

MINUTES

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

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

February 16, 2012 – 9 A.M.

CALL TO ORDER Chair Bolger called the meeting to order at 9:03 A.M.

ROLL CALL PRESENT: Bolger, Given, Gladstern, Richardson, Stevens, Webb

ABSENT: Brenk

MINUTES

It was M/S Richardson/Gladstern to approve the November 29, 2011, Finance and Risk Management Committee Meeting Minutes as submitted. The motion was approved by unanimous vote.

A. OPEN TIME FOR PUBLIC EXPRESSION

No public comment.

B. OLD BUSINESS

1. Administrative Budget FY 2011/12 Quarterly Review
Consider and review budget for quarter ending December 31, 2011

Retirement Administrator Wickman presented the quarterly review of the current fiscal year budget, which at mid-year is 38% of the total budget. Mr. Wickman reviewed professional services in response to trustee inquiries, and discussed potential providers for the actuarial audit. Based on the review, the Committee found the budget to be reasonable.

Mr. Wickman noted the expenditure to implement new retirement tiers in CPAS that have been negotiated by the plan sponsors. Quarter-to-quarter comparisons of investment expenses were also discussed

2. Quarterly Checklist
Consider, review and updates on the following:
 - a. MCERA travel and event related expenses

Ms. Bolger requested that staff review expenses for consulting attorneys to ensure that they are representing MCERA at conferences.

b. Other expenses per Checklist guidelines

Expenses for items such as newsletter publication, surveys, and shipment of Board packets to the trustees are reviewed and approved by the Retirement Administrator.

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

The Committee found no concerns regarding variances.

d. Reconciliation of MCERA administrative accounts

No discussion.

e. Vendor services provided to MCERA

Two new vendors, Ice Miller (tax advice) and ADP (MCERA payroll), were engaged.

f. MCERA staffing status

Realignment of one staff position was approved by the Board of Supervisors.

g. Internal controls, compliance activities and capital calls

Staff is planning for increasing capital calls to fund private equity commitments.

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

Securities monitoring firms are informing Mr. Wickman about new securities litigation involving holdings in the MCERA portfolio.

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

No discussion.

3. Notes to Financial Statements Update

Consider and discuss updates to financial statement notes

Mr. Wickman recommended formation of an ad hoc committee to review draft financial statement notes for the FY 11-12 audit.

Committee Chair Bolger recessed the meeting for a break at 9:55 A.M., reconvening at 10 A.M. and directing deliberations to **Agenda Item C.2.**

C. NEW BUSINESS

2. System Risk Quarterly Review – SF Sentry

Presentation and discussion of preliminary system risk analysis

SF Sentry representatives David Hansen, Tim Holmes, and Scott White presented the quarterly system risk report for the period ending December 31, 2011. Data aggregation issues have been resolved, according to Mr. Holmes, and SF Sentry is now able to access holdings information for analysis. The pricing process for the small portion of unrated bonds and the risk associated with emerging market debt were discussed. The risks associated with international investments were discussed. Counsel Dunning reviewed the recent U.S. Supreme Court's *Morrison* ruling restricting remedies in U.S. federal courts for actions involving securities traded on foreign exchanges.

The stress profile shows a modest reduction in portfolio risk during the quarter, according to Scott White, who observed that the portfolio is well diversified. The equity portfolio dominates the risk profile, he stated, and fixed income is providing stability. Downside risk factors include a potential rise in interest rates. Trustee Stevens commented that international exposure may be understated, depending on where the corporation is domiciled.

Top-ten equity holdings representing 6% of the portfolio were discussed by Mr. Hansen. Of note are consumer discretionary holdings that are greater than the benchmark. The fixed income profile was reviewed by Mr. Holmes who noted that 70% of corporate credit is investment grade. The overall duration is intermediate and well within portfolio guidelines, he stated. Mr. Holmes discussed risk and yield in comparison to the benchmark in response to Trustee Stevens' inquiry.

The Committee considered potential modifications to the risk studies for geographic analysis and segregation of the cash position.

Chair Bolger directed deliberations to **Agenda Item C.1.**

1. Administrative Budget FY 2012/13 Preliminary Review

Consider draft of proposed budget for fiscal year 2012/2013.

Mr. Wickman presented a proposed administrative budget for the next fiscal year for the Committee's consideration. Salaries and benefits represent the largest budget category and include standard step increases for non-executive staff. Trustee Gladstern recommended adding step increases for the Retirement Administrator and the Assistant Retirement Administrator to the budget.

The Committee considered the composition of benefit expenses and reviewed two position classification realignments. The proposed budget reduces extra hire positions and professional services, according to Mr. Wickman. The structure of inter-departmental charges will be reviewed with the County.

Trustee Richardson was excused from the meeting at 11:43 A.M.

Mr. Wickman stated that the proposed administrative budget for the next fiscal year is slightly increased, by 1%, from the current year's budget and, at 16 basis points of MCERA's total accrued liability, is under the statutory cap of 21 basis points.

It was M/S Webb/Given to direct the Retirement Administrator to include step increases for the Retirement Administrator and Assistant Retirement Administrator in the FY 2012/13 Administrative Budget. The motion was approved by unanimous vote.

AYES: Bolger, Given, Gladstern, Stevens, Webb

NOES: None

ABSTAIN: None

ABSENT: Brenk, Richardson

There being no further business, Chair Bolger adjourned the meeting at 11:49 A.M.

Bernadette Bolger, Chair

Attest: Jeff Wickman, Retirement Administrator