

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 25, 2015 – 9 a.m.

CALL TO ORDER Chair Piombo called the meeting to order at 9:00 a.m.

ROLL CALL PRESENT: Bolger, Piombo, Shore, Webb

ABSENT: Given

MINUTES

It was M/S Webb/Bolger to approve the November 19, 2014 Finance and Risk Management Committee meeting Minutes as submitted.

AYES: Bolger, Piombo, Shore, Webb
NOES: None
ABSTAIN: None
ABSENT: Given

A. OPEN TIME FOR PUBLIC EXPRESSION

No public comment.

B. NEW BUSINESS

1. Administrative Budget FY 2014/15 Review

Consider and review budget for quarter ending December 31, 2014

Retirement Administrator Jeff Wickman reported that overall expenditures through the second quarter of the fiscal year were 44% of the budgeted amount. Mr. Wickman reviewed line-item expenditures with the Committee. Conference and training expenses included Cortex cost for their educational session on governance at the October 2014 Strategic Workshop. There is increased cost associated with processing disability application cases that are becoming increasingly complex.

In the Salaries and Benefits category expenditures are under 50% due to a vacancy that will be filled by the Financial Officer position. Expenditures for Services and Supplies are 70% of the budgeted amount due to transcription costs related to disability cases. Based on this experience, the Administrator said, it is likely this category will need

adjustment before the end of the fiscal year. Responding to trustee inquiries, Mr. Wickman explained the difficulty of predicting the cost of processing disability retirement applications. Mr. Wickman noted that staff is conscious of the cost to the system as they are going through disability determinations.

2. Non-budgeted Expenses

Consider and review non-budgeted expenses for the quarter

Retiree Payroll is the largest single non-budgeted expenditure at \$28 million at mid-year, and is expected to increase with the April Cost of Living Adjustment (COLA) and with the typical March retirements. According to Assistant Retirement Administrator Michelle Hardesty, processing retirements is expected to go smoothly as estimates have been completed for members contemplating retirement this spring.

CPAS expenses include the renewal of annual agreements and change requests. Mr. Wickman and Ms. Hardesty are meeting next week with CPAS representatives to address completing core system functionality and limiting cost to maintenance, support and the regular service fee.

Other expenditures reviewed included Investment Manager fees, which are the second largest category. Legal fees for Manatt will transition to Nossaman. Mr. Wickman noted that custodial fees have been reduced over the past five years.

Upon discussion of the potential for lowering manager fees and moving Artisan and Morgan Stanley to separate accounts, Chair Piombo indicated there is interest on the Board to consider further reduction of fees through passive investment vehicles. Regarding moving to separate accounts, Mr. Wickman explained there will be significant administrative work to set up the accounts.

3. Quarterly Checklist

Consider, review and updates on the following:

a. MCERA educational and event-related expenses

The Committee reviewed educational and training expenses for trustees and found everything in order. Staff have been attending CalAPRS benefits roundtables with Assistant Retirement Administrator Michelle Hardesty. Chair Piombo supported the ongoing plan for staff development.

b. Continuing Trustee Education Log

Continuing Education has been met for all trustees for the December 2014 deadline (24 hours every 2 yrs). Mr. Wickman described the process of categorizing and recording attendance at educational sessions that is posted quarterly on MCERA's website.

c. Other expenses per Checklist guidelines

Credit card expenses include expenses for the GASB 67/68 implementation meeting with MCERA employer/sponsors.

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

See above.

e. Reconciliation of MCERA administrative accounts

Mr. Wickman reported that staff is working with the County of Marin Finance Department and has made progress in identifying reasons for variances in administrative accounts.

f. Vendor services provided to MCERA

See j below.

g. MCERA staffing status

The Financial Officer position recruitment will be published this week by the County. It will also be published on the CalAPRS and Government Finance Officers Association (GFOA) website.

h. Internal controls, compliance activities and capital calls

Increased private equity activity is resulting in more frequent capital calls.

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

Nothing to report.

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

Mr. Wickman plans to renew the agreement with Ice Miller LLP for Internal Revenue Service and tax support. At issue is a 5% hourly rate increase, which the Administrator expects to discuss with Ice Miller this week. A new partner replaced Terry Mumford who retired.

The planned liquidation of the State Street securities lending duration pool is moving forward. The Administrator and Counsel Dunning negotiated as much protection for MCERA as possible and did not give State Street an additional 10% fee it had requested. Since the matter was last discussed there has been some depreciation in pool asset values, which MCERA will cover. The additional anticipated loss will not, however, require MCERA to sell any securities.

The sale of 1190 Borregas is expected to close shortly after entering into a purchase sale agreement with the buyer. Mr. Wickman expects the next step to be marketing industrial/retail properties as a group.

4. Budget Priorities for FY 2015/16 (Action)

Consider and discuss budget priorities for the new fiscal year

The final proposed budget for the next fiscal year will be presented in June. Mr. Wickman is anticipating a relative flat budget, subject to other county-wide changes. The final benefit multiplier for determining the cost of all benefits is one of the single biggest drivers in the budget. In addition, the County is currently negotiating a potential cost of living adjustment for county employees. Other anticipated changes for the budget include the addition of new work stations to replace selected aging equipment, including in the training room.

Mr. Wickman will consider proposing some salary flexibility that might be necessary as a result of the new customer service initiative. Mr. Wickman responded to trustee inquiries on workflow management. Currently, he explained, the distribution of work load could be improved. He further stated that he and the Assistant Administrator want staff to be able to process any of the common functions from enrollment to retirement.

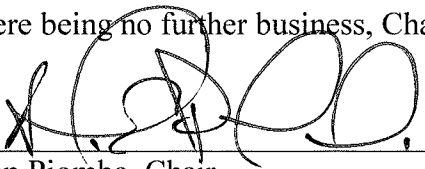
Upon discussion there was agreement that exploring the expense of videotaping Board meetings was not a current priority. Only one '37 Act system videotapes meetings and that was restricted to Board meetings only, according to Mr. Wickman. Ms. Dunning observed MCERA's procedures to provide access to, and records of, Board and standing committee meetings comply with the Brown Act.

5. Future Meetings


Consider possible agenda topics for future meetings

No discussion.

There being no further business, Chair Piombo adjourned the meeting at 10:34 a.m.



Alan Piombo, Chair



Attest: Jeff Wickman, Retirement Administrator