

**MENDOCINO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION BOARD
OF DIRECTORS MINUTES OF THE REGULAR MEETING,
APRIL 21, 2010 AT 8:30 AM,
MENDOCINO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
CONFERENCE ROOM, 625B KINGS CT., UKIAH, CA 95482**

1. CALL TO ORDER

Chair Tim Pearce called the meeting to order at 8:30 am.

Roll call was conducted with the following members present: Randy Goodman, Caren Callahan, Bob Mirata, Lloyd Weer, Shari Schapmire, Kendall Smith, Dr. Donald Coursey, Dennis Huey and Tim Pearce.

Also present: Jim Andersen, Retirement Administrator, Sue Thornhill, retirement staff and various retirees and members of the public

2. APPROVAL OF MINUTES

Upon motion by Trustee Huey, seconded by Trustee Weer, and carried unanimously; IT IS ORDERED that the minutes of the March 17, 2010, Board meeting are approved.

In order to accommodate those retirees and members of the public in attendance Chair Pearce moved to item 7.

HEALTH INSURANCE

Public Comments: John Sakowicz, Raylene Lucchesi, Ann Fuller, Terry Melvin, John Hill, Richard Shoemaker, Ned Walsh, Craig Walker, J.R. Rose, Paul Bates.

After comments from Trustees Mirata, Smith, Coursey, Huey and Chair Pearce the monthly insurance reserves report was reviewed. Staff reported there was approximately \$3,000,000 remaining in the reserves account, which without further changes leaves a life expectancy of 8 months.

Mr. Andersen presented a brief recap on the action of the Board of Supervisors at the April 20, 2010 regular board meeting, at which the Board voted, beginning August 1, 2010, to separate the Medicare eligible retirees and offer them supplemental policies through a contract with Extent Health. The Board further committed to subsidizing the Medicare eligible retirees who sign on with Extent Health \$100.00 per month until the funds are depleted through a Health Reimbursement Account (HRA) recognized by the IRS for qualified medical expenditures. At the same time the Board voted to place those retirees not covered by Medicare in a health care plan, which mirrors the active employees with a

\$500.00 deductible, and subsidize those retirees \$200.00 per month until the funds are depleted.

Board Action: None

3. DISCUSSION AND POSSIBLE ACTION REGARDING THE 2010-2011 PROPOSED BUDGET

Presenter/s: Jim Andersen referenced written information and reports previously distributed to the Board on the 2010-2011 fiscal year budget.

Mr. Andersen began the discussion reminding the Board that the budget ad hoc committee exist of Trustee Weer, Trustee Goodman and himself as staff and that the budget is limited to Government Code Section 31580.2 which limits the system budget to 18/100th of 1% of assets.

Board Action: Motion by Goodman, seconded by Mirata to approve the recommendation to accept the proposed budget, with the exception to change item #3 to read that County Counsel will research and present written legal authority to charge the system for legal services. Motion carried unanimously.

4. DISCUSSION AND POSSIBLE ACTION REGARDING AN ACTUARIAL AUDIT

Chair Pearce reported he had requested the matter be placed on the agenda as a best practice matter only and that no problems have been encountered with the current actuarial firm of Buck Consultants.

Mr. Andersen requested staff be directed to bring back a project plan by the June 2010 regular Board of Retirement meeting to be held June 16, 2010. All Board members agreed.

5. RETIREMENT ADMINISTRATOR'S REPORT

Presenter/s: Jim Andersen reference written information previously distributed to the Board, and offered the following comments:

Financial

- 1) Staff met, by conference call, with both Callan Associates and Bank of New York Mellon (BONY). During the conversation it was agreed that, with no increase of fees, BONY will begin collecting all of the monthly information from the mutual funds, Bradford & Marzec and Dodge & Cox, and report out the summary information on monthly earnings, the value of assets under management, cash balances, gains and losses on assets trades, etc. It was agreed this will greatly reduce the amount of investment accounting currently conducted by system staff. Retirement staff will run a three month parallel to insure Association confidence in the process.

- 2) Mr. Andersen reported he had met with RS Investors, one of our small cap growth managers, along with Greg Ungerman and a member of Callan Associates' research team. He anticipates meeting with a number of the fund managers to review their operations first hand and to get to know the managers and understand their investment style.
- 3) After soliciting and receiving draft excess earnings policies from other 1937 ACT systems staff will bring forth an excess earnings policy that addresses both interest posting and excess earnings at the May Board meeting.
- 4) Callan Associates anticipates they will be ready to present the Liability and Asset Allocation study at the May meeting. They added the presentation will probably take two hours. They will also present the first quarter investment performance report.

Outreach

- 1) The administrator reported he had met with Supervisor Carre Brown on February 24th to discuss retiree health care and the excess earnings policy and how to educate the public and address the issue in a business like, rather than adversarial, manner.
- 2) Mr. Andersen, Dennis Huey and Tim Knudsen met with candidate for supervisor Wendy Roberts to discuss the County debt and long-term liabilities, especially those arising out of pension related activities.
- 3) Having received a Public Records Act request from Mike Anderson, President of the Farm Bureau staff has been gathering the information requested in order to present the packet at the May 5th meeting between the County the Association and the Farm Bureau.

Automation

- 1) Linea Solutions were on site February 22nd through the 24th meeting with retirement staff, Lloyd Weer to better understand Munis' capabilities, and Informational Services Division (ISD) staff to understand the informational technology (IT) infrastructure and other resources to support a Pension Automation System (PAS). Mr. Andersen acknowledged GSA/ISD for their accessibility and information sharing with Linea.

After several meetings, telephone and email conversations the preliminary draft has been presented to the ad hoc committee and will be presented to the full Board after the June meeting.

IRS Reauthorization

- 1) Mr. Andersen reported that on March 28 he had attended the CALAPRS General Assembly, which was preceded by an all day SACRS meeting on the IRS reauthorization. Bob Blum and Judith Boyette of Hanson Bridgett presented information, which included a draft project charter, a timeline for completion by January 31, 2011, a timeline for completing voluntary compliance recommendations

for any policies that we believe may be inconsistent with current IRS rules and a draft “model policies” for addressing practices or policies where most systems may be vulnerable, or the IRS has shown particular interest in reviewing.

- 2) A private meeting with Bob Blum and Judith Boyette was attended by staff to review the use of excess earnings to fund retiree health care and possible changes to the excess earnings policy. After lengthy discussion, it was agreed a follow up meeting with Jeanine Nadel, Sue Thornhill and Mr. Andersen would be more productive and a meeting was scheduled for May 7th. He added he has appropriated additional fund to the 2010/2011 budget to cover outside counsel fees to support the Association in its reauthorization project.

Board Action: Motion by Mirata, seconded by Huey to approve the Administrator’s Report as presented. Motion carried unanimously.

6. INVESTMENTS/FINANCIALS

Presenter/s: Jim Andersen referenced written reports previously distributed to the Board, including the preliminary financial reports for March 31 2010.

Staff reported the investments had increased \$12,000,000 at the end of March 2010, which is a total increase for the fiscal year of \$49,600,000.

Board Action: None

7. Covered previously

8. MISCELLANEOUS

Staff presented the request from SACRS for the proxy vote for the annual business meeting at the Spring Conference. After some discussion Trustee Smith volunteered to be the proxy and Mr. Andersen will be the back-up.

11:05 ENTERED INTO CLOSED SESSION

- a. Discussion and possible action on disability applications

11:45 OUT OF CLOSED SESSION

BOARD ACTION FROM CLOSED SESSION

- a. BROIN, LORI, filed 09/29/09 for Service Connected Disability
No action taken
- b. HAMMER, LAWRENCE, filed 05/12/2008 for Service Connected Disability.
No action taken
- c. **HINKEL, JUDY, filed 02/08/2010 for Service Connected Disability**

4/21/2010 Application approved as presented

- d. KOSKINEN, KIM, filed 10/15/2008 for Service Connected Disability
3/17/10 Set for hearing
- e. MEYER, SHARON, filed 5/12/2008 for Services Connected Disability
4/21/2010 Application denied
- f. ROBINOW, PAMELA, filed 4/28/2008 for Service Connected Disability
4/21/2010 Application denied
- g. WHITE, TAMMY (Brett), filed 11/09/2008 for Service Connected Disability
No action taken
- h. ZIMMERER, TIMOTHY, filed 8/27/09 for Service Connected Disability
No action taken

11:50 REPORT OUT FROM CLOSED SESSION

It was reported that the application of Sharon Meyer and Pamela Robinow were denied. The Application for Judy Hinkel was approved.

There being no further business Chairman Pearce adjourned the meeting at 11:55 A. M.

Tim Pearce, Chair

Susan Thornhill, Retirement Coordinator