

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**

August 20, 2014 – 9 A.M.

CALL TO ORDER Chair Gladstern called the meeting to order at 9:05 A.M.

ROLL CALL PRESENT: Bartfeld, Brenk, Given, Gladstern, Piombo

ABSENT: Bolger, Shore

MINUTES

It was M/S Given/Brenk to approve the May 6, 2014 Finance and Risk Management Committee Meeting Minutes as submitted.

AYES: Bartfeld, Brenk, Given, Gladstern, Piombo

NOES: None

ABSTAIN: None

ABSENT: Bolger, Shore

A. OPEN TIME FOR PUBLIC EXPRESSION

No public comment.

B. NEW BUSINESS

1. Administrative Budget FY 2013/14 Year-End Review

Consider and review budget for quarter ending June 30, 2014

Retirement Administrator Jeff Wickman presented the Administrative Budget for the fiscal year ending June 30, 2014, explaining that total expenditures were under the budgeted amount by 7%. Reviewing specific items for the quarter, Mr. Wickman noted that professional fees include the current Brown Armstrong annual financial statement audit and processing of 1099Rs by ASI. He also stated that work on the sidewalk and replacement and the removal of trees along the back parking lot increased the owner allocation for utilities at One McInnis. Document reproduction costs for the quarter included the cost of producing materials for the Special Retiree Board election. Expenses for transcriptions and medical records in May and June included two complex disability retirement cases that required considerable testimony before the Administrative Law Judge.

Trustee Bartfeld noted the increase in workers compensation insurance that Mr. Wickman said was a result of increased experience of workers compensation claims within the County.

For non-budgeted items the biggest expense is retiree payroll which increased from the prior quarter as a result of the annual April cost of living adjustment and new retirements in the month of March. In response to Trustee Brenk's inquiry, Assistant Retirement Administrator Michelle Hardesty stated there were 131 retirements in the 12 month period ending March 31, 2014.

Mr. Wickman addressed higher-than-expected CPAS costs which were related to change requests and purchase of additional support hours. Costs are expected to decrease next year.

Reviewing legal costs Mr. Wickman explained that County counsel costs are related to counsel representing MCERA in disability cases referred or appealed to the Administrative Law Judge (ALJ). Trustee Piombo requested an analysis of ALJ decisions from a cost/benefit standpoint. The Committee asked staff to conduct an analysis of ALJ cases and report back to the Board at the October workshop. For legal expenses Mr. Wickman pointed out that MCERA received reimbursement from AIG for legal expenses associated with consolidated legal cases. This reduced the overall legal expenses for the fiscal year. Other expenses include the summary valuation and GASB 67 statement preparation by Cheiron and appraisals of Woodmont private real estate.

Investment manager fees were reviewed for the quarter and the year. In the future, MCERA will receive fee breaks for increased commitments to core real estate managers. Mr. Wickman reviewed new private equity commitments, noting that private equity fees are based on committed capital. Trustee Given recommended including private equity fees in proportion to total Fund value in the report.

2. Quarterly Checklist

Consider, review and updates on the following:

a. MCERA educational and event-related expenses

Expenses for sending trustees and staff to conferences were reviewed. Chair Gladstern noted that staff is participating in educational opportunities that included a CalAPRS management academy attended by Benefits Supervisor David Sousa.

b. Continuing Trustee Education Log

Mr. Wickman reported that as of June 30, 2014 all trustees have met continuing education requirements (24 hours every two years) due by the end of this calendar year, or later for newer trustees. In response to Trustee Given's inquiry, Ms. Dunning reviewed categories qualifying for education credit.

c. Other expenses per Checklist guidelines

The Committee reviewed all credit card charges and agreed they were reasonable.

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

Budget variances were addressed in Agenda Item B.1 above.

e. Reconciliation of MCERA administrative accounts

Staff continues to meet regularly with the Finance Department regarding the reconciliation of administrative accounts. Progress has been slightly delayed while Finance Department staff have been focused on the selection of the County's new financial system provider.

f. Vendor services provided to MCERA

No new items to report.

g. MCERA staffing status

Mr. Wickman reported on the status of the new Financial Officer position approved in the Board's fiscal year 2014/2015 budget. This is a reclassification of a current vacant position in MCERA. Working with the County's Human Resources team, the position description has been finalized. The next step is to finalize the salary banding. The Administrator is targeting the fall/winter to be able to begin the recruitment.

h. Internal controls, compliance activities and capital calls

Capital calls for the fiscal year were reviewed that include the rebalancing of assets.

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

No new items to report.

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

No new items to report.

3. Fall Workshop Agenda and Presentation Proposal

Consider and discuss agenda and Cortex presentation proposal

The Committee reviewed the draft agenda for the Workshop which includes a discussion on governance practices presented by Tom Iannucci of Cortex Applied Research. The Committee reviewed the proposal submitted by Cortex and directed the Administrator to

work with the firm's representatives to clarify that the total cost for all work involved in the preparation and delivery will not exceed \$10,000.

Trustee Given requested a defined structure for public expression to keep the meeting on track. In response Mr. Wickman stated the Chair has the ability to manage the meeting in a manner that is open and transparent in accordance with applicable law.

Chair Gladstern recessed the meeting for a break at 10:45 A.M., reconvening 10:53 A.M.

Upon further discussion there was consensus that the Cortex presentation would be a reasonable expense. Trustee Piombo expects the session to lend efficiency to the Board's processes. In summary, Mr. Wickman stated that there are sound reasons for how governance has evolved at MCERA and the idea is to maintain a governance model that the Board is comfortable. He felt bringing the experience of Cortex to the table will be of value to the Board.

4. Audit of Financial Statements for Fiscal Year 2013/14

Update on annual audit of financial statements by Brown Armstrong

The Administrator reported on the work completed to date on the annual financial audit conducted by Brown Armstrong. Preliminarily no potential findings have been identified. The final report is scheduled for delivery at the October Board meeting.

5. Future Meetings

Consider possible agenda topics for future meetings

The Committee discussed the manner in which meetings are conducted which the Administrator stated will be addressed at the October 14-15 workshop.

There being no further business, Chair Gladstern adjourned the meeting at 11:46 A.M.

Maya Gladstern, Chair

Attest: Jeff Wickman, Retirement Administrator