

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 23, 2017 – 9:00 a.m.

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 9:01 a.m.

ROLL CALL

PRESENT: Given, Murphy, Piombo, Shore, Stevens

ABSENT: None

MINUTES

It was M/S Piombo/Shore to approve the June 7, 2017 Finance and Risk Management Committee Meeting Minutes as submitted.

AYES: Murphy, Piombo, Shore, Stevens

NOES: None

ABSTAIN: None

ABSENT: Given

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.

No public comment.

B. NEW BUSINESS

1. Administrative Budget Fiscal Year 2016/17 Year-End Review

Consider and review budget for fiscal year ending June 30, 2017

Mr. Wickman presented the administrative budget for the quarter and fiscal year ending June 30, 2017. Overall expenditures for the fiscal year were 89.6% of the budgeted amount. The Administrator reviewed items in the final quarter of the fiscal year. Under Salaries and Benefits there were significant adjustments reducing workers' compensation expenses. In Services and Supplies, expenditures included Brown Armstrong services related to the annual financial statement audit and Professor Odean's educational presentation at the April Strategic Workshop.

Trustee Given joined the meeting at 9:04 a.m.

A higher number of complex disability cases increased expenses in the fourth quarter. For Fiscal Year 2017-18, disability expenses will be broken down into specific categories so the Committee can track more precisely what factors are impacting expenses for processing disability applications.

For the fiscal year Salaries and Benefits were under budget largely due to position vacancies that occurred during the year. The salary and benefit savings is the biggest contributor to the overall expenses being under the approved administrative budget. Trustee Given noted that the other expenditure categories (Services and Supplies and Interdepartmental Charges) came in at roughly 99% of the proposed budget. He commended staff for good work on managing the administrative budget.

2. Non-budgeted Expenses

Consider and review non-budgeted expenses for the quarter

The Administrator reported on non-budgeted expenses. Retiree payroll increased in April as a result of the annual cost of living adjustment (COLA) which was applied to April retirement benefits. There was discussion about retiree payroll gradually increasing over the last five years. Ms. Hardesty pointed out there are increasing numbers of retirees during this time in addition to the annual application of the COLA. Chair Stevens noted we will see demographic trends with the new experience study this fall. Mr. Wickman noted that Refunds of contributions, which occur when members decide to leave employment and forego the defined benefit, are difficult to project.

Mr. Wickman reported legal expenses have come down over the past three years. Nossaman charges included money spent to get tighter side agreements with our investment managers. In June legal fees included an additional cost related to Greene v. MCERA. The fiduciary liability insurance coverage will reimburse MCERA for a significant portion of these costs.

Investment manager fees were presented and Chair Stevens noted the fees are increasing from the prior year. Mr. Wickman indicated some of the recent changes adopted by the

Board to reduce fees are still being addressed by staff. This includes the transition to the Artisan commingled investment trust and the transition in the S&P 500 index manager, both of which were projected to reduce expenses.

3. Quarterly Checklist

Consider, review and updates on the following:

a. MCERA educational and event-related expenses

Educational and event-related expenses were presented in detail, grouped by trustees, the Administrator, staff, and counsel. Mr. Wickman said the report shows that trustees are getting training during each year. Events for the Administrator included the CalAPRS Administrators Institute and SACRS conferences. For staff there was new employee training and roundtables for accounting and benefits team members. MCERA also pays the registration fee for its counsel to attend CalAPRS Attorneys' Roundtables on MCERA's behalf.

b. Continuing Trustee Education Log

The continuing trustee education log shows how trustees are doing in relation to the education requirement of 24 hours every two years. The records reflect there are no problems achieving the required hours.

c. Other expenses per Checklist Guidelines

Credit card expenses were presented in detail that include travel for training and expenses for Board meetings. Trustee Given indicated that reviewing the statements is a good practice and provides an additional layer of transparency into credit card expenditures.

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

See discussion above.

e. Vendor services provided to MCERA

Mr. Wickman reported MCERA entered into an agreement with a broker to assist with the potential for leasing vacant space at One McInnis.

f. MCERA staffing status

Two vacant Retirement Benefit Technician positions have been filled with the hiring of Anne Battaglia, who was previously in the accounting/finance team, and new employee Linda Martinez. Recruiting is underway for an Accounting Assistant and Senior Accounting Assistant. The Administrator is working with the Marin County Human Resources Department on recruiting an Accounting Unit Manager that is replacing the former Chief Financial Officer (CFO) position.

g. Internal controls, compliance activities and capital calls

The Capital Call report shows capital calls, distributions and other money flows including portfolio rebalancing. For the fiscal year, private equity distributions to MCERA of \$30.3 million exceeded capital calls of \$25.6 million. At the October Strategic Workshop the Administrator expects discussion on the annual private equity pacing plan.

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 MCERA has purchased cyber insurance through an NCPERS-endorsed program, as previously discussed with the Committee.

The Administrator said moving the S&P 500 portfolio from State Street Global Advisors to BlackRock is still in process. He has asked Callan Associates to re-look at the savings due to the difference in the fee split on securities lending.

Letters to MCERA's private equity managers regarding the new fee disclosure requirements are being developed. MCERA will ask its managers to report fee data using the Institutional Limited Partners Association (ILPA) fee disclosure template.

The annual Information Technology Risk Assessment Report was moved to the next Finance and Risk Management Committee meeting. Ms. Hardesty noted additional research was added and the complete report will be presented at the December Committee meeting.

4. Audit of Financial Statements Update

Update on annual audit of financial statements by Brown Armstrong


Mr. Wickman reported that Brown Armstrong has completed the performance portion of the annual audit. Next week the auditors return to MCERA to begin the financial portion of the audit.

5. Future Meetings

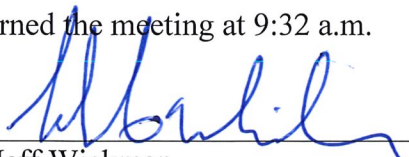
Consider possible agenda topics for future meetings

No discussion.

There being no further business, Chair Stevens adjourned the meeting at 9:32 a.m.



Maya Gladstone
Chairperson



Jeff Wickman
Retirement Administrator