

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**

December 15, 2015 – 9:00 a.m.

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

ROLL CALL PRESENT: Bolger, Given, Piombo, Stevens
ABSENT: Shore

MINUTES

It was M/S Bolger/Stevens to approve the August 19, 2015 Finance and Risk Management Committee Meeting Minutes as submitted.

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

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. Class Action Securities Monitoring Provider Review

Review and discuss process for selecting securities litigation monitoring firms

Retirement Administrator Jeff Wickman stated that in 2008 the Board engaged two class law firms to monitor class action securities litigation. The firms notify MCERA of legal action filed against companies in which MCERA held stock during the claim period, potential recovery of settlement claims and recommend cases where MCERA may want to consider applying for lead plaintiff status. MCERA pays no fee for the monitoring service. The only cost would be in situations where MCERA was the lead plaintiff in an action. The two current firms are Bernstein Litowitz Berger & Grossmann LLP and Robbins Geller Rudman and Dowd. Mr. Wickman brought this matter to the Committee to discuss whether there was an interest in relooking at firms that offer this service. Mr. Wickman discussed the selection

process used by the Board in 2008 which included a review of Institutional Shareholder Services (ISS) annual evaluations of the top securities litigation firms. The Committee reviewed the 2014 ISS report and discussed potential companies that were capable of providing the service to MCERA.

Trustee Bolger indicated that she saw no problems with the current providers. Trustee Given noted that if we were happy with the current service there may be more pressing priorities. Mr. Wickman said if the Committee is satisfied then he is comfortable with retaining the current firms and not moving forward with a new interview and selection process. Based on interest, class action securities litigation is a potential topic for a future Board meeting.

It was M/S Bolger/Stevens to stay with current class action securities litigation monitoring service providers Bernstein Litowitz Berger & Grossmann LLP and Robbins Geller Rudman and Dowd.

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

Chair Piombo directed deliberations to **Agenda Item B.3.**

3. Administrative Budget FY 2015/16 Quarterly Review

Consider and review budget for quarter ending September 30, 2015

Mr. Wickman reported on budget expenditures for the first quarter of the fiscal year. The biggest expense category of salaries and benefits is slightly under 25% due to salary and benefit savings from the vacant Chief Financial Officer (CFO) position. In services and supplies, professional services at 37% is attributable to the annual financial audit completed by Brown Armstrong. Conference and training expenses are close to 26% and include several CalAPRS conferences.

Medical transcriptions at 52% exceeded the budgeted amount due to more complex disability retirement cases and follow up necessary when the Board denies initial applications. Mr. Wickman noted there have been four initial denials of disability retirement applications that are on appeal to the Administrative Law Judge, which creates additional expenses. Responding to Trustee Bolger's inquiry, the Administrator explained MCERA is pushing to receive information in an electronic format but that it's been difficult to get medical providers to move away from paper documents. The question of whether to increase the budget for medical transcriptions was discussed. The Administrator will look into potential alternatives for these services. For the quarter total services and supplies are slightly over the 25% budgeted amount. Overall the administrative budget is slightly under 25% for the quarter.

4. Non-budgeted Expenses

Consider and review non-budgeted expenses for the quarter

Mr. Wickman presented non-budgeted expenses for the quarter which included a new comparison column showing the prior quarter results. These expenses totaled just over \$33

million and include benefits payments that were slightly higher than the prior quarter, refunds of contributions that are difficult to predict, and an unusually high number deaths in active service.

Professional consulting fees include the tax advice of Ice Miller on specific benefit issues. Expenses for the actuary include work to produce the new GASB 67/68 Report for MCERA's annual financial statements and participating employers. Woodmont fees for property sales are now complete and the firm continues as the property manager for One McInnis.

Included in the regular legal expenses was additional work by Nossaman on the private equity agreement and side letter for the new Abbott Capital Management private equity fund.

5. Quarterly Checklist

Consider, review and updates on the following:

a. MCERA educational and event-related expenses

Educational events during the quarter included the CalAPRS Principles of Pension Management course at Pepperdine University attended by Trustee Laurie Murphy and an investment course at Callan College attended by Trustee Thomas. Mr. Wickman participated in the CalAPRS Administrators' Institute and the Nossaman Fiduciary Forum. The CPAS WestCoast Workshop was attended by Senior Accounting Assistant Cookie Shamrock and Assistant Retirement Administrator Michelle Hardesty who reported that the workshop was valuable, resulting in efficiencies for retiree payroll, for example. Also during the quarter MCERA sponsored outside Board Counsel Ashley Dunning's attendance at the CalAPRS Attorneys' Roundtable.

b. Continuing Trustee Education Log

Educational training for trustees shows trustees are well on their way to completing the requirement of 24 hours every two years.

c. Other expenses per Checklist Guidelines

Credit card expenses include publishing MCERA's newsletter, the CPAS user conference, and the Board's offsite Strategic Workshop at Embassy Suites.

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

See discussion above.

e. Reconciliation of MCERA administrative accounts

Reconciliation of MCERA administrative accounts remains on hold due to competing priorities at the County with the new financial system implementation.

f. Vendor services provided to MCERA

There were no unusual vendor services during the quarter.

g. MCERA staffing status

Mr. Wickman reported that candidates for the CFO position will be interviewed beginning January 7, 2016.

h. Internal controls, compliance activities and capital calls

The report on capital calls has been enhanced to include distributions received from the older private equity funds.

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

No discussion.

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

No discussion.

Mr. Wickman was excused from the meeting at 9:48 a.m. and returned later.

Chair Piombo recessed the meeting for a break at 9:48 a.m., reconvening at 10 a.m. and directing deliberations to **Agenda Item B.2.**

2. Information Technology Risk Assessment

Present and discuss MCERA IT Risk Assessment prepared by MCERA staff

Ms. Hardesty presented the Information Technology (IT) Risk Assessment. Conducting an IT review and developing the risk assessment was recommended by MCERA's auditor, Brown Armstrong. As a result the IT Risk Assessment team was formed consisting of Ms. Hardesty, Technology and Support Specialist Lori Nann and Communications Specialist Syd Fowler. In developing the IT Security Assessment the team produced documentation of different access points in the system including the County of Marin network and its SAP system, email, financial software, OnBase, and the CPAS network, database and employer portal. In addition vendors were asked for risk and connectivity assessments. In order to manage system access a fillable form was developed listing actions needed and the person responsible. Ms. Hardesty explained password policies in response to Trustee Stevens' inquiry.

Ms. Dunning advised on approaches to ongoing monitoring and, based on discussions, Chair Piombo directed that an annual report on the IT Security Assessment be presented to the Finance and Risk Management Committee at the Committee's last meeting of the fiscal year.

Mr. Wickman rejoined the meeting at 10:20 a.m.

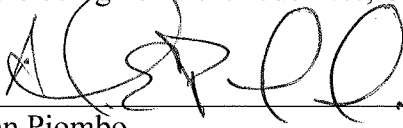
6. Future Meetings

Consider possible agenda topics for future meetings

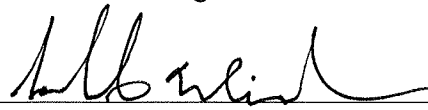
Mr. Wickman recommended having the initial Annual Financial Audit presented first to the Committee and then to the full Board for approval. Trustee Given agreed there would be efficiencies with that process. He and the Administrator discussed the potential challenges with being able to schedule the Committee review in light of the current schedule for completing the audit.

Trustee Bolger inquired about security provisions for One McInnis Parkway. Mr. Wickman said there are video cameras in the front lobby that are disabled. He noted that staff works behind secured doors except at the front lobby. The Administrator will review current County security procedures and the topic will be addressed at a future meeting as directed by Chair Piombo.

There being no further business, Chair Piombo adjourned the meeting at 10:30 a.m.



Alan Piombo
Chairperson



Jeff Wickman
Retirement Administrator