

ADMINISTRATION & FINANCE COMMITTEE
Meeting Minutes

Thursday, February 12, 2015
IRMA Office
9:30 a.m.

PRESENT: David Clark, Chair
John Prejzner
Eric Helm
Doug Haywood
Joe Mangan
Spencer Parker
Gerald Sagona
Darrell Langlois
Lynn McCammon

ALSO PRESENT: Margo Ely
Mary Henzler
Rita Boserup
Brian Goding

ABSENT: Jason Bielawski

I. CALL TO ORDER

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

II. APPROVAL OF MINUTES – November 13, 2014

A motion was made by Helm and seconded by Langlois to approve the Administration and Finance Committee Meeting Minutes of November 13, 2014. A voice vote was called and the motion carried.

III. WELCOME TO THE 2015 ADMINISTRATION & FINANCE COMMITTEE

Clark briefly reviewed the welcome documents for the committee and noted that this is a good packet to keep around as it contains all the major policies for the Administration and Finance Committee.

IV. ✓FINANCIAL REPORTS

- A. IRMA Financial Statements as of December 31, 2014
- B. IRMA Investment Portfolio as of December 31, 2014
- C. IRMA Payables for the period November 1, 2014 – January 31, 2015

A motion was made by Sagona and seconded by Helm to approve the Financial Reports as presented. A voice vote was called and the motion carried.

V. 4th QUARTER INVESTMENT PERFORMANCE REPORT (Brian Goding)

Goding explained that the first section of the report was an update on the Marquette Associates firm. Moving on to the market environment, Goding noted that the economy continues to expand after having a very poor first quarter last year. Unemployment has been coming down and inflation is very much in check.

Goding reviewed the IRMA portfolio, noting that for the most part all managers are in compliance with their objectives. At the end of December 2014, the fund was at \$175,799,602. Goding reported that for the quarter the fund was up 2.4% versus the benchmark of 2.2%. Goding explained that the benchmark is a weighting of the indexes.

Goding noted that page 14 of the report shows the calendar years' performance of each of the funds. Page 15 showed the same information with each of the managers listed. Goding explained that we have replaced PIMCO and moved those assets to Loomis Sayles. Goding reported that Western Asset, a core plus manager, has done a very good job over the long run. Goding continued to review the rest of the managers under the individual funds.

Goding stated that page 55 shows the total fund composite with the fee schedule from each fund. Goding reported that the total investment management fees for the quarter were 0.46% or \$808,003.

Goding stated that he distributed a single page spreadsheet that shows the asset values as of February 10, 2015. This gives you a look at the allocation and the value of the fund with the most recent numbers. Goding stated that we are pretty close to target allocations, so he is not recommending rebalancing at this time.

Goding discussed the handout on Siguler Guff, stating that we have been in Siguler Guff Distressed Opportunities III and Distressed Opportunities IV. Goding explained as they pay out on the earlier partnership and get it fully vested, they open up a new partnership. In order for us to stay invested in this area and try to get our asset allocation up to the 10% target, we like to continue to keep investing as they bring on a new fund. The handout explains their next offering – Distressed Opportunities Fund V. After a brief discussion, a motion was made by Sagona and seconded by Langlois to commit \$2,000,000 to the Siguler Guff Distressed Opportunities Fund V. A voice vote was called and the motion carried.

Clark noted that this was the first Marquette Report for the new members of the committee and asked if they were getting enough out of it. A suggestion was made to possibly add a page of definitions of terms to the report. Goding stated that he would also be happy to talk to anyone if they wanted to call him.

Ely asked Goding if he wanted to talk a little bit about Crescent Capital. Goding stated that Marquette had done a bank loan search for the committee and presented it as an educational piece at the last meeting. Bank loans are securities. They are loans that are generally made by banks and are generally made to below grade companies and are secured by a particular asset of that company. There are two things that are attractive about them – 1) they offer a higher yield than what you can get in the traditional markets right now; and 2) the interest that they pay moves with interest rates. Basically, what you are doing by investing in bank loans is trading interest rate risk that you have in the rest of the portfolio for credit risk. At the last meeting of the year, the committee voted to go with Crescent Capital. Then we moved into the holidays and when we started to go through the paperwork, we got stuck because they offered two funds – one offshore fund and one onshore fund. Goding stated that he wanted to make sure we went into the right fund and didn't want to be subject to UBTI (Unrelated Business Taxable Income), and that is usually what the offshore fund is there for. Goding reported that we really had a hard time getting the answers. Goding stated that he finally got his research people involved and they got in touch with the Crescent Capital attorney who explained

everything. Bottom line is that IRMA should only be investing in the onshore fund and does not have to be in the offshore fund. There will be no tax implications. We will be investing \$9 million in the Crescent Capital bank loan fund.

Clark asked whether we should be looking at the Investment Policy to be more explicit about tax implications on investments. Ely commented that this might be something that this committee should look at. Clark asked Goding if our policy limits him in anyway. Goding stated that he thinks the fund is pretty well situated now and he hasn't been limited.

Helm asked whether our fund is comparable to other risk pools. Is this a typical portfolio for a risk pool? Boserup stated that she really didn't know, but it may be a good idea for her to reach out to some other pools to get some information.

VI. 2015 ADMINISTRATION & FINANCE COMMITTEE OBJECTIVES

Boserup stated that there are a lot of objectives for the upcoming year. One of the things that she wants to do is go over all the financial reports that we provide to the members to determine whether there is value to them. Another objective is to develop and distribute a basic financial guide to IRMA, as she has discovered that there is a need for education for members' finance directors. Boserup commented that she wasn't sure that this objective would be finished during 2015. Clark suggested that Boserup put some target dates on the objectives and report back periodically to the committee.

Boserup continued reviewing the objectives that included:

- Review and finalize the financial section of the audit in order to provide this information to the Illinois Department of Financial and Professional Regulation, Division of Insurance, by the May 29, 2015 deadline.
- Review draft actuarial report of 2015 Loss Reserves & 2015 Preliminary Rate.
- Review and finalize the CAFR.
- Review 2016 IRMA draft and final budgets.
- Review 2016 Personnel Report
- Evaluate accepting credit cards for payment of subrogation collections.
- Evaluate emailing statements and invoices to members
- Review Financial Auditor, Actuarial Consultant and Investment Consultant contracts that expire on December 31, 2015.
- Evaluate results of compensation study that is planned for 2015
- Evaluate and approve 2015 Interest Income Credit.

Clark requested that the draft actuarial report and draft CAFR be made available to the committee prior to them becoming final. Clark noted that these could be emailed to the committee between meetings if need be.

Clark commented on a potential security issue with the emailing of statements. Clark stated that on the contribution statements there is bank account and routing information for IRMA and questioned whether we may want to look into a more secure way of emailing this information rather than as an attachment to an email.

Ely mentioned that as the committee looks at the Interest Income Credit and rate calculation for this year, what is going on at the state level will be relevant and we really want to maintain rate stability. We may have a different thought about how we do all of that. Ely stated that it seems that it is a pretty realistic expectation that revenues will be decreasing at the municipal level as the state tries to balance its budget.

VII. OFFICE LEASE NEGOTIATIONS

Ely reported that IRMA has been negotiating with the building owner for quite awhile. Ely explained that the building complex had a lot of vacancies for some time, but recently acquired a large client, Follett Publishing, and the building owner has begun to increase rents.

Ely stated that the negotiations are over and the building owner is proposing a lease with a savings of \$13,000 for the first year. We will be going from \$28.25 per square foot to \$26.00 per square foot. The new lease will start on May 1, 2015, and the owner will be giving us a reduction equivalent to a retroactive start date of January 1, 2015, which will result in a reduction of approximately \$5,000.00 for the May 1 rent. The building has agreed to put in security at the IRMA front door in the form of a keypad, a cooling system for IRMA's server room, as well as a decorating budget. Ely noted that the only bad part of the lease is that the owner is no longer going to give a full gross rent, so we will have real estate and operating expenses. 2015 will be our base year, so the \$26.00 per square foot will increase to include real estate and operating expenses each year.

Ely stated that our bylaws require that the lease goes to the full Board of Directors for approval. After a brief discussion a motion was made by Helm and seconded by Langlois to approve staff's recommendation to enter into an amended lease and present this to the full Board of Directors for approval at the March 18, 2015 meeting. A voice vote was called and the motion carried.

VIII. 2014 BUDGET ADJUSTMENT

Boserup reported that the memo on page 46 is self-explanatory. We are basically moving money from one category to another and this does not affect the budget whatsoever. Boserup noted that this is a budget adjustment for last year's budget and according to the Budget Policy staff doesn't have the authority to move money between categories. Boserup noted that this was a reporting item only and did not need a vote.

IX. ADDITIONS TO AGENDA

There were no additions to the agenda.

X. CONFIRMATION OF NEXT MEETING

Clark stated that the next meeting of the Administration and Finance Committee is scheduled for Wednesday, May 27, 2015 at 9:30 a.m. at the IRMA office.

XI. 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:

Rita Boserup
Director of Financial Services & Administration

Approved By:

Dave Clark
Chair, Administration & Finance Committee