

◆MENDOCINO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION◆  
BOARD OF RETIREMENT MEETING MINUTES  
◆JUNE 18, 2014 AT 8:30 A.M.◆

**CALL TO ORDER**

Lloyd Weer, Board Vice Chair, called the meeting to order at 8:37 a.m.

**ROLL CALL**

Roll call was conducted with the following members present: Randy Goodman, John Sakowicz, Supervisor John McCowen, Ted Stephens, Lloyd Weer, Tim Knudsen, Richard Shoemaker, Craig Walker, and Bob Mirata. Members absent: Shari Schapmire. Also present: Jim Andersen, Interim Retirement Administrator, Jeff Berk, Legal Counsel, and Judy Zeller, Administrative Assistant.

**PUBLIC COMMENT:** None

**1) APPROVAL OF CONSENT AGENDA**

**Presenter/s:** Vice Chair Weer referenced the Consent Agenda previously distributed to the Board which included 1-A Minutes of the Board Meeting held May 7 and May 28, 2014, 1-B Membership, 1-C Retirements Processed, 1-D Retirement Administrator's report and 1-E Agreement with Fechter and Company for Accounting Services. Mr. Weer stated that the Retirement Administrator's report would be discussed after approval of the consent agenda.

Mr. Stephens asked to amend the May 7, 2014 meeting minutes. The third paragraph on page 7 should state that Tim Knudsen and Jim Andersen had given a report comparing our return on investment with others. Mr. Sakowicz also asked to amend page 7 by adding for the last year to the end of the last sentence in the fourth paragraph.

**Board Direction:** Staff will amend the minutes of the May 7, 2014 board meeting per the request of Mr. Stephens and Mr. Sakowicz.

**Board Action:** Motion was made by Mr. Mirata to approve the Consent Agenda including the May 7, 2014 minutes as amended. Supervisor McCowen seconded the motion and it was approved by the following vote: Ayes: Mr. Sakowicz, Mr. Weer, Mr. Knudsen, Sup. McCowen, Mr. Stephens, Mr. Goodman, Mr. Walker, Mr. Mirata. Noes: 0. Abstain: 0. Absent: Ms. Schapmire.

Vice Chair Weer referenced the Pension Gold Benefits Administration Computer System information included in the Retirement Administrator's Report and asked Katy Richardson to provide an update on the Pension Automation project to the Board. Ms. Richardson explained

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the current status of the conversion data process and the payroll transmittal data process stating that she has been given online access to a portal so that she may access our data in the Pension Gold system.

Mr. Weer asked about Court participation. Ms. Richardson explained that April Allen is handling everything for the Courts. We have some of their conversion data, but it is not consistently formatted. Time must be spent converting this data to a consistent form that can be used. We are moving forward with the County data. The Board discussed the option of going live without the Court data and adding it later. Mr. Berk suggested contacting Diane Ginn who was the Information Services representative that worked on the SCERA automation project. Mr. Andersen added that the system architecture must be built before we begin live use. Going live and adding Court data later could be very complicated.

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

None

**3) DISCUSSION AND POSSIBLE ACTION REGARDING AMENDMENT TO AGREEMENT WITH HANSON BRIDGETT FOR FISCAL YEAR 2013/2014 TAX COUNSEL SERVICES**

**Presenter/s:** Jim Andersen referenced an Amendment to the Agreement with Hanson Bridgett for Fiscal Year 2013/2014 Tax Counsel services previously distributed to the board. He explained the maximum payable under the contract was thirty-thousand dollars (\$30,000.00). A review of the agreement and billing through May 2014 found the amount billed to be over the maximum by \$4,082.54. In order to make payment for services rendered it is recommended that the board approve an increase to the maximum billing amount to forty-thousand dollars (\$40,000.00) and to direct staff to limit any request for services from Hanson Bridgett for June 2014. He added that from an internal control standpoint, we lost something with our provider and from within. We were not aware that we were outside the scope of the agreement and we ask that the Board allow the amendment so that we can pay this billing.

The Board discussed issues with procedural controls and all agreed that our providers should be cognizant of a contract. They questioned our obligation and who should have been monitoring the agreement limits. Mr. Stephens stated that the service provider provided services outside of the contract and has benefited from the Voluntary Correction Program (VCP) and their agreement with MCERA. Mr. Berk added that Judith Boyette of Hanson Bridgett is very conscientious of the billing to MCERA. Supervisor McCowen agreed with Mr. Stephens, however, the work was performed at the request of MCERA. Mr. Knudsen added that MCERA

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had to comply with the VCP in order to remain a qualified plan. This was a tremendous benefit to our participants. To be found not exempt would be the worst thing that could happen to the plan. The Internal Revenue Service (IRS) asked for the VCP, not the attorneys.

Mr. Shoemaker stated that we were unsure what these services would cost, but we should have been monitoring the cost. If this has happened 3 years in a row, we have a problem. He proposed adding a sixty (60) day notification clause not to exceed the maximum and asked if the State Association of County Retirement Systems (SACRS) could provide the total expense of the VCP to the retirement systems. He concluded that we should ask Hanson Bridgett to write this overage off and have a better agreement for next fiscal year.

**Board Direction:** Staff will limit any request for services from Hanson Bridgett to those that are absolutely necessary. A new agreement with Hanson Bridgett will be brought to the Board for action in July. Staff will bring the Contract Service Provider Review Policy back to the Board for discussion and direction.

**Board Action:** Motion was made by Supervisor McCowen to approve the Amendment to the Agreement with Hanson Bridgett. Mr. Sakowicz seconded the motion and it was approved by the following vote: Ayes: Mr. Sakowicz, Mr. Weer, Mr. Knudsen, Sup. McCowen, Mr. Goodman, and Mr. Mirata. Noes: Mr. Stephens and Mr. Walker. Abstain: 0. Absent: Ms. Schapmire.

#### 4) MONTHLY INVESTMENT REPORT

**Presenter/s:** Mr. Andersen referenced the monthly investment report which was previously distributed to the Board. This report was prepared by Tom Watson.

#### 5) MONTHLY FINANCIAL REPORT

- **Statement of Plan Net Assets**
- **Statement of Changes in Plan Net Assets**
- **Cash Flow Analysis**
- **Rental Income Net of Expenses**
- **Vendor Ledger**

**Presenter/s:** Mr. Andersen referenced the monthly financial report which was previously distributed to the Board. This report was prepared by Tom Watson.

Mr. Andersen reported that the Vendor Ledgers report does not provide cash disbursement, journal entry, or payroll information. There may be Peachtree reports that may better show this

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to the Board. Mr. Stephens suggested that the Audit and Budget Committee discuss this and make a recommendation to the Board.

**Board Direction:** Discussion regarding the financial reports will be included in the next Audit & Budget Committee meeting agenda.

**6) DISCUSSION AND POSSIBLE ACTION REGARDING THE CITIZEN'S LETTER  
DATED APRIL 21, 2014**

- **Citizens Letter Dated April 21, 2014**
- **Response to "Citizens Letter" from Supervisor John McCowen**
- **Reply to Supervisor John McCowen's letter from John Dickerson**
- **Pensions 101: A Primer on the Mendocino County Retirement System**

**Presenter/s:** Mr. Andersen referenced information previously distributed to the Board regarding the Citizens Letter dated April 21, 2014. This information was discussed previously during the May 28, 2014 board meeting.

Supervisor McCowen stated that we should recognize that all of this information was created by John Dickerson, who believes that neither the Board of Retirement nor the Board of Supervisors is aware of any problem. Our focus should not be the letter; it should be the response, what the Board of Retirement can do, what the Board of Supervisors can do, independently and together. This merits response, but it should be general and include verifiable data. A review of Pensions 101 would be a good starting point. The Pensions 101 document could be improved and we should discuss what should be included or added to the report. Mr. Andersen's report for MCERA did a lot of work responding to the return on investment, but we can go to RV Kuhns report. Suddenly MCERA ranked in the top ten of all 37 Act systems when Mr. Dickerson stopped his analysis and RV Kuhns did theirs. That is the clearest indication that Mr. Dickerson's work is questionable. Perhaps a staff report should be agendized.

Mr. Andersen stated that his past report is dated. We now have a sense of urgency and significance related to pension funding. This is a fact driven, policy driven board and there is a lot of experience to be shared here. This is an invitation to folks to participate in our process. Mr. Shoemaker stated that Mr. Dickerson's questions and statements read like a deposition. Our response, if any, should be one very simple page including significant issues pertaining to areas of improvement. Mr. Knudsen reported that he had visited the SACRS website and searched all of the 37 Act Systems online to get their financial return on investment for 1, 3, and 5 years. He also agreed to a general response and reported his survey to the Board.

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Mr. Sakowicz commented that members of the Coalition were not present and this issue was agenzized to invite discussion and questions. Their request is unnecessarily provocative and inflammatory. A lot of this has to do with Government Accounting Standards Board (GASB) 67 and 68. Mr. Goodman agreed and added that whatever we do is not going to be considered good enough.

Mr. Stephens defended Mr. Dickerson stating that all of his information is taken from public data and he chooses not to take short term returns. Mr. Dickerson has always said if I make a mistake let me know. His intent is pure and he is not the villain. He has been in contact with the Blue Ribbon Panel of Actuaries and invited me to attend a meeting with the Blue Ribbon Panel Chair. We need to provide a response and refer some items to the Board of Supervisors for response.

**Board Direction:** Mr. Andersen will prepare a general response to the questions posed by Mr. Dickerson and the Coalition. The Board Chair will review and approve the response before it is brought to the full Board for approval.

**Board Action:** Motion was made by Mr. Stephens to answer every question that is the responsibility of the Retirement Board. If we have anything wrong, we state that it is wrong. There was no second to this motion and the motion failed.

**Board Action:** Motion was made by Supervisor McCowen to direct Mr. Andersen to prepare a general response to the questions posed by Mr. Dickerson, the response will be based on today's discussion, and the response will be approved by the Board Chair before submitting to the Board for final approval. Mr. Sakowicz seconded the motion and it was approved by the following vote: Ayes: Mr. Sakowicz, Mr. Weer, Mr. Knudsen, Sup. McCowen, Mr. Goodman and Mr. Mirata. Noes: Mr. Stephens and Mr. Walker. Abstain: 0. Absent: Ms. Schapmire.

## 7) CLOSED SESSION

- **Consideration of Appointment/Employment of Retirement Administrator pursuant to Government Code Section 54957(b)(1)**
- **Consideration of Appointment/Employment of Financial Investment Officer pursuant to Government Code Section 54957(b)(1)**
- **Disability Retirement Application, Timothy Goss**

## REPORT OUT FROM CLOSED SESSION

Direction was given to staff regarding the employment items.

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**Board Action:** Mr. Goodman motioned to approve Service Connected Disability Retirement for Timothy Goss. Mr. Stephens seconded the motion and it was approved by the following vote: Ayes: Mr. Goodman, Mr. Weer, Mr. Knudsen, Mr. Stephens, Mr. Mirata. Noes: Mr. Sakowicz, Sup. McCowen, and Mr. Walker. Abstain: 0. Absent: Ms. Schapmire.

**8) GENERAL BOARD MEMBER DISCUSSION**

- **Report from Ted Stephens regarding his attendance at a meeting with Bob Stein, Chairman of the Society of Actuaries Blue Ribbon Panel on Pension Plan Funding.**

Mr. Stephens reported that he met with Bob Stein, Blue Ribbon Panel of Actuaries Chairman. He stated that the main item we will be discussing during our next experience study is the target rate and that we will need to do some stress testing. Mr. Stephens recommended adding discussion regarding whether we adopt any Blue Ribbon Panel recommendations to a future meeting agenda. He also commented on excess earnings and ASB 2473, reporting that he had addressed the Senate and recommended funding at a 120% level in order to allow any excess earnings, but the bill was approved without his recommendation. Supervisor McCowen agreed that the Blue Ribbon Panel report would be a good informational item for discussion and any action should be subsequent to the discussion. He added that we should include a review of our current policy on excess earnings to a future meeting as well.

Mr. Andersen reminded the board of the next Audit and Budget Committee meeting scheduled on June 26, 2014 at 1:30 p.m. Segal Consulting and Gallina LLP will be presenting information on GASB Reporting. Board members in attendance will receive credit for educational hours. Mr. Mirata asked to bring back discussion regarding review of our contracts and potential overages in July.

Supervisor McCowen announced that the Board of Supervisors adopted the County's Budget for Fiscal Year 14/15. They had a discussion regarding negative amortization and the Unfunded Actuarial Accrued Liability (UAAL). There was interest in increasing the required County payment to get out of negative amortization sooner than later. This issue will be revisited at final budget hearings. Mr. Stephens asked if the Board of Supervisors were aware that a change in target rate and amortization length would be detrimental. Supervisor McCowen's answer was yes and he reported that the Teeter Debt had been paid down significantly and should be paid off in 2-3 years. The hope is to redirect these funds towards the UAAL. Mr. Stephens added that the discussion about the target rate this year has caused concern among plan sponsors. When modeling is done, will the cost be born by the sponsors or the Board of Retirement, as the cost would be substantial and the target rate may be a significant change. He stated that we may be more inclined to make decision changes if the sponsors participate and share in the process.

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ADJOURNMENT (11:35 a.m.)