

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

February 24, 2016 – 9:00 a.m.

CALL TO ORDER Chair Piombo called the meeting to order at 9:03 a.m.

ROLL CALL

PRESENT: Bolger, Given, Piombo, Shore, Stevens

ABSENT: None

MINUTES

It was M/S Bolger/Shore to approve the December 15, 2015 Finance and Risk Management Committee Meeting Minutes as submitted.

AYES: Bolger, Given, Piombo, Shore, Stevens

NOES: None

ABSTAIN: None

ABSENT: None

A. OPEN TIME FOR PUBLIC EXPRESSION

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

Maya Gladstern commented on proposed legislation regarding private equity fee disclosures. Retirement Administrator Jeff Wickman stated that he has discussed the legislation with Board counsel and indicated it should not be a significant additional administrative burden to comply with proposed provisions.

B. NEW BUSINESS

1. Administrative Budget FY 2015/16 Quarterly Review

Consider and review budget for quarter ending December 31, 2015

Mr. Wickman reported that overall administrative expenditures for the first half of the fiscal year were 49.3% of the budgeted amount. Salaries and benefits are the primary budget drivers and salaries were under budget at midyear (47.5% as of December 31, 2015). Services and Supplies were slightly over 50% of the budgeted amount at midyear. Professional services include fees for the annual financial audit, actuarial work, and the CFO recruitment. Interdepartmental Charges were close to the budgeted amount at midyear.

Conference/training expenses include a GFOA GAAP webinar, the Nossaman Fiduciary Forum, and CalAPRS and SACRS conferences. Document reproduction costs include producing annual member benefit statements. Annual dues for the Council of Institutional Investors and CalAPRS came in during the quarter. Medical transcription expenses are projected to meet or exceed the annual budget in the next quarter based on complexities of the claimed disabilities although there are delays in some cases.

2. Non-budgeted Expenses

Consider and review non-budgeted expenses for the quarter

Retiree Payroll was consistent with the first quarter of the fiscal year. An increase in refunds of contributions was noted as being cyclical and difficult to predict. The Administrator noted that our use of age-based contribution rates adds complexity and can lead to refunds of contributions if it is discovered that the original age determination was incorrect. CPAS expenses were for software support and maintenance fees. The Administrator is working with Assistant Retirement Administrator Michelle Hardesty to eliminate all additional service hour charges related to CPAS maintenance unless it is for new and necessary functionality.

Legal expenses, at midyear approximately \$148,000, consist of primarily general counsel work by Nossaman that included an amicus brief approved by the Board, the cost of which was shared with other systems, and side letters for the new private equity agreements. Investment fees were presented for review by the Committee.

3. Quarterly Checklist

Consider, review and updates on the following:

a. MCERA educational and event-related expenses

Educational and training expenses include staff training at CalAPRS educational events. In response to Trustee Bolger's inquiry, Mr. Wickman stated he and Assistant Administrator Hardesty discuss with staff what they have learned from the training to determine if there are any potential efficiencies for MCERA. Agendas for conferences and courses attended by staff or trustees were presented to the Committee.

b. Continuing Trustee Education Log

The Continuing Education report shows trustees have either met their 24 hour requirement or are on track to meet the requirement every two years.

c. Other expenses per Checklist Guidelines

Mr. Wickman reviewed credit card expenses that are normal and track expenses mentioned above.

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

See discussion above.

e. Reconciliation of MCERA administrative accounts

The administrative accounts reconciliation effort is on hold due to the conflicting priorities of the County's Finance Department which is focused on the implementation of the County's new financial system. He reported that the project would get back on track in the coming months.

f. Vendor services provided to MCERA

No new vendors this period.

g. MCERA staffing status

The proposed start date for the Chief Financial Officer is March 7, 2016. Accounting Assistant Anne Battaglia will be going to the Department of Finance for a fixed 2-year period while the county's new system is being implemented. Office Assistant Nancy Merritt is retiring from MCERA at the end of March.

The Administrator with Woodmont's assistance is looking into options that would maximize the use of space by MCERA and potentially generate additional rental income.

h. Internal controls, compliance activities and capital calls

Capital calls include distributions from initial commitments to private equity fund vehicles. In response to Trustee Stevens' inquiry, Mr. Wickman stated that the history of capital calls and distributions is shown in the Callan Associates quarterly investment report.

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

Nothing to report.

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

Mr. Wickman reported that Assembly Bill 1853 was introduced in the legislative session. The Bill would allow county retirement systems to become separate districts. Senate Bill 272 amends the Public Records Act regarding categorizing "enterprise systems." The new provisions go into place July 1, 2016. A discussion of the new provisions will be agendaized for the May Finance and Risk Management Committee.

Based on the discussion on Securities Lending at the December 2015 Investment Committee meeting and the recommendations of Callan Associates, the Administrator directed that State Street cease lending securities to itself and unwind any current loans that were in place.

Mr. Wickman reported on legal matters related to MCERA retiree Linda Rapp.

4. Budget Priorities for Fiscal Year 2016/17 (Action)

Consider and discuss budget priorities for the new fiscal year

Budget Priorities for Fiscal Year 2016/17 were reviewed by the Administrator in preparation for the final budget proposal to be presented at the May Committee meeting. Mr. Wickman reviewed potential items to be included in the administrative budget for the next fiscal year:

- Conduct a salary and benefits study for MCERA staff positions that are unique.
- 3% Cost of Living Adjustment (COLA) for county employees in the summer of 2016.
- Potential upgrades to Board room capabilities such as video and security features for the front lobby.

During the next fiscal year the Administrator plans to have the new CFO conduct a thorough review of our budget process. The current salary study is looking at the positions that are unique to MCERA. These are primarily positions in the benefits and payroll teams. The results of the study will not be known until after the new budget is adopted. A 3% COLA effective July 1 planned by the county will be included in the budget. Potential upgrades for the Board room and security features for the front lobby were discussed. Trustee Bolger asked about the use of video for public Board meetings.

It was M/S Bolger/Stevens to accept budget priorities for Fiscal Year 2016/17.

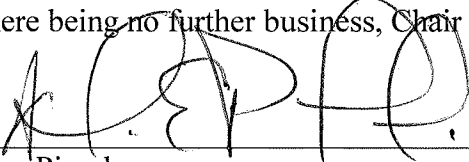
AYES: Bolger, Given, Piombo, Shore, Stevens
NOES: None
ABSTAIN: None
ABSENT: None

5. Future Meetings

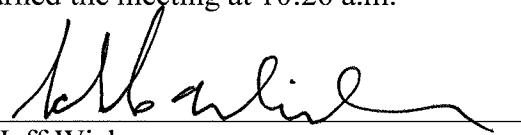
Consider possible agenda topics for future meetings

At the May 25 Committee meeting Mr. Wickman will present the final budget proposal for the next fiscal year, new legislation as discussed above, and the annual Information Technology Security Assessment Report.

There being no further business, Chair Piombo adjourned the meeting at 10:26 a.m.



Alan Piombo
Chairperson



Jeff Wickman
Retirement Administrator