

◆ MENDOCINO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION ◆
BOARD OF RETIREMENT MEETING MINUTES
◆ JULY 17, 2013 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: Shari Schapmire, Lloyd Weer, Ted Stephens, Supervisor John McCowen, John Sakowicz, Bob Mirata, Tim Knudsen, and Randy Goodman. Members absent: Craig Walker and Richard Shoemaker. Also present: Rich White, Retirement Administrator, Jeff Berk, Legal Counsel, and Judy Zeller, Board Clerk.

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 19, 2013, 1-B Membership, 1-C Retirements Processed, 1-D Retirement Administrator's report, 1-E Actuarial Funding Policy, and 1-F Quarterly Travel and Education report.

Board Direction: Mr. Stephens requested that item 1-B be pulled from the Consent Agenda for separate action.

Board Action: Motion was made by Mr. Mirata to approve the remaining items on the Consent Agenda. Supervisor McCowen seconded the motion and it was approved unanimously.

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

Presenter/s: Chair Schapmire referenced item 1-B of the Consent Agenda pulled by Mr. Stephens. Mr. Stephens asked about the membership totals and why inactive deferred/vested members were not included. He felt that the Board would benefit from seeing those totals included in the membership report each month.

Board Direction: Staff will include inactive deferred/vested members in the membership totals report each month.

Board Action: Motion was made by Mr. Stephens to approve Consent Agenda item 1-B. Supervisor McCowen seconded the motion and it was approved unanimously.

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3) 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**
- **Fiscal Year 2012/13 Quarterly Budget Report**

Presenter/s: Rich White referenced the preliminary May 2013 financial reports and year end budget report for FY 2012/2013 previously distributed to the Board. Mr. White stated that we were within budget on all categories. Mr. Mirata asked about Kings Court and if the catch up on utilities was the reason for the 107% budget percentage. Mr. White confirmed that the additional expense was primarily due to the catch up on paying for a utility that was mistakenly directly billed to the tenant. Mr. Goodman and Mr. Knudsen asked about the cash flow analysis and summary. Mr. White explained that our actual administrative expense was .17% of our Actuarial Accrued Liability as of June 30, 2012 which is less than our policy cap of .21%. Mr. Sakowicz stated that our policy is to use the more conservative approach of .21% of our Actuarial Accrued Liability instead of \$2 million for our cap for administrative expenses.

Mr. Shoemaker entered the meeting at 8:46 a.m.

4) MONTHLY INVESTMENT REPORT

Presenter/s: Rich White referenced the monthly investment report previously distributed to the Board showing our total market value of investments estimated at \$383,615,677. He explained that our active managers did well due to good strategy. Pimco did suffer in the second quarter like most fixed income managers. Callan Associates will explain in more detail next month when they present the Quarterly Performance Report. Mr. White stated that there is now a big concern in the market regarding fixed income. The Board will need to strategize to protect the portfolio. This discussion will be a part of the Callan asset/liability study currently underway. Mr. Mirata mentioned that he viewed a power point presentation regarding fixed income during the June Callan workshop and recommended it to the Board. Mr. White added that Retirement Boards are looking into buying bank loans. Mr. Shoemaker expressed his interest in that option. Mr. Sakowicz asked Chair Schapmire about the County Investment Advisor presentation to the Board of Supervisors. She stated that County Fixed Income would be discussed during the presentation in the afternoon of August 27, 2013.

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5) DISCUSSION AND POSSIBLE ACTION REGARDING PROPOSED DISABILITY PROCEDURE AND RELATED CHANGE TO BYLAWS

Presenter/s: Rich White referenced information previously distributed to the Board regarding proposed changes to our disability procedure and proposed change to the Association Bylaws. He mentioned that review of disability procedures was an objective of the strategic plan. This discussion introduces significant change in the paperwork we use and the way we process applications. This presentation to the Board represents change to ensure that members of the Association are able to make application for disability retirement and assures them appropriate processes and practices which are consistent with current legal standards and other public retirement systems. The disability application process has been significantly revised to allow better transparency, increased confidence regarding thorough examination of applications, and to ensure due process and treatment of members with respect throughout the application process.

Board members asked about the new supervisor's statement, the Board's subpoena power, and the Frequently Asked Questions (FAQ) included in the Handbook. There was concern that the FAQ should not be part of the new disability handbook if modification is needed. Mr. White stressed that the Board was to accept the handbook so that staff can make changes without formal action. Then he referenced the use of the Attending Physicians Report (APR) included in the new application. He stressed how important its use will be and mentioned that staff had already used the APR in a few cases.

Mr. Knudsen asked for the Disability Procedure to state that the Board will receive all reports and records when a disability case is presented. Supervisor McCowen asked that Rule 25 reflect that the Board may approve reimbursement of reasonable travel expense if travel is greater than 75 miles from the home address of the applicant at the time of separation from employment. Staff could make the changes and bring the procedure back for review on the next consent agenda.

Board Direction: Staff will amend the Disability Procedure to state that the Board will receive all reports and records when a disability case is presented and Rule 25 will be amended to reflect the current policy regarding Board responsibility for payment of independent medical evaluation/investigation fees and reimbursement to applicant for reasonable travel expense.

Board Action: Motion was made by Supervisor McCowen to approve the recommended action to adopt the MCERA Bylaw revision to the disability retirement procedures, adopt the proposed Procedures for Disability Retirement Applications and Formal Hearings as amended, and to accept the Disability Retirement Application Handbook. Mr. Goodman seconded the motion and it was approved by the following vote: Ayes 8 Noes 0 Abstain 0 Absent 1 (Motion Approved)

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6) CLOSED SESSION

- Pending disability applications update
- Mary Stanley, NSCD
- Rebecca Wilson, SCD
- Public Employee Performance Evaluation - Retirement Administrator - Pursuant to Government Code Section 54957

REPORT OUT FROM CLOSED SESSION

Board Direction: The Board provided direction to staff and counsel on Rebecca Wilson.

Board Action: Mary Stanley was granted Non-Service connected disability retirement. There was no action taken on the public employee performance evaluation.

7) GENERAL BOARD MEMBER DISCUSSION

Mr. Sakowicz will attend the SACRS Public Pension Investment Management Program held at University of California Berkeley July 28-31, 2013. He asked to be included in next month's meeting agenda in order to provide a full report to the Board.

ADJOURNMENT (10:40 a.m.)