

## **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**

**June 7, 2017 – 1:00 p.m.**

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The Board of Retirement for the Marin County Employees' Retirement Association encourages a respectful presentation of public views to the Board. The Board, staff and public are expected to be polite and courteous, and refrain from questioning the character or motives of others. Please help create an atmosphere of respect during Board and Committee meetings. If members of the public wish to speak on any agenda items, please alert the Retirement Administrator to that request prior to the matter being called.

#### **CALL TO ORDER**

Chair Stevens called the meeting to order at 1:01 p.m.

#### **ROLL CALL**

PRESENT: Given, Murphy, Piombo, Shore, Stevens

ABSENT: None

#### **MINUTES**

It was M/S Given/Piombo to approve the March 1, 2017 Finance and Risk Management Committee Meeting Minutes as submitted.

AYES: Given, Murphy, 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.

Open time for public expression, from three to five minutes per speaker, on items not on the Committee Agenda. While members of the public are welcome to address the Committee during this time on matters within the Committee's jurisdiction, except as otherwise permitted by the Ralph M. Brown Act (Government Code Sections 54950 et seq.), no deliberation or action may be taken by the Committee concerning a non-agenda item. Members of the

Committee may (1) briefly respond to statements made or questions posed by persons addressing the Committee, (2) ask a question for clarification, or (3) provide a reference to staff for factual information.

## **B. OLD BUSINESS**

### **1. Cyber Risk Management (Action)**

Consider and take possible action to recommend to Board of Retirement the purchase of additional cyber insurance.

At its March 2017 meeting, the Finance and Risk Management Committee (Committee) asked staff to go back and investigate options for purchasing additional cyber insurance. Mr. Wickman reported that the County has recently hired a new risk manager and he has reached out to her to set up an introductory meeting. Staff contacted CPAS to investigate what legal protections are in place at CPAS in the event that there were a cyber-breach. CPAS responded with limits it believes exist as to its liability to MCERA; staff will be following up to clarify and confirm MCERA's requested protections before renewal of the next hosting agreement.

There is a cyber-liability insurance program sponsored by the National Conference on Public Employee Retirement Systems (NCPERS) that staff believes has the most favorable pricing available. Mr. Wickman recommended that the Board purchase additional cyber insurance. Board Counsel Ashley Dunning believes it is prudent to manage this risk through insurance coverage and otherwise given the changed environment.

Chair Stevens asked if it would be reasonable to explore more than one option for pricing and coverage. Mr. Wickman replied we can compare the NCPERS policy with what is available through its current fiduciary liability insurance broker, McCorkle.

Trustee Shore joined the meeting at 1:10 p.m.

Chair Stevens said purchasing additional cyber insurance coverage is a way of protecting MCERA assets. In response to Trustee Given's inquiry, Mr. Wickman will check with the County on coverage for email-related cybercrime.

## **C. NEW BUSINESS**

### **1. Administrative Budget for Fiscal Year 2017-18 (Action)**

Consider and possibly recommend adoption of Administrative Budget for the next fiscal year

Mr. Wickman presented the proposed administrative budget for fiscal year 2017-18. He stated the goal was to present a relatively flat budget. The Administrator stated the biggest driver of the administrative budget is salaries and benefits. The budgeted salaries include a previously negotiated county-wide 3% cost of living adjustment effective July 1, 2017. As with prior years all salaries are budgeted at the top step of the salary scale. To offset the cost of salary increases the benefit multiplier has been reduced in line with county estimates. Mr. Wickman stated that another factor in preparing the budget was being aware of projected economic slowdowns that could affect the broader county budget. Mr.



Wickman stated that the all positions were budgeted at their current classification except for the vacant Chief Financial Officer, which was budgeted as an Accounting Unit Manager even though he and Assistant Administrator Hardesty are still working with the County to finalize the classification. The position was also budgeted for six months because the recruitment would likely not start until this fall. Trustee Given believes the proposed budget is realistic, with a few minor changes from year to year.

Mr. Wickman reviewed the budget in detail, pointing out areas where adjustments have been made. Without increasing the budget for services and supplies, funds were moved into the budget for disability benefit management due to increased costs in that category. The office supplies budget was increased to purchase equipment that will allow streamlining of document management. Other priorities include resources to upgrade lobby security and address audio video improvements in the Board room. There were savings in the areas of professional services, insurance and utilities. Other departmental charges for various county services were projected to be slightly higher than the year before.

From total projected expenditures, certain costs are removed from the final administrative budget and charged back to the trust. These include investment-related and certain other expenses that the CERL allows to be paid by the trust. The administration of health care benefits is taking more of staff's time and those costs are charged to the County, which is sponsoring the retiree health plan. The resulting final administrative budget is \$3.9 million, which is 15 basis points of the total actuarial accrued unfunded liability of the Plan as compared with the 21 basis point legislative cap.

It was M/S Piombo/Given to recommend that the Board adopt the Administrative Budget for Fiscal Year 2017-18 as submitted.

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

2. Administrative Budget Fiscal Year 2016/17 Quarterly Review  
Consider and review budget for quarter ending March 31, 2017

Mr. Wickman stated current fiscal year expenditures through the quarter ending March 31, 2017 are 66% of the budgeted amount. Salaries and benefits are under budget due to position vacancies, and services and supplies are slightly over the budgeted amount. Interdepartmental charges are slightly below budget.

3. Non-budgeted Expenses  
Consider and review non-budgeted expenses for the quarter

Retiree payroll is the biggest category for non-budgeted expenses, and will be impacted by the April Cost of Living Adjustment. Other non-budgeted items include legal consulting, investment-related consulting and fees, the CPAS hosting agreement, and the annual actuarial valuation. Legal expenses, categorized by functions including disability cases,

taxes, and fiduciary and investment-related consulting, are running lower than the prior year.

4. Quarterly Checklist

Consider, review and updates on the following:

a. MCERA educational and event-related expenses

Staff training is evidenced in educational and event-related expenses.

b. Continuing Trustee Education Log

All trustees are meeting the 24 hour education requirement every two years.

c. Other expenses per Checklist Guidelines

Credit card items are normal Board or training-related expenditures.

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

See discussion above.

e. Vendor services provided to MCERA

There were no new vendor services during the quarter.

f. MCERA staffing status

Recruitments are underway to fill the two vacant Benefit Technician positions. One position was recently vacated and the other has been filled by an extra hire. Mr. Wickman is working through the Human Resources Department on the new classification for the financial officer position.

g. Internal controls, compliance activities and capital calls

Mr. Wickman noted that the capital call report shows MCERA is beginning to receive increased distributions from its initial private equity investments.

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

Nothing to report.

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

Mr. Wickman reported that the Marin County Civil Grand Jury has issued a report comparing net pension liabilities with revenues for the municipalities and districts in Marin County. MCERA has been asked to respond to three recommendations in the report. The responses to the recommendations will be placed on a future Board meeting agenda for discussion.

j. Form 700 Summary submittal

The Administrator presented a summary of economic interests reported on Form 700 by executive staff, trustees and consultants. The report highlights where there is potential risk such that trustees need to pay attention to how they interact and participate in certain issues. Counsel Dunning noted the report shows last calendar year's holdings and one trustee has since sold some holdings. Trustee Shore requested more clarity on reporting diversified mutual funds. Counsel Dunning indicated the process is intended to protect the trustees and the Fund by flagging items that may warrant recusals by trustees, staff and certain consultants.

5. Policy Regarding Implementation of California Felony Forfeiture Laws (Action)

Consider and take possible action to recommend to Board of Retirement adoption of new policy regarding implementation steps by MCERA of PEPRA felony forfeiture laws.

Mr. Wickman explained that the MCERA Board has not yet developed a policy to address the felony forfeiture provisions in the Public Employees' Pension Reform Act of 2013 (PEPRA). Counsel and staff developed the proposed Policy Regarding Implementation of California Felony Forfeiture Laws to define a process for MCERA to manage felony forfeiture if the situation presented itself. Mr. Wickman and Ms. Dunning discussed details around the notification and investigation process.

It was M/S Given/Shore to recommend that the Board adopt the Policy Regarding Implementation of California Felony Forfeiture Laws as submitted.

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

6. Annual Audit of Financial Statements Update

Update on audit process

Auditor Brown Armstrong has been in touch with staff and will begin the onsite annual audit of financial statements process on July 10.

7. Key Service Providers Review

Annual administrative review of service providers

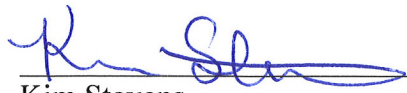
Mr. Wickman reported there are no issues with any MCERA consultants affecting their ability to provide services.

8. Future Meetings

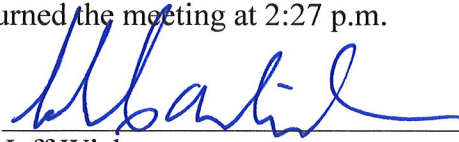
Consider possible agenda topics for future meetings

No discussion.

There being no further business, Chair Stevens adjourned the meeting at 2:27 p.m.



Kim Stevens  
Chairperson



Jeff Wickman  
Retirement Administrator