♦MENDOCINO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION♦
BOARD OF RETIREMENT MEETING MINUTES
♦APRIL 17, 2013 AT 8:30 A.M.♦

CALL TO ORDER

Shari Schapmire, Board Chair, called the meeting to order at 8:39 a.m.

ROLL CALL

Roll call was conducted with the following members present: Shari Schapmire, Lloyd Weer, Ted Stephens, Supervisor John McCowen, John Sakowicz, Craig Walker, and Richard Shoemaker. Members absent: Bob Mirata, Tim Knudsen and Randy Goodman. Also present: Rich White, Retirement Administrator, Jeff Berk, Legal Counsel, Judy Zeller, Board Clerk, Andy Yeung and Paul Angelo, The Segal Company, Kyle Knopp, County Assistant Chief Executive Officer, the Honorable Richard J. Henderson, Presiding Judge and Caryn Downing, CEO, Mendocino County Superior Court.

PUBLIC COMMENT: Judge Henderson addressed the board regarding funding policy. He offered his admiration for the board, acknowledged the difficult duties they have, and stated that a proposed funding policy change would be devastating to the Court because they do not have resources to raise additional revenue. There is very little discretionary control over their already reduced budget. Judge Henderson asked the Board to defer any change in amortization schedule for at least 2-3 years. Ms. Downing agreed and added that the Judges and Court employees have had salary reductions, are required to take furlough days, and have had significant increases in health insurance premiums since 2008. The current funding agreement is already a hardship and any changes would be devastating to the Court. She thanked the Board for the opportunity to be present and speak on behalf of the Court today.

Kyle Knopp addressed the Board stating that County revenue is fixed and is primarily property tax, which is limited by Proposition 13 and tax credits. Additional taxes are hard to get approved if the public feels it only goes to pay for retirement. The County provides many public services and funding them is problematic due to the large size of the County and low population growth. Poverty is in line with Humboldt & Shasta Counties and the average salary is low which is in line with Humboldt & Lake Counties. Retail sales tax is typically paid in the City limits and there is less industry which equals fewer jobs. The County has lost a lot of personnel and employs just over 1000 employees. Revenue remains flat which affects the budget and will result in reduced services. We do not anticipate increased revenue until 2015/16. Pension Obligation Bonds are expected to be paid off in 2026/27 with an $8,000,000.00 annual payment.

Mr. White read a letter written on behalf of the Trustees of the Russian River Cemetery District stating that the proposed re-amortization of past UAAL would be a financial strain on their budget. Board members including Mr. Sakowicz, Mr. Stephens, Supervisor McCowen, and Mr. Shoemaker

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all asked questions of our speakers regarding future salaries, the current funding policy and amortization schedule, and negative amortization.

1) APPROVAL OF THE MINUTES OF THE BOARD MEETING HELD MARCH 20, 2013
Upon motion by Mr. Walker, seconded by Supervisor McCowen; IT IS ORDERED that the minutes of the March 20, 2013 Board meeting are approved unanimously.

Board Direction: Staff will be more consistent with spelling out the first use of an acronym in letters and documents.

2) DISCUSSION AND POSSIBLE ACTION REGARDING ACTUARIAL FUNDING POLICY, THE SEGAL COMPANY (Continued from March 20, 2013 Meeting)

Presenter/s: Paul Angelo and Andy Yeung, The Segal Company, referenced information regarding Actuarial Funding Policies previously distributed to the Board. Mr. Angelo stated that they are not recommending shortening the current amortization period; they are providing alternatives to consider for amortizing future changes in Unfunded Actuarial Accrued Liability (UAAL). This is an area of policy where the Board has more discretion than when setting actuarial assumptions. A primary funding policy objective is to have sufficient funds to pay for all benefits. Other policy objectives involve balancing matching current member costs to current taxpayers with managing employer contribution volatility.

As for how to amortize the UAAL, basing the payments on assumed payroll increases adds to the risk of an employer which may result in an additional cost to the employer if there is no payroll increase. Any payment amount less than expected would mean the next year's unfunded liability would be larger. To address this, a minimum dollar amount could be built into the payment schedule in case payroll does not increase.

A policy for amortizing changes in UAAL due to future gains or losses, future assumption changes and future plan amendments should be established. Segal recommends that each year would add its own new layer to a schedule of amortization payments for each newly identified source of UAAL, which would be much more transparent. This would allow a schedule to be followed to track all changes from year to year, how many years remain, and current balances.

Mr. Angelo added that this recommendation is consistent with Model Actuarial practices as described in the March 1, 2013 document produced by the California Actuarial Advisory Panel. It is also consistent with the need to have a written funding policy under Government Accounting Standards Board (GASB) Statements 67 and 68. These require governmental plans to identify actuarially determined employer contributions determined by the funding policy adopted by the governing body.

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Mr. Stephens liked the idea of tracking changes from year to year. Supervisor McCowen felt there was much more flexibility now than in the future if Segal will be recommending other changes such as a reduction in the assumed investment earnings rate. He stated that our retirement system is not bound by what other systems have done and other actions can still be within our purview and fiduciary responsibility. Mr. Yeung mentioned that net deferred investment losses of $23,000,000.00 from 2008 (and 2012) will soon hit our UAAL amortization schedule as this amount has not been fully recognized due to asset smoothing. The Board discussed this deferred loss, the effect of the assumed 4% increase in salary, negative amortization and debt growth. After much consideration there was a consensus not to change the current amortization schedule, but change it for future UAAL changes, including gains and losses, assumption changes and plan amendments.

Board Direction: A draft funding policy will be populated with approved changes and will be presented for review at our next Board meeting.

Board Action: Motion was made by Mr. Stephens to keep the amortization period for the current UAAL. If the payroll decreases (or increases less than assumed) UAAL contributions will be the greater of either the percent of payroll or a dollar amount determined by the Actuarial Valuation. A draft Funding Policy will be populated with amortization periods of 18 years for Actuarial Gains or Losses to avoid negative amortization, 18 years for Assumption or Method Changes (also to avoid negative amortization), 15 years for Plan Amendments, 5 years for ERIPs, and 30 years for any future Actuarial Surplus. Mr. Shoemaker seconded the motion and it was approved by the following vote: Ayes 4 Noes 3 Abstain 0 Absent 2. (Motion Approved)

BREAK

3) BOARD FIDUCIARY TRAINING AND DISCUSSION

Jeff Berk, Legal Counsel, announced that this agenda item would be postponed to a future meeting.

4) DISCUSSION AND POSSIBLE ACTION REGARDING ACCOUNTING SERVICES AND THE PROPOSED FISCAL YEAR 2013/14 BUDGET

Presenter/s: Rich White referenced information previously distributed to the Board regarding Accounting Services. He mentioned that the Board direction today regarding accounting services will be included in the proposed 13/14 budget which will be discussed at the Audit and Budget Committee meeting on April 30, 2013. Mr. White provided a recap of the history of our accounting services since July 2011, desired duties and secondary duties of an accounting position, and potential accounting options.

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Board members discussed the potential accounting options including full time and part time positions of Accountant, Financial/Investment Officer, Administrative Services Manager, job share within the County, and job share outside of County. All of the positions must go to the Board of Supervisors for approval. A position that is already accounted for in the position allocation table such as Accountant would be preferred. Mr. Sakowicz noted that the salary for an Accountant is less than that of the Fiscal Officer and Supervisor McCowen agreed that cost would be a consideration. Hours were discussed and whether a half time non-benefited position would provide enough service. Mr. Shoemaker suggested that a 32-40 hour benefited position would allow for better recruitment and potentially greater retention of the new employee.

Board Direction: Staff will work closely with the County Executive Office in obtaining Board of Supervisor's approval for a new accounting position for the Association and will have discussion with Carmel Angelo, County Executive Officer, regarding the hours of this position.

Board Action: Motion was made by Mr. Shoemaker to direct the Retirement Administrator to include an Accountant position in the draft 2013/14 budget and to meet with the County Executive Officer regarding the position and Board of Supervisors approval. The position should be a minimum of 32 hours per week up to 40 hours per week. Mr. Sakowicz seconded the motion and it was approved by the following vote: Ayes 4 Noes 3 Abstain 0 Absent 2 (Motion Approved)

LUNCH RECESS (Approximately 12:30 p.m.)

RECONVENE (Approximately 1:33 p.m.)

5) CLOSED SESSION (Estimated Time 60 min.)

- **Pending disability applications update**
- **Tim Goss SCD Application**
- **Peggy Yee SCD Application**
- **Martine Baltierra SCD Application**

REPORT OUT FROM CLOSED SESSION

Board Direction: The Board provided direction to staff and Counsel.

Board Action: Applicant Martine Baltierra was approved for Service Connected Disability Retirement. Applicant Peggy Yee was denied Service Connected Retirement. There was no action taken on other closed session items.

6) MONTHLY FINANCIAL REPORT

- **Quarterly Budget Report**

Pending Board Approval

Presenter/s: Rich White referenced financial information previously distributed to the Board including statement of plan net assets, statement of change in plan net assets, cash flow analysis, vendor ledger, and a Quarterly Budget Report.

7) MONTHLY INVESTMENT REPORT

Presenter/s: Rich White referenced information regarding our investments previously distributed to the Board including excerpts from our Investment Policy Statement, monthly investment report and investment manager information.

Board Direction: Staff will amend the expense worksheet line item Board Education by renaming as Conference Attendance and Board Education. Cash should be included in the trust fund account balances.

8) BENEFITS AND OPERATIONS

- **Active Membership and Retirements as of March 31, 2013:**
  Active Members = 1026 Retired Members = 1260 Retired Deceased = 2
  New Members = 6 Terminations = 14 Withdrawn Not Vested = 7 $40,013.69
  Withdrawn Vested = 1 $72,457.93
- **Retirements Processed in March (6):**

Jack Morris	**3/1/13**	**Spousal Continuance**
Jaqueline Devine	**2/21/13**	**Social Services**
Gloria McCosker	**2/22/13**	**Social Services**
Jaana Lemmon	**3/15/13**	**Social Services**
Richard Stenback	**3/2/13**	**Probation**
Mary Wallace	**12/5/12**	**AODP**

9) RETIREMENT ADMINISTRATOR'S REPORT

- **Meetings Attended**
- **Board Member Education-Quarterly Report**
- **Association Business Hours**

Presenter/s: Rich White referenced information previously distributed to the Board.

Meetings Attended
April 3, 2013, Caryn Downing, CEO, Mendocino County Superior Court.
April 3, 2013, Leslie Jones, Office Manager, Russian River Cemetery District.
April 1, 2013, Joseph Fague, RS Investments (MCERA Manager).

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Board Member Education-Quarterly Report
A Quarterly Board Member Education report was provided in accordance with the Trustee Education and Travel Policy.

Association Business Hours
Office business hours have been changed in order to provide some dedicated time to staff for focus on their work. The reduced business hours will not interrupt service provided to our members and are as follows: 9:00 am to 4:00 pm Monday through Thursday, 9:00 am to 12:00 pm Friday, and the Office is closed from 12:00 pm to 1:00 pm for lunch daily.

Future Meeting Attendance
April 23, 2013, SACRS special education session in San Francisco.

10) DISCUSSION AND POSSIBLE ACTION REGARDING THE SACRS BOARD OF DIRECTORS ELECTION

Presenter/s: Rich White referenced information regarding the State Association of County Retirement Systems (SACRS) Board of Directors Election previously distributed to the Board which included a list of recommended nominees/candidates from the SACRS Nominating Committee.

Board Action: Motion was made by Mr. Sakowicz to approve the slate of officers for the SACRS Board of Directors as recommended by the SACRS Nominating Committee and direct the MCERA voting delegate to cast the vote as indicated. Mr. Walker seconded the motion and it was approved by the following vote: Ayes 6 Noes 0 Abstain 1 Absent 2 (Motion Approved)

Mr. Shoemaker and Mr. Sakowicz left the meeting at 3:00 p.m.

11) COMMUNICATIONS

Presenter/s: Rich White referenced information previously distributed to the Board which included copies of the communications sent to members and retirees in March and April 2013. Please visit www.co.mendocino.ca.us/retirement/meetings.htm for Agenda item 11 documents.

12) GENERAL BOARD MEMBER DISCUSSION

Mr. Weer asked about the Comprehensive Annual Financial Report (CAFR) and the status. Mr. White replied that he has submitted the CAFR to the Audit & Budget committee and is waiting for their final review before it is submitted. Mr. McCowen would like the Board to consider a consent calendar. He felt this could simplify the agenda as many agenda items such as the minutes could be placed on a consent calendar. This item will be discussed at a future meeting.

ADJOURNMENT (3:25 p.m.)

Pending Board Approval

Richard A. White, Jr.
Retirement Administrator

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MENDOCINO COUNTY
EMPLOYEES' RETIREMENT ASSOCIATION
625-B KINGS COURT
UKIAH, CALIFORNIA 95482-5027

Date: May 8, 2013
To: Board of Retirement
From: Richard White, Retirement Administrator raw
Subject: Monthly Investment Report

1. **Investment Goal Statements (excerpts from MCERA Investment Policy Statement)**
   a. The overall goal of MCERA's investments is to provide Plan participants with retirement, disability, and death and survivor benefits as provided for under the County Employees' Retirement Law of 1937. This will be accomplished through a carefully planned and executed long-term investment program.
   b. The investment activities are designed and executed in a manner that serves the best interests of the members and beneficiaries of the Association.
   c. All transactions undertaken will be for the sole benefit of MCERA's members and beneficiaries and for the exclusive purpose of providing benefits to them, minimizing contributions to the Plan and defraying reasonable associated administrative expenses.

2. **Quarterly Investment Performance Report**

The Board of Retirement has the responsibility for the administration of MCERA for the benefit of plan participants. The Board adopted the Investment Policy Statement which provides a framework for the management of the assets of MCERA. As described in the Statement, "the Board shall review MCERA's investments quarterly, or as needed, to ensure that policy guidelines continue to be met. The Board shall monitor investment returns on both an absolute basis and relative to appropriate benchmarks and peer group comparisons."

In compliance with the Statement, the Greg DeForrest of Callan Associates will present the Quarterly Investment Performance Report to the Board.

The material is provided to the Board of Retirement as a separate report.

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Attachment