

MINUTES

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

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

March 27, 2024 – 9:00 a.m.

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

CALL TO ORDER

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

ROLL CALL

PRESENT: Martinovich, Murphy, Vasquez, Werby

ABSENT: None

**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 Vasquez/Martinovich to approve the November 15, 2023 Finance and Risk Management Committee Meeting Minutes as submitted. The motion passed by a vote of 4-0 as follows:

AYES: Martinovich, Murphy, Vasquez, Werby

NOES: None

ABSTAIN: None

ABSENT: None

A. OPEN TIME FOR PUBLIC EXPRESSION

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

Open time for public expression, from three to five minutes per speaker, on items not on the Board Agenda. While members of the public are welcome to address the Board during this

time on matters within the Board's jurisdiction, except as otherwise permitted by the Ralph M. Brown Act (Government Code Sections 54950 et seq.), no deliberation or action may be taken by the Board concerning a non-agenda item. Members of the Board may (1) briefly respond to statements made or questions posed by persons addressing the Board, (2) ask a question for clarification, or (3) provide a reference to staff for factual information.

No members of the public provided comment.

B. NEW BUSINESS

1. Administrative Budget Fiscal Year 2023/24 Quarterly Review

Consider and review expenses for the quarter ending December 31, 2023

Retirement Administrator Jeff Wickman reported Salaries and Benefits expenditures for the quarter ending December 31, 2023 were under budget due to vacancies. In the Services and Supplies category MCERA paid the annual cost of Brown Armstrong's auditing services. Similarly, the annual cost for CII membership was paid. Mr. Wickman reported that the number of disability investigations were higher than projected.

At mid-fiscal year, Salaries and Benefits are 41% of budget, Services and Supplies are 43% of budget, and the Total Administrative expenditures are well underneath the budgeted amount.

2. Non-budgeted Expenses

Consider and review non-budgeted expenses for the quarter

For Non-Budgeted expenditures, the biggest cost is monthly retiree payroll. This payroll is consistent through March and then increases in April as new retirees who wish to receive the April 1 Cost of Living Adjustment (COLA) are added to payroll. During the quarter additional CPAS services hours were purchased. New processes have been put in place to ensure change requests are reviewed and confirmed as necessary before being submitted to the vendor. In December the annual fee for the IBM license for Cognos was paid. Callan services included additional costs for specialty work on the annual private equity fee report.

Nossaman's legal fees included leasing activity within One McInnis. Mr. Wickman discussed additional legal expenses being incurred due to MCERA's participation in the PG&E bankruptcy. MCERA held PG&E bonds during the period of time covered by the bankruptcy. Investment fees have been updated using market values and adding manager fee details from Callan.

3. Quarterly Checklist

Consider, review and updates on the following:

a. Other expenses per Checklist Guidelines

Credit card expenses show a partial refund for the California Special Districts Association Board Secretary Conference staff was not able to attend.

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

See discussion above.

c. MCERA educational and event-related expenses

Trustees and staff are attending more training events, such as the SACRS Public Pension Investment Management Program at UC Berkeley course and the CalAPRS Principles of Pension Governance course at Pepperdine. Total fiscal year-to-date Educational and event-related expenses were \$27,646, close to pre-pandemic levels.

d. Continuing Trustee Education Log

All current trustees have attained 24 hours of continuing education due in 2024.

e. Internal controls, compliance activities and capital calls

For the fiscal year to date, Abbott Capital Management called \$3.1 million in capital and distributed \$7.9 million to MCERA. Pathway Capital Management called \$3.1 million in capital and distributed \$12 million. These total \$6.1 million in capital calls and \$20.1 million in distributions to MCERA for the private equity program.

In the Opportunistic program capital calls were \$6.7 million and there were no distributions. MCERA received dividends of \$1.5 million and \$2 million from core real estate fund managers UBS and AEW, respectively.

Since December 31, 2023 the private equity program has called \$2.5 million in capital and distributed \$6.1 million to MCERA as of March 22, 2024. MCERA received a distribution of \$1.5 million from Opportunistic manager Värde.

f. Vendor services provided to MCERA

No additional vendor services in the period.

g. MCERA staffing status

One candidate for a position in the accounting area accepted MCERA's offer and another candidate in the benefits area accepted MCERA's offer. The first round of interviews for the Media Specialist position have been completed and a second round is planned.

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

Nothing to report.

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

Nothing to report.

4. Budget Priorities for Fiscal Year 2024/25 (ACTION)

Consider and take possible action on recommendation to adopt budget priorities for fiscal year 2024/25

Mr. Wickman presented Budget Priorities for 2024/25. Salaries and Benefits are the biggest budget category followed by Services and Supplies. He explained that the cost of the Administrative Budget is included in employer and employee contribution rates. The current 2023/24 fiscal year Administrative Budget is \$4.9 million after removing costs related to investments and administering the post-retirement medical plan on behalf of the County of Marin. This amount is well within the Administrative Budget cap of 21 basis points of MCERA's accrued actuarial liability which is \$6.9 million. Chair Werby asked about a comparison with other CERL systems, and Mr. Wickman replied the current budget is 15 basis points of the accrued actuarial liability, noting it is relative to the size of the system. He stated he would provide comparable data at the next Committee meeting.

Fiscal year 2024/25 Budget Priorities are to retain the benefit multiplier at 50% of pay, include a 3% cost of living adjustment negotiated with employees effective July 1, 2024, and revise medical expenses for disability benefit processing based on fiscal year 2023/24 data. Mr. Wickman will present the full Administrative Budget for fiscal year 2024/25 at the next Committee meeting.

5. Information Technology Security Assessment Report

Staff report on risk planning and processes

Vladimir Matyurin, Business Systems Analyst, presented the Information Technology Security Assessment Report for the year ending June 30, 2023. The risk assessment team includes Mr. Matyurin, Assistant Retirement Administrator Anya Bakerink and external consultant Linea Secure. Mr. Matyurin stated the purpose for this assessment includes identifying areas of risk and vulnerability, implementing risk mitigation, safeguarding systems and accessibility of information, and preventing security incidents and compliance failures.

The risk assessment process involves reviewing procedures, both internal and external, assessing compliance with procedures, noting significant changes to systems, identifying findings, incidents or events, planning additional risk mitigation strategies, and revising procedures as necessary.

MCERA's security enhancements include engaging Linea Secure for comprehensive network assessments. The Incident Response Plan was finalized for effective threat handling. The County of Marin Information Systems and Technology (IST) Security Team continued to strengthen security by reinforcing email security, implementing system improvements, and continuing to upgrade infrastructure.

Mr. Matyurin reported during the current reporting period there were no findings or incidents that compromised the integrity, confidentiality, or availability of MCERA's information assets. Next year's report will include results of a thorough review of third-party providers to ensure they adhere to cybersecurity standards. During the year cybersecurity measures will be implemented including scanning, assessment reporting, and refining incident response capabilities. Results of these processes will also be assessed in the next report. Mr. Matyurin invited feedback or suggestions on cybersecurity.

Chair Werby expressed appreciation for Mr. Matyurin's due diligence on cybersecurity. Trustee Vasquez asked for Mr. Matyurin's assessment of the cybersecurity threat situation since the pandemic. Mr. Matyurin replied that the increased speed of computers, new technology, and artificial intelligence have allowed threat actors to use more sophisticated tools for social engineering. As such, it has become more difficult to distinguish legitimate from illegitimate activities. He highlighted the County's education program to mitigate threats to the network.

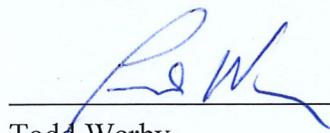
Trustee Martinovich asked if there a list of business process improvements that could be implemented. In response Mr. Matyurin stated there is a list of items to implement that he will work with IST to prioritize. Ms. Martinovich noted a security score is planned by Linea Secure and inquired if they have assessed the status of MCERA's cybersecurity. In response, Mr. Matyurin stated Linea's opinion is MCERA is meeting necessary security standards, adding they are still working on their cyber score. Mr. Wickman noted results of Linea's initial cybersecurity assessment were presented in high, medium and low priority. He expected the next assessment to provide an additional layer of clarity.

6. Future Meetings

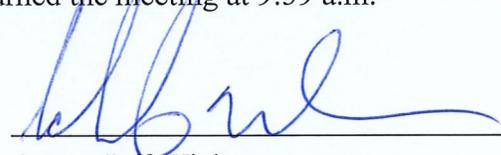
Consider and discuss agenda items for future meetings

No discussion.

There being no further business, Chair Werby adjourned the meeting at 9:59 a.m.



Todd Werby
Finance and Risk Management Committee Chair



Attest: Jeff Wickman
Retirement Administrator