

◆MENDOCINO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION◆
BOARD OF RETIREMENT MEETING MINUTES
◆JUNE 17, 2015 AT 8:30 A.M.◆

CALL TO ORDER

Shari Schapmire, Board Chair, called the meeting to order at 8:30 a.m.

ROLL CALL

Roll call was conducted with the following members present: Randy Goodman, Kathryn Cavness, John Sakowicz, Supervisor Dan Gjerde, Ted Stephens, Tim Knudsen, Jerilyn Harris, and Shari Schapmire. Also present: James Wilbanks, Retirement Administrator, Jeff Berk, Legal Counsel, and Judy Zeller, Administrative Assistant. Absent: Craig Walker and Richard Shoemaker.

The Board entered into closed session at 8:31 a.m. following roll call. The report out from closed session was made at 9:10 a.m. See item 13) Report Out from Closed Session.

Mr. Walker entered the meeting at 9:05 a.m.

PUBLIC COMMENT: None

1) MINUTES OF THE BOARD MEETING HELD MAY 6, 2015

Presenter/s: Chair Schapmire referenced the May 6, 2015 meeting minutes.

Mr. Stephens asked for a number of amendments to the May minutes as follows: Mr. Ungerman's comments on page 2 should state that the treasury market is also at an all-time high because interest rates are at an all-time low; page 4 should list Mr. Stephens, Mr. Goodman, and Mr. Gjerde as the appointed Ad Hoc Committee members; page 4 should state an approved budget of \$1,880,425.00; page 5, should state limiting cost to \$66,000 or a net cost of \$6,000 after projected investment fee savings of \$60,000.

Board Action: Motion was made by Mr. Goodman to approve the minutes of the board meeting held May 6, 2015 as amended by Mr. Stephens. Ms. Cavness seconded the motion and the minutes were approved by the following vote: Ayes: Mr. Goodman, Ms. Cavness, Mr. Sakowicz, Mr. Gjerde, Mr. Stephens, Mr. Walker, Mr. Knudsen, Ms. Harris, and Ms. Schapmire. Noes: 0. Abstain: 0. Absent: 0.

2) CONSENT AGENDA

Presenter/s: Chair Schapmire referenced the consent agenda which included the May 2015 Retirement Report.

◆MENDOCINO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION◆
BOARD OF RETIREMENT MEETING MINUTES
◆JUNE 17, 2015 AT 8:30 A.M.◆

Board Action: Motion was made by Mr. Goodman to approve the Consent Agenda. Mr. Stephens seconded the motion and it was approved by the following vote: Ayes: Mr. Goodman, Ms. Cavness, Mr. Sakowicz, Mr. Gjerde, Mr. Stephens, Mr. Walker, Mr. Knudsen, Ms. Harris, and Ms. Schapmire. Noes: 0. Abstain: 0. Absent: 0.

3) DISCUSSION AND POSSIBLE ACTION REGARDING ANY CONSENT AGENDA ITEM NEEDING SEPARATE ACTION

None

4) DISCUSSION AND POSSIBLE ACTION REGARDING REQUEST FOR PROPOSAL (RFP) FOR CUSTODIAL BANKING SERVICES

Presenter/s: Dr. Wilbanks referenced a draft proposal for custodial banking services prepared by Stan Conwell, Financial Investment Officer. He explained that the document was prepared so that bids could be submitted for both Global Custody and Securities Lending Services.

The board discussed the RFP, including the reporting period for securities lending, mutual funds, investment savings, the value of having a custodian, and the short time line. Dr. Wilbanks stated that the RFP will be released on the MCERA website. The time line should not be unreasonable and it could be extended if necessary.

Additional questions were asked regarding obtaining references and indemnification. Mr. Berk explained that the sample contract is from the Sonoma County Employees Retirement Association (SCERA) and it indemnifies us against any acts and omissions due to negligence. Mr. Stephens asked if international funds limit the pool of custodial banks. Dr. Wilbanks stated that all potential custodians must have the ability to provide international accounts, although this may be the last area where we transfer to separate accounts and away from mutual funds. Global securities are included in the RFP so that we can have separate accounts, even if we stay in mutual funds.

Mr. Knudsen asked to see our current investment policy, which is available online. Dr. Wilbanks explained that this policy will be brought back to the board for potential edits or changes in the future.

Board Action: Motion was made by Mr. Sakowicz to approve the proposal for custodial banking services. Ms. Harris seconded the motion and it was approved by the following vote: Ayes: Mr. Goodman, Ms. Cavness, Mr. Sakowicz, Mr. Gjerde, Mr. Stephens, Mr. Walker, Mr. Knudsen, Ms. Harris, and Ms. Schapmire. Noes: 0. Abstain: 0. Absent: 0.

◆MENDOCINO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION◆
BOARD OF RETIREMENT MEETING MINUTES
◆JUNE 17, 2015 AT 8:30 A.M.◆

5) **DISCUSSION AND POSSIBLE ACTION REGARDING AGREEMENT WITH MANAGED MEDICAL REVIEW ORGANIZATION (MMRO) FOR DISABILITY APPLICATION PROCESSING**

Presenter/s: Dr. Wilbanks referenced an agreement with MMRO for disability application processing and explained that this agreement was previously discussed as part of the budget review. If approved, we will begin the new process as of July 1, 2015. Any applications submitted before that date will continue with our current process.

Mr. Goodman asked to receive more information about MMRO such as how they will use the information we provide, where it is being sent, and do they follow (Health Insurance Portability and Accountability Act (HIPPA) requirements. Mr. Stephens wanted to know if there was any risk. Mr. Berk explained that the contract provides for defense and indemnification for various acts of MMRO, including failure to maintain confidentiality of records. Dr. Wilbanks stated that each application will still be submitted to MCERA. MMRO will process the application once it has been submitted to them by MCERA staff. MMRO will coordinate an Independent Medical Evaluation (IME) and will provide a medical advisor. Tony Graham will still cover a case if it goes to hearing. The board discussed cost savings, staff time savings, and whether Mr. Graham should review this agreement.

Mr. Goodman stated that he would vote against this due to the lack of information on MMRO. He suggested receiving additional information prior to any approval or to see a presentation from MMRO. Dr. Wilbanks explained that he was comfortable with this company and stated that they had met with Jim Andersen previously. Mr. Knudsen asked for a reference from San Bernardino County who currently uses MMRO.

The board agreed that it would be important to receive additional information from MMRO, San Bernardino, and from Mr. Graham. Supervisor Gjerde suggested amending the motion to conditionally approve the agreement with MMRO pending staff acquiring Tony Grahams' favorable comment or approval of the company and this contract.

Board Action: Motion was made by Mr. Sakowicz to conditionally approve the agreement with MMRO for disability application processing pending Mr. Graham's favorable comment or approval of the company and this contract. Ms. Harris seconded the motion and it failed by the following vote: Ayes: Mr. Sakowicz, Mr. Gjerde, Ms. Harris, and Ms. Schapmire. Noes: Mr. Goodman, Ms. Cavness, Mr. Stephens, Mr. Walker, Mr. Knudsen. Abstain: 0. Absent: 0.

Board Direction: This item will be brought back next month for discussion with the additional information.

◆MENDOCINO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION◆
BOARD OF RETIREMENT MEETING MINUTES
◆JUNE 17, 2015 AT 8:30 A.M.◆

6) DISCUSSION AND POSSIBLE ACTION REGARDING MONTHLY INVESTMENT REPORT

- **Investment Manager Status Update, PIMCO, Janus Overseas Fund**

Presenter/s: Dr. Wilbanks referenced the preliminary monthly investment report for April 2015.

7) MONTHLY FINANCIAL REPORT

Presenter/s: Dr. Wilbanks referenced the preliminary monthly financial report for April 2015.

8) REPORT FROM 625 KINGS COURT PROPERTY REVIEW AD HOC COMMITTEE

Presenter/s: Dr. Wilbanks asked the committee to provide their comments regarding the 625 Kings Court property review. Mr. Stephens distributed a worksheet prepared by the committee regarding the cost value of the property. He explained that the report helped give a higher level of confidence in this building as an investment. Mr. Gjerde reported on his walk through of the space in an attempt to define additional rental space. He stated that the building layout is awkward and restroom access is an issue. There is no good way to reconfigure the space without considerable cost and this would be without much rental income gain.

Chair Schapmire thanked the committee for their input and disbanded the ad hoc committee.

9) RETIREMENT ADMINISTRATOR'S REPORT

- **IRS Cycle E Determination Letter Filing Update**
- **Pension Administration System Monthly Update**
- **Administrative and Operations Update**
- **Projects and Priorities**

Presenter/s: Dr. Wilbanks referenced his administrator's report and the project and priorities listing on page 2. He mentioned that the office has a new extra help employee, Sylvia McGee. He explained preparation of a staff time budget and stated that we anticipate a significant reduction of staff time due to the upcoming arrival of Stan Conwell's first child.

Mr. Stephens asked to add the excess earnings policy and review of retirement benefit approval to the top of the list. He stated that we must verify that our retirement benefits have been provided correctly. Mr. Berk stressed that this board does not approve benefits. Dr. Wilbanks added that policy overhaul is included in his project list and stressed that we need a complete and thorough review of all policies, but there are other issues that take priority.

◆MENDOCINO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION◆
BOARD OF RETIREMENT MEETING MINUTES
◆JUNE 17, 2015 AT 8:30 A.M.◆

The board discussed the project and priorities list and that prioritization must be done collectively. Mr. Knudsen stated that there has to be an actuarial study done before providing any new retirement benefits. These studies have always been done and are available to the public. Mr. Sakowicz was in favor of keeping to this project list and how it is prioritized. Mr. Stephens suggested that we take a leadership role in updating the excess earnings policy and continuing with the Board of Supervisors and Board of Retirement review of benefits to see if we correctly followed all procedures of the 37 Act. He stated that he would like to request that the Board of Supervisors (BOS) approve a change to the 37 Act regarding excess earnings. He added that County Counsel began the process of reviewing benefits and the process was stopped abruptly. Ms. Harris commented that these issues should be part of our long range planning which will be discussed in our offsite meeting.

Public Comment: Mendocino County Chief Executive Officer Carmel Angelo and Assistant Executive Officer Alan Flora were present. Ms. Angelo referred to the retirement benefit review issue and stated that she will reach out to her colleagues for information on this topic and added that this may be a good discussion to have with the BOS as we would need to have their direction to proceed with any review. Supervisor Gjerde stated that he will request that this item be placed on the BOS agenda for discussion.

The board discussed the possibility of a joint meeting at year end. Dr. Wilbanks began discussion regarding the board offsite meeting. This Brown Act meeting should be held overnight with two full days of meetings. Due to a very tight budget Dr. Wilbanks will most likely act as facilitator. Mr. Gjerde and Ms. Harris offered use of a portion of their training and education budget allowance to cover any additional costs of this offsite meeting.

Ms. Cavness left the meeting at 11:05 a.m.

10) GENERAL BOARD MEMBER DISCUSSION

- **Report from Mr. Knudsen and Ms. Cavness on the State Association of County Retirement Systems (SACRS) Spring Conference**

Mr. Knudsen reported on his attendance at the Spring SACRS Conference. He found the presentations on the US Economy, Cyber Security, Defined Benefits vs Defined Contribution, and Global Investment Performance Standards (GIPS) interesting. He explained that the vote for SACRS President was very intense and he felt the process seemed very awkward. The final vote appointed Mr. Chery as SACRS President. The SACRS Bylaws changes are under review.

11) RETIREMENT BENEFIT CALCULATION PRESENTATION

Katy Richardson provided a retirement benefit calculation presentation.

◆MENDOCINO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION◆
BOARD OF RETIREMENT MEETING MINUTES
◆JUNE 17, 2015 AT 8:30 A.M.◆

The board questioned the process of social security integration and Dr. Wilbanks was asked to provide the source information from the actuary. All appreciated the presentation and Mr. Stephens asked to see a calculation to purchase prior public service in the future. Mr. Gjerde asked for clarification of the types of service that are eligible for purchase.

Board Direction: Dr. Wilbanks will provide more information on social security integration to the board.

12) CLOSED SESSION

- Possible Initiation of Litigation (2 Cases) pursuant to Government Code section 54956.9(d)(4)
- Kathleen Gordon-Burke Disability Application

13) REPORT OUT FROM CLOSED SESSION

Direction was given to staff and counsel regarding the possible litigation item. There was no action taken on the Kathleen Gordon-Burke Disability Application.

14) NOTICE OF NEXT MEETING

- The Board of Retirement will meet again on July 15, 2015

ADJOURNMENT (Approximate Time 12:10 p.m.)