

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 25, 2016 – 9:00 a.m.

CALL TO ORDER Chair Piombo called the meeting to order at 9:06 a.m.

ROLL CALL

PRESENT: Bolger, Piombo, Shore, Stevens

ABSENT: Given, Shaw

MINUTES

It was M/S Bolger/Stevens to approve the May 25, 2016 Finance and Risk Management Committee Meeting Minutes as submitted.

AYES: Bolger, Piombo, Shore, Stevens

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 Fiscal Year 2015/16 Year-End Review
Consider and review budget for fiscal year ending June 30, 2016

Mr. Wickman reported that expenditures for the fiscal year ending June 30, 2016 were 93% of the budgeted amount. Position vacancies created budget savings in Salaries and Benefits. Services and Supplies include the annual financial audit by Brown Armstrong, the recruiting services of Wendy Brown of W. Brown Creative Partners for the Chief Financial Officer (CFO) position, and a classification study related to positions unique to MCERA discussed further below.

Conference and travel expenditures for the quarter include SACRS, CalAPRS, and Nossaman conferences and due diligence meetings with investment managers.

Trustee Shaw joined the meeting at 9:13 a.m.

Document Reproduction Costs were for the spring newsletter, election notices, and communications to members on changes to the Medicare program. Communications expenses related to medical will be reimbursed as part of administering County health benefits.

Responding to Chair Piombo's inquiry, Mr. Wickman explained that the Ad Hoc One McInnis Committee was put on hold while classification studies were being conducted. The outcome of the studies could result in changes that would need to be considered before making changes to the office configuration.

Medical transcription expenditures for the fiscal year were higher than the budgeted amount due to additional expenses required for disability retirement applications appealed to an Administrative Law Judge (ALJ). Mr. Wickman indicated the number of these cases is difficult to predict. Considerations are whether there is a reliable trend or potential efficiencies through the use of electronic records or outside providers.

2. Non-budgeted Expenses

Consider and review non-budgeted expenses for the quarter

In Non-Budgeted Expenses the biggest category is Retiree Payroll which ran at approximately \$10.7 million per month during the quarter. The quarter totals are higher as result of new retirees in March (historically the largest month for new retirees) and an April 1st retiree Cost of Living Adjustment. Assistant Retirement Administrator Hardesty explained the benefits available upon the death of the retiree.

CPAS expenses include the quarterly hosting fee and one-half the cost of the software upgrade that is expected to streamline reporting and member communications. Legal fees included investment-related work and the consolidated cases, including the amicus brief. In response to Trustee Stevens inquiry, Mr. Wickman explained the investment-related fees were for the new agreements with private equity managers Pathway and Abbott and for new commitments to Invesco. There were also expenses to analyze new Most Favored Nation provisions presented to MCERA for potential adoption. Trustee Stevens asked whether legal expenses for investments like private equity could be compared with legal expenses made for an S&P 500 Index investment. Mr. Wickman stated that comparison of legal expenses for specific managers could be developed going forward but comparisons for existing managers would be difficult because MCERA has changed its legal approach for investment managers to add the new model Side Letter and Investment Management Agreement where possible.

3. Quarterly Checklist

Consider, review and updates on the following:

a. MCERA educational and event-related expenses

Educational expenses for the fiscal year were relatively low. The Administrator discussed the importance of ongoing education for the trustees. Based on discussions staff will look into Trustee Shore's idea of tracking education hours by topic for individual trustees.

b. Continuing Trustee Education Log

The Continuing Trustee Education log tracks the details of educational events for each trustee and 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

Credit card expenditures included retirement workshop surveys, a Nossaman workshop, and meeting in San Jose attended by the Administrator.

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

See discussion above.

e. Reconciliation of MCERA administrative accounts

Mr. Wickman reported that the administrative account reconciliation has made significant progress and will be developing a plan to bring the reconciliation to closure.

f. Vendor services provided to MCERA

Vendor services included W. Brown Creative Partners' recruitment of the CFO and Bryce Consulting's for the custom classification study.

g. MCERA staffing status

The Administrator reported the proposed recommended results of a study for position classifications that are unique to MCERA and therefore not part of the County's classification study begun in 2014. Bryce Consulting looked at 3 classifications impacting 7 employees with the goal of aligning positions with similar County classifications and steps. The following recommendations need Board of Supervisors approval prior to being implemented.

1. Re-title the class of Retirement Member Services Technician to Retirement Benefits Assistant.
2. Re-title the class of Retirement Benefits Specialist to Retirement Benefits Technician to align with existing County classifications.
3. Reclassify 5 incumbents from Retirement Member Services Technician to Retirement Benefits Technician.
4. Establish class of Senior Retirement Benefits Technician to align with similar County senior technician classes.
5. Reclassify incumbent from Senior Accounting Assistant to Senior Retirement Benefits Technician.
6. Reclassify incumbent from Administrative Services Technician to Department Analyst II.

In response to Trustee Stevens' inquiry, Mr. Wickman explained that two of the adjustments to classifications would have been part of the County's current classification study but he felt it was more appropriate to have these positions reviewed with the other MCERA specific classifications. The fiscal impact will be \$153,000 over the next fiscal year.

h. Internal controls, compliance activities and capital calls

The capital call reports shows that MCERA is receiving distributions from private equity funds. The report also shows rebalancing during the year and in one case a liquidation required for monthly retirement payroll.

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

The annual financial audit including GASB 67 and 68 reports is in process.

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

Mr. Wickman requested that MCERA's actuary prepare an estimate of the cost impact of the County's proposal to increase salaries for deputy sheriffs more than the 3% salary growth assumption used for determining the cost of the plan in the annual actuarial valuation. The Administrator gave the report to the County which will be part of the information presented to the Board of Supervisors. Mr. Wickman has asked Ms. Tucker to look into whether employers can use electronic delivery of their contribution payments to MCERA.

4. Information Technology Security Assessment Report

Staff report on risk planning and processes for MCERA

Assistant Retirement Administrator Michelle Hardesty explained that the annual Information Technology Security Assessment Report (Report) assesses the risks of electronic business tools used to administer the MCERA pension plan for the fiscal year ending June 30, 2016.

Two items were identified that require follow up by staff: 1) Personnel Management Regulation 23, under revision by the County, must be signed by all staff to acknowledge understanding of policies relating to access to electronic data; and 2) communication with employers requesting that MCERA be notified if there are changes to their list of employees who have access to the CPAS employer portals.

An outstanding item from the prior Report for the period ended October 12, 2015 was to confirm that staff had the appropriate levels of access in CPAS. The June 30, 2016 Report notes that all user roles were verified and correctly assigned.

Maya Gladstern inquired about controls against potential hacking when money is transferred. Mr. Wickman stated internal controls were in place for transferring money to and from the custodial bank.

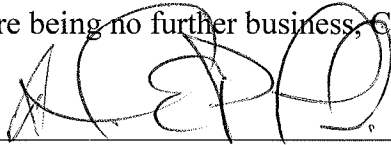
5. Audit of Financial Statements Update

The Administrator reported that the annual audit of financial statements by Brown Armstrong is in process and he expects a presentation of the final audit to the Board in November or December. CFO Jessica Tucker will be reviewing the Notes to Financial Statements. The schedule is stretched out so we had adequate staff to support the audit process, he said.

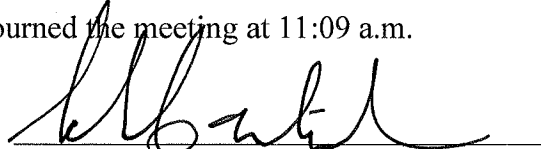
6. Future Meetings

Consider possible agenda topics for future meetings

There being no further business, Chair Piombo adjourned the meeting at 11:09 a.m.



Alan Piombo
Chairperson



Jeff Wickman
Retirement Administrator