

◆MENDOCINO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION◆
BOARD OF RETIREMENT MEETING MINUTES
◆JULY 16, 2014 AT 8:30 A.M.◆

CALL TO ORDER

Shari Schapmire, Board Chair, called the meeting to order at 8:34 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, Bob Mirata, and Shari Schapmire. Also present: Jeff Berk, Legal Counsel, and Judy Zeller, Administrative Assistant. Absent: Craig Walker, Jim Andersen, Interim Retirement Administrator.

Chair Schapmire informed the Board that the Interim Retirement Administrator will not be attending this meeting due to a previously scheduled vacation.

PUBLIC COMMENT: None

1) APPROVAL OF CONSENT AGENDA

Presenter/s: Chair Schapmire referenced the Consent Agenda previously distributed to the Board which included 1-A Minutes of the Board Meeting held June 18, 2014, 1-B Membership, 1-C Retirements Processed, 1-D Retirement Administrator's report, 1-E Contract Monitoring Policy, and 1F Quarterly Trustee Education and Training Staff report.

Supervisor McCowen asked for amendment of the minutes of the June 18th board meeting. Page 1, CALL TO ORDER, should correctly identify Mr. Weer as the Vice Chair. Page 4, item 6, first paragraph, should be changed as follows: not emphasize should be changed to recognize, insert a comma after John Dickerson and change He to who, insert responding to the return on investment after did a lot of work, change for a response would be appropriate to should be agendized in the last sentence.

Board Direction: Staff will amend the June 18, 2014 minutes per Supervisor McCowen's request.

Board Action: Motion was made by Mr. Mirata to approve the Consent Agenda including the June 18, 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. Mirata, and Ms. Schapmire. Noes: 0. Abstain: 0. Absent: 1

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Mr. Walker entered the meeting at 8:45 a.m.

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

None

3) DISCUSSION AND POSSIBLE ACTION REGARDING RESPONSE TO THE REFORM OUR COUNTY COALITION (ROCC)

Presenter/s: Chair Schapmire referenced a draft response to the Reform Our County Coalition (ROCC). She stated that at the June meeting the Board directed Jim Andersen to draft a one page response to the ROCC's letter dated April 22, 2014, have the Chair review and approve the response, and submit to the Board for final approval in July. The response required a lot of discussion between the Chair, Mr. Andersen, and Mr. Berk.

The Board discussed the response and who we are responding to; Mr. John Dickerson, the ROCC or the Concerned Citizens of Mendocino County. It was agreed that the response should be made to the body that signed the petition, the Concerned Citizens of Mendocino County. The content of the response was thoroughly reviewed. Board members were divided on whether this response was necessary, not general enough, or not specific enough. Staff resources are too limited to research and provide analysis to reply to the questions. The questions are based on the premise the Board of Supervisors and the Board of Retirement are not aware that there is a serious financial crisis with the unfunded liability. All agreed that this Board has made fundamental changes and that past decisions were based on best practice at the time. Chair Schapmire stated that she, Mr. Andersen, and Mr. Berk all felt that this draft response is very good and it was very difficult to write.

Supervisor McCowen offered his comments on the draft response and stated that he would be willing to revise the response based on some of the other comments heard today. The Chair expressed her concern about the length of time it is taking to prepare a response. It was suggested that this item be continued to next month and a few Board members requested that their comments be included in the response. Mr. Goodman felt that the questions posed needed to be reworded and stated that we should not respond to this request.

Chair Schapmire mentioned again that she, Mr. Berk, and Mr. Andersen are all comfortable with this response and reminded the Board that they have many other important items to attend to. She proposed some changes to the response based on suggestions made by board members during this discussion and asked if the Board would approve the response with these

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changes. The Board agreed to amend the response to include the changes and agreed that too much time has been spent on this item.

Board Direction: The Chair will amend the response, sign on behalf of the Board, and will submit to the Concerned Citizens of Mendocino County. The Board will receive copies of the final response.

Board Action: Motion was made by Mr. Sakowicz to approve the response to the Concerned Citizens of Mendocino County as amended. Mr. Mirata seconded the motion and it was approved by the following vote: Ayes: Mr. Sakowicz, Mr. Weer, Mr. Knudsen, Sup. McCowen, Mr. Walker, Mr. Mirata, and Ms. Schapmire. Noes: Mr. Goodman and Mr. Stephens. Abstain: 0. Absent: 0

4) DISCUSSION AND POSSIBLE ACTION REGARDING AN AGREEMENT WITH HANSON BRIDGETT FOR FISCAL YEAR 2014/2015 TAX COUNSEL SERVICES

Presenter/s: Chair Schapmire referenced an agreement with Hanson Bridgett for Fiscal Year 2014/2015 Tax Counsel Services stating that Mr. Berk is still working with Hanson Bridgett on changes to the Indemnification language included in the agreement. This item will be brought back next month for discussion and possible action.

5) DISCUSSION AND POSSIBLE ACTION TO SELECT AN APPROACH TO THE VALUATION DATE FOR THE JUNE 30, 2014 GOVERNMENT ACCOUNTING STANDARDS BOARD (GASB) 67 REPORT

Presenter/s: Vice Chair Weer referenced a report from the Audit and Budget Committee regarding their July 10, 2014 meeting and discussion regarding the valuation date for the June 30, 2014 GASB Report. He stated that the committee had a long discussion regarding the pros and cons of the timeline prepared by Segal. There are two methods to consider; prepare the GASB 67 report with 2013 Valuation numbers already in place or, the second method, wait until the 2014 Valuation is done and use those numbers. The committee determined that both methods would be late, but that we may be able to revisit some of the MCERA due dates and act quicker, which could move the dates up a little bit for both methods. A majority of the committee recommend the use of the second method. This may take longer due to so many variables with the upcoming Experience Study and possible change in assumptions, but it would be best to start out with a good first GASB 67 report with the most current information available.

Mr. Weer explained that the County Audit report will need to use a qualified opinion regarding the trust account information because MCERA's report won't be done on time. It's just a note

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that will reference the retirement system and that it was unable to produce a number. Mr. Weer added that he will have the opportunity to structure the wording of the note and that this should be the only time we will need to use a qualified opinion. Next year the County Auditor will have the same reporting issues and we will continue to need to be prepared sooner.

Mr. Goodman commented that we need to be mindful of not pushing our reports out and keep them moving forward. Mr. Stephens agreed, adding that the intent is to come to meetings fully prepared so that we may approve some things quicker and keep us ahead of schedule.

Board Action: Motion was made by Supervisor McCowen to approve the Audit and Budget Committee recommendation to use the approved 2014 Actuarial Valuation figures in the GASB 67 Report. Mr. Sakowicz 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, and Ms. Schapmire. Noes: 0. Abstain: 0. Absent: 0

6) MONTHLY INVESTMENT REPORT

Presenter/s: Chair Schapmire referenced the monthly investment report which was previously distributed to the Board.

7) 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: Chair Schapmire referenced the monthly financial report which was previously distributed to the Board.

Mr. Goodman stated that the Buck Settlement Reserve still needs to come off of our monthly financial report and that any Health Insurance Reserves should be gone for the June 30, 2014 Fiscal year end. Mr. Weer explained that there may be some outstanding County Counsel billing to be paid by journal entry from the settlement reserves. Once that is done we can sweep the remaining balance. He added that the Audit and Budget Committee will be reviewing the investment and financial reports at their next meeting. Mr. Sakowicz, Mr. Goodman, and Mr. Stephens estimated an annual negative cash flow of \$6,000,000.

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8) CLOSED SESSION

- Kim Koskinen Disability Application
- Possible Initiation of Litigation pursuant to Government Code Section 54956.9(d)(4)
- Appointment of Retirement Administrator pursuant to Government Code Section 54957(b)(1)

REPORT OUT FROM CLOSED SESSION

There was no action taken on the Koskinen disability. Direction was given to staff and counsel regarding the possible Litigation item. There was no action taken on the Retirement Administrator item.

9) DISCUSSION AND POSSIBLE ACTION REGARDING POSSIBLE USE OF AN EXECUTIVE RECRUITING FIRM

Presenter/s: Chair Schapmire referenced information previously distributed to the Board regarding the possible use of an executive recruitment firm to assist in the search for a Retirement Administrator stating that we have been recruiting for six months without positive results. The Retirement Administrator Recruitment Ad Hoc Committee recommends hiring a recruitment firm. A Request for Proposal (RFP) would take three months, so Mr. Andersen contacted Fresno County to obtain information regarding their recruitment process. He was able to obtain copies of the proposals submitted to Fresno County by CPS HR Consulting (CPS) and Alliance Resource Consulting LLC (Alliance). We have looked at both firms proposals. Alliance is more expensive than CPS, but Alliance has more 37 Act system exposure. The Chair was confident that Alliance may get the process done sooner because of their work with other 37 Act systems. Current salary savings would offset the cost of hiring this firm. The Board agreed with the recommendation to choose Alliance as our Executive Recruitment firm.

Board Action: Motion was made by Mr. Goodman to choose Alliance Resource Consulting as our executive recruitment firm and to direct staff to enter into an agreement not to exceed \$37,500.00. 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, and Ms. Schapmire. Noes: 0. Abstain: 0. Absent: 0

10) GENERAL BOARD MEMBER DISCUSSION

- State Association of County Retirement Systems (SACRS) Approach to Sustaining Public DP Plans Discussion (Ted Stephens)

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Mr. Stephens expressed his feelings regarding the SACRS plan to establish an educational program on the positive benefits of providing defined benefit retirement plans and their forming of an ad hoc committee to look into it. This is their first attempt at something like this and he felt we should provide some input. Chair Schapmire thought it was interesting that comments made by SACRS mentioned that they had not received any input from systems. Mr. Sakowicz stated that trends are to make plans more sustainable and SACRS is defending defined benefit plans. Should the Board respond or should we respond individually. Mr. Stephens stated that SACRS is taking on a new role and he is unsure whether they should be taking this issue on. Their role should be that of an educator. The Board asked Mr. Stephens if he would draft a letter to SACRS. He agreed to draft a response that either the Board could approve and sign or that he would sign and submit as an individual.

Mr. Stephens stated that the Blue Ribbon Panel of Actuaries Report needs to be agendized for our next meeting. In June the direction to staff was to bring back in July. We must have a discussion regarding the panel recommendations. He expressed concern over the target rate and how difficult it is to support the target rate we have now. We should, at the very least, look at that section of the panel report in order to prepare to make the best decision possible. The Board agreed that the Blue Ribbon Panel report should be on the next agenda and that they should receive copies of the report in advance to allow more time to review. This discussion should be held in advance of the upcoming decisions we will be making. The plan sponsors will need to be notified so that they may choose to attend the discussion.

Board Direction: Staff will include the Blue Ribbon panel report in the August meeting agenda for discussion.

Mr. Knudsen questioned the Trustee Education and Training staff report and whether 2011 and 2012 should be included. This is based on the requirement to complete a minimum of 24 hours of education within the first two years of assuming office and for every two year period in which the board member continues to hold office. His term began December 1, 2011. Mr. Berk explained that Government Code Section 31522.8 took effect January 1, 2013 and that is the date we are using to begin the tracking educational hours. The reference to assuming office is made for those elected after January 1, 2013.

Board Direction: Staff will provide the total number of hours to date in the next quarterly report.

ADJOURNMENT (11:47 a.m.)