



**ADMINISTRATION & FINANCE COMMITTEE**  
**Meeting Minutes**

**Thursday, November 13, 2014**

**IRMA Office**

**9:30 a.m.**

**PRESENT:** David Clark, Chair  
Janet Gorman  
Spencer Parker  
Katy Rush  
Darrell Langlois

Dan Nisavic  
John Prejzner  
Gerald Sagona  
Eric Helm  
Doug Haywood

**ALSO PRESENT:** Margo Ely  
Mary Henzler  
Brian Goding

Rita Boserup  
Zachery Creer

**ABSENT:** None

**I. CALL TO ORDER**

Chair Clark called the meeting to order. Roll was taken and a quorum declared.

**II. APPROVAL OF MINUTES: September 25, 2014**

A motion was made by Helm and seconded by Langlois to approve the Administration & Finance Committee Meeting Minutes of September 25, 2014. A voice vote was called and the motion carried.

**III. FINANCIAL REPORTS**

- A. IRMA Expense vs. Budget Report Only as of August 31, 2014 (unaudited)
- B. IRMA Investment Portfolio as of September 30, 2014
- C. IRMA Payables for the period 9/1/2014 – 10/31/2014

Clark asked if anyone had any questions on the financial reports. Hearing none, Clark asked about the IMET Convenience Fund. Ely explained that there was a fraud arrest by the Federal Government of the person who ran a company called First Farmers Financial (FFF) and the IMET Convenience Fund had invested in securities issued by that company and, specifically, IMET members had \$54 million invested. Ely stated that staff asked our Crime Coverage Excess Insurance carrier (The Travelers) to give us a coverage opinion. They requested that IRMA fill out a "notice of claim," which we did for the \$7,734.29 that is IRMA's portion of the investment and are waiting for the opinion. Once we have the opinion, we will have our Corporate Counsel review the opinion to make sure it has merit. The information that IRMA will provide members tomorrow will include the Complaint that was filed in the Northern District of Illinois by Pennant Management (the money manager hired by IMET who chose First Farmers Financial). Ely noted that the Complaint shows a lack of due diligence by Pennant, so even if there doesn't end up being coverage in this arena, because of it being third party removed type of coverage, we know that there are alternate methods that could be explored.

Langlois stated that he has spoken with Laura Allen of IMET and she feels fairly confident that there is a fair amount of unencumbered assets of Patel, one of the principals of FFF, who was arrested. IMET is cooperating with Pennant, and clearly Pennant has some exposure here. They are going to let Pennant chase as much of this money down and then if there are any realized losses, IMET will probably go after Pennant. Pennant has insurance. Langlois stated that the impression he has from talking to Allen is that they are relatively comfortable that there is going to be a fair amount of recovery.

A discussion by the committee ensued. Clark commented that this will be an evolving issue with IMET, and stated that if anyone learned anything new, they should pass it along to Ely, who will pass it along to the membership.

A motion was made by Rush and seconded by Prejzner to approve the Financial Reports. A voice vote was called and the motion carried.

#### **IV. 3<sup>rd</sup> QUARTER INVESTMENT PERFORMANCE REPORT**

Goding stated that he had the performance report as well as a search for a bank loan manager.

Goding reported that since the last AFC meeting there have been some changes at PIMCO and he had a recommendation based on Bill Gross leaving PIMCO. Based on that change, Marquette Associates is recommending that our clients terminate PIMCO and move the money. The reason behind this is that Bill Gross founded the firm and it was really his personality and his philosophy that drove the firm, particularly the Total Return Fund that IRMA is invested in. There is a lot of uncertainty and there are a lot of other fixed income managers out there that don't have these issues. He also brought a search to replace PIMCO.

Goding gave a brief overview of the 3<sup>rd</sup> Quarter Investment Performance Report, stating that for the most part it has been a positive quarter with an ending market value of IRMA's total composite of \$179,892,300.97.

Goding reviewed the first search that was for a manager to replace PIMCO, comparing BMO – TCH, Loomis Sayles, MacKay Shields and NIS. Goding explained that TCH was originally a woman owned firm that was purchased by BMO. BMO-TCH is a very good manager that has been around for a long time. Loomis Sayles, based out of Boston, is a very large institutional fixed income manager similar to PIMCO – a lot of assets under management and most in fixed income. MacKay Shields is another fairly big institutional fixed income manager out of New York. NIS is out of Milwaukee and is a pretty good institutional fixed income manager. After a review of the study and discussion by the committee, a motion was made by Helm and seconded by Rush to move from PIMCO to Loomis Sayles as a fixed income manager. A voice vote was called and the motion carried.

Goding presented Marquette's search for an investment manager to manage a Bank Loans portfolio. The search compared Credit Suisse, Crescent Capital and THL Credit. The committee reviewed and discussed the search. A motion was made by Helm and seconded by Sagona to contract with Crescent Capital as an investment manager to manage a Bank Loans portfolio for IRMA. A voice vote was called and the motion

carried. Boserup clarified that we are taking the balance of PIMCO and putting it into Loomis Sayles and \$9 million from rebalancing to targets will go into Crescent Capital. Clark stated that this was correct.

**V. 2015 AFC MEETING DATES**

Clark stated that the 2015 AFC meeting dates were for those who plan to continue on the committee during 2015.

**VI. INTERIM FINANCIAL REPORTS**

Clark noted that the IRMA Chair has asked to have interim financial statements and the monthly investment portfolio report posted on the website when they are completed. Clark stated that his only concern would be that the interim reports be replaced with the final reports voted on by the AFC and that the interim reports removed. Boserup agreed. It was the consensus of the committee that staff's recommendation to allow posting of interim (draft) financial information on the website.

**VII. OUTSOURCING BYLAWS**

Clark commented that this item had been previously discussed and approved subject to the bylaw language. The committee reviewed the proposed revised bylaw language. A motion was made by Rush and seconded by Gorman to approve the revised Bylaws. A voice vote was called and the motion carried.

**VIII. CLARIFICATION OF SICK LEAVE POLICY**

Clark explained that at the last Board of Directors meeting there was discussion about whether a definition of family members should be included in the Sick Leave Policy. That definition is included in the meeting packet. The committee reviewed the language. A motion was made by Parker and seconded by Helm to approve the revisions to the Sick Leave Policy. A voice vote was called and the motion carried. Clark noted that because this doesn't have a financial impact, this item will go to the Executive Board, but not to the Board of Directors.

**IX. 2014 INTEREST INCOME CREDIT**

A motion was made by Rush and seconded by Langlois to approve staff's recommendation of a 2014 Interest Income Credit in the amount of \$5,000,000 to be issued in December. A voice vote was called and the motion carried.

**X. 2015 FINAL BUDGET**

Clark noted that the final budget was revised to increase the budget by \$15,000 to cover the expenditure of consultants for the Contribution Structure Task Force. A motion was made by Rush and seconded by Prejzner to approve the revised 2015 Final Budget. A voice vote was called and the motion carried.

**XI. GFOA RECOGNITION**

Clark congratulated Boserup on the GFOA Recognition. Clark mentioned that perhaps in the future, Boserup might consider doing a PAFR (Popular Annual Financial Report), which is more of a condensed summary that could be used as a marketing tool.

**XII. ADDITIONS TO THE AGENDA**

There were no additions to the agenda.

**XIII. CONFIRMATION OF NEXT MEETING**

Clark stated that the next meeting of the Administration and Finance Committee is scheduled for Thursday, February 12, 2015 at 9:30 a.m. at the IRMA office.

**XIV. ADJOURNMENT**

A motion was made by Helm and seconded by Sagona to adjourn the meeting. A voice vote was called and the motion carried.

Submitted by:

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Rita Boserup  
Director of Financial Services & Administration

Approved By:

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Dave Clark  
Chair, Administration & Finance Committee