

## MINUTES

### SPECIAL MEETING OF THE FINANCE AND RISK MANAGEMENT COMMITTEE MARIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

Retirement Board Conference Room  
One McInnis Parkway, 1<sup>st</sup> Floor  
San Rafael, CA

July 29, 2009 2:00 P.M.

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**EVENT CALENDAR** 2:00 P.M. Finance and Risk Management Committee meeting

**CALL TO ORDER** Chairperson Arrigoni called the meeting to order at 2:06 P.M.

**ROLL CALL** Present: Arrigoni, Bolger, Given, Phillips (late arrival), Richardson, Sweet  
Absent: None

#### A. **OLD BUSINESS**

1. **Administrative Budget FY09-10 (Action)**

Consider and make recommendations to Board regarding adoption of administrative budget for FY 2009-10

John Maher, CPA, distributed the proposed budget format developed in collaboration with the Administrator, as requested. He stated that program budgeting would be extremely difficult due to the small size of the staff but suggested that subdivisions could be developed to reflect business areas such as operations, accounting, administration and IT. He noted that implementing formal timekeeping would be costly and probably ineffective and recommended that allocations be based on objective criteria

He explained that the Z-budget format produced by SAP provides real time data but that the budget categories available do not adequately reflect the needs of MCERA, and conversion to the MCERA budget format from SAP is time consuming. He reminded the committee that MCERA maintains its own general ledger in addition to the reporting done by SAP.

The Administrator stated that the Grand Jury recommended replacing SAP, and a recommendation to undertake a feasibility study was forthcoming from IST. As a result, allocating staff resources to conform the MCERA budget to SAP may not be an effective use of resources at this time. She noted that CPAS is not an accounting system, and that staff will issue an RFP for a new general ledger system after the CPAS implementation is complete.

Maher said that most systems do not provide detail. Chair Arrigoni requested additional detail. Maher suggested that retrofitting AccountMate to provide more detail was possible. He noted that the current chart of accounts was "ridiculously cumbersome" and emphasized the need to address that issue both for reporting and to meet legal requirements.

Mr. Maher requested feedback from the Committee on the proposed budget format, noting the staffing information was very good. Trustee Given requested that actual FY09 data be added when available. The Administrator provided additional detail on the staffing assumptions.

The committee requested that the Administrator report on budget status quarterly. Maher noted that that information is normally provided on an annual basis. The Administrator said that expenditures-to-date would be provided along with % spent vs. % elapsed time. Benner clarified that because some or all of the IT projects may be capitalized, expenditure review could cause some confusion during the year. Maher suggested that using modified accrual basis could be helpful.

Maher suggested that since there are two primary users, the Board and the Administrator (who uses it to manage the department), a budget could be approved in one format, using actual expenditures, and then a modified budget could be developed to show amortization, etc. He confirmed that the budget provides the authorization to spend money and is different from “the accounting”.

The Chair asked Benner the funds she was requesting, which was \$3,698,448. Maher stated that department expenses are shown in detail but it would be difficult to separate and track staff time for Board-related matters vs. department administration. Trustee Phillips opined that it would be useful if it could be done. Maher emphasized that there were no hard and fast rules in this area.

Discussion followed whether sufficient supporting documentation was available to approve the FY09-10 budget.

Trustee Richardson expressed concern regarding the year to year increase in salary expense. Benner provided the historical context, stating that MCERA had been seriously understaffed for many years, and that a long term staffing plan was developed in 2006 to correct the problem. She noted that each additional position had been approved by the Board and that current staffing was equivalent to similar systems such as Santa Barbara, whose staff compliment was contained in a report distributed to the board the prior month. She noted the Board’s priority on improving member service, improving compliance and board support, and that additional staff was necessary to achieve those objectives. She also noted that moving extra hire employees to regular employees adds 40% in benefit costs. She also referred to the Grand Jury which stated that staffing should be increased to address service concerns and that additional management staff should also be added.

The Chair agreed with the facts presented were accurate. Trustee Given echoed Arrigoni’s sentiment, adding that adequate staffing is a problem in the County as well. Given said he would like to see an approved list of positions corresponding to those shown in the budget. The Administrator directed the Committee to the second page of her report.

The consultant asked Trustee Given to provide a copy of his quarterly comparison report. The Chairperson asked Given to meet with the Administrator and the consultant once again. Trustee Given agreed. The Administrator noted that MCERA is a dynamic organization and that staffing needs will continue to change with time. Richardson requested a detailed organization chart.

The Chair announced the next meeting to be August 13 at 9 A.M. to discuss the Grand Jury responses.

Trustee Given reported on his meeting with the accountant, noting an unreconciled balance of approximately \$18 million that remained in a County account. Given agreed to attempt to provide a reconciliation prior to the next meeting. He reported there were five funds that he needed to reconcile, adding that he initially could not match the checks with the bank.  
Administrator

Trustee Phillips discussed the need for flexibility in reporting and suggested a line item approach. The Committee discussed legal fees for FY09. Benner explained that legal expenses included many one time governance and compliance issues such as the review of investment manager contracts. The consultant said he would continue to refine the budget layout with Administrator Benner and Trustee Given and also look at the investment budget.

Discussion continued regarding the issues with SAP. Administrator Benner explained it is generally believed that implementation issues were at the core of the problem. Given noted that the new finance director arrives in September, and the end of Smith's term is December 2010.

2. Budget Update FY08-09

- Administration  
None
- Other  
None

3. Review and Discussion of Future Staffing Needs

None

**B. NEW BUSINESS**

None

**C. OPEN TIME FOR PUBLIC EXPRESSION**

None

There being no further business, the meeting was adjourned at 3:42 P.M.

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Peter Arrigoni, Chairperson

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Attest: Charnel Benner, Administrator