

MINUTES

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

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

August 19, 2015 – 9:00 a.m.

CALL TO ORDER Chair Piombo called the meeting to order at 9:01 a.m.

ROLL CALL PRESENT: Bolger, Piombo, Shaw, Shore, Webb
ABSENT: Given

MINUTES

It was M/S Webb/Bolger to approve the May 20, 2015 Finance and Risk Management Committee Meeting Minutes as submitted.

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

A. OPEN TIME FOR PUBLIC EXPRESSION

Note: The public may also address the Committee regarding any agenda item when the Committee considers the item.

No public comment.

B. NEW BUSINESS

1. Administrative Budget FY 2014/15 Year-End Review
Consider and review budget for quarter ending June 30, 2015

Retirement Administrator Jeff Wickman reported that overall administrative expenditures for the fiscal year ending June 30, 2015 were 92.5% of the budgeted amount. The savings were mainly in the Salaries and Benefits category as a result of position vacancies. Fourth quarter expenditures include initial fees for the annual financial audit, utilities expenses at One McInnis Parkway, and the MCERA web address renewal for 5 years. Medical transcription expenses ran higher based on complexities of the claimed disabilities. In response to Chair Piombo's inquiry, Mr. Wickman explained that staffing this function would be inefficient due to the unpredictable nature of the disability cases. Insurance premiums were higher than budgeted and other categories were in line. Trustee Shore observed expenses were very close compared with the size of the budget.

Trustee Shaw joined the meeting at 9:32 a.m.

2. Non-budgeted Expenses

Consider and review non-budgeted expenses for the quarter

Retiree Payroll, the largest single expenditure, increased in April as a result of annual COLA and the addition of new retirees in March. Other non-budgeted expenses include the CPAS annual hosting fee, fixed-cost payments to Woodmont for property sales, and a Callan College investment course attended by Trustee Thomas. Legal expenses, reduced from the prior fiscal year, include County counsel expenses to represent MCERA in disability cases, general legal expenses and the legal costs related to investment agreements. A year-to-year comparison of non-budgeted expenses will be included in the report going forward based on Chair Piombo's request.

Responding to trustee inquiries, Mr. Wickman explained that refunds of contributions are made to members who withdraw their retirement funds upon leaving MCERA or who contribute beyond 30 years, when contributions are no longer required.

3. Quarterly Checklist

Consider, review and updates on the following:

a. MCERA educational and event-related expenses

Educational and training expenses for trustees and staff were found to be in order. The Committee recommended a review of the conference reporting process by the Governance Committee.

b. Continuing Trustee Education Log

The Continuing Education requirement of 24 hours every 2 years is being met by all trustees.

c. Other expenses per Checklist Guidelines

Other expenses were found by the Committee to be in order.

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

See discussion above.

e. Reconciliation of MCERA administrative accounts

The reconciliation of administrative accounts is temporarily on hold due to resource constraints at the Marin County Department of Finance as a result of the financial system implementation and staff turnover.

f. Vendor services provided to MCERA

No new vendor services.

g. MCERA staffing status

The Chief Financial Officer recruitment resulted in a qualified candidate who will be scheduled for an interview next week.

h. Internal controls, compliance activities and capital calls.

Capital calls include initial funding for real asset portfolios at the end of June and reflect increased activity in the private equity portfolios.

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

See Agenda Item B.4 below.

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

Mr. Wickman reported that the process to renew MCERA's fiduciary liability insurance has been initiated. He reminded the Committee that last year staff considered multiple policy offers before finally recommended that the Board renew insurance with the incumbent provider. This year staff and counsel will also be looking at whether cyber insurance coverage should be added to the policy. A recommendation will be brought to the full Board for consideration in November.

When MCERA hired Vanguard to invest in REITS a question arose about whether a mutual fund was subject to the Form 700 reporting requirements. Counsel Dunning reported that an FPPC Advice Letter supports the position that mutual funds are exempt from the Form 700 filing requirement. Counsel Dunning advised that another distinction from other managers is the absence of an investment management agreement or side letter with this particular REIT mutual fund manager. The Committee indicated it was satisfied with Ms. Dunning's analysis.

Based on discussions the Committee agreed that monthly investment reports currently included in the Board agenda and packet will be removed from the Board agenda and the reports will be available on a request basis.

Mr. Wickman noted that it has been over five years since MCERA began using two firms to provide securities litigation monitoring. He recommended that the Committee review the current service providers and hear from other potential providers at the next meeting. In response to Trustee Shore's inquiry, Mr. Wickman discussed the need for securities litigation monitoring and the particular challenges with monitoring international litigation. He also noted that both current service providers have been very good to work with.

Mr. Wickman reported that a purchase-sale agreement for the private industrial properties expired last Friday. MCERA and Woodmont Real Estate Services will continue to work with the prospective buyer while looking at available options in case a final sale cannot be achieved.

4. Audit of Financial Statements for Fiscal Year 2014/15

Update on annual audit of financial statements by Brown Armstrong

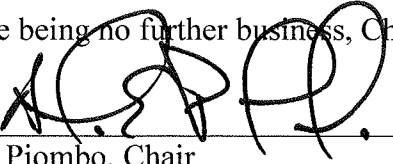
The auditors completed the first phase of the annual audit and are preparing the draft financial statement. Upon staff review the final financial statements will be presented at the October or November Board meeting.

5. Future Meetings

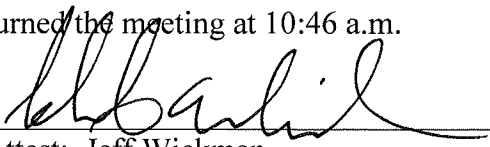
Consider possible agenda topics for future meetings

No discussion.

There being no further business, Chair Piombo adjourned the meeting at 10:46 a.m.



Alan Piombo, Chair



Attest: Jeff Wickman
Retirement Administrator