

MINUTES

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

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

June 3, 2024 – 1:00 p.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 Werby called the meeting to order at 1:01 p.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 Martinovich/Murphy to approve the March 27, 2024 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 March 31, 2024

Retirement Administrator Wickman reviewed administrative expenses for the third quarter of the fiscal year. For quarter ending March 31, 2024 Salaries and Benefits, the biggest single expense category, were at 21.6%, slightly under budget due to position vacancies. The Administrator pointed out line items exceeding 25% for the quarter. These included Innovest expenses at 45.5% due to including mailing annual retiree 1099Rs, insurance premiums at 73.1% due to the annual fiduciary liability insurance renewal, subscriptions at 44.7% due to the PBI Research annual renewal, and miscellaneous food at 75.8% as a result of the annual staff recognition lunch.

Educational expenses were 61.2% due to trustees attending more educational events which is a return to normal after COVID. For the relatively small investigations category budgeted at \$2,000 for the fiscal year, expenses were 229.5% for the quarter due to more external investigations for disability cases. Trustee Vasquez asked if the investigations expense is a normal level. In response, Mr. Wickman replied that historically we averaged about one investigation per year but for this year there were multiple investigations.

The Administrator reported total Services and Supplies expenditures were 17.8% for the quarter. Adding Interdepartmental Charges, total administrative expenditures were 19.0% for the quarter. For the fiscal year to date, the categories of Salaries and Benefits and Services and Supplies were 63% and 61%, respectively.

2. Non-budgeted Expenses

Consider and review non-budgeted expenses for the quarter

Turning to Non-Budgeted Expenses, Mr. Wickman stated the largest category is Retiree Payroll and related expenses at \$145 million as of the third quarter of the fiscal year. Other categories include Computer Expenses, which includes the annual support and maintenance renewal fee for CPAS and the work of Linea Secure for outsourced Security Officer services. Actuary Cheiron was paid for the Experience Study and annual Actuarial Valuation Report during the quarter.

The report presents non-budgeted expenses year-to-date and a comparison with the prior fiscal year's non-budgeted expenses. Trustee Vasquez asked about the Investment Education Expense which is for Institutional Investor Services (ISS) proxy voting services. Finally, fiscal year-to-date investment manager fees are compared with the prior fiscal year.

3. Quarterly Checklist

Consider, review and updates on the following:

a. Other expenses per Checklist Guidelines

Credit card expenses now include the name of conference events, such as the Stanford Directors' College and the CalAPRS Advanced Principles of Pension Governance for Trustees. Mr. Wickman noted the refund of the fall SACRS Conference fees because he 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 are attending more conferences, such as SACRS and Council of Institutional Investors Conferences and the CalAPRS Advanced Principles of Pension Governance for Trustees. Staff events included Mr. Wickman's CalAPRS Administrator's Round Table and Counsel Dunning's CalAPRS Attorneys' Round Table. Attendees report on key takeaways during Board meetings.

d. Continuing Trustee Education Log

The Continuing Trustee Education Log shows progress toward achieving the required 24 hours of education every two years. Trustees have met their hours due in 2024 and others are well on their way to achieving hours due in 2025.

e. Internal controls, compliance activities and capital calls

The capital call report shows for the private equity program Abbott Capital Management sent close to \$13 million in distributions to MCERA through March 31, 2024 versus \$4.3 million in capital calls. Pathway Capital Management sent over \$30 million in distributions and called \$8.8 million in capital. The Administrator noted distributions received are funding new capital calls. As of March 31, 2024 the Opportunistic program called \$8.4 million in capital and sent just under \$1.6 million in distributions to MCERA. Trustee Vasquez asked if distributions from the private equity program or from the Opportunistic program are coming from current assets or earnings. Mr. Wickman replied the managers indicate whether funds are a return of capital or a realized gain. He indicated that staff can provide that additional detail in future reports.

The report shows MCERA received redemptions and dividends of \$743 thousand from the UBS Trumbull Property Fund and over \$1 million from the AEW Core Property Trust in the quarter ending March 31, 2024.

Mr. Wickman reported since March 31, 2024, Abbott has had no distributions and issued \$1.2 million in capital calls for the AP 2021 Fund. Pathway distributed \$2.8

million and called \$2.4 million in capital. In the Opportunistic program over \$2.7 million in distributions were received and over \$6.1 million in capital paid. MCERA received over \$1.7 million in dividends from AEW and UBS.

f. Class action securities litigation settlements

Settlements from class action securities litigation will be reported quarterly in accordance with recent updates to the related MCERA policy.

g. Vendor services provided to MCERA

No additional vendor services.

h. MCERA staffing status

MCERA is reviewing applications for the Chief Financial Officer recruitment. Applicants to determine those to be interviewed.

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

Nothing to report.

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

Nothing to report.

k. Form 700 Summary

Counsel Dunning presented the Annual Form 700 Summary showing the financial interests of MCERA trustees, staff, and consultants. The report highlights potential overlaps of financial interests with those of MCERA. Ms. Dunning advised the Summary is a good way to provide oversight regarding Form 700 reporting and compliance and reflects a best practice.

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

Consider and possibly recommend adoption of Administrative Budget for fiscal year 2024/25

Mr. Wickman presented the proposed Administrative Budget for Fiscal Year 2024/25 for consideration by the Committee. In accordance with MCERA's Budget Policy and Adoption Process, the proposal includes an outline of the budget, budget line items, an organizational chart, and a positions list. He said the goal was to keep any budget increases for the next fiscal year as flat as possible. He pointed out that Salaries and Benefits are 65% of the budget and include a 3% Cost-of-Living Adjustment (COLA) for all County employees effective July 1, 2024. The second biggest factor is the cost of benefits, proposed at the same 50% of pay as for the current fiscal year. Mr. Wickman noted this is slightly more than the County projection of 47% but is intended to provide a

small cushion in this category since almost all staff salaries are already being paid at the top step and the budget assumes no vacancy savings during the year. Trustee Martinovich supported this approach.

Mr. Wickman presented a comparison of budget categories over five years. He pointed out that Services and Supplies increases over the past three years are almost all driven by the costs associated with disabilities. Other Department Charges decreased based on the calculation of costs during the current year projected out to the next fiscal year.

After adjusting to remove investment management and administration of medical plans the proposed Administrative Budget is \$5,120,150 for the next fiscal year. The legislated limit for the Administrative Budget is 21 basis points of the Plans accrued actuarial liability. The proposed Administrative Budget is 15 basis points of the actuarial liability.

Chair Werby asked about escalating the investment-related adjustment by 3%. In response Mr. Wickman noted this activity varies from year to year based on investment related changes initiated by the Board and recommended leaving the cost as is.

It was M/S Vasquez/Murphy to recommend that the Board adopt the Administrative Budget for Fiscal Year 2024/25 as presented.

Trustee Vasquez commended staff for the comprehensive administrative budget and Mr. Wickman gave credit to Assistant Retirement Administrator Anya Bakerink for developing the final budget being presented to the Committee.

AYES: Martinovich, Murphy, Vasquez, Werby
NOES: None
ABSTAIN: None
ABSENT: None

5. MCERA Insurance Review

Review, discuss and consider MCERA's insurance coverage

Mr. Wickman introduced Jim Vorhis, a partner in the Insurance Recovery group at Nossaman, to review MCERA's insurance coverage. Mr. Vorhis reported that MCERA does a good job with its insurance program, indicating it is neither too much nor too little. He noted the risk of natural disasters has increased and affected insurance companies.

Mr. Vorhis discussed three types of insurance coverage. For fiduciary liability insurance, the annual renewal has gone well. For example, negotiations included boosting reimbursement rates for preapproved counsel. In addition, the types of claims falling under the definition of a "class action" were narrowed.

Turning to cybersecurity insurance, Mr. Vorhis said renewal premiums were relatively flat for the same coverage in the wake of a stabilizing market over the past six months. He explained as cybersecurity insurance has become a more common product, there is a broader statistical data base supporting more reasonable pricing.

Finally, Woodmont purchases general property insurance for MCERA offices at One

McInnis Parkway, which had an increase in premiums this year. Mr. Vorhis has discussed with Administrator Wickman exploring other brokers for this coverage for next year.

Trustee Vasquez asked how often the value of One McInnis is reassessed and Mr. Wickman replied every year. Chair Werby noted the deductible of the earthquake policy is a number rather than a percentage. Chair Werby and Trustee Vasquez thanked Mr. Vorhis for the insurance review.

6. Annual Audit of Financial Statements Update

Update on annual audit process

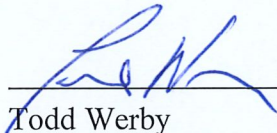
Mr. Wickman reported the Audit Committee will meet on July 10, 2024 to kick off the annual audit of financial statements.

7. Future Meetings

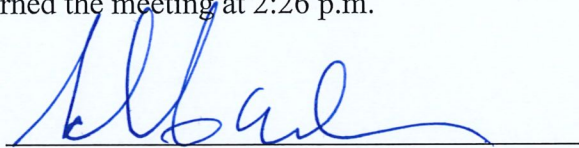
Consider and discuss agenda items for future meetings

No discussion.

There being no further business, Chair Werby adjourned the meeting at 2:26 p.m.



Todd Werby
Finance and Risk Management Committee Chair



Attest: Jeff Wickman
Retirement Administrator