

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 6, 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 item, please alert the Retirement Administrator to that request prior to the matter being called.

CALL TO ORDER

Chair Gladstern called the meeting to order at 9:02 a.m.

ROLL CALL

PRESENT: Given, Gladstern, Murphy, Piombo

ABSENT: None

MINUTES

It was M/S Piombo/Given to approve the August 23, 2017 Finance and Risk Management Committee Meeting Minutes as submitted.

AYES: Gladstern, Given, Murphy, Piombo

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.

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 members of the public provided comment.

B. NEW BUSINESS

1. Administrative Budget Fiscal Year 2017/18 Quarterly Review

Consider and review budget for quarter ending September 30, 2017

Mr. Wickman reviewed the Administrative Budget for the first quarter of fiscal year 2017/18. The Administrator reported that total expenditures for the first quarter were 15% of the budgeted amount. The biggest category of Salaries and Benefits was under the budgeted amount due to position vacancies. In order to address service backlogs related to benefit estimates, Mr. Wickman authorized overtime for staff that will occur during December. Professional Services included the cost of the annual financial audit by Brown Armstrong. Membership expenses include annual dues for SACRS and the Government Finance Officers Association (GFOA). Conferences and training expenses included the CalAPRS Administrators' Institute, the NCPERS Public Pension Funding Forum and the CII fall conference. Disability-related services are already one-third of the budgeted amount; transcription and medical review services show the same trend higher. Interdepartmental charges lag each quarter which is why the amount is low.

2. Non-budgeted Expenses

Consider and review non-budgeted expenses for the quarter

Non-budgeted expenses include monthly retiree payroll, investment manager fees, legal expenses and consulting fees. The Administrator expects retiree payroll will stay consistent through March until the annual Cost of Living Adjustment (COLA) is applied, if any. Consulting fees for Cheiron included work on the Actuarial Valuation, GASB 67/68 Report, and the Experience Study. The majority of expenditures related to Greene v. MCERA will be reimbursed through MCERA's fiduciary liability insurance. Investment manager fees were presented and Mr. Wickman said he still needs to transition the Artisan commingled investment trust to the new comingled investment trust vehicle which will result in lower fees.

3. Quarterly Checklist

Consider, review and updates on the following:

a. MCERA educational and event-related expenses

Mr. Wickman discussed the Callan investment training and CII conference attending by Board members. Mr. Wickman attended the CalAPRS Administrators' Institute and staff attended the Benefit Roundtable and Disability Training.

b. Continuing Trustee Education Log

A summary of the Continuing Education quarterly report recording required training (24 hours every two years) for trustees is posted on MCERA's website. Mr. Wickman

noted that by attending education-related events Board members are having no difficulty achieving the required number of hours.

c. Other expenses per Checklist Guidelines

Other expenses show credit card charges including the statements. The Committee discussed whether to continue reviewing the level of detail presented in the statements. Mr. Wickman will work with the new Committee Chair to determine whether to change any of the information presented to the Committee.

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

See discussion above.

e. Vendor services provided to MCERA

No new vendor services during the period.

f. MCERA staffing status

The Administrator reported the Accounting Unit Manager position is closed and candidates will be interviewed in January. Follow-up interviews for the Benefit Supervisor position are on hold.

g. Internal controls, compliance activities and capital calls

The Capital Call report shows during the quarter MCERA paid in more capital than it received in distributions. The capital calls were greater as a result of new commitments. The original 2008 commitments are producing more distributions than paid-in capital. Because the private equity allocation is above its 8% target, additional commitments were skipped this year. During the quarter the REIT portfolio was moved from Vanguard to BlackRock.

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 stated the fiduciary liability insurance renewal will be presented to the Board in December. The new renewal proposes no change to the premium. Staff and counsel negotiated increased reimbursement rates for senior legal associates and paralegals.

Expenses associated with Cheiron include meetings with plan sponsors attended by actuary Graham Schmidt. Autodesk indicated that they wanted to enter into a lease for 6,000 square feet on the first floor of One McInnis. The Administrator continues to work with Woodmont Real Estate Services on leasing the vacant office space.

4. Information Technology Security Assessment Report

Staff report on risk planning and processes for MCERA

Assistant Retirement Administrator Michelle Hardesty presented the results of MCERA's Information Technology Security Assessment Report as of June 30, 2017. The assessment evaluates compliance with the policies and procedures related to MCERA's electronic business tools. Ms. Hardesty stated that staff continues to expand the information documented and identify areas of potential risk. Processes are audited to assure compliance with procedures. In addition to adding Innovest, Ms. Hardesty reported staff is looking at incorporating questions asked by the financial auditors. Ms. Hardesty reported there were no findings this year.

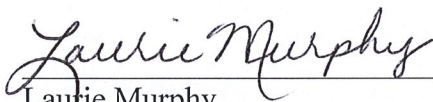
The Committee discussed whether historical payroll records will remain accessible as the County transitions to a new financial system. Chair Gladstern inquired about the use of electronic signatures and compliance with Section 508, accessibility of records. Trustee Given indicated the County is in a process to move in the direction of using electronic signatures. Chair Gladstern asked about assessing risk associated with using iPads in public places. Mr. Wickman stated as the iPads near the end of their useful life staff will re-look at any issues that have been identified during the first three years of use.

5. Future Meetings

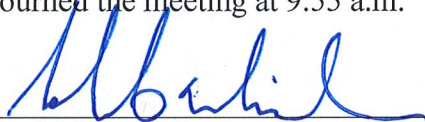
Consider possible agenda topics for future meetings

At next week's Board meeting, the Committee will be reconstituted.

There being no further business, Chair Gladstern adjourned the meeting at 9:55 a.m.



Laurie Murphy
Chairperson



Jeff Wickman
Retirement Administrator