

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**

November 28, 2018 – 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 Murphy called the meeting to order at 9:01 a.m.

ROLL CALL

PRESENT: Block, Given, Klein, Murphy, Piombo

ABSENT: None

MINUTES

It was M/S Block/Piombo to approve the August 29, 2018 Finance and Risk Management Committee Meeting Minutes as submitted.

AYES: Block, Given, Klein, 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 2018/19 Quarterly Review

Consider and review budget for quarter ending September 30, 2018

Retirement Administrator Jeff Wickman reviewed the administrative budget for the quarter ending September 30, 2018, the first 3 months of new fiscal year. Mr. Wickman reported that administrative expenditures are at 18.6% of the budgeted amount for the fiscal year. Salaries and Benefits are at 16.7% of the budgeted amount for the fiscal year. The Salaries and Benefits category included a one-time payment negotiated as part of collective bargaining and a credit for workers' compensation based on experience. In the Services and Supplies category, payment was made to the auditor for the annual financial audit. Membership and Dues includes SACRS dues for the fiscal year. Transcription and medical records expenditures include the services of independent medical examiners used by MCERA's medical advisor. Interdepartmental charges are now recorded on an accrual basis. Mr. Wickman pointed out that the professional services and membership and dues categories use a higher percentage of their budgets early in the fiscal year. For example, one professional services vendor has been paid for the year. In response to Chair Murphy's inquiry on why there were 5 payrolls instead of 6 for the quarter, staff will review what the actual pay dates were for July and August.

2. Non-budgeted Expenses

Consider and review non-budgeted expenses for the quarter

Mr. Wickman said the biggest single non-budgeted expense is retiree payroll, which stays consistent during the year until April, when the annual cost of living adjustment is applied. CPAS expenses include the hosting fee and annual licensing fee. Nossaman expenses represent the biggest single legal category, and include the Greene case which is still active. Trustee Klein asked about a budget for retiree payroll and whether it matches up with what the last asset-liability study projected for retiree payroll. There was discussion on if there is an expectation built into the valuation. Trustee Block asked about a cash flow projection and whether it is looked at on an annual basis. Mr. Wickman replied that staff will be updating cash flow projections. He stated there are no cash flow problems, and incoming contributions cover about 7 to 8 payrolls per year. There may be a need to liquidate for capital calls or rebalancing 4 to 5 times per year. Trustee Block asked whether the notice for capital calls is adequate, and Mr. Wickman indicated the timing was sufficient to plan for any capital needs. He said MCERA holds cash in its short-term State Street investment fund to cover payroll and incoming capital calls, while holding as little cash as possible for efficiency.

3. Quarterly Checklist

Consider, review and updates on the following:

a. MCERA educational and event-related expenses

Mr. Wickman indicated that the reports still do not include all event expenses like registration fees. Going forward trustee and event-related expenses will include all event expenses and reimbursable expenses.

b. Continuing Trustee Education Log

Trustees are all meeting requirements under the law for continuing education.

c. Other expenses per Checklist Guidelines

Credit card expenditures include a legal entity identifier required by Wellington every year.

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

See discussion above.

e. Vendor services provided to MCERA

There have been no outside vendor services since the last report.

f. MCERA staffing status

MCERA is fully staffed with the hiring of Benefits Assistant Lori Detwiler.

g. Internal controls, compliance activities and capital calls

In the private equity program, MCERA received about \$9 million in distributions and paid almost \$6 million in capital calls during the quarter.

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

Mr. Wickman reported MCERA had not closed its books for Fiscal Year ending June 30, 2018. He said we have received the GASB 67/68 reports from the actuary. The goal is to present the final financial statements and GASB 67/68 Report at the December 12 Board meeting, and have the Ad Hoc Audit Committee review the statements before the Board meeting

The other examination that is complete is the Milliman actuarial and experience study audit, and results were generally positive. Milliman found a few minor items that Cheiron needed to correct, and there were suggestions for other changes that would improve the annual valuation report. Mr. Wickman commended Milliman for their work which will be presented at the December Board meeting. Trustee Given asked if the recommended additional disclosures are standard. Mr. Wickman replied many have to do with additional transparency to assist readers, which he viewed as positive.

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

In November there was an error in retiree payroll when the deduction for the vision program (VSP) was not taken. The deduction will have to be made up for in the December payroll, and retirees have been notified of this situation. Mr. Wickman explained that the error had been identified prior to payroll being run but did not get communicated to make sure there was follow-up on how to fix the problem. The Administrator spoke to the high priority of retiree payroll and apologized for the mistake.

4. iPad Applications

Consider and discuss the use of applications for electronic devices

Chair Murphy requested a review of accessing public WiFi service on the iPad and the security of WiFi use at conferences. She also asked for more information on potentially using personal devices to access email in the Office 365 environment. Mr. Wickman introduced Syd Fowler to review the processes for upgrading iPads. Ms. Fowler reported initially access to WiFi was restricted when the iPads were introduced to the Board. Currently Trustee Gladstern is testing the new iPad Pro with full internet access for work-related functions. The main security risk is when downloading the Board meeting packets, and therefore trustees can choose to use cellular service on the device. Office 365 is now mandatory for all County computers. MCERA will be using fully licensed Office 365 that provides protections such as remote device management, which is greatly more efficient for staff rather than having to modify individual devices.

MCERA is maintaining the restriction to prevent sending emails with confidential data. There is potential software to protect confidential documents that has not been tested. Trustee Block said MCERA's portable device policy does not allow for non-work-related business and he asked if it needs to be adjusted to provide for emails that communicate the annual holiday recognition luncheon, for example. Ms. Dunning will look at that, but thought the language in the policy addressed this situation.

In response to Chair Murphy's inquiry, Mr. Wickman explained that upgrading to the iPad Pro is optional, assuming iPads in use are compatible with the latest operating software. The new iPad Pro has cellular capability. Trustee Block expressed an interest in the software to protect confidential documents, and Ms. Fowler said the question is whether DLP can work without another password.

5. Future Meetings

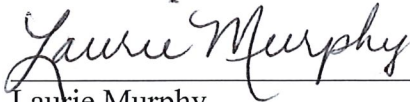
Consider possible agenda topics for future meetings

The Information Technology Security Assessment report is scheduled for the next Committee meeting.

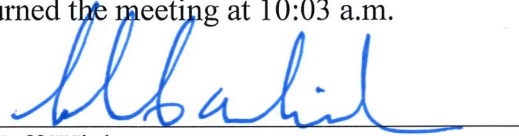
Trustee Block inquired about staff's work related to the County's new medical plan being non-core to MCERA's mission. In response, Mr. Wickman said it is appropriate for MCERA to act as the administrator for the County medical plans because MCERA pays the retirees and therefore has the access to make deductions and provide subsidies as directed by the County. Trustee Block asked if there is a better way to integrate that into

our business. Mr. Wickman replied this work is already fully integrated into MCERA's operations. The challenge this year was changing out the current medical plans and requiring retirees to make decisions they have not previously had to make. Counsel Dunning advised that administering the medical plan deduction is part of MCERA's business and within its authority to administer benefits the plan sponsor granted its retirees, so long as the plan sponsor pays for that additional aspect of MCERA's administrative services, as it does.

There being no further business, Chair Murphy adjourned the meeting at 10:03 a.m.



Laurie Murphy
Chairperson



Jeff Wickman
Retirement Administrator