



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

*Thursday, February 13, 2014*

*IRMA Office*

*9:30 a.m.*

**PRESENT:** David Clark, Chair  
John Prejzner  
Gerald Sagona  
Eric Helm  
Doug Haywood  
Dan Nisavic  
Spencer Parker  
Katy Rush  
Darrell Langlois

**ALSO PRESENT:** Larry Bush  
Mary Henzler  
Rita Boserup  
Brian Goding

**ABSENT:** Janet Gorman

**I. CALL TO ORDER**

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

**II. APPROVAL OF MINUTES – November 14, 2013**

A motion was made by Rush and seconded by Parker to approve the Administration and Finance Committee Meeting Minutes of November 14, 2013. A voice vote was called and the motion carried.

**III. WELCOME TO THE 2014 ADMINISTRATION & FINANCE COMMITTEE**

Clark stated that the welcome information in the packet is a good resource to keep for the rest of the year. It contains information on the other members of the committee, committee meeting dates, and AFC committee policies. Boserup asked the committee whether it is necessary to print out the Public Funds Investment Act as part of the welcome documents, or could the agenda just have a link to the Act. The committee agreed with staff providing a link.

Bush stated that he wanted to discuss the thresholds that are in the Purchase and Sales Policy, noting that they have not been changed since 2004. Bush stated that he wanted to bring this up while he was still here. In particular, in number 6, all checks over \$15,000 require a second signature. Boserup noted that this refers to our accounts payable checks and not our claim checks. Bush noted that there are more and more checks that are over \$15,000. Bush stated that staff could bring back recommendations to the next meeting. Rush asked that a listing of all checks over \$15,000 issued in the last year be part of the recommendation brought back to the committee.

Rush noted that the revision of the Purchase and Sales Policy should be added to the 2014 Anticipated Activity List for May 2014.

**IV. FINANCIAL REPORTS**

- A. IRMA Financial Statements as of December 31, 2013
- B. IRMA Investment Portfolio as of December 31, 2013
- C. IRMA Payables for the period 11/1/13 – 1/31/14

Clark asked if anyone had any questions on any of the reports. Clark questioned the negative amount of Amounts Due to Members from 1980 – 2008 on page 53. Boserup stated that this is something that she doesn't quite understand and she would have an answer for this at the next meeting.

Bush commented that this is the amount that we look at for the Interest Income Credit and 2008 was the year it was negative. Normally, we wouldn't have had any Interest Income Credit, so it is showing that we are in a deficit position in 2008. But, you can see that the next year, that variance is near \$20 million. This is essentially the excess surplus.

In regards to the Investment Portfolio, Boserup asked the committee how much detail they wanted to see. Boserup explained that the first page is the summary and the second page is something that she has developed to give her a snapshot of the cash flow for the month. The rest of this report is detail. Boserup stated that Clark wanted her to email the full report including the detail to her and asked whether the committee wanted to see all the detail. It was determined that the first two pages would be included in the committee meeting packet.

Boserup asked for clarification as to what should be posted on the website, stating that a member indicated to her that the website did not have the most current financial reports listed. Boserup noted that we currently replace reports on a quarterly basis as they are listed on the quarterly Administration & Finance Committee agendas. It was the consensus of the committee to continue posting the reports to the website as we currently post them.

Boserup reported that we have changed our internal procedure for preparing the payables, going from an excel spreadsheet to a computer generated report. A suggestion was made to sort the report by vendor to make it easier to read. Boserup stated that this will be done for the next report.

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

**V. 4<sup>th</sup> QUARTER 2013 INVESTMENT PERFORMANCE REPORT (GODING)**

Goding indicated he would be reviewing the 4<sup>th</sup> Quarter Investment Performance Report, going over a Search that was conducted, and give a recommendation for the asset allocation.

Goding gave background on Marquette Associates for the new members of the committee. Goding briefly reviewed the current market environment and then reported on IRMA's fund. Goding reported that the quarter started at a total fund of \$150,627,136.67 and ended at \$157,142,275.64.

Goding reported that we are not too far off of our targets at the end of 2013. A little bit heavy in fixed income and equity and a little light on the alternative side. Goding reviewed the annualized performance (net of fees) of all the managers. Goding noted that starting on page 22 of the report there is information on each manager outlining their particular characteristics, quality distribution, maturity, etc.

Goding stated that the last page of the report shows the fee schedule for the Total Fund Composite, listing each manager's fee schedule. Goding noted that IRMA is paying fees of about .38% for a total of \$589,774 out of the \$156 million that are being invested.

Sagona asked how often we rebalance the fund. Goding handed out a sheet outlining the asset allocation as of 2/11/14 and his recommendation for rebalancing. Goding stated that currently the fund has 53% Equity, 4.55 Alternatives and 42.4% Fixed Income. Our targets are 50% Equity, 10% Alternatives and 40% Fixed Income.

Goding stated that basically he is recommending funding the shortfall we currently have in Alternatives and making the new allocation 50.2% Equity, 9.0% Alternatives and 40.8% Fixed Income.

Goding reviewed the search that was done to replace Mainstream with a hedge fund. Goding noted that he was going to recommend investing \$7 million in the fund chosen. Goding referred to page 5 of the searchbook that lists the three firms being considered. Corbin Capital and EnTrust are out of New York and William Blair is out of Chicago. They are all commingled funds and all use an off-shore investment structure for tax purposes. They all have errors and omission insurance and all have employee ownership. Goding stated that his recommendation would be EnTrust. After a brief committee discussion, a motion was made by Sagona and seconded by Nisavic to approve the asset allocation rebalancing as presented by Goding and putting \$7 million into the Entrust Capital Diversified Fund. A voice vote was called and the motion carried.

Goding updated the committee on the PIMCO management change.

## **VI. 2014 ADMINISTRATION & FINANCE COMMITTEE OBJECTIVES**

Boserup explained that when she was first hired, IT was supposed to be a small part of her job duties; however, she seems to be spending more time than expected on IT issues. Bush stated that this would be discussed under a different agenda item.

Boserup commented on number 3 of the memo. Boserup stated that we should be doing more electronic payments. We currently pay our health insurance, payroll and postage by through electronic payments. We need to develop procedures and controls to increase electronic payments.

Boserup also stated that she wanted to research cost vs. benefits of outsourcing the payroll processing and tax filing, explaining that our current payroll system is very cumbersome.

Boserup commented that she has been looking at all the financial procedures and doing a cost benefit analysis to determine whether there are better ways of doing them.

## **VII. OUTSOURCING/REVENUE BASE DEDUCTIONS**

Bush stated that this item has been discussed at length. Bush noted that there was a discussion at the Board of Directors meeting about citizens making payments directly to the garbage collectors. That was dealt with by the original language. This wouldn't apply to situations where payments go directly from the citizens to the vendor. This applies only to payments by the Member. Further clarification to the originally proposed language in the bylaws was distributed prior to the meeting.

Clark asked whether anyone had any questions. Hearing none, a motion was made by Prejzner and seconded by Langlois to approve the change to Section 3.03 – Revenue Base of the IRMA Bylaws. A voice vote was called and the motion carried.

Bush stated that this would go back to the Executive Board and the full Board of Directors for a vote.

## **VIII. RECOMMENDATION TO ADD FULL TIME INFORMATION TECHNOLOGY POSITION**

Bush stated that this item has some urgency to it, and commented that the solution doesn't have to be a full-time IT person, but something needs to be done. Bush stated that when Laura Vesecky was here she did a lot of the IT work. This is something that we would have been asking for. We currently are using Sentinel as a contractor. We are not only having difficulty in maintaining our systems, but a lot of our systems are really out of date. Even our claims system is out of date. Laura Vesecky had stated that even if she didn't leave, something needed to be done with the claims system. We have not been able to run some of our reports. Bush stated that right now he is Rita's backup and while she is learning and spending time on IT, he has been running some of the reports, such as the Interest Income Credit Report. Bush noted that his successor will not be able to be the backup. Having some internal resources would be helpful. Bush noted that we should know in about three weeks who his successor will be, and if it is recommended to hire a full time IT position, he wouldn't do the interviewing. He would leave that up to his successor. He wanted to get the concept out there. There are other alternatives to a full time position. There are temps that could be brought in.

Rush asked whether IRMA has looked at any private source. Rush explained that they had Sentinel also, but moved away from Sentinel and went to Prescient to do a security evaluation on their systems and there uncovered all sorts of issues. They helped them do an IT strategic plan and they are actually assisting us with the implementation, so it is not just an IT person. Rush stated that their IT person is having a hard time keeping up with all the technology changes, improvements and what is really best practice. Rush commented that bringing a company like Prescient has really helped advance them by leaps and bounds in terms of where we are going to head as well as the help desk, because they have people who do help desk as well as people who are strategic. Nisavic asked how many users IRMA has. Bush noted that we have twenty employees. Rush stated that IRMA doesn't need an IT person, they need an IT company.

Bush stated that he thought maybe the short-term solution would be to hire a temp IT person. Sagona stated that he thought that IRMA should bring someone like a Prescient in. Clark suggested that for a temporary solution to bridge until the new Executive Director comes on board, since you are already working with Sentinel, maybe they can provide that person to help out with day-to-day issues. Bush noted that Sentinel is really

a hardware company and not a software company. Sagona asked whether staff has sat down with Sentinel to discuss the issues. Boserup stated that some of the issues are with Sentinel. Sagona stated that staff should look at another firm that can provide you with the services you need. Rush stated that there is another firm similar to Prescient called CTC that you can contract for help desk service. They can come in two days a week – eight hours a day and then be on call.

Bush stated that he wanted to bring this up now to let the committee know that and we do need some resources. This is a big problem and it needs to be addressed. Bush noted that he has spoken with PDRMA, who also uses Riskmaster and has two IT people on staff, and talked about sharing resources, but it was determined to wait to discuss this when the new Executive Director comes on board.

Bush stated that he wanted to say that resources are needed. Some of them are because of the transition, but others are long-term. Bush noted that his successor should be involved in the longer term solutions. Bush stated that he expected to take steps in the next ten weeks to be able to have reports be written and not have any gaps.

Clark agreed that it was important to have the resources available to maintain what you currently have and have the decision for what comes later go to your successor.

Bush stated that in thinking this through further, he didn't feel that IRMA needs a full time IT person, but a temp person or Sentinel to help us through this transition so there are no gaps when he's gone.

Bush stated that staff would move forward in developing some interim plans. We will update the Executive Board in about three weeks. Between then and now we will look at what other vendors are out there.

Helm stated that maybe the new Executive Director will have some insight into this issue.

Sagona asked about payroll outsourcing and look at dollar amount vs. efficiency. Boserup stated that outsourcing payroll isn't one of her top objectives. It was agreed that this shouldn't really be considered a committee objective. Clark commented that certain things that have a budget impact should come back to the committee at some point as recommendations.

## **IX. ADDITIONS TO AGENDA**

Parker stated that he recalled hearing recently about the State Pension Reform and how one of the things that it was doing was taking off some of the non-governmental entities making it so that their new employees wouldn't have IMRF benefits. Bush stated that we have an attorney looking into this.

## **X. CONFIRMATION OF NEXT MEETING**

Clark reported that the next meeting of the Administration & Finance Committee was scheduled for Wednesday, May 28, 2014 at 9:30 a.m. at the IRMA office.

**XI. ADJOURNMENT**

A motion was made by Sagona and seconded by Helm 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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David Clark  
Chair, Administration & Finance Committee