

◆MENDOCINO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION◆
BOARD OF RETIREMENT MEETING MINUTES
◆JULY 15, 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, Richard Shoemaker, and Shari Schapmire. Also present: James Wilbanks, Retirement Administrator, Jeff Berk, Legal Counsel, Tony Graham, Disability Counsel, and Judy Zeller, Administrative Assistant. Absent: Craig Walker.

PUBLIC COMMENT: None

1) MINUTES OF THE BOARD MEETING HELD JUNE 17, 2015

Presenter/s: Chair Schapmire referenced the June 17, 2015 meeting minutes.

Mr. Berk requested an amendment to the minutes as follows: The second paragraph on page 3 should state that Mr. Berk explained that the contract provides for defense and indemnification for various acts of MMRO, including failure to maintain confidentiality of records.

Mr. Stephens requested an amendment to the minutes as follows: The first paragraph on page 5 should state that 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.

Ms. Cavness noted that the notice of next meeting should state July 15, 2015.

Board Direction: Staff will amend the June meeting minutes as requested by Mr. Berk, Mr. Stephens, and Ms. Cavness.

Board Action: Motion was made by Mr. Goodman to approve the minutes of the board meeting held June 17, 2015 as amended. Ms. Harris seconded the motion and the minutes were approved by the following vote: Ayes: Mr. Goodman, Ms. Cavness, Mr. Sakowicz, Mr. Gjerde, Mr. Stephens, Mr. Knudsen, Ms. Harris, and Ms. Schapmire. Noes: 0. Abstain: 0. Absent: Mr. Walker.

◆MENDOCINO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION◆
BOARD OF RETIREMENT MEETING MINUTES
◆JULY 15, 2015 AT 8:30 A.M.◆

2) CONSENT AGENDA

Presenter/s: Chair Schapmire referenced the consent agenda which included the June 2015 Retirement Report, the Quarterly Trustee Education and Training Report, and the Abbie Ojanpera Payment Agreement.

Mr. Shoemaker asked to pull the Quarterly Trustee Education and Training Report for discussion.

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

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

Presenter/s: Mr. Shoemaker referenced the Quarterly Trustee Education and Training Report and suggested amending the spreadsheet to include two year periods for all with period begin and end dates. He added that not all of us have the same starting date and it would be best to track each individually. Mr. Sakowicz encouraged board members to attend the CALAPRS Pension Management for Trustees trainings. Ms. Cavness mentioned that she enjoys attending trainings, but would be interested in online alternatives. She asked for a schedule of any upcoming webinars.

Board Direction: Staff will revise the Trustee Education and Training Report to include two year periods for each member individually and will notify board members of any upcoming webinars.

4) CLOSED SESSION (Estimated Time 30 min.)

- **Possible Initiation of Litigation (1 Case) pursuant to Government Code section 54956.9(d)(4)**

REPORT OUT FROM CLOSED SESSION

Direction was given to staff.

◆MENDOCINO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION◆
BOARD OF RETIREMENT MEETING MINUTES
◆JULY 15, 2015 AT 8:30 A.M.◆

5) DISCUSSION AND POSSIBLE ACTION REGARDING DISABILITY APPLICATION PROCESS

Presenter/s: Dr. Wilbanks began discussion regarding our disability application process. At last month's meeting there were questions and concerns regarding use of Managed Medical Review Organization (MMRO) for processing our disability applications and the board requested the opinion of Tony Graham, Disability Legal Counsel. Mr. Graham asked to put the process on today's agenda for discussion.

Mr. Graham addressed the board and asked why they would want to hire an out of state system to prepare a case for him. He suggested the board review the records submitted by an applicant and approve or deny based on those records. He explained that additional medical reviews can complicate cases for him if they go to hearing and stated that if he has control of case from the beginning, we will have a better case if it goes to a hearing.

Mr. Stephens asked Mr. Graham if his recommendation was to consult with him on a case before it goes to hearing. Mr. Graham stated that the burden of proof is on the applicant and the applicant supplies all records and documentation. When that is submitted give the case to the board to make a decision. If it is denied, I can take it to hearing. I may recommend approval if I find that is substantiated by the evidence. Mr. Stephens asked Mr. Graham when he can appear before the board. Mr. Graham replied that if he is not speaking regarding a specific case he can discuss policy, procedures, and process with the board. He cannot speak regarding a specific case unless the applicant is present.

Mr. Berk reminded the board that we have two items on the agenda for discussion; the disability process and the MMRO contract. Our current disability process begins with staff putting together the application and records, gathering information by signed release, scheduling an Independent Medical Evaluation (IME), and sending to our Medical Advisor. If there are legal issues or other concerns regarding the medical reports, they are discussed with me as counsel and then the case goes to the board for a preliminary determination of whether to grant the application. MMRO will take over staff's part. To comply with due process, the role of Board counsel should be kept separate from counsel who presents the case to a hearing officer.

Mr. Knudsen stated that in years past the board followed a different policy. Staff would contact the applicants to verify that all records had been submitted. Then the application would go to the board for a decision. The board would see a case before anything else was done and could decide if an applicant needed additional evaluation. Mr. Graham agreed that he preferred this approach and explained that if a case is denied, he will take the case to the right doctor in cases going to hearing.

◆MENDOCINO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION◆
BOARD OF RETIREMENT MEETING MINUTES
◆JULY 15, 2015 AT 8:30 A.M.◆

Mr. Berk explained that our current process is used by the vast majority of retirement systems. Most disability cases are also Workers Compensation (WC) cases and we must see that a case is processed based on the 37 Act standard, which is very different from WC. Dr. Wilbanks stated that currently the board will either grant or deny based on the advice of the IME and our Medical Advisor. Mr. Graham asked again to have the board approve or deny an application that a member files without additional staff work and evaluation.

Mr. Knudsen asked questions regarding our current process and staff sending applicants to an IME and then to our Medical Advisor. He also asked why there has not been a case before the board in 6 months. Dr. Wilbanks explained that staff is not qualified to make medical determinations and it is important to have medical opinion and input for someone we can trust. Chair Schapmire added that we have not had a physician on this board for a number of years and that was the case when we used the old disability process. Dr. Wilbanks restated our current process of referring applicants to an IME, and then sending to the advisor for summary recommendation to board. We have 5 pending disability cases going through the administrative process at this time.

Mr. Graham expressed concern with sending for an IME. He felt there is the potential for the IME to comment under WC standards, not 37 Act. Mr. Berk explained that we carefully craft questions to the IME and ask that they answer all of them. If we have questions about their reports, we have the ability to send it back for clarification. Mr. Gjerde commented that having an IME seems like the correct thing to do on behalf of the taxpayers and asked about staff involvement in a case. Mr. Berk explained that we do have fiduciary responsibility to the retirement system and to the member. We have an obligation to work with applicants.

Mr. Goodman stated that he liked the process we have now and felt the summary report is helpful. Chair Schapmire agreed. Mr. Knudsen expressed concern that we are not following the government code and felt the board, not staff, should determine if an applicant needs an IME. Dr. Wilbanks quoted rule 6 in our policy and stated that authority has been delegated by policy to the Retirement Administrator. Our counsel has directed staff to send for IME and then to the advisor. He explained that there can be delays in getting a complete application, getting a signed release and records, getting the IME scheduled, and getting the advisor's report. Dr. Wilbanks added that he believes our current policy is correct and the best practice. We need to have correct information to process disability applications.

Mr. Shoemaker asked to have the questions to the physicians sent to Mr. Graham for review and discussion with Mr. Berk if necessary. Mr. Knudsen asked for review of the government code. The board agreed that this was a valuable discussion.

◆MENDOCINO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION◆
BOARD OF RETIREMENT MEETING MINUTES
◆JULY 15, 2015 AT 8:30 A.M.◆

Board Direction: Staff will send the crafted questions to IME physicians (Physician Guidelines) to Mr. Graham.

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

Presenter/s: Dr. Wilbanks referenced information regarding MMRO which will be presented today and a proposed agreement with MMRO for disability application processing which was discussed at our last board meeting and has been included in the approved in the budget. The Retirement Associations of San Bernardino, Sacramento, Michigan, and Alaska have all spoken highly of MMRO.

Erik Kelly, Director of National Sales and Marketing, and Joe Schimizzi, President, of MMRO, provided a presentation regarding their organization and the services they provide to the board by teleconference.

Dr. Wilbanks recommend approval of the agreement with MMRO to provide disability application processing for MCERA. Mr. Knudsen asked if non-service terminal cases would be sent to MMRO. Dr. Wilbanks explained that the clearest and best practice is to establish a process that we follow in every single case. We want the input from a qualified medical person that will act on our behalf.

Mr. Berk stated that the contract template is from San Bernardino. He knows and trusts their attorney's judgement and believes that the contract is good. Mr. Shoemaker asked whether a comparison of staff case development cost vs contract case development cost was done. Dr. Wilbanks estimated savings in IME costs, Medical Advisory costs, and staff time. Mr. Shoemaker asked to see statistical information on disability applications from both MCERA and MMRO.

The board discussed referral to IME and how far our applicants would have to travel. Mr. Gjerde requested that our applicants be sent no further than Santa Rosa for IME as there was concern regarding travel distance. Ms. Cavness cautioned against limiting the destination to Santa Rosa in the event we need a different specialist. Mr. Knudsen asked that the physicians used by MMRO be certified in California.

Board Action: Motion was made by Mr. Sakowicz to approve the agreement with MMRO for disability application processing. Mr. Gjerde seconded the motion and it was approved by the following vote: Ayes: Mr. Goodman, Ms. Cavness, Mr. Sakowicz, Mr. Gjerde, Mr. Stephens, Mr. Knudsen, Ms. Harris, and Ms. Schapmire. Noes: 0. Abstain: 0. Absent: Mr. Walker.

◆MENDOCINO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION◆
BOARD OF RETIREMENT MEETING MINUTES
◆JULY 15, 2015 AT 8:30 A.M.◆

7) 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 May 2015.

8) MONTHLY FINANCIAL REPORT

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

Mr. Stephens stated that he believes MCERA will have a positive rate of return, will break even or will be negative on our asset base, and the Unfunded Actuarial Accrued Liability (UAAL) will go up this year, as will our contribution rate. Mr. Knudsen asked if interest was posted for June 30, 2015 and asked to see a report on what happens if we have over 8% in interest over the course of the year. Mr. Goodman reported that he had calculated a 33% increase in assets since 2007 and stated that the fund has done well, seems to be doing what it is supposed to, and is performing as it is supposed to.

Mr. Gjerde acknowledged that Pension Obligation Bonds (POB) have been put in the plan, which has assisted funding. POB payments will end in about 10 years and at that time the payments could continue to pay down the UAAL. Mr. Knudsen added that in the 1990s the stock market was great, until the market crash. The UAAL went up so fast, we borrowed. In fall of 2002 we were getting an unfunded liability total every month. In 2006 and 2007 we were 90% or greater funded, then 2008 came along. Mr. Stephens expressed his concern regarding plan funding and sustainability stating that assets should be slightly down this year and he is not encouraged by what has happened over the last 5 to 10 years.

9) RETIREMENT ADMINISTRATOR'S REPORT

- **Social Security Integration**
- **IRS Cycle E Determination Letter Filing Update**
- **Pension Administration System Monthly Update**
- **Board of Retirement/Board of Supervisors Joint Meeting Update**
- **Administrative and Operations Update**
- **Board Strategic Planning Off-Site Meeting**

Presenter/s: Dr. Wilbanks referenced his administrator's report and stated that staff has removed the old handbook from our website and has posted the benefits presentation from the April board meeting in its place. Benefit calculation examples have been posted as well. We expect a draft of MCERA's next determination letter filing materials from Hanson Bridgett any day and will have until August 21, 2015 to review and return with comments to our tax

◆MENDOCINO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION◆
BOARD OF RETIREMENT MEETING MINUTES
◆JULY 15, 2015 AT 8:30 A.M.◆

counsel. The pension system implementation is still scheduled for later this year and a joint meeting between the Board of Supervisors and Board of Retirement is tentatively scheduled for January 2016. We are currently working on hiring a full time staff member and the Retirement Specialist I position should be posted to the Human Resources site soon. Our off-site strategic planning meeting is scheduled for August 13, 2015 from 8:30 a.m. to 6:00 p.m. at the Hopland Research and Extension Center, Rod Shippey Hall, University Avenue, Hopland, CA. This will be a very busy day. Food and beverages will be available for board members and staff. Please dress casually.

10) GENERAL BOARD MEMBER DISCUSSION

Mr. Shoemaker mentioned that he had missed our budget discussions regarding the 625 Kings Court building and its maintenance and improvement. He plans on getting some items on agenda for the capital improvement plan soon so that we may get items completed before the rainy season.

11) NOTICE OF NEXT MEETING

- **The Board of Retirement will meet again on August 13, 2015 at the Hopland Research and Extension Center, Rod Shippey Hall, University Avenue, Hopland, CA.**
- **The next regularly scheduled Board of Retirement meeting will be held August 19, 2015.**

ADJOURNMENT (Approximate Time 12:26 p.m.)