causing the bond index to be down. Real estate and private equity assets are still undergoing write-downs.

Asset allocations are within target ranges and the total Fund value is just over $3 billion. For the quarter the total Fund return net of fees was negative 3.2% and up 8.5% for the prior 12 months. The fiscal year net return to date is 6.5%.

Net of fees, the domestic equity portfolio returned negative 3.2% for the quarter. The Dimensional Fund Advisors small cap core portfolio has been outperforming the Russell 2000 benchmark over the past few years. The international equity portfolio underperformed the MSCI EAFE Index for the quarter with a negative 5.5% net return versus negative 4.1% for the Index. Active managers Morgan Stanley, Fidelity Institutional Asset Management, and TimesSquare underperformed. Mr. Callahan said it was a tough quarter for the core plus fixed income portfolio which returned negative 3.9% net of fees versus negative 3.2% for the Bloomberg Aggregate Index.

The core real estate portfolio returned negative 1.2% net of fees for the quarter versus negative 2.1% for the NFI-ODCE Equal Weight Net Index. MCERA's two managers, AEW and UBS, employ leverage to a smaller degree. Relative to their peer group, both AEW and UBS rank high for income. The UBS Trumbull Property Fund has struggled due to lower valuations for its closed malls.

The real assets portfolio returned negative 3.2% net of fees for the quarter and rose 5.2% over the prior 12 months. Commodities manager Invesco had solid results, outperforming the index for both the quarter and prior 12 months. The KBI Global Resources Fund underperformed its index due to having no traditional energy assets.

For the private equity program, MCERA has paid in 83% of the $500 million committed. MCERA has received over $477 million in distributions and the remaining net asset value is $355.7 million. Adding these together, the total realized and unrealized value is over $833 million. This translates to a total value to paid-in capital (TVPI) ratio of 2.0x, signifying successful performance for the private equity portfolio.

Of $100 million committed to the Opportunistic portfolio, $65 million has been paid in since its inception in 2020. This portfolio is in the investment stage.

a. Flash Performance Update as of October 31, 2023

Mr. Callahan reported on preliminary net-of-fee returns for the Fund as of October 31, 2023. The U.S. equity portfolio is down 6.4% for the fiscal year to date, trailing the Russell 3000 Index return of negative 5.8%. The DFA small cap core portfolio outperformed the Russell 2000 Index in the period. The international equity portfolio is modestly ahead for the calendar year to date, slightly outperforming its index. Both the TimesSquare international small cap and FIAM emerging markets portfolios added value in the period. The fixed income portfolio is slightly negative for the calendar year to date, outperforming the Bloomberg U.S. Aggregate Index. The total Fund returned negative 5.2% for the fiscal year to date and 1.3% for the calendar year to date.

Trustee Vasquez asked about the correlation of returns between private real estate and REITs. Mr. Callahan explained the correlation is low since the underlying assets in REITs are valued every day.

There being no further business, Chair Klein adjourned the meeting at 11:45 a.m.

____________________________	____________________________
Sara Klein	Attest:
Investment Committee Chair	Jeff Wickman, Retirement Administrator

For consideration at January 2024 Board meeting

MINUTES

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

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

December 13, 2023 – 9:00 a.m.

This meeting was held at the address listed above and, absent technological disruption, was accessible via videoconference and conducted in accordance with Government Code section 54953 and 54954.2.

CALL TO ORDER

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

ROLL CALL

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

ABSENT: Cooper, Gullett (alternate safety)

CONSIDER ANY BOARD MEMBER REQUESTS TO TELECONFERENCE FOR "JUST CAUSE" OR "EMERGENCY," AS SET FORTH ON THIS AGENDA BELOW

No Board members requested to teleconference.

MINUTES

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

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

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

For consideration at January 2024 Board meeting

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

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

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

A. OPEN TIME FOR PUBLIC EXPRESSION

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

Open time for public expression, from three to five minutes per speaker, on items not on the Board Agenda. While members of the public are welcome to address the Board during this time on matters within the Board's jurisdiction, except as otherwise permitted by the Ralph M. Brown Act (Government Code Sections 54950 et seq.), no deliberation or action may be taken by the Board concerning a non-agenda item. Members of the Board may (1) briefly respond to statements made or questions posed by persons addressing the Board, (2) ask a question for clarification, or (3) provide a reference to staff for factual information.

No members of the public provided comment.

B. MATTERS OF GENERAL INTEREST

1. GASB 67/68 Report (ACTION) – Cheiron, Graham Schmidt
   Consider and take possible action to adopt June 30, 2023 GASB 67/68 Report

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

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

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

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

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

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

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

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

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

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

For consideration at January 2024 Board meeting

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

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

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

E. DISABILITY CONSENT AGENDA (TIME CERTAIN: 9:30 a.m.) (ACTION)

Any item that a Board member requests be pulled from the Disability Consent Agenda will be considered in Closed Session under the authority of Government Code section 54957(b), unless the applicant specifically waives confidentiality and requests that their application be considered in Open Session.

1. Eric Smith   Service-Connected   Marin County Sheriff

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

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

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

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

C. APPOINTMENT OF BOARD STANDING COMMITTEES

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

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

   INVESTMENT COMMITTEE

Sara Klein, Chair	Laurie Murphy
Chris Cooper	Kelsey Poole
Maya Gladstern	Karen Shaw
Chris Gullett	Steve Silberstein
Dorothy Jones	Daniel Vasquez
Mina Martinovich	Todd Werby

For consideration at January 2024 Board meeting

FINANCE AND RISK MANAGEMENT COMMITTEE
Todd Werby, Chair
Mina Martinovich
Laurie Murphy
Daniel Vasquez

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

AUDIT COMMITTEE
Mina Martinovich, Chair
Laurie Murphy
Steve Silberstein

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

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

D. BOARD OF RETIREMENT MATTERS

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

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

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

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

The Public Employees' Pension Reform Act (PEPRA) compensation cap is calculated by the California Actuarial Advisory Panel. For non-Social Security participants the 2024 cap is $181,734, up about 3% from the prior year. This is the maximum amount that can be used to calculate the retirement benefit. This cap and the cap for Social Security participants ($151,446) have been communicated to all MCERA employers for use in their payroll systems.

b. Staffing Update

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

c. Facility Use Report

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

d. Future Meetings
- January 10, 2024 Board
- January 17, 2024 Investment Committee

2. Standing Committee Reports
   a. Finance and Risk Management Committee
      1. Administrative Budget Fiscal Year 2023/24 Quarterly Review
         Consider and review expenses for the quarter ending September 30, 2023

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

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

         See Finance and Risk Management Committee Minutes.

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

         a. Other expenses per Checklist Guidelines

            See Finance and Risk Management Committee Minutes.

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

            See discussion above.

c. MCERA educational and event-related expenses

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

d. Continuing Trustee Education Log

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

e. Internal controls, compliance activities and capital calls

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

f. Vendor services provided to MCERA

See Finance and Risk Management Committee Minutes.

g. MCERA staffing status

See Finance and Risk Management Committee Minutes.

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

See Finance and Risk Management Committee Minutes.

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

See Finance and Risk Management Committee Minutes.

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

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

b. Audit Committee
1. Financial Audit Review
Review and discuss audit results

Audit Committee Chair Gladstern reported Neeraj Datta and Andy Paulden from Brown Armstrong met with the Committee on November 29th. The update from that meeting has already been reported with the adoption of the June 30, 2023 Annual Financial Statements under **Agenda Item B.2.**

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

   See **Agenda Item B.2**.

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

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

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

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

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

b. Other Comments

No other comments.

E. NEW BUSINESS

1. Future Meetings

Consider and discuss agenda items for future meetings.

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

F. OTHER INFORMATION

1. Training Calendar (ACTION)

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

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

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

G. CONSENT CALENDAR (ACTION)

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

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

For consideration at January 2024 Board meeting

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

CONSENT CALENDAR
MCERA BOARD MEETING, WEDNESDAY, DECEMBER 13, 2023

NOVEMBER 2023

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

BUYBACKS			
Christine Wheeler		$	19,780.83

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

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

For consideration at January 2024 Board meeting

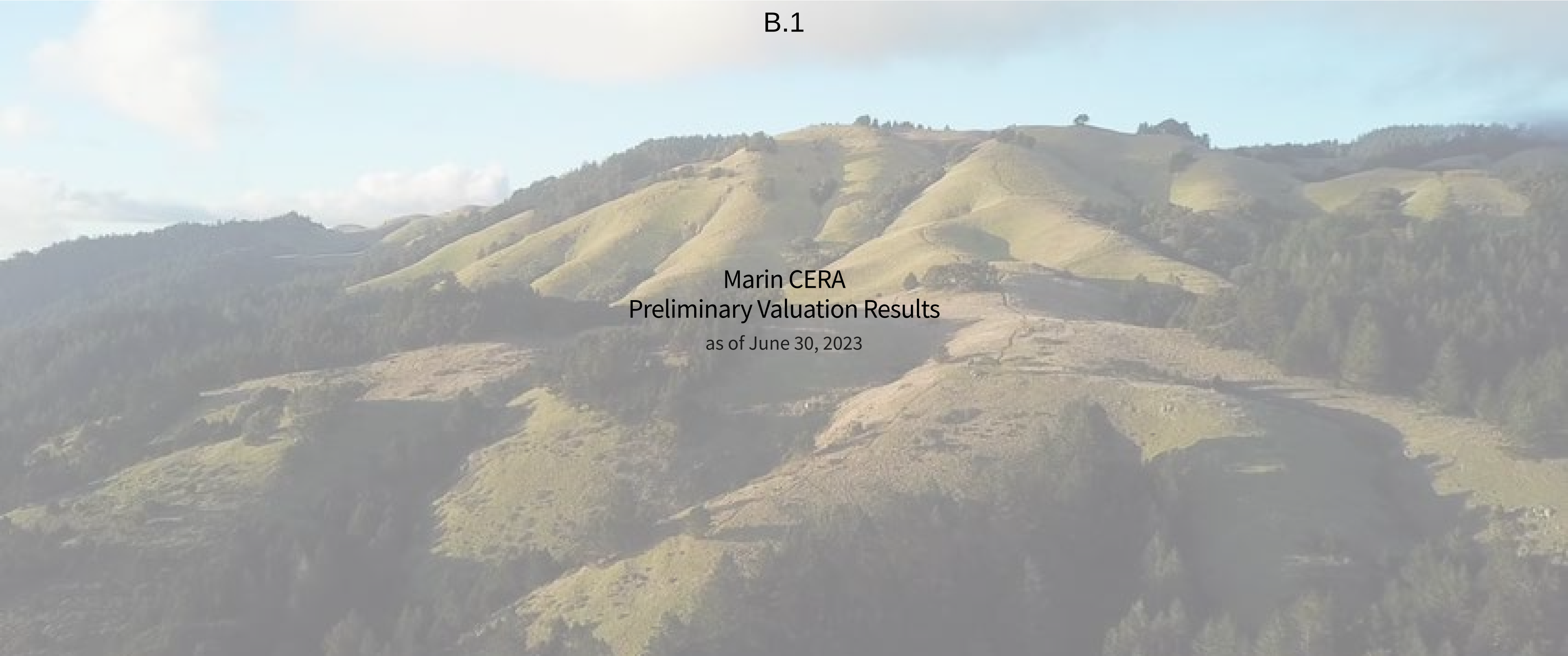
Glenn Godfrey	County of Marin - Sheriff/Coroner
David Hill	County of Marin - Information Services & Technology
Joan Latty	County of Marin - Beneficiary
William Le Noue	City of San Rafael
Marjorie Macris	County of Marin - Community Development
Virginia Rayment	County of Marin - Health & Human Services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

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

Laurie Murphy, Board Chair

Maya Gladstern, Secretary

B.1

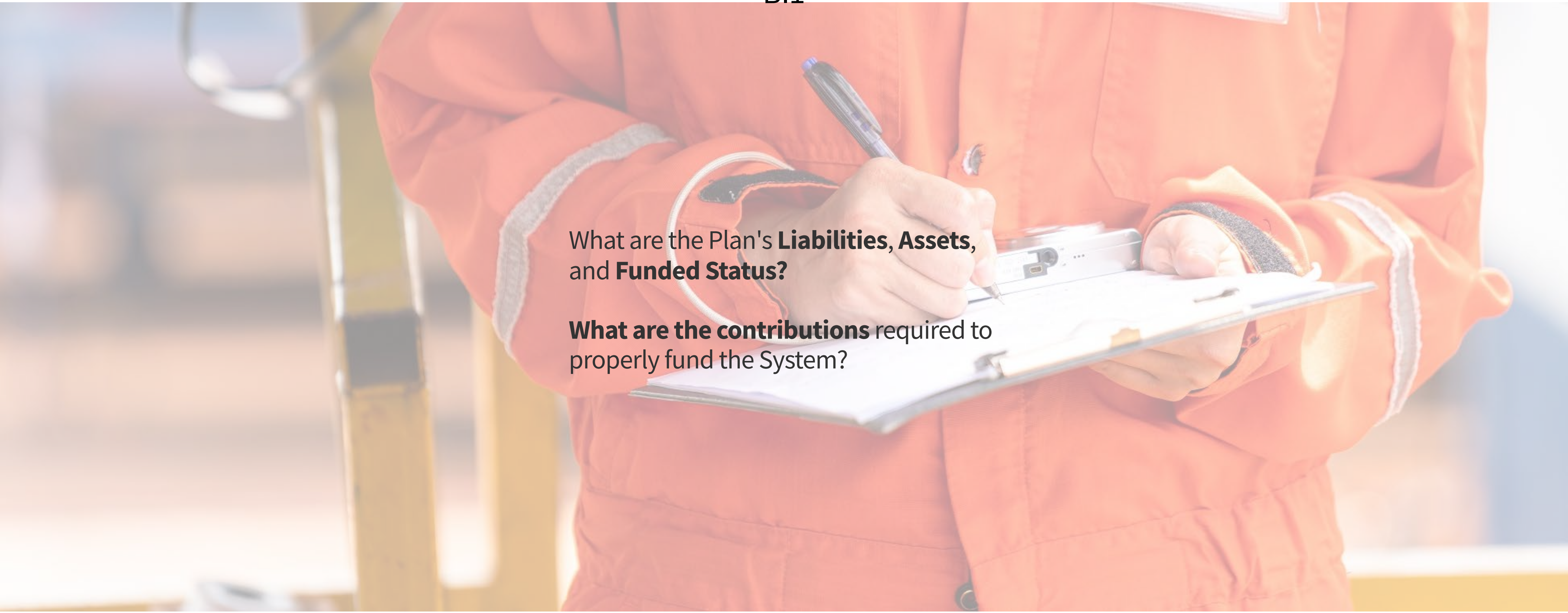


Marin CERA
Preliminary Valuation Results

as of June 30, 2023

The presentation of preliminary results reviews the changes from the prior valuation in funded status and contributions, **prior to any assumption changes made as a result of the experience study.** These results include the impact of the increase in the COLA banks for current retirees, as discussed at the fall workshop.

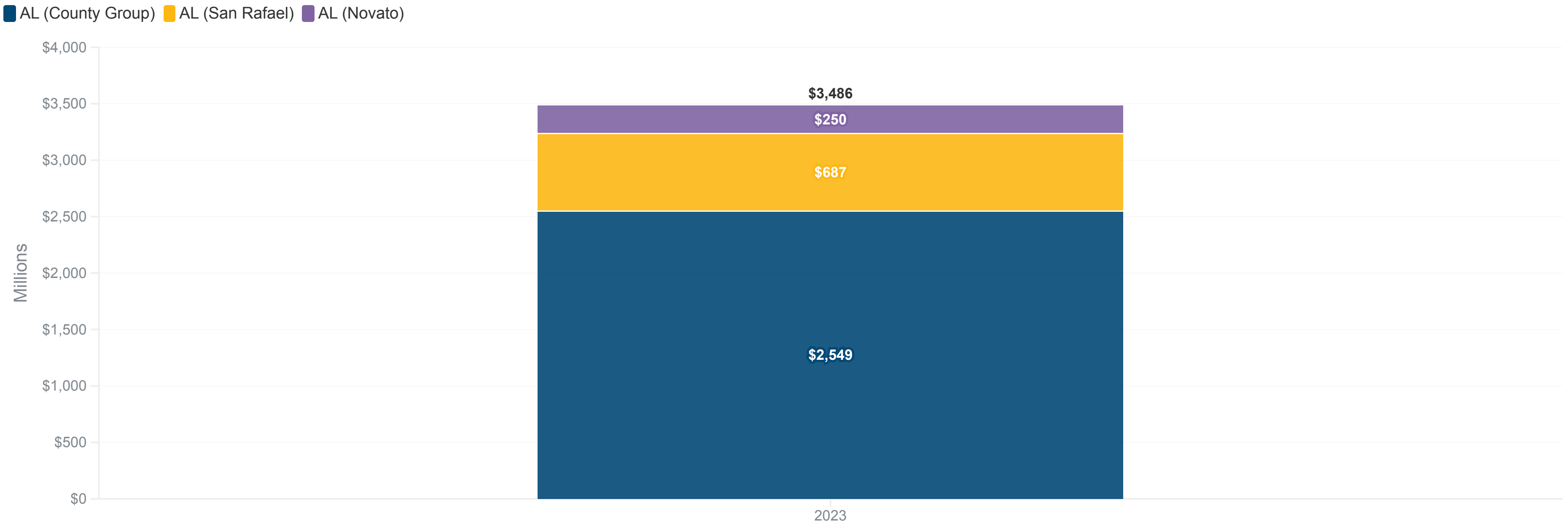
B.1



The value of the benefits already earned, known as the **Actuarial Liability** or the current funding target for the assets, is shown below divided among the three main valuation subgroups.

2023

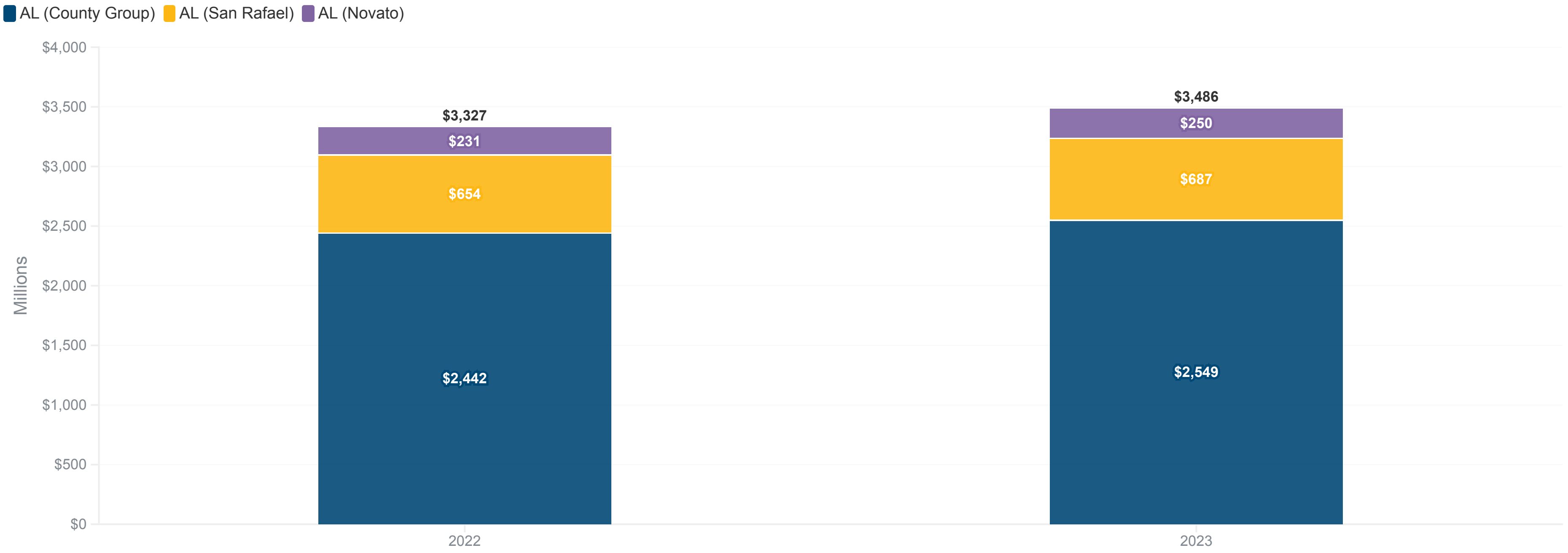
B.1



The liability increased by approximately $160M since the prior valuation, or about 4.8%.

B.1

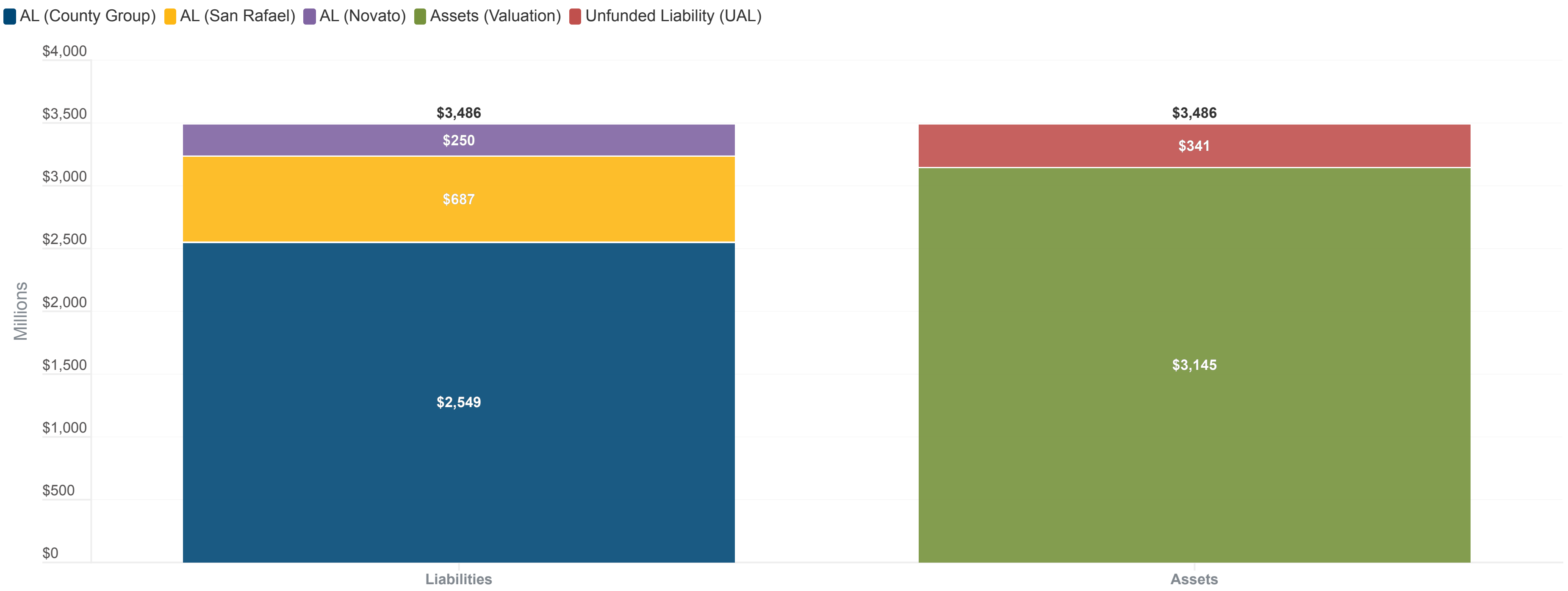
All



CHEIRON

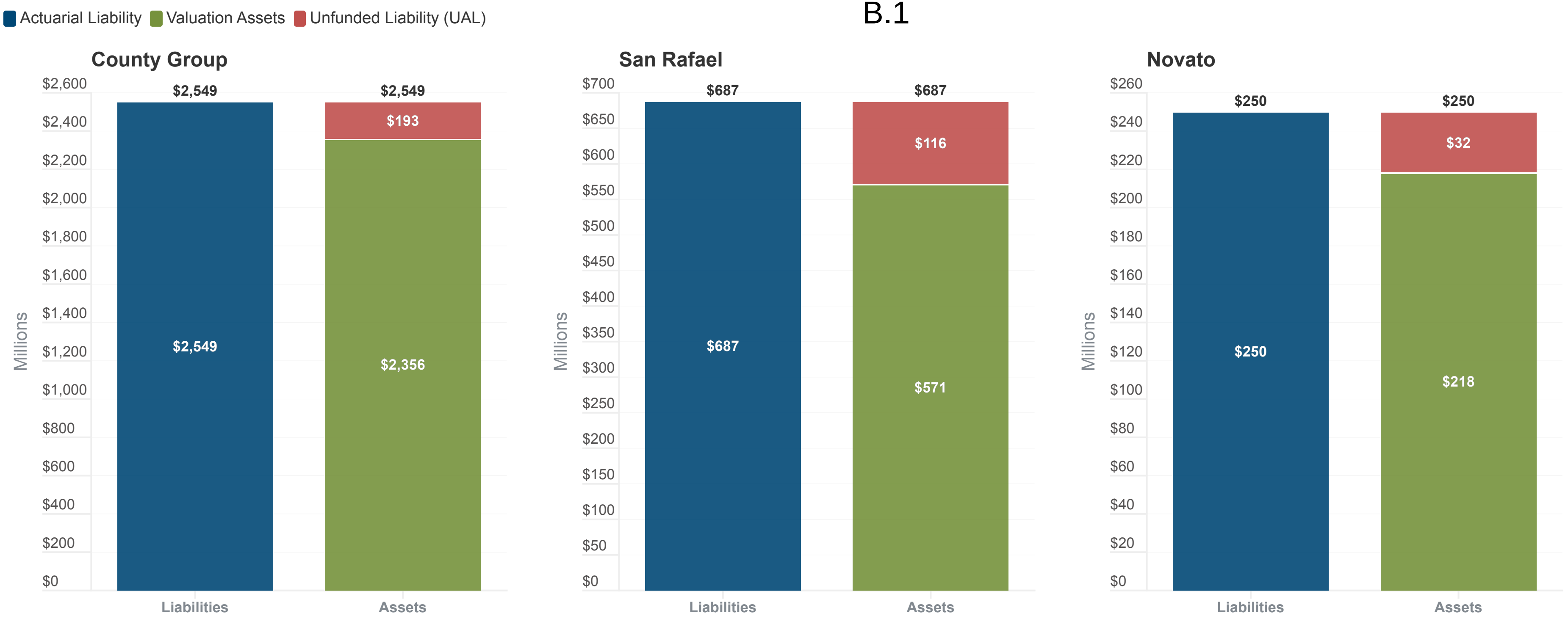
The **Unfunded Actuarial Liability (UAL)** is calculated by subtracting the **Valuation Assets** (the market value of assets, net of any non-valuation reserves) from the **Actuarial Liability.** As of June 30, 2023, the liabilities exceed the assets for the Plan as a whole by $341M under the current assumptions.

B.1



The funded status differs among the three valuation groups. MCERA separately tracks the assets for each group, which are shown below and compared to their liabilities.

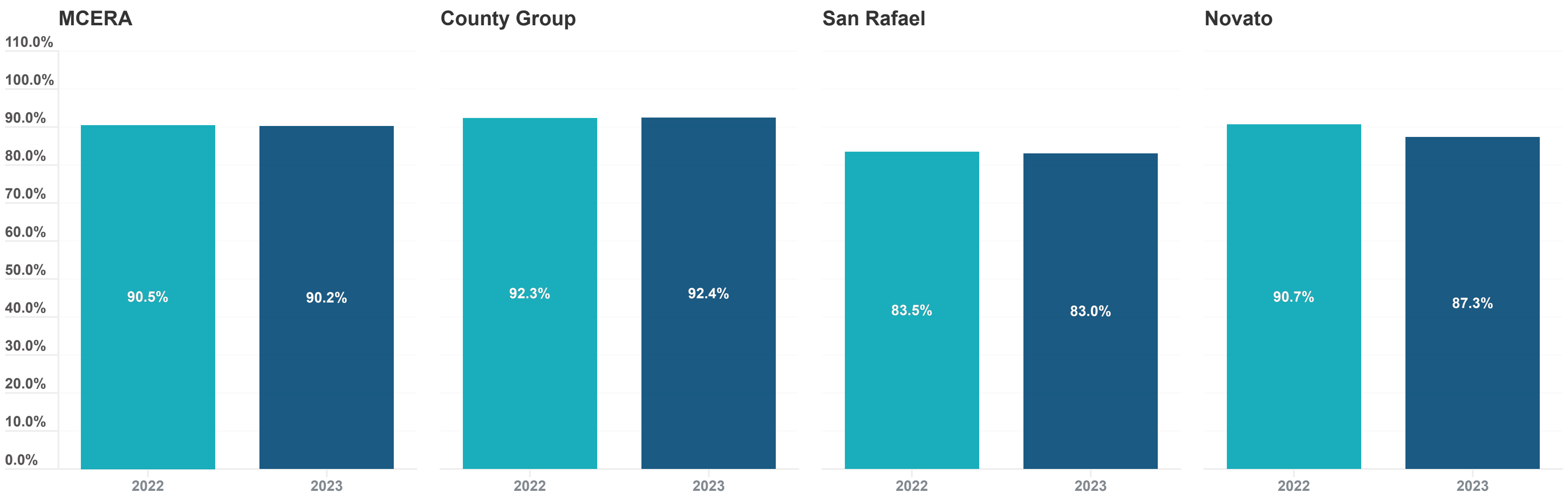
B.1



The **Funded Ratio,** calculated as the *assets divided by the liabilities,* was relatively stable for the County and San Rafael, but fell for Novato, mostly due to the impact of higher-than-expected retiree COLAs and growth in the COLA banks.

B.1

Funded Ratio



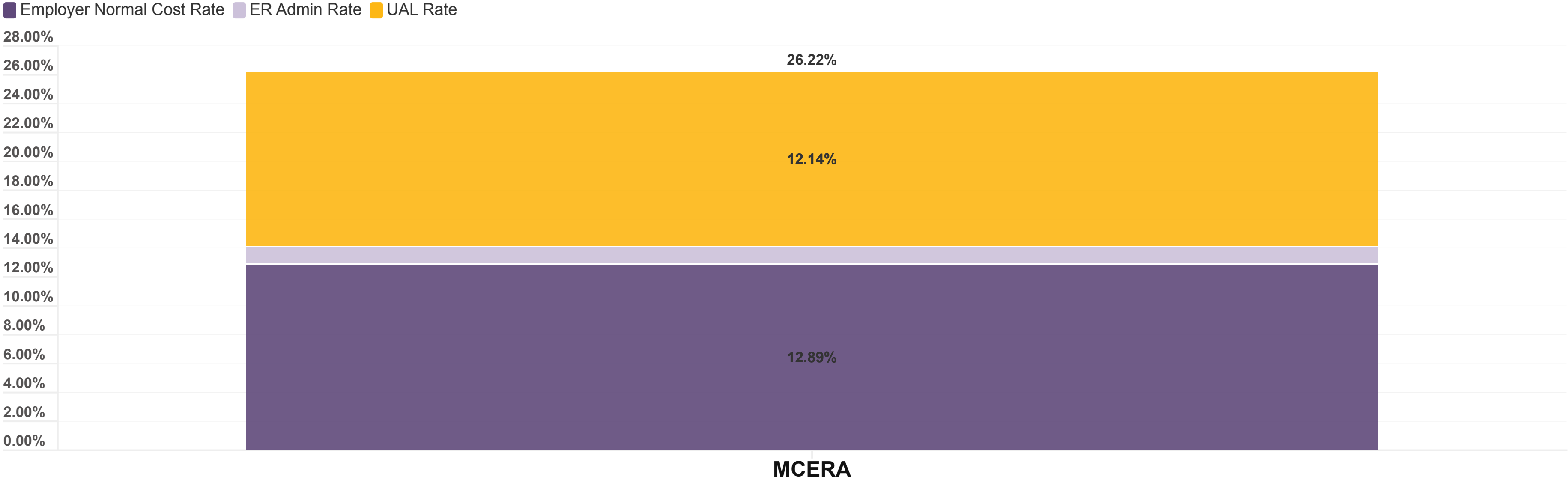
CHEIRON

The **Actuarially Determined Contributions (ADC)** for the Plan, shown *as a percentage of pensionable pay,* are effective one fiscal year after the valuation date (i.e., from 7/1/2024-6/30/2025). The ADC is made up of the **Normal Cost** (or the cost assigned to this year's benefits net of any member contributions), plus a payment to cover the employers' share of the Plan's administrative expenses, plus the **Unfunded Actuarial Liability Amortization** payment.

B.1

FYE 2025 Employer Contribution Rates

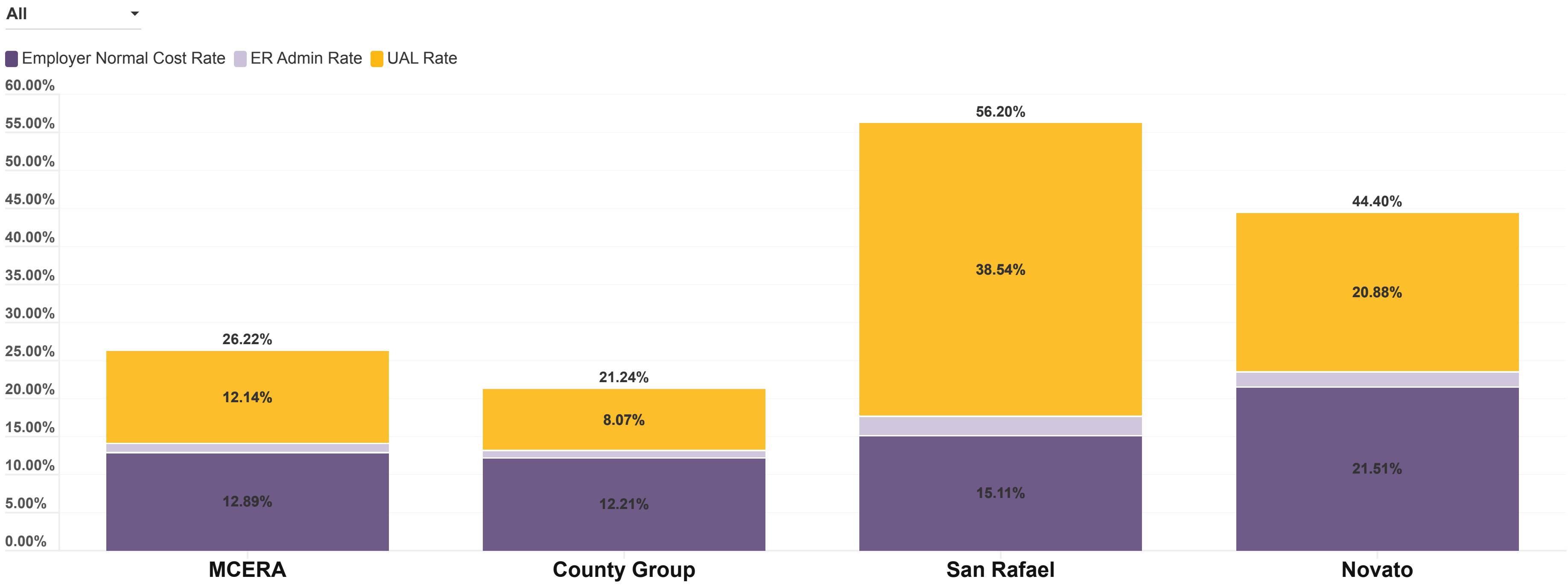
MCERA



Based on each group's funded status and Normal Cost levels, a separate employer contribution rate is calculated for each group.

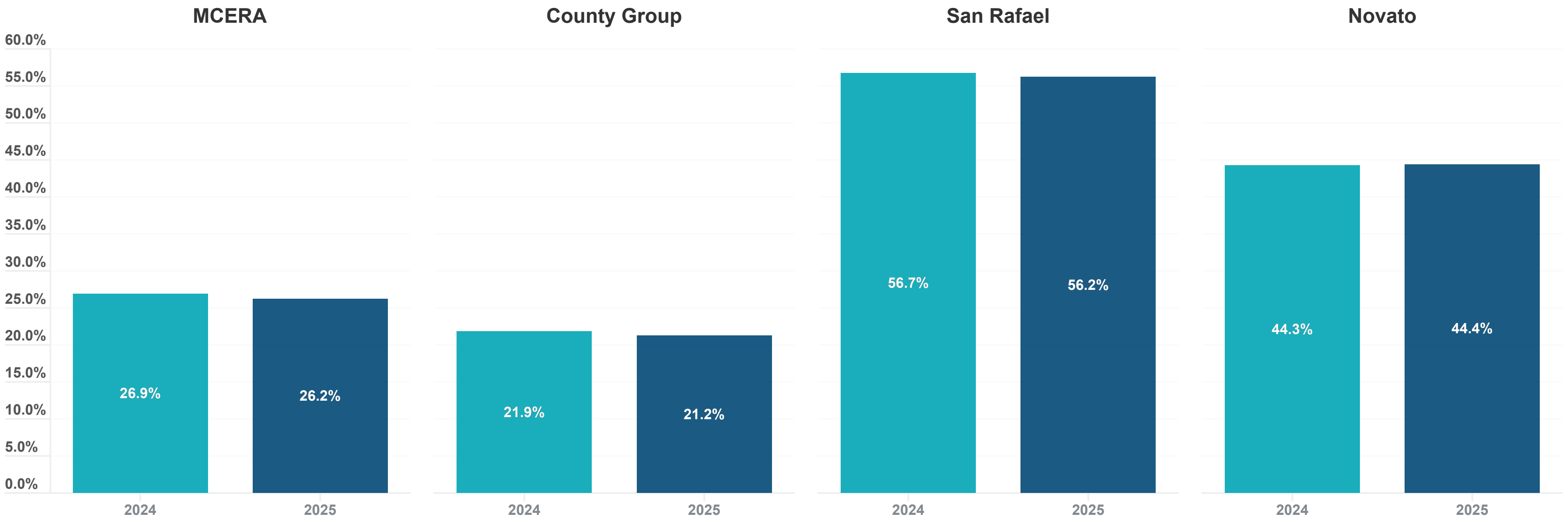
B.1

FYE 2025 Employer Contribution Rates



B.1

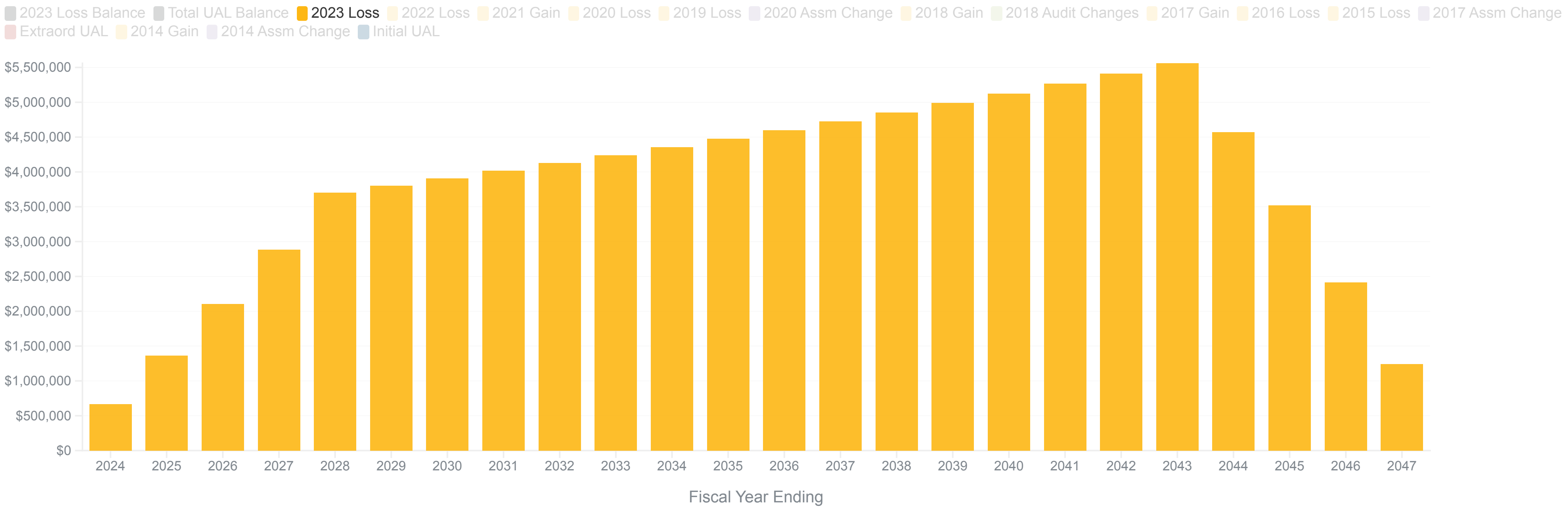
Employer Contribution Rate



CHEIRON

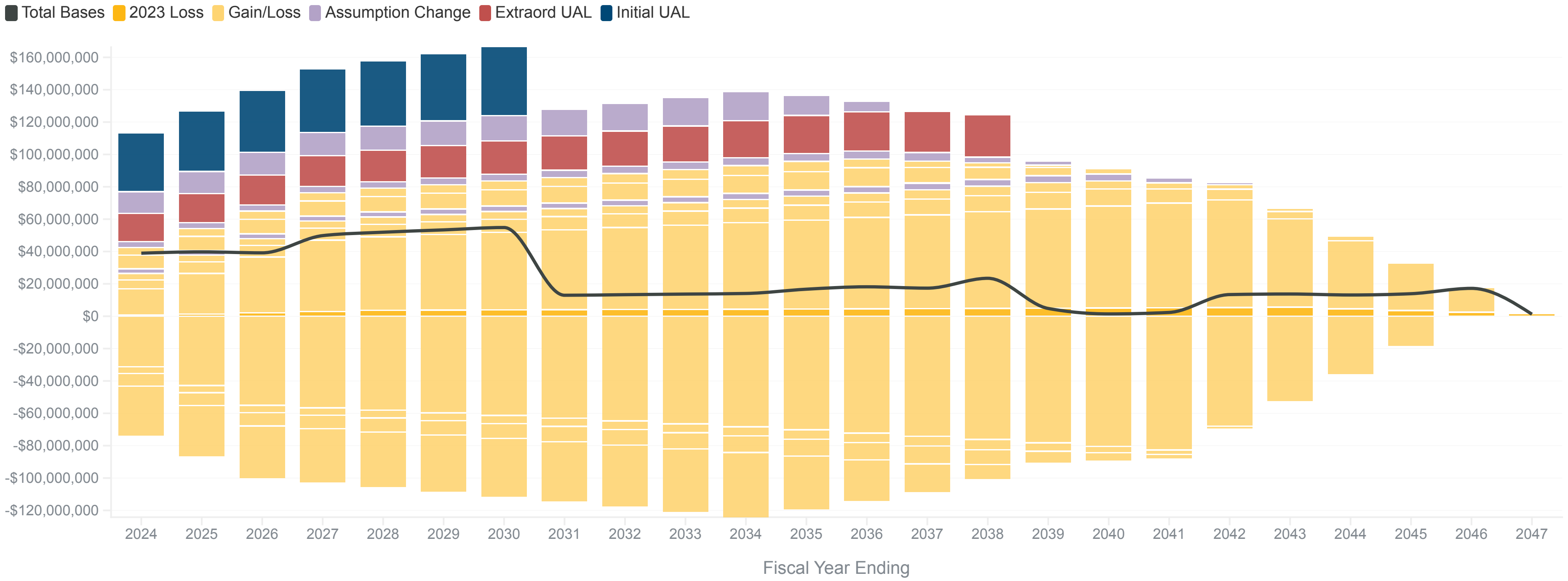
The increase in the UAL produces a new amortization layer. Each year, new changes in the UAL are amortized over 24 year periods (22 years for assumption changes). Using an approach known as **direct rate smoothing**, the new payment schedules are phased-in over a five-year period (three years for assumption changes), and then similarly phased-out at the end, with the middle payments continuing to increase at the payroll growth rates.

B.1



To get the total UAL payments, we add all the amortization layers together. Each bar represents a payment for a specific amortization layer. The net payment for the current bases is shown in the black line.

B.1



As of the prior valuation, the average ADC across all groups was 26.91% of pay. The chart below shows the components of the change in the Actuarially Determined Contribution (ADC) over the past year.

B.1

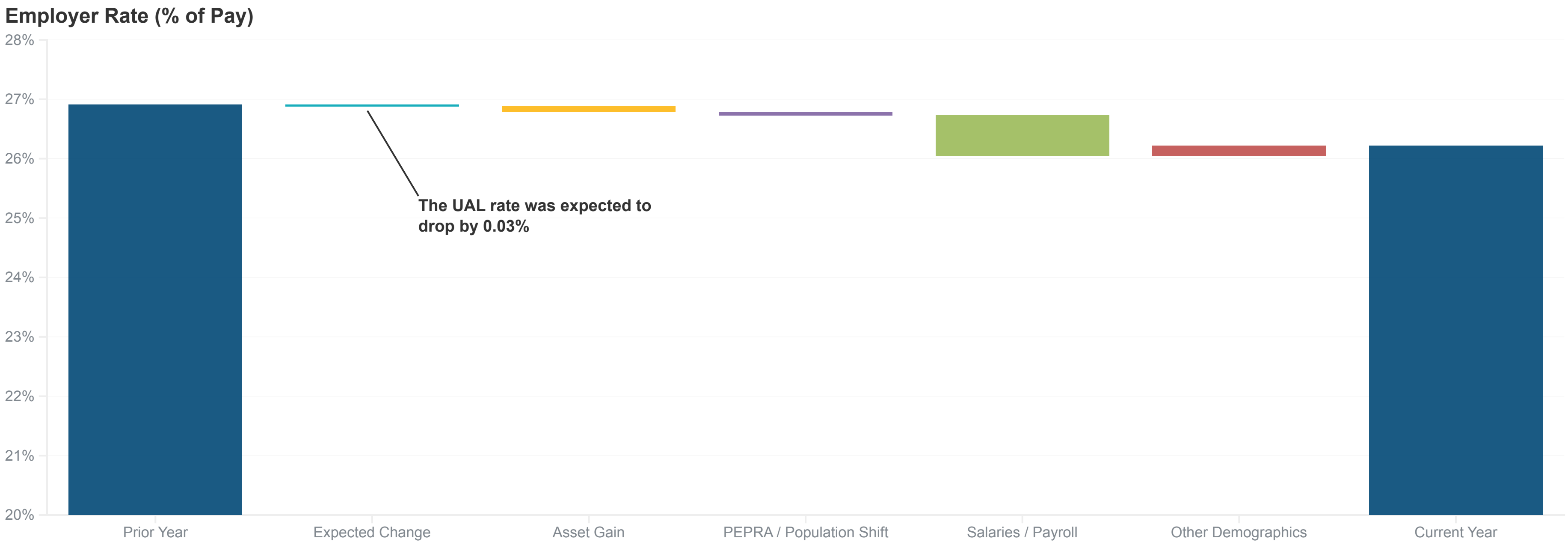
ADC Rate Change by Source

CHEIRON

The ADC rate was expected to remain relatively flat, with the phase-in of prior UAL gain and loss layers offsetting each other, particularly the large investment gain in FYE 2021 followed by the large loss in FYE 2022.

B.1

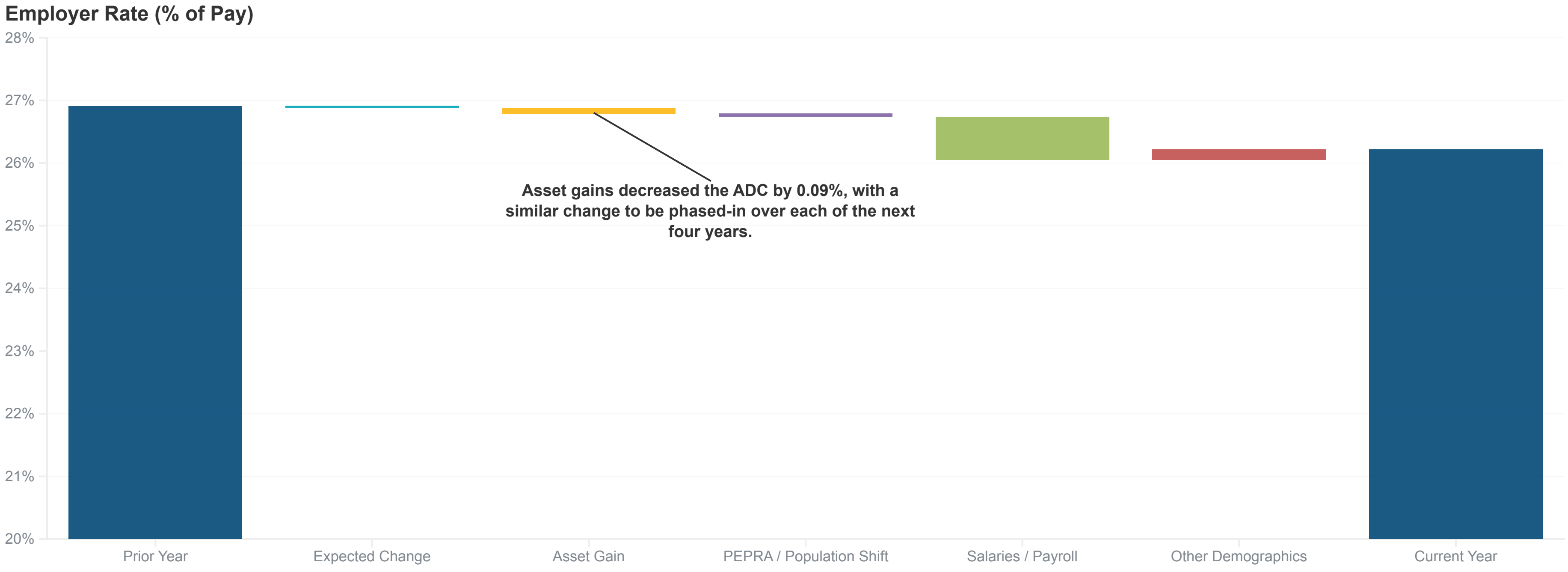
ADC Rate Change by Source



Assets returned slightly more than the 6.75% assumption (just under a 7% positive return) and contributions were higher than expected, reducing the ADC.

ADC Rate Change by Source

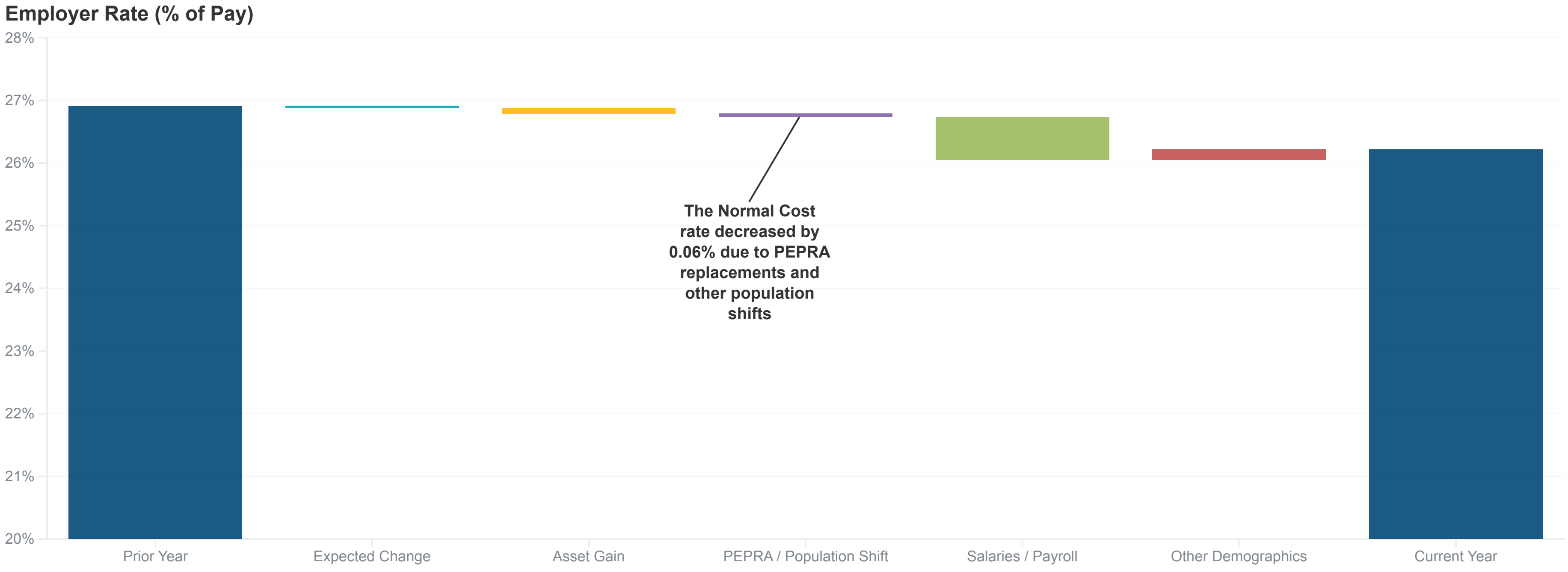
B.1



The continued replacement of Classic members by PEPRA new hires and other shifts in the population reduced the employer Normal Cost rate.

B.1

ADC Rate Change by Source

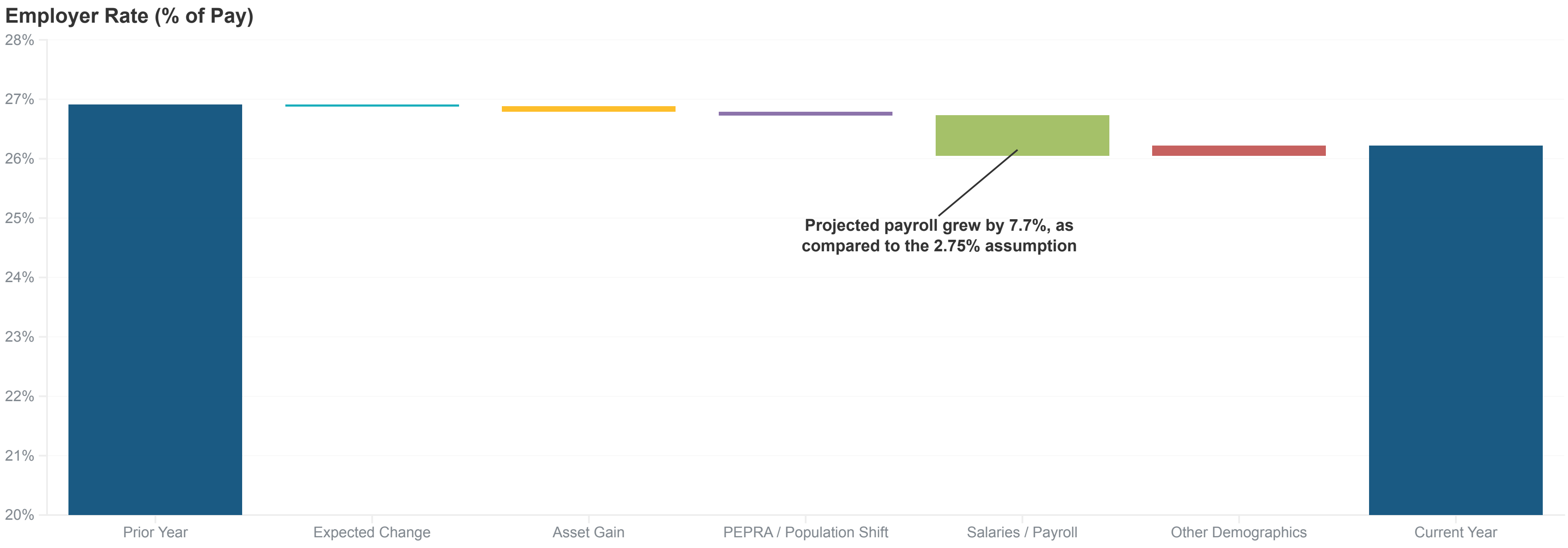


CHEIRON

Overall payroll grew faster than expected, reducing the ADC rate by 0.68% of pay since the UAL payment is spread over a larger base. The impact on the rate is slightly offset by returning members receiving higher pay increases than expected, which results in actuarial liability losses.

B.1

ADC Rate Change by Source



COLA increases were higher than expected due to growth in the Bay Area CPI-U (a 5.6% increase for 2022). This also contributed to an increase in the COLA banks, which are included in the current liability measurements for members in pay status.

B.1

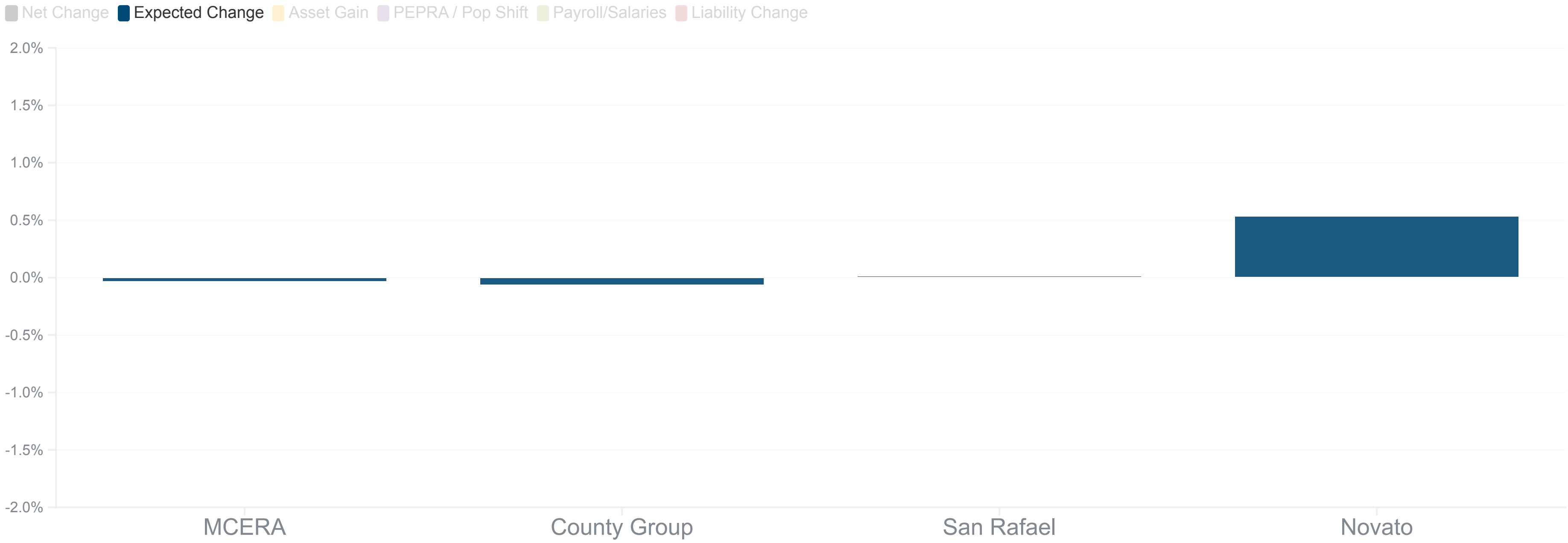
ADC Rate Change by Source

CHEIRON

Some of these factors affected the three groups differently. Novato was the only group that had expected an increase in the UAL rate (by about 0.5% of pay), due to the phase-in of prior losses.

B.1

ADC Change by Source

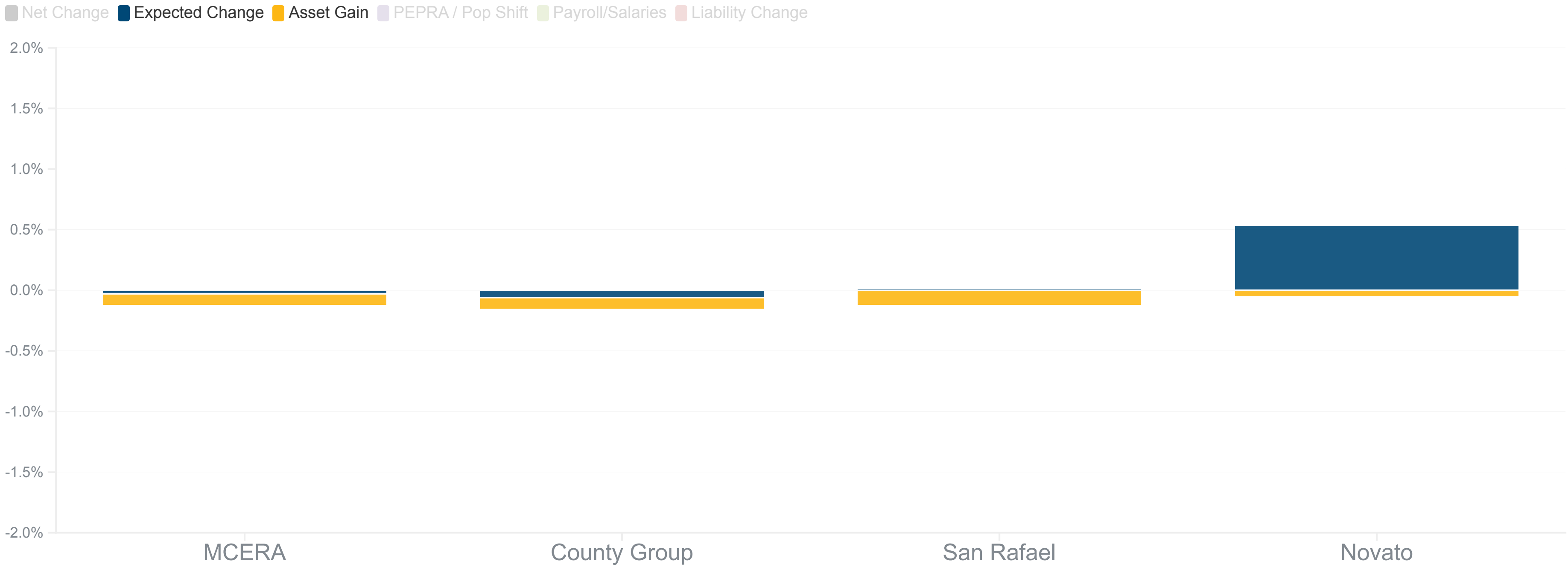


CHEIRON

The impact of investments and other asset changes was minimal for all groups.

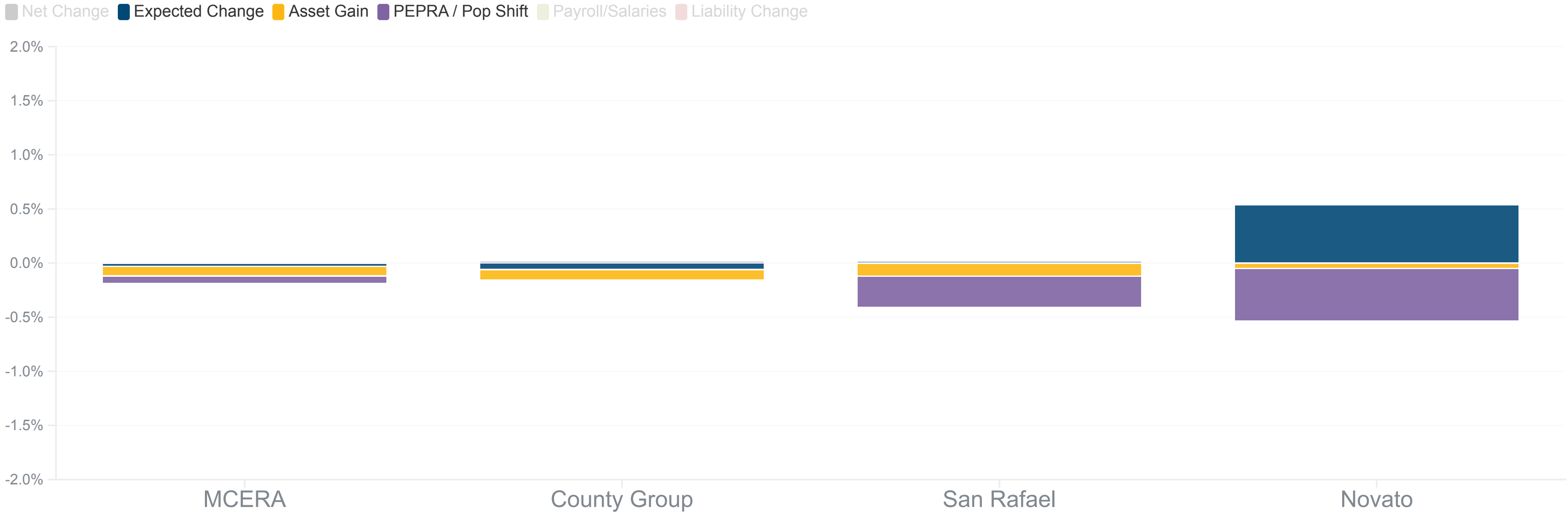
ADC Change by Source

B.1



The continued transition towards the PEPRA tiers (who now make up over 60% of the active population) lowered the average employer normal cost for San Rafael and Novato. For the County, this factor was offset by the addition of a new set of Classic (as well as PEPRA) members resulting from the inclusion of the Mill Valley Fire members in the South Marin Fire population.

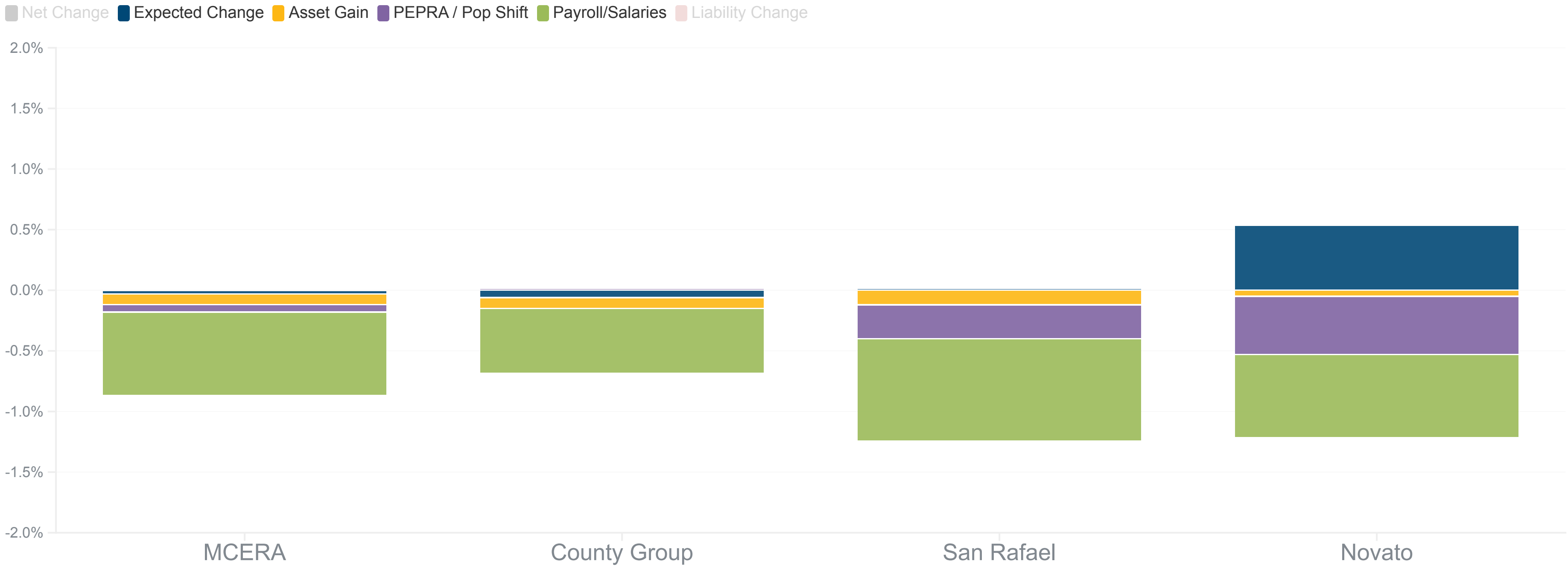
ADC Change by Source



Projected payroll for all three groups grew faster than expected (by 8.2%, 4.6%, and 7.0%, respectively), mostly due to increases in the active headcount.

ADC Change by Source

B.1



Other liability changes affected San Rafael and Novato more than the County, primarily because they have a larger relative share of members with 3% or 4% maximum COLA caps.

ADC Change by Source

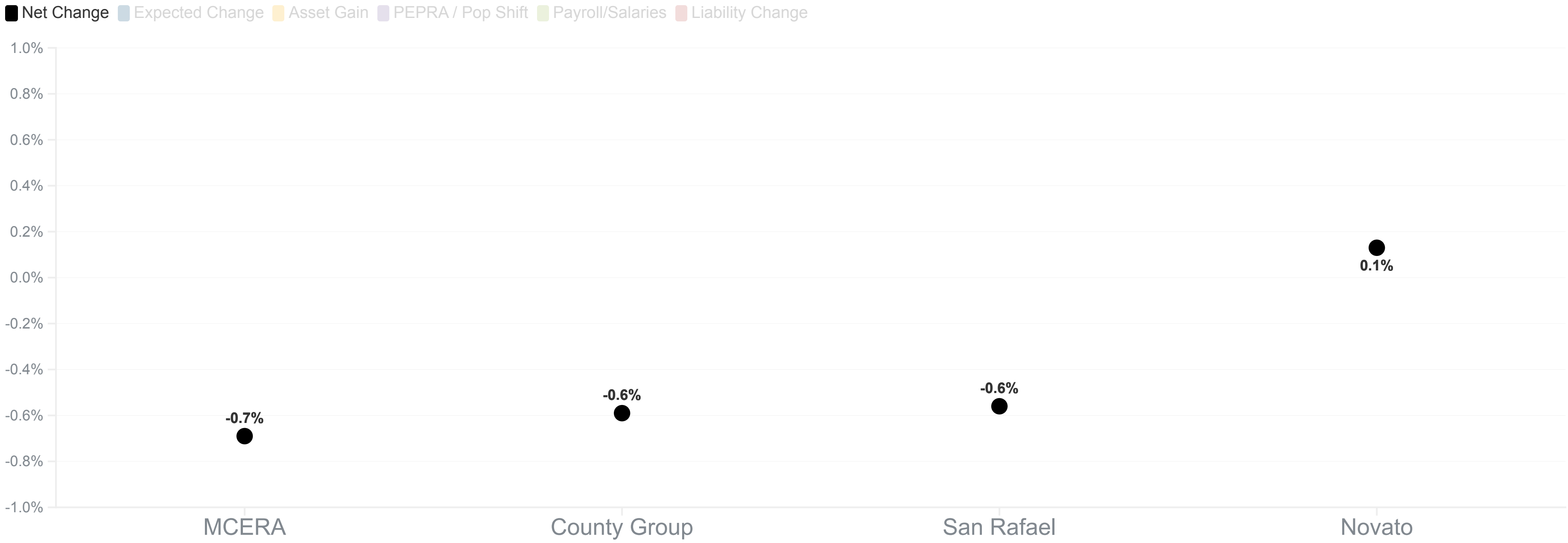
B.1

CHEIRON

The net impact for the County and San Rafael was a reduction in cost, but a small increase for Novato, driven by differences in the phase-in of prior UAL changes and the liability losses.

B.1

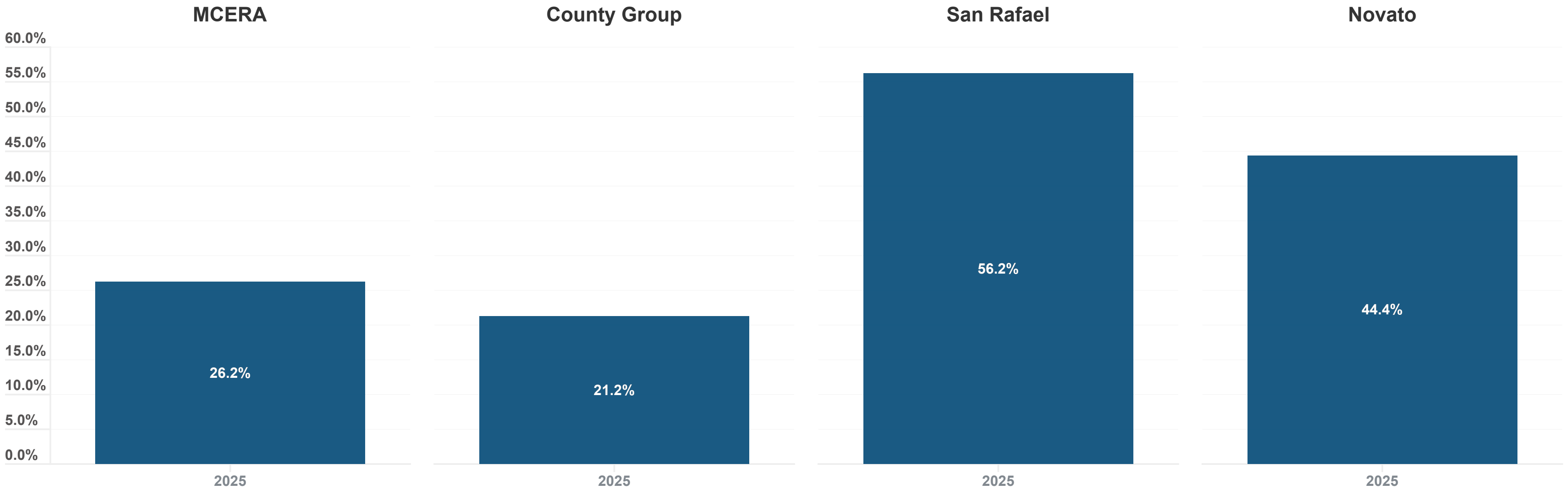
ADC Change by Source



Based on the preliminary valuation results, employer contribution rates for the fiscal year ending June 30, 2025 are shown below. These results are subject to peer review, and will be updated for any changes in assumptions adopted as part of the experience study.

B.1

Employer Contribution Rate



B.1

MCERA Consulting Team (click card for bio or to contact)

Graham Schmidt
Principal Consulting Actuary

Lafayette, CA

Bill Hallmark
Consulting Actuary

Portland, OR

Timothy Doyle
Associate Actuary

Portland, OR

B.1
Certification

The purpose of this report is to present the preliminary results of the MCERA actuarial valuation as of June 30, 2023. These results are still under peer review and subject to change.

In preparing our presentation, we relied on information (some oral and some written) supplied by MCERA. This information includes, but is not limited to, the Plan provisions, employee data, and financial information. We performed an informal examination of the obvious characteristics of the data for reasonableness and consistency in accordance with Actuarial Standard of Practice No. 23. The data and actuarial assumptions used (unless modified within this communication) will be described in our June 30, 2023 actuarial valuation report.

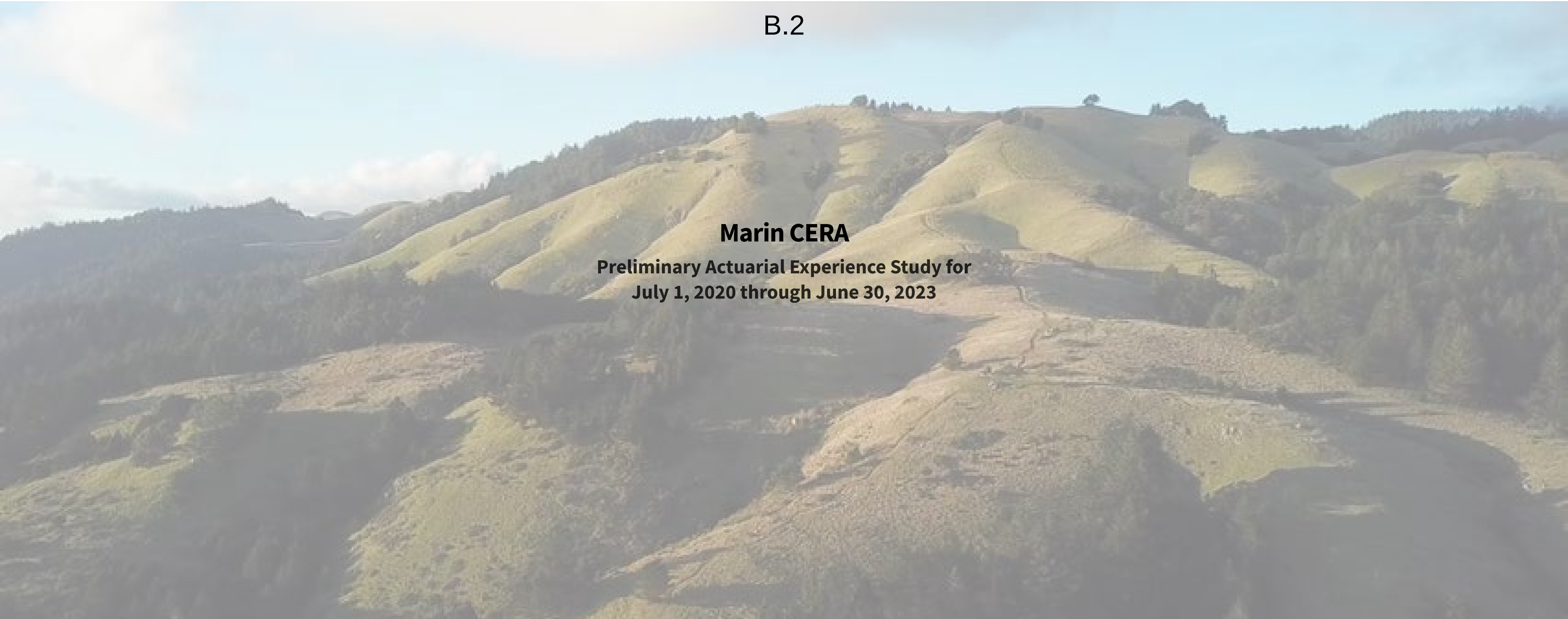
Future projections may differ significantly from the projections presented in this presentation due to such factors as the following: plan experience different from that anticipated by the assumptions; changes in assumptions; and changes in plan provisions or applicable law.

Cheiron utilizes ProVal actuarial valuation software leased from Winklevoss Technologies (WinTech) to calculate liabilities and project benefit payments. We have relied on WinTech as the developer of ProVal. We have a basic understanding of ProVal and have used ProVal in accordance with its original intended purpose. We have not identified any material inconsistencies in assumptions or output of ProVal that would affect this valuation.

To the best of our knowledge, this presentation and its contents have been prepared in accordance with generally recognized and accepted actuarial principles and practices which are consistent with the Code of Professional Conduct and applicable Actuarial Standards of Practice set out by the Actuarial Standards Board. Furthermore, as credentialed actuaries, we meet the Qualification Standards of the American Academy of Actuaries to render the opinion contained in this presentation. This presentation does not address any contractual or legal issues. We are not attorneys, and our firm does not provide any legal services or advice.

This presentation was prepared for the MCERA Retirement Board for the purposes described herein. Other users of this presentation are not intended users as defined in the Actuarial Standards of Practice, and Cheiron assumes no duty or liability to any other user.

B.2



Marin CERA

Preliminary Actuarial Experience Study for July 1, 2020 through June 30, 2023

B.2

Economic Assumptions

- Inflation
- Discount Rate
- Wage\Payroll Growth
- COLAs

Demographic Assumptions

- Merit/Long Pay
- Decrements
- Other Assumptions

Cost Impact

- Overall Plan
- Valuation Group

At the October workshop, we reviewed the current economic assumptions and recommended no changes. We did recommend valuing the increases in COLA banks for members in pay status, but this is considered a liability loss, not an assumption change.

B.2

Inflation Rate

Price inflation; building block for other assumptions

Current Assumption
2.50%

Discount Rate

Assumed annual return on investments (net of investment expenses)

Current Assumption
6.75%

Wage Growth

Base (across-the-board) pay increases

Current Assumption
3.00%

Payroll Growth

Growth in overall pensionable payroll

Current Assumption
2.75%

COLA Rates

Annual growth in post-retirement COLAs. Affected by banking / caps

Current Assumption
1.9%, 2.4%, 2.5% (2% / 3% / 4% caps)

Only the most significant demographic assumptions are covered in this presentation. Additional demographic assumptions will be covered next month. We will focus on assumptions where we are proposing a change.

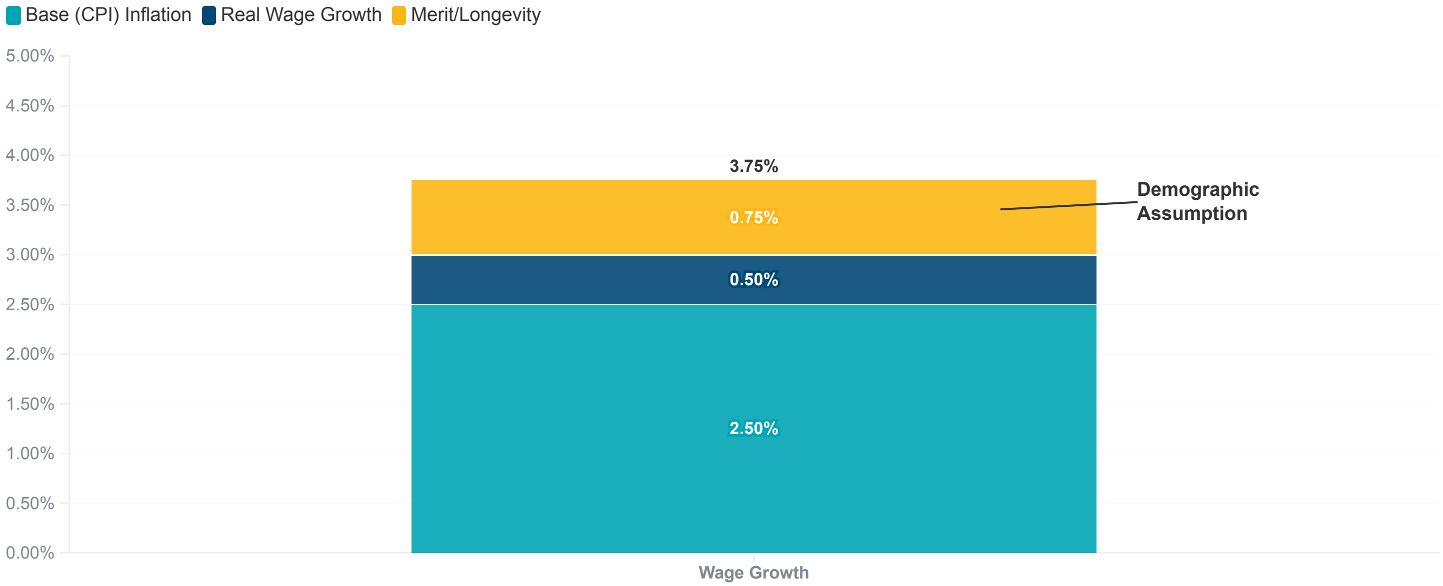
B.2

Demographic Assumption Recommendations

Assumption	Group	Recommendation
Merit Salary	Miscellaneous	Higher rates for 11 to 16 years of service and lower rates for 17 or more years of service
Merit Salary	Safety	Higher rates for 0 to 4 years of service and lower rates for 5 to 12 years of service
Retirement	Miscellaneous Classic	No changes proposed
Retirement	Miscellaneous PEPRA	Change to match Classic rates
Retirement	Safety 3% @ 50	Increase some rates for members with 30 or more years of service. No other changes.
Retirement	Safety 3% @ 55	Proposed adjustments at all service levels
Retirement	Safety PEPRA	No changes proposed
Termination	Miscellaneous	No changes proposed
Termination	Safety	Change to purely service-based rates
Mortality	Healthy retirees	No changes proposed
Mortality	Disabled retirees	Reduce adjustment factor to published table from 1.00 to 0.95 for Miscellaneous
Mortality	Beneficiaries	No changes proposed
Mortality	Active employees	No changes proposed

Salary increases are made of three components: base inflation, plus "real" wage growth (for productivity or other reasons), plus increases in individual pay due to merit, promotion, and longevity. Inflation and real wage growth are considered economic assumptions, while the merit salary increases are considered a demographic assumption. As noted earlier, we are not recommending any change to the inflation assumption (2.50%) or the real wage growth assumption (0.50%).

B.2

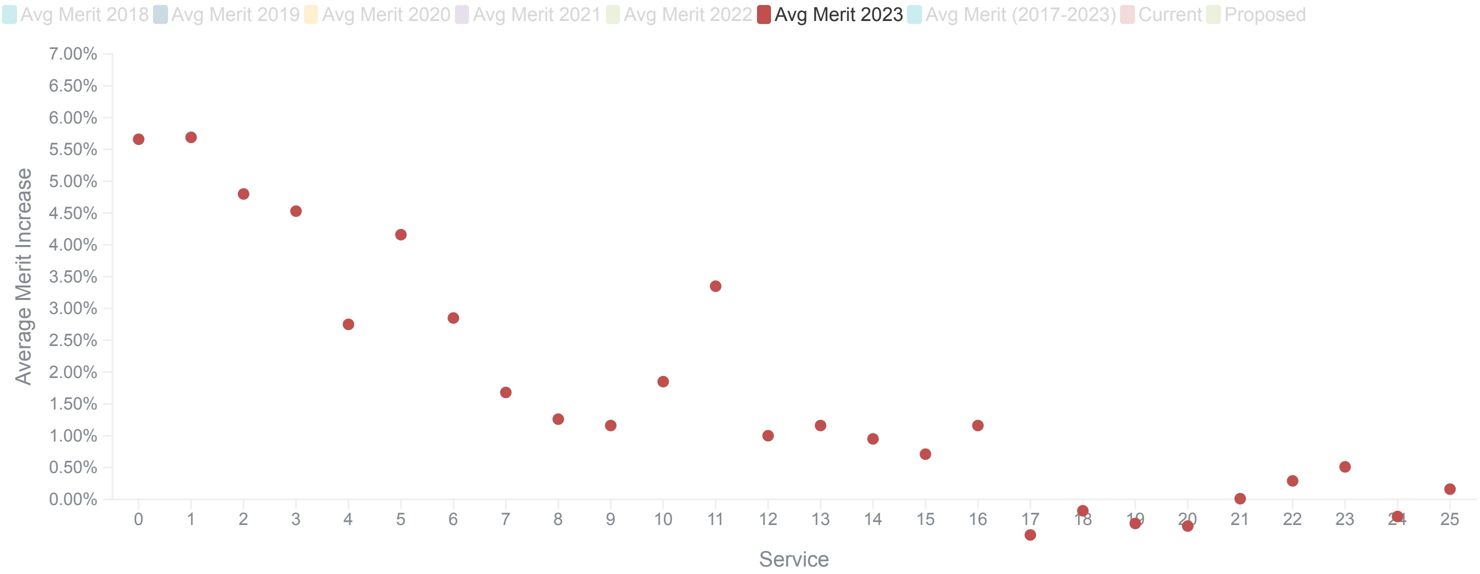


CHEIRON

To analyze the merit salary increase assumption, we calculate the average year-over-year rate of salary growth at each service level (for each of the last six years), and then back out the base wage growth to get the average merit increase.

B.2

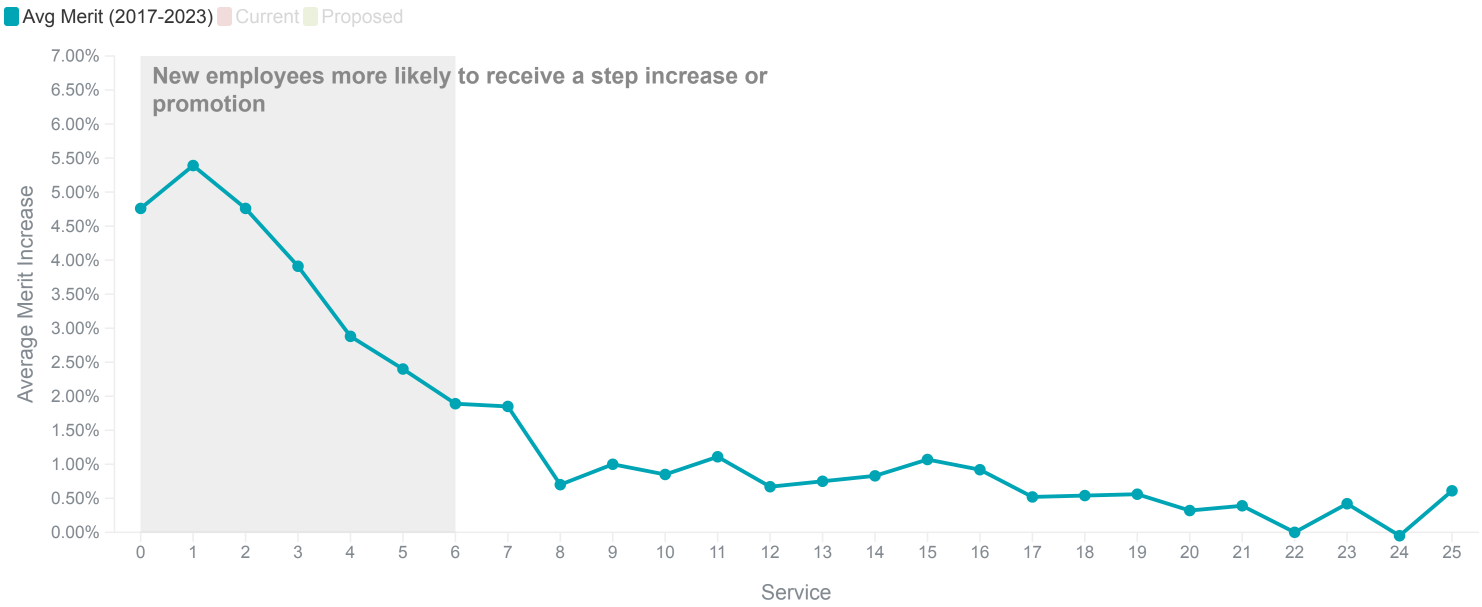
Miscellaneous



And then calculate the average merit increase for the Miscellaneous members.

Miscellaneous

B.2

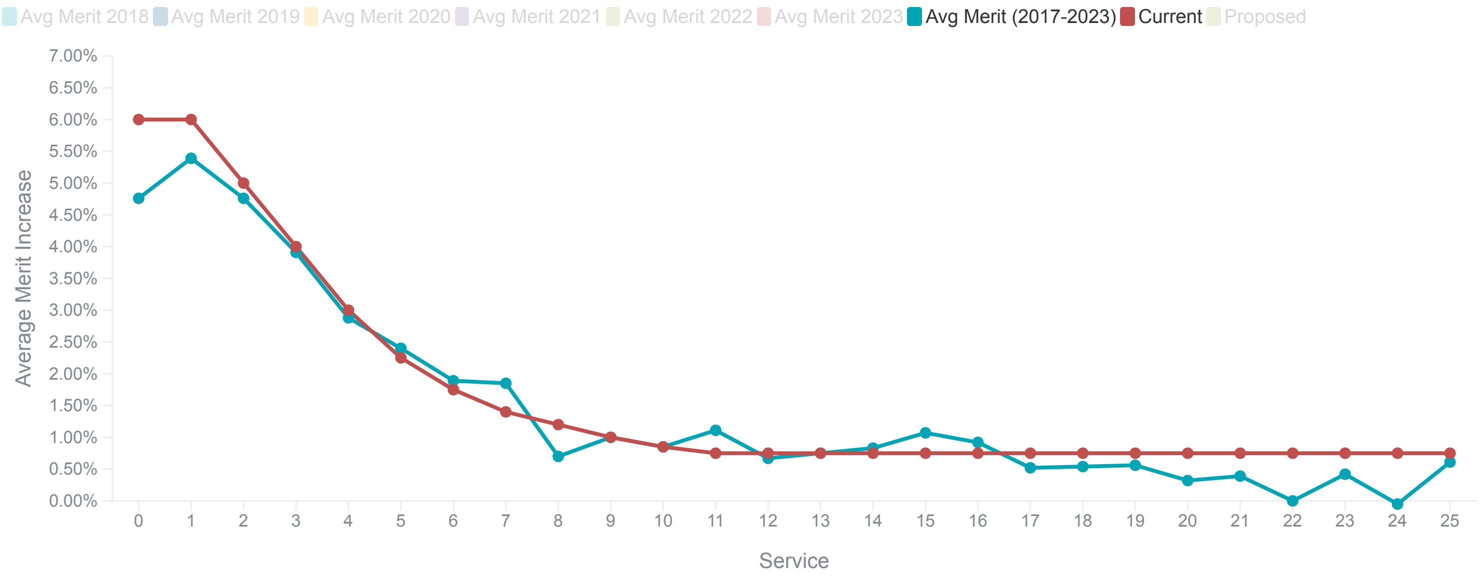


CHEIRON

We then compare the actual data to our current assumption. For the Miscellaneous members, the current assumption fits the pattern of the data reasonably well.

Miscellaneous

B.2

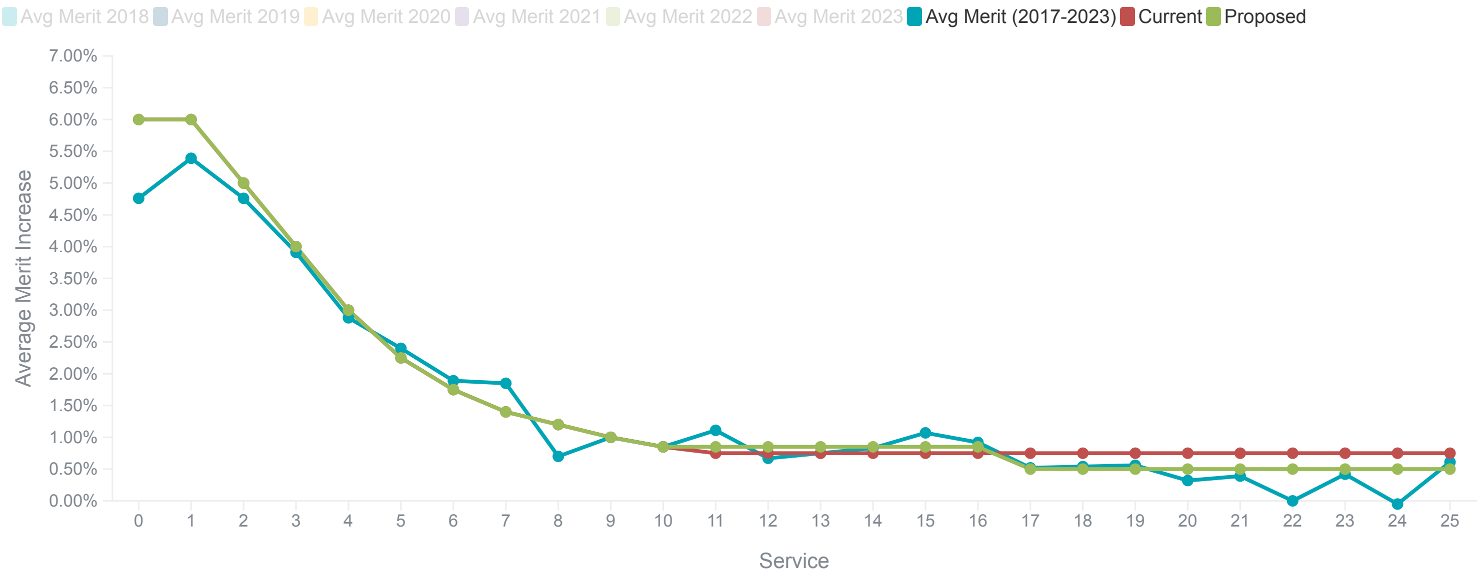


CHEIRON

However, we recommend making some minor adjustments: increasing the rates slightly from 11 to 16 years of service, and reducing the ultimate rate after 16 years.

Miscellaneous

B.2



CHEIRON

For Safety members, the experience showed higher merit increases earlier in the members' careers, but lower rates between 5-12 years. We recommend minor changes in the assumption for Safety members to better match this pattern. We note that a slightly higher ultimate rate for Safety members than Miscellaneous members is consistent with what we have seen at other CERL systems.

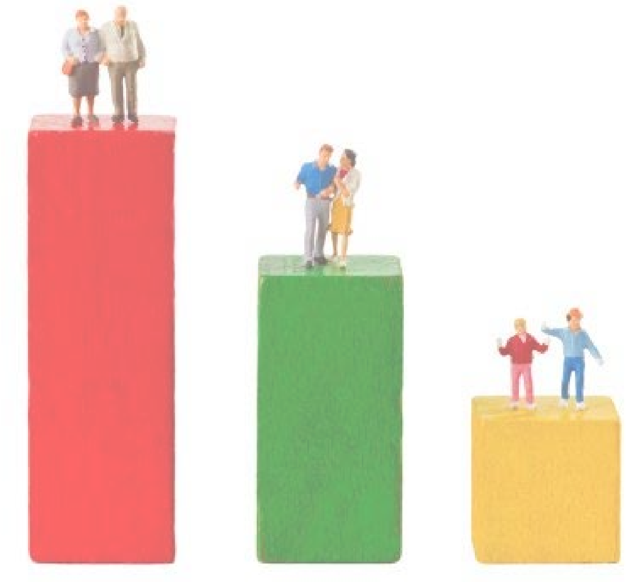
B.2

Safety

Our analyses shown for retirement, termination, and mortality experience include data for June 30, 2014 through June 30, 2023. We also reviewed the assumptions looking just at the most recent period (2020-2023), as well as excluding the COVID period (2020-2022), and found that the proposed assumptions were still reasonable across all periods.

B.2

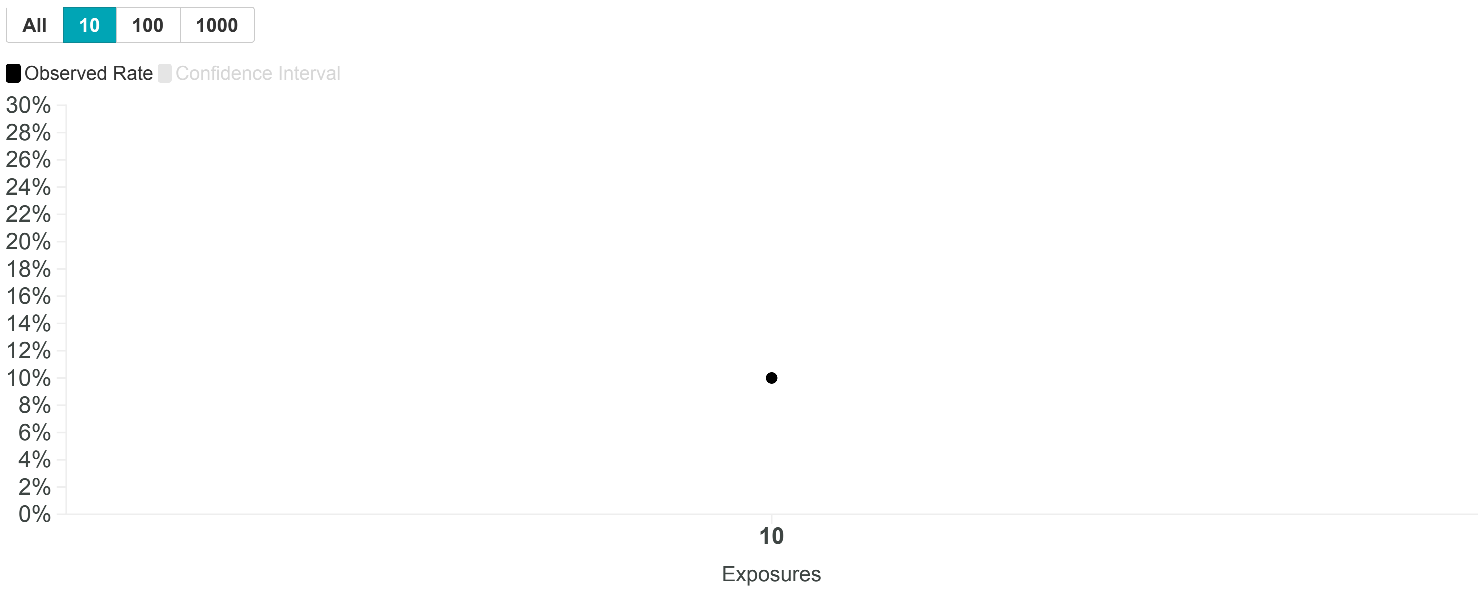
Retirement / Termination / Mortality Rates



For each *decrement*- i.e., retirement, termination, or death - we first calculate the observed rate of decrement which equals the number who left active service divided by the number who could have done so or the number **exposed** to the decrement. In this case, there was one decrement out of ten exposures producing an observed rate of 10%.

B.2

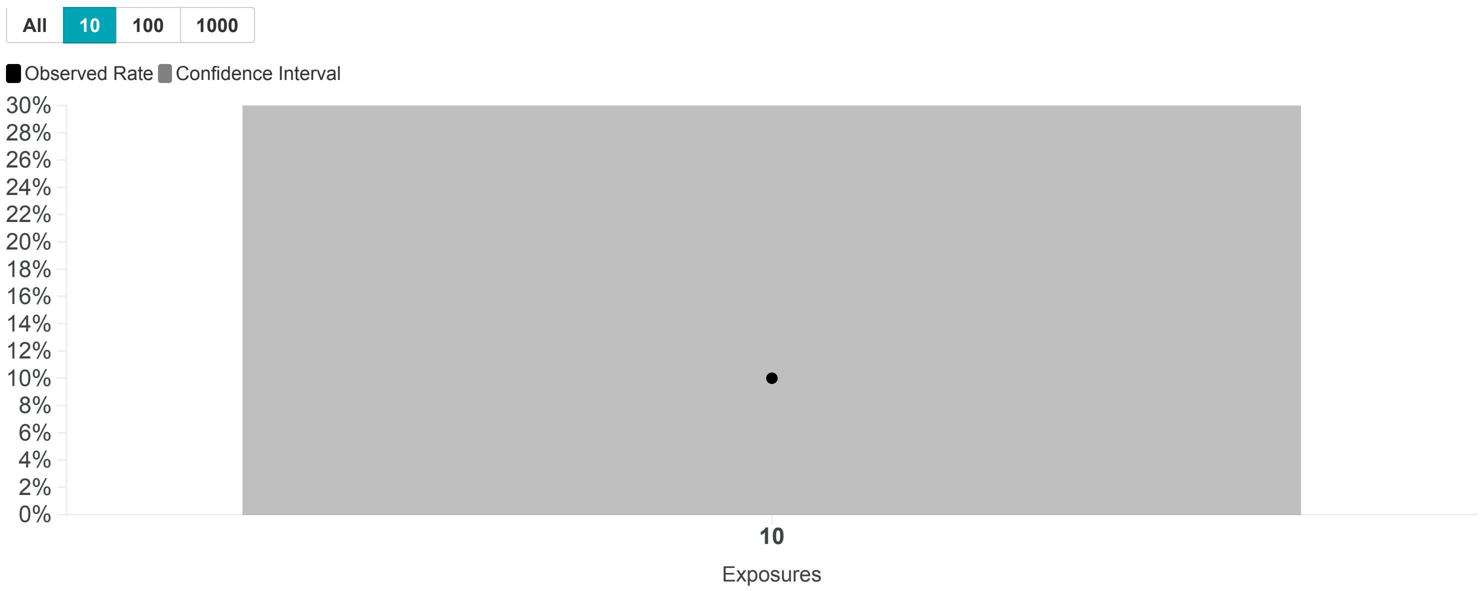
Confidence Interval Illustration



Statistically, 1 decrement out of 10 exposures doesn't tell us very much about what the "*true*" rate of decrement is because small random variations have a significant impact on the observed rate. In this case, we can only say with 90% confidence that the "*true*" rate of decrement is between 0% and 30% .

B.2

Confidence Interval Illustration

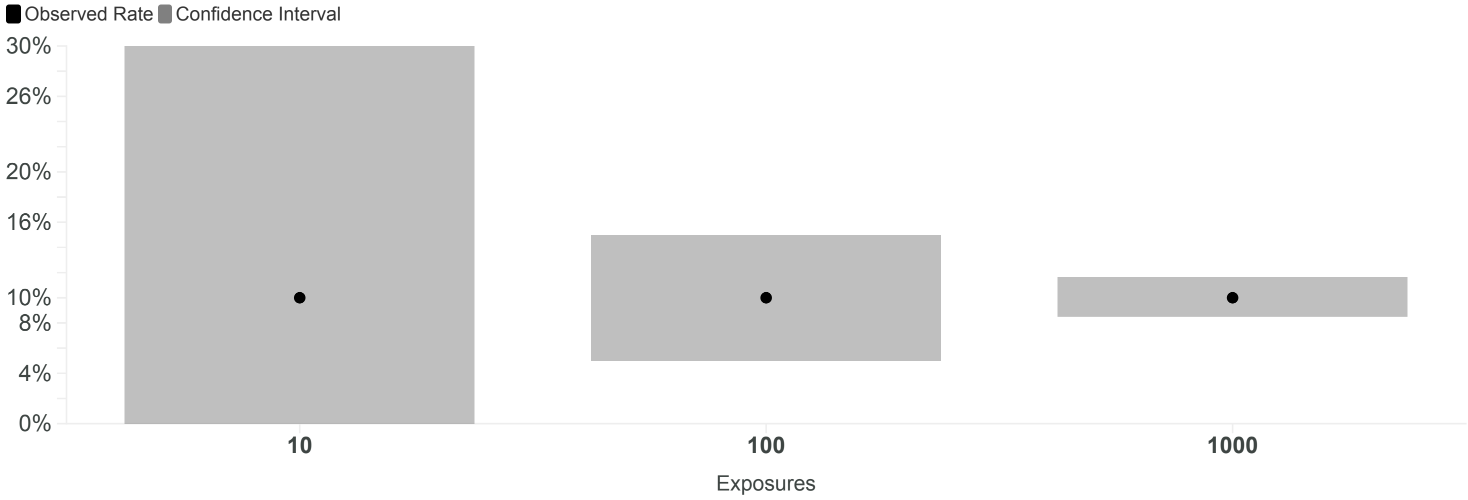


With more exposures, the confidence interval narrows such that with an observed rate of 10% on 1000 exposures, we can say with 90% confidence that the "true" rate is between 8.5% and 11.6%. We generally propose assumption changes if the current assumption is outside the confidence interval. However, we also adjust for observations that appear to be anomalous or for future expectations that may differ from historical experience.

B.2

Confidence Interval Illustration

All | 10 | 100 | 1000

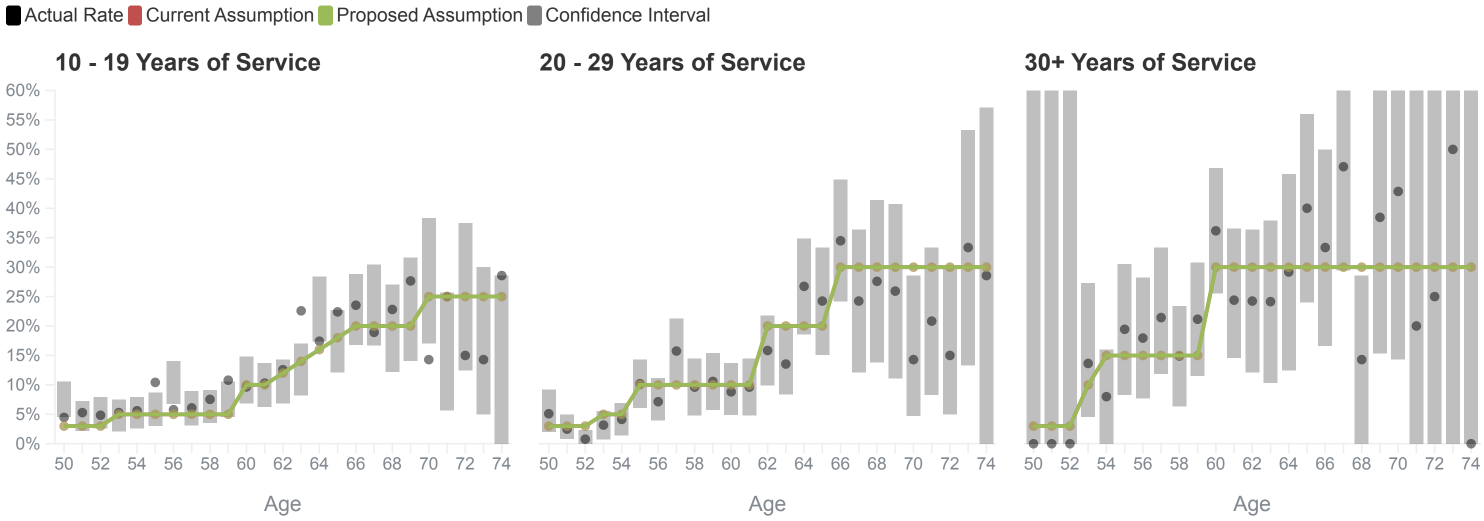


We are not recommending any changes to the retirement rates for the Miscellaneous Classic members as the current assumptions are within the confidence intervals at nearly every age.

Miscellaneous Retirement Rates (Classic Members)

B.2

All | 10 - 19 Years of Service | 20 - 29 Years of Service | 30+ Years of Service

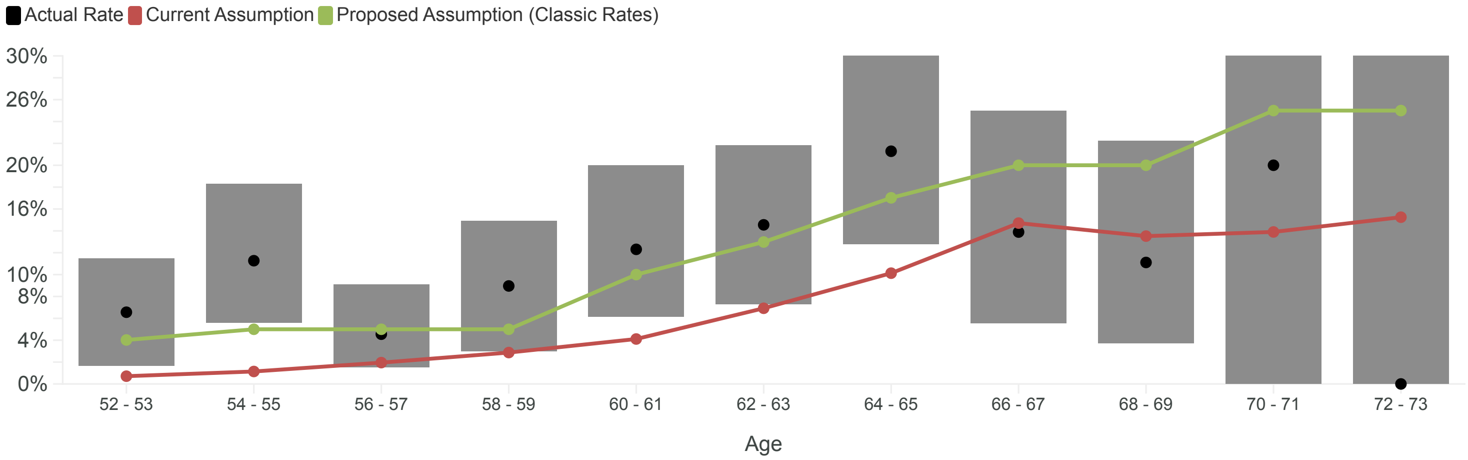


CHEIRON

In the prior experience study, because we had very limited data on PEPRA member retirements, we recommended adopting the assumptions used by CalPERS to predict retirement rates for their PEPRA members. MCERA's recent experience indicates that retirement rates are higher than the current assumption and similar to the rates used for Classic members. Therefore, we recommend using the same retirement assumptions for the Classic and PEPRA members (though applying the rates beginning at age 52 with five years of service for the PEPRA members, consistent with eligibility requirements for PEPRA members).

Miscellaneous PEPRA Retirement Rates

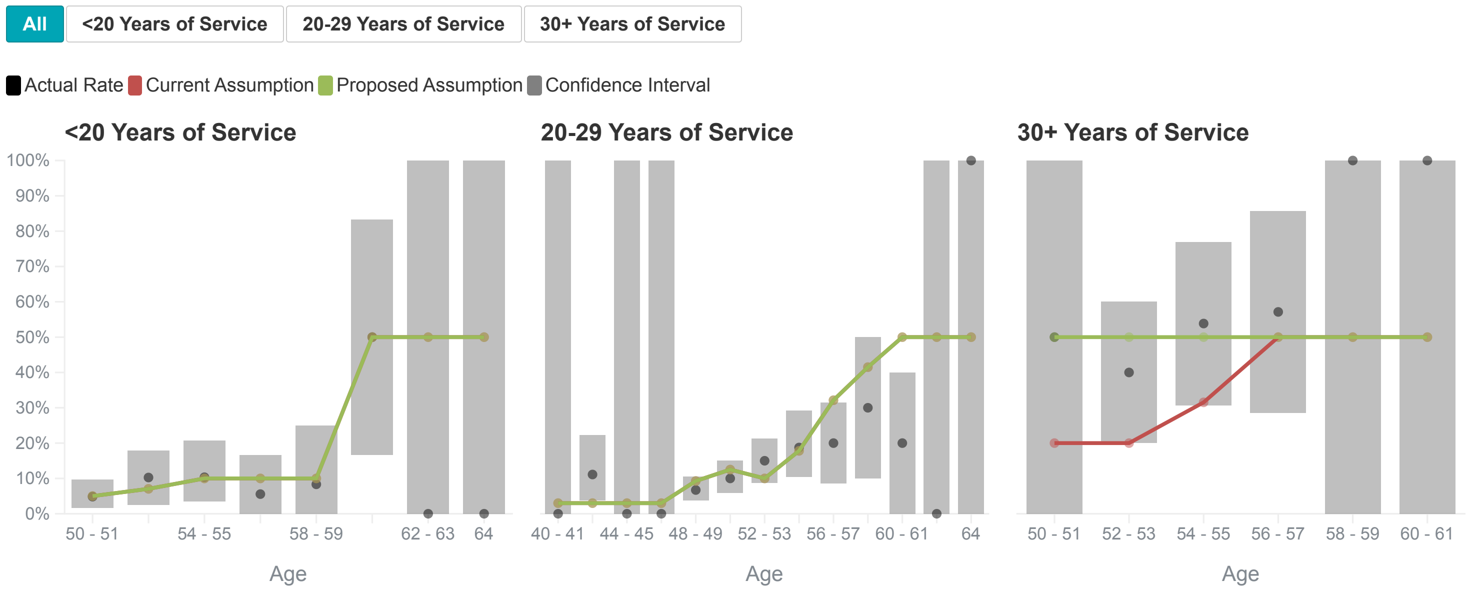
5 to 19 Years of Service



For the Safety members under the 3% @ 50 formula, we propose only minor adjustments, increasing the rate to 50% at all ages for those with at least 30 years of service.

Safety Retirement Rates (3% @ 50)

B.2

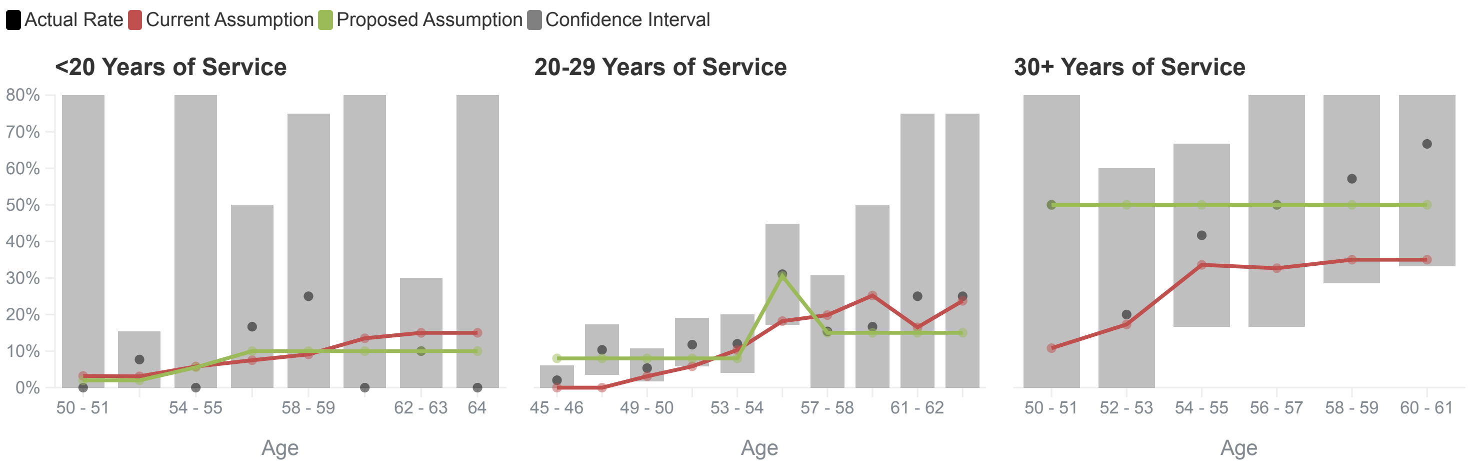


For the Safety 3% @ 55 members, the experience is limited (only 60 retirements over the 9 year period), but we have proposed adjustments at all service levels to bring the assumptions more in line with experience. Unlike the Miscellaneous members, we do not yet have sufficient experience for the Safety PEPRA members to form any conclusions, so we continue to recommend the CalPERS assumptions for their 2.7% @ 57 Police Public Agency members.

B.2

Safety Retirement Rates (3% @ 55)

All | <20 Years of Service | 20-29 Years of Service | 30+ Years of Service

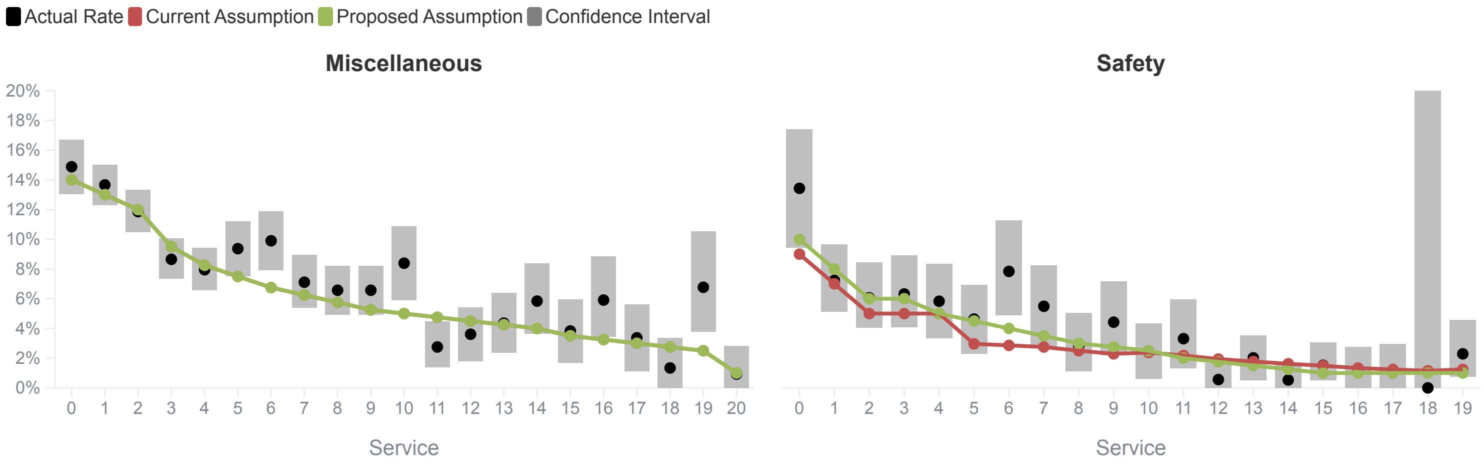


The current termination rates for the Miscellaneous members are service-based, and with a few minor exceptions, the current rates are all within the confidence intervals, and no changes are recommended. The current Safety termination rates are service-based below five years of service, and age-based after five years. We propose replacing these rates with a purely service-based set of rates, which result in modest increases in the expected termination rates below ten years of service and slightly lower rates thereafter.

B.2

Termination Rates

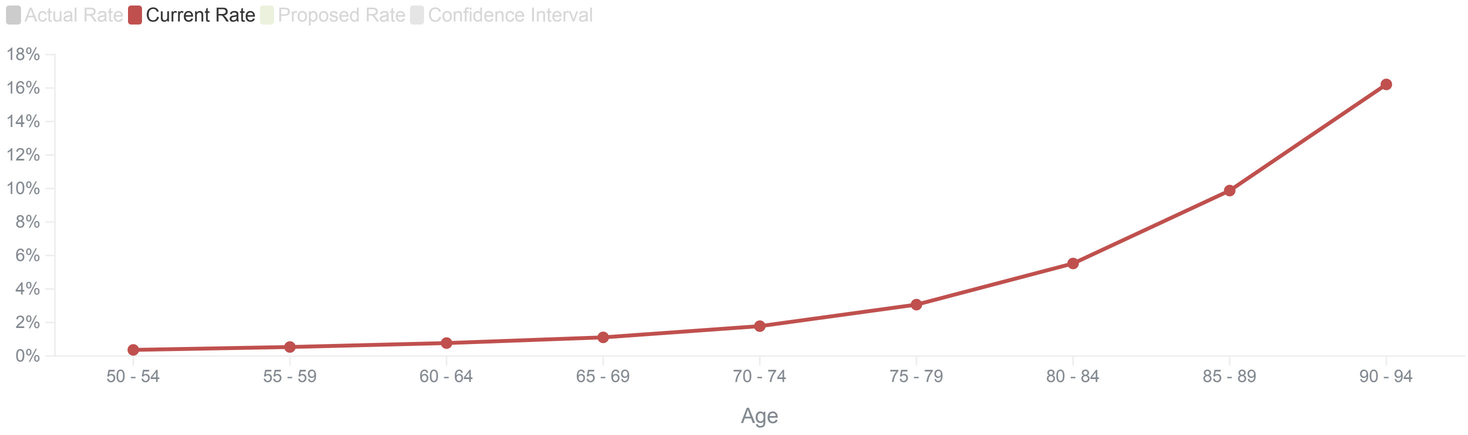
All | Miscellaneous | Safety



For mortality, we calculate the observed rates based on benefit amount, not headcount, since members with higher incomes are expected to live longer. Also, MCERA does not have enough data to generate its own mortality tables - even if we combine the data over a longer period - so we look to a set of published tables. In the prior Experience Study, we recommended mortality rates based on the Society of Actuaries Public Sector mortality tables, using the General rates for the Miscellaneous members and the Safety (Above-Median) rates for the Safety members. We continue that approach with this study.

Healthy Mortality Rates

Healthy Male Misc Retiree | Healthy Female Misc Retiree | Healthy Male Safety Retiree | Healthy Female Safety Retiree

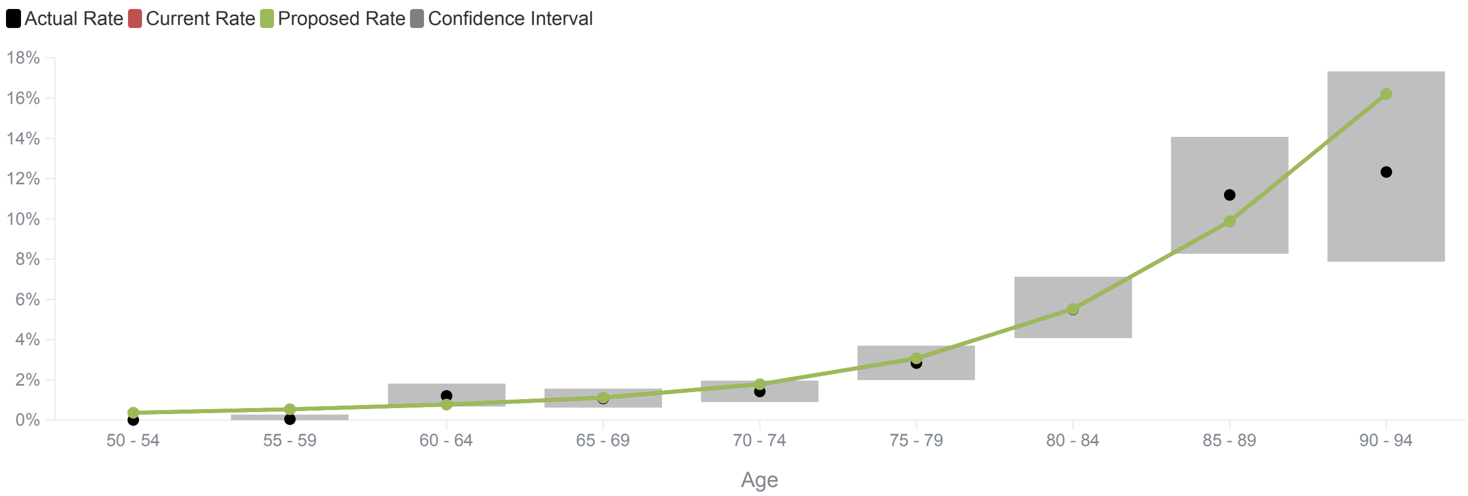


For this analysis, we reviewed the experience from the past nine year, with and without the data from 2020-2022, because of the elevated mortality levels due to COVID. The current assumptions did a reasonable job of predicting experience for all groups, and no changes are recommended to the assumptions for the non-disabled retired members.

B.2

Healthy Mortality Rates

Healthy Male Misc Retiree | Healthy Female Misc Retiree | Healthy Male Safety Retiree | Healthy Female Safety Retiree



CHEIRON

The table below summarizes the current and proposed standard tables to use for each group's *base mortality* rates (i.e., the rates used to project current mortality rates). The only change we are recommending is to reduce the assumptions slightly for the Miscellaneous disabled members, by applying a 95% adjustment factor to the standard published tables.

B.2

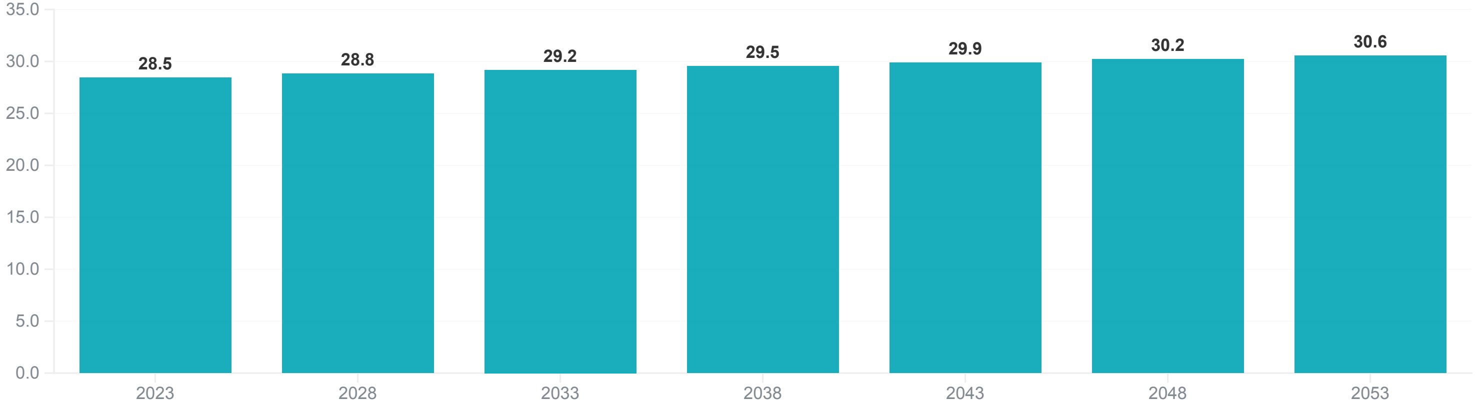
Summary of Base Mortality Assumptions

Group	Current	Proposed
Misc Healthy Retiree (and Beneficiaries not in pay status)	General Pub2010 Healthy Retiree, without adjustment	No Change
Safety Healthy Retiree (and Beneficiaries not in pay status)	Safety Pub2010 Healthy Retiree (Above Median), without adjustment	No Change
Misc Disabled	General Pub2010 Disabled, without adjustment	General Pub2010 Disabled**, 95% adjustment for males and females**
Safety Disabled	Safety Pub2010 Disabled, 95% adjustment for males	No Change
Misc and Safety Beneficiaries (in pay status)	Pub2010 Contingent Survivor (Gen Pub2010 Healthy Retiree < 45), 105% adjustment for females	No Change
Misc Active Employee	General Pub2010 Employee, without adjustment	No Change
Safety Active Employee	Safety Pub2010 Employee (Above Median), without adjustment (10% line of duty)	No Change

We also need to select a table to project future *improvements* in mortality, and the Society of Actuaries generally releases a new update to their mortality improvement assumptions for pension plans each year. However, there has not been an update to the improvement scale in the past two years, due to uncertainty resulting from COVID. The most recent published improvement Scale (MP-2021) is only slightly different from the one currently used by MCERA (MP-2020), therefore we do not believe it is necessary to update the improvement assumptions at this time.

Here is an example of how the remaining lifetime for a Miscellaneous female retiree age 60 may be expected to change based on what year they reach that age, under the current base mortality and mortality improvement assumptions.

Expected Remaining Lifetime (Misc Female Age 60)



Current mortality based on Pub-2010 General Healthy Retiree and Generationally Projected using Scale MP-2020

We continue to review other assumptions, and will make recommendations for updates in the final report where necessary.

B.2

Disability Rates

Percentage of members assumed to leave due to a service or non-service connected disability.

Refund Rates

Percentage of future terminating members who are assumed to receive a refund of contributions.

Reciprocity

Percentage of deferred members assumed to establish reciprocity.

Family Composition

Percentage of members assumed to be married at retirement (who are eligible for the subsidized unmodified benefit form.) Also includes assumptions for differences in ages between spouses for future married retirees.

CHEIRON

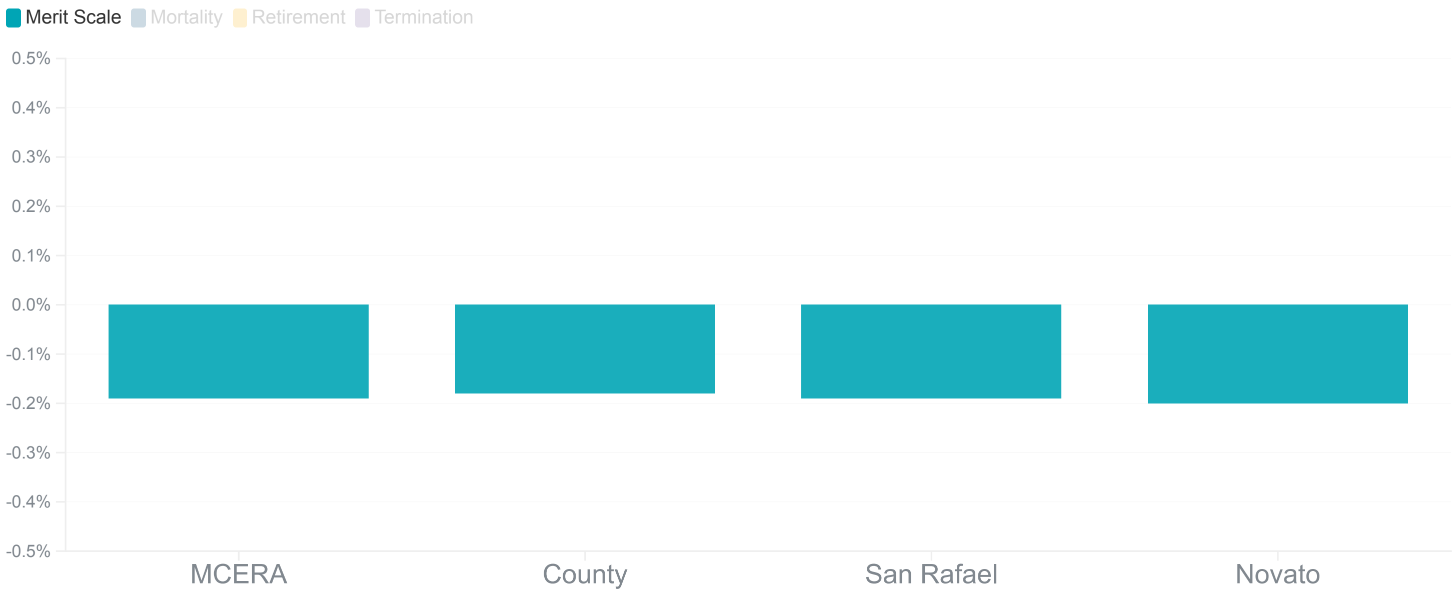
The following slides show the effect of the assumption changes on the *total* actuarial cost of the Plan, made up of the impact on the overall **Normal Cost**, plus the change in the **Unfunded Actuarial Liability** (UAL) payment. The employer is responsible for any changes in the UAL payment, but changes in the Normal Cost rate will affect both employer and member contributions. The Actuarial Valuation Report will show the overall impact of the assumption changes on the member and employer rates.

B.2

The biggest driver of changes are the changes to the salary increases for merit and longevity, which are expected to reduce the overall contribution rate by around 0.2% of pay for each group.

FYE 2025 Total Contribution Rate Change by Source

B.2

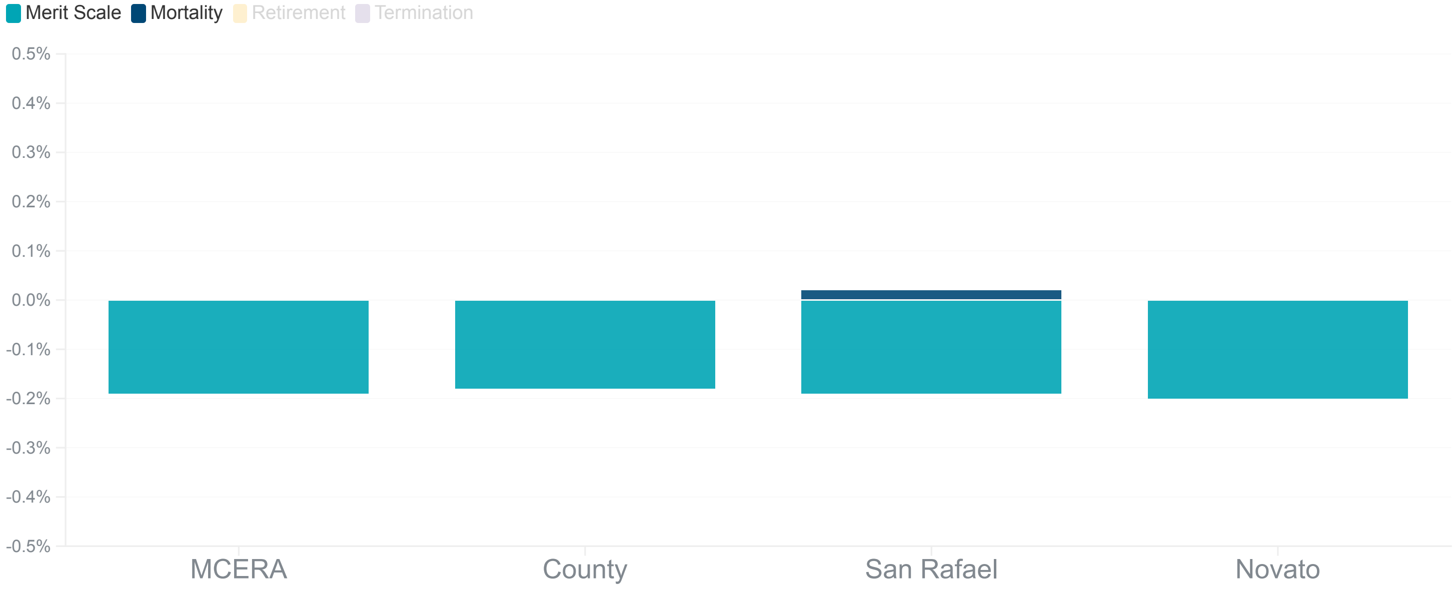


CHEIRON

The recommended changes in mortality rates were very minor and have almost no impact on the rates for any group or the Plan as a whole.

FYE 2025 Total Contribution Rate Change by Source

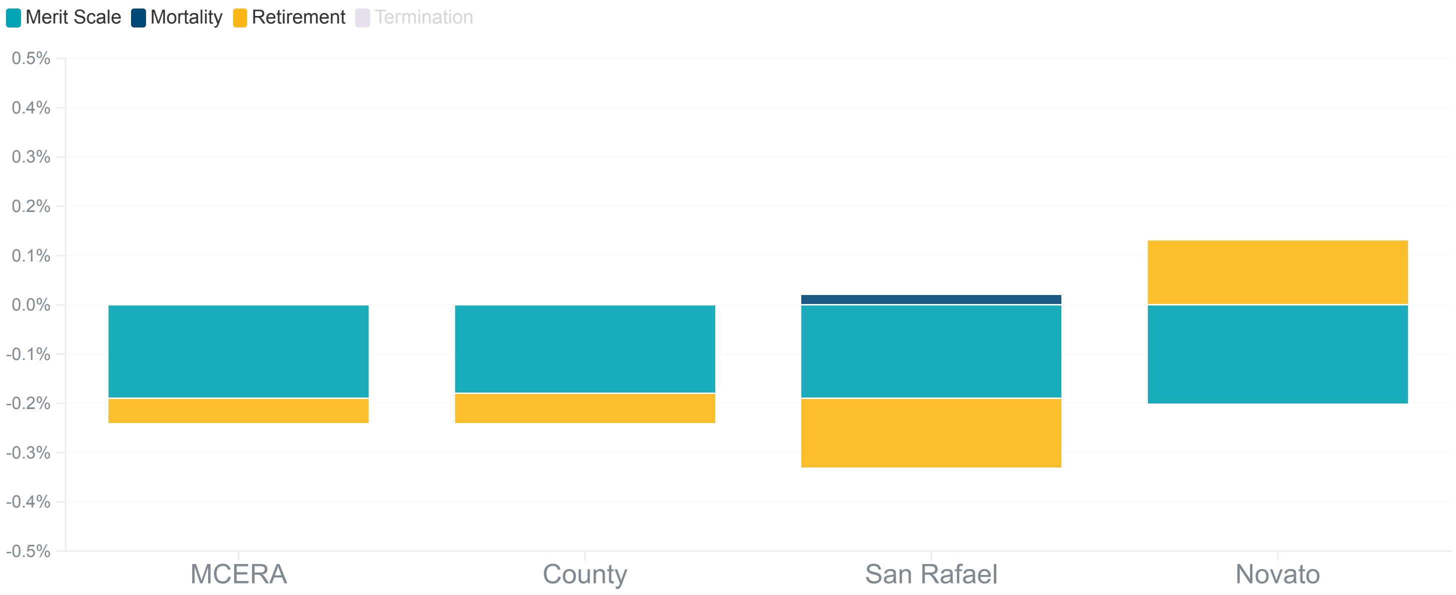
B.2



Changes in the retirement rates increases the cost for some members and lowers it for others, but the overall impact is still very small (<0.15% of pay for all groups).

B.2

FYE 2025 Total Contribution Rate Change by Source

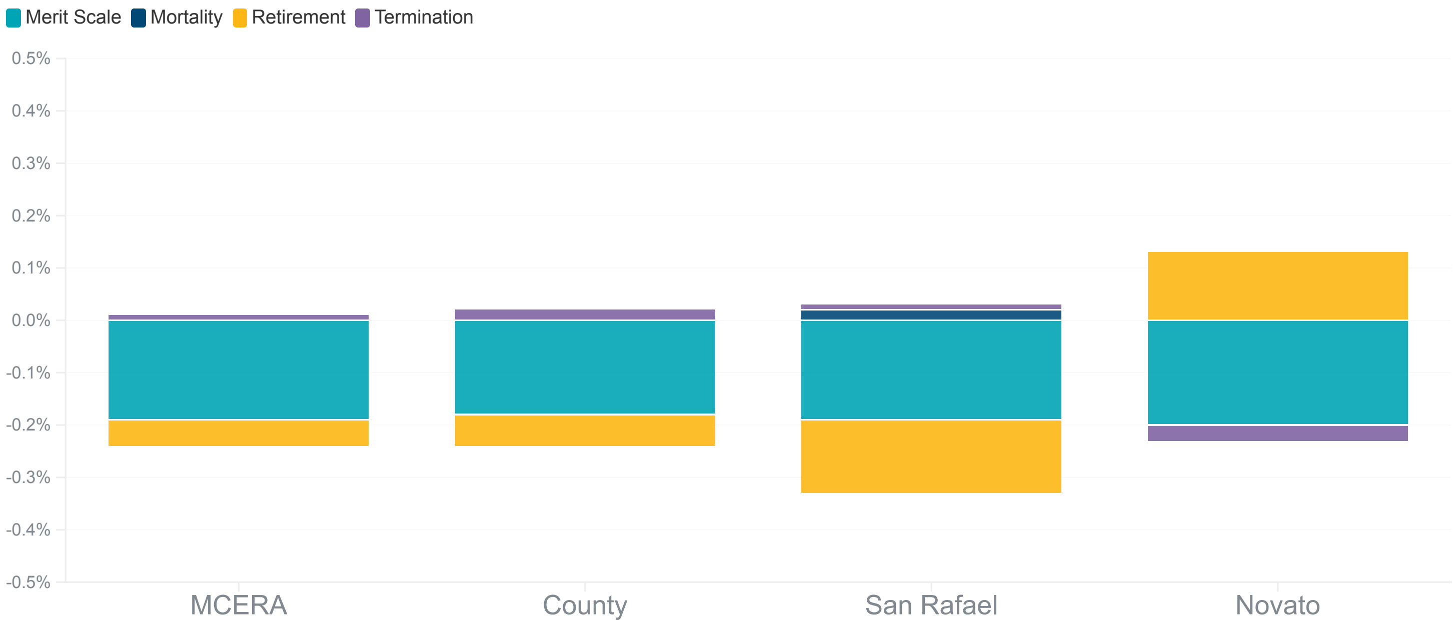


CHEIRON

The recommended changes to termination rates also have very little impact.

FYE 2025 Total Contribution Rate Change by Source

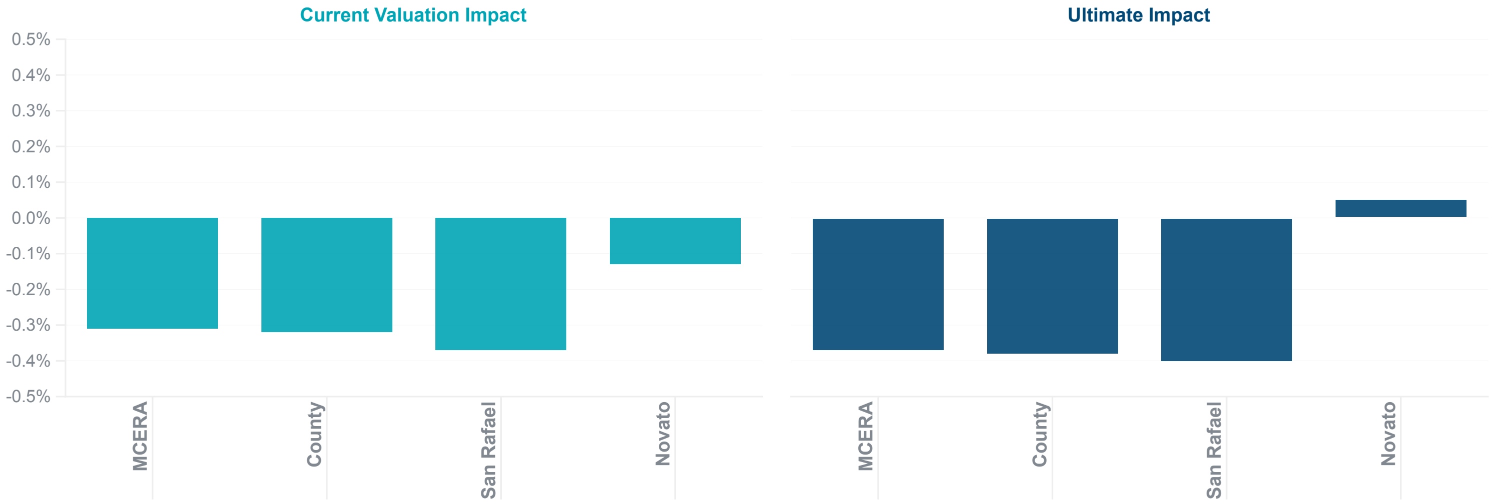
B.2



B-2

The previous slides only showed the impact of the assumption changes reviewed so far for the current valuation, where 1/3 of the change in the UAL payment is realized based on MCERA funding policy. Here we show the cost impact on both the 2023 valuation and the ultimate impact after three years. The impact of all proposed assumption changes on the ultimate cost of the plan is very minimal: only about 0.4% of pay, compared the current combined employer plus employee cost of over 35% of pay. The impact on the funded ratio from these changes is an increase of about 0.1%.

Total Contribution Impact



B.2

MCERA Consulting Team (click card for bio or to contact)

Graham Schmidt
Principal Consulting Actuary

Lafayette, CA

Bill Hallmark
Consulting Actuary

Portland, OR

Timothy Doyle
Associate Actuary

Portland, OR

B.2

Certification

The purpose of this report is to present the preliminary results of the MCERA Actuarial Experience Study covering the period from June 30, 2020 through June 30, 2023. This report is for the use of MCERA Retirement Board in selecting assumptions to be used in actuarial valuations beginning June 30, 2023.

In preparing our presentation, we relied on information (some oral and some written) supplied by MCERA. This information includes, but is not limited to, the Plan provisions, employee data, and financial information. We performed an informal examination of the obvious characteristics of the data for reasonableness and consistency in accordance with Actuarial Standard of Practice No. 23.

Cheiron utilizes ProVal actuarial valuation software leased from Winklevoss Technologies (WinTech) to calculate liabilities and project benefit payments. We have relied on WinTech as the developer of ProVal. We have a basic understanding of ProVal and have used ProVal in accordance with its original intended purpose. We have not identified any material inconsistencies in assumptions or output of ProVal that would affect this valuation.

To the best of our knowledge, this presentation and its contents have been prepared in accordance with generally recognized and accepted actuarial principles and practices which are consistent with the Code of Professional Conduct and applicable Actuarial Standards of Practice set out by the Actuarial Standards Board. Furthermore, as credentialed actuaries, we meet the Qualification Standards of the American Academy of Actuaries to render the opinion contained in this presentation. This presentation does not address any contractual or legal issues. We are not attorneys, and our firm does not provide any legal services or advice.

This presentation was prepared for the MCERA Retirement Board for the purposes described herein. Other users of this presentation are not intended users as defined in the Actuarial Standards of Practice, and Cheiron assumes no duty or liability to any other user.

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.

RACHAEL YAMANOHA

E.1

MCERA

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Fax (admin) 415 473-4179
MCERA.org

Date: January 5, 2024

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

From: Jeff Wickman JW
Retirement Administrator

Subject: Fiduciary Liability Insurance Renewal

Background

MCERA currently purchases its fiduciary liability insurance coverage from Euclid/Hudson Insurance Company ("Hudson"). The Hudson policy term ends on January 15, 2024. Through MCERA's broker Hudson has provided the following renewal proposal for Fiduciary Liability Insurance Coverage:

- Premium: $92,581 + $300 Waiver of Recourse Premium ($25/trustee) = $92,881 annually. No change from the previous year.

- Deductible/Retention: Loss for Claims of Natural Person Insured (e.g., Trustee) that cannot be paid out of plan assets: $0. Loss for all other Claims: $50,000 each Claim. Class Action Claims: $250,000 each. No changes from the prior year.

- Scope of Coverage: Hudson accepted a proposal to increase the reimbursement rates for legal services provided by Of counsel, Senior Associates, Associates and Paralegals.

- Increase in Sublimits: Additional coverages that were not previously available to MCERA were secured and existing sublimit coverages were increased from $250,000 to $500,000.

- Class Action Definition: Hudson also agreed to amend the class action endorsement to narrow it so fewer claims are subject to the higher retention.

Recommendation

The policy proposal has been reviewed by the Board Counsel Ashley Dunning and by Counsel at Nossaman who specializes in insurance related issues, Jim Vorhis. Given the current insurance market, staff and Counsel view the renewal proposal as being favorable to MCERA. Staff recommends that the Board approve the renewal of the policy.

E.2 Future Meetings

This is a discussion with no backup.

MCERA
Conference and Training Calendar
January 2024

Cooper	Gladstern	Gullett	Jones	Klein	Martinovich	Murphy	Poole	Shaw	Silberstein	Vasquez	Werby	Wickman	Bakerink	Dunning	Date	Approved	Sponsor	Program	Location
												✪			2/8/2024	*	CalAPRS	Administrators Round Table	Virtual
														✪	2/9/2024	*	CalAPRS	Attorneys Round Table	Virtual
															2/15/2024	*	CalAPRS	Benefits Round Table	Virtual
									✪						2/28-29/2024	**	DFA	Institutional Symposium	Santa Monica, CA
															3/2-5/2024	*	CalAPRS	General Assembly	Rancho Mirage, CA
															3/3/2024	*	CalAPRS	Investments Round Table	Rancho Mirage, CA
✪									✪	✪					3/4-6/2024	*	CII	Spring Conference	Washington, DC
															3/19/2024	*	CalAPRS	Compliance Round Table	Virtual
															3/27-29/2024	*	CalAPRS	Advanced Principles of Pension Governance for Trustees	UCLA Luskin Center
															4/5/2024	*	CalAPRS	Accountants Round Table	Virtual
															4/10/2024	*	CalAPRS	Administrative Assistants Round Table	Virtual
															4/12/2024	*	CalAPRS	Information Technology Round Table	Virtual
															4/15-17/2024	**	With Intelligence	Pension Bridge Annual	Half Moon Bay, CA
															4/15-19/2024	**	Wharton	Investment Strategies & Portfolio Management	Philadelphia, PA
															4/22-23/2024	*	CalAPRS	Management Academy 1	Westin Pasadena, CA

F.1

Cooper	Gladstern	Gullett	Jones	Klein	Martinovich	Murphy	Poole	Shaw	Silberstein	Vasquez	Werby	Wickman	Bakerink	Dunning	Date	Approved	Sponsor	Program	Location
															4/26/2024	*	CalAPRS	Overview Course in Retirement Plan Administration	Virtual
															5/3/1024	*	CalAPRS	Trustees Round Table	Virtual
									✪						5/7-10/2024	*	SACRS	Spring Conference	Santa Barbara, CA
															5/19-22/2024	*	NCPERS	Annual Conference	Seattle, WA
														✪	5/24/2024	*	CalAPRS	Attorneys Round Table	Virtual
															6/10-12/2024	*	CalAPRS	Management Academy 2	Westin Pasadena, CA
															6/20/2024	*	CalAPRS	Communications Round Table	Northern CA
															6/21/2024	*	CalAPRS	Benefits Round Table	Northern CA
												✪			6/21/2024	*	CalAPRS	Administrators Round Table	Northern CA
															6/21/2024	*	CalAPRS	Legal Support Round Table	Northern CA
										✪					6/24-26/2024		Stanford	Directors' College	Stanford, CA
															7/14-17/2024	*	SACRS	Public Pension Investment Management	UC Berkeley, CA
															7/22-24/2024	*	CalAPRS	Management Academy 2	Pasadena, CA
															8/18-20/2024	*	NCPERS	Public Pension Funding Forum	Boston, MA
															8/26-29/2024	*	CalAPRS	Principles of Pension Governance for Trustees	TBD
															9/9-11/2024	*	CII	Fall Conference	Brooklyn, NY
														✪	9/13/2024	*	CalAPRS	Attorneys Round Table	Northern CA
															9/13/2024	*	CalAPRS	Accountants Round Table	Northern CA
															9/13/2024	*	CalAPRS	Administrative Assistants Round Table	Northern CA

F.1

Cooper	Gladstern	Gullett	Jones	Klein	Martinovich	Murphy	Poole	Shaw	Silberstein	Vasquez	Werby	Wickman	Bakerink	Dunning	Date	Approved	Sponsor	Program	Location
															9/24-26/2024	*	Callan	Introduction to Investments	Virtual
												✪			9/25-27/2024	*	CalAPRS	Administrators Institute	Carmel, CA
															10/11/2024	*	CalAPRS	Information Technology Round Table	Northern CA
															10/11/2024	*	CalAPRS	Trustees Round Table	Northern CA
															10/11/2024	*	CalAPRS	Compliance Round Table	Northern CA
															10/14-18/2024	**	Wharton	Investment Strategies & Portfolio Management	Philadelphia, PA
															11/6-8/2024	*	CalAPRS	Intermediate Course in Retirement Plan Administration	Northern CA
															11/12-15/2024	*	SACRS	Fall Conference	Monterey, CA
															11/21/2024	*	CalAPRS	Legal Support Round Table	Virtual
															11/22/2024	*	CalAPRS	Investments Round Table	Virtual
															12/6/2024	*	CalAPRS	Advanced Course in Retirement Plan Administration	Northern 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
		CSDA	California Special Districts Association

CONSENT CALENDAR
MCERA BOARD MEETING, WEDNESDAY, January 10, 2024

December 2023

RETURN OF CONTRIBUTIONS			
Armeia Gibson	Full Refund - Termination	$	11,073.88
Sandra Ruiz Morales	Full Refund - Termination	$	275.50

BUYBACKS		
Lea Aschkenas	$	15,287.07
Brian Cardoza	$	20,900.03
Adrian Chow-Danel	$	20,026.58
Melinda Franco	$	3,873.68
Raquel Heraldez	$	9,839.21
Catherine Rice	$	36,509.82
Thomas Wong	$	30,344.32

NEW RETIREES	
Debra Anderson-Leyva	County of Marin - Public Defender
Margaret Bandel	County of Marin - Child Support Services
Jane Myrddin	County of Marin - Health & Human Services
Nancy Neary	County of Marin - Sheriff-Coroner
David Roberts	City of San Rafael
Glenn Samson	County of Marin - Public Works
Michael Moline	County of Marin - Public Works
Sarah Martinez-Ospital	County of Marin - Sheriff-Coroner

DECEASED RETIREES	
David Hill	County of Marin - Information Services & Technology
Robert May	County of Marin - Public Works