MENDOCINO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION BOARD OF DIRECTORS MINUTES OF THE REGULAR MEETING, JULY 21, 2010 AT 8:30 AM, MENDOCINO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION CONFERENCE ROOM, 625B KINGS CT., UKIAH, CA 95482

1. CALL TO ORDER

Chair Tim Pearce called the meeting to order at 8:30 am.

Roll call was conducted with the following members present: Randy Goodman, Caren Callahan, Lloyd Weer, Bob Mirata, Shari Schapmire, Kendall Smith, Don Coursey, Dennis Huey and Tim Pearce.

Also present: Jim Andersen, Retirement Administrator, Tim Knudsen, Alternate Retiree Trustee, Sue Thornhill, retirement staff, Jeanine Nadel, County Counsel and various members of the public.

2. APPROVAL OF MINUTES

Upon motion by Trustee Weer, seconded by Trustee Goodman, and carried unanimously; IT IS ORDERED that the minutes of the June 16, 2010, Board meeting are approved.

Chair Pearce requested Item 8a be tabled until the August meeting for further review.

3. DISCUSSION AND POSSIBLE ACTION REGARDING RESPONSE TO THE GRAND JURY REPORT DATED JUNE 3, 2010, CONTINUED FROM THE JUNE BOARD MEETING

Presenter/s: Jim Andersen referenced written material previously distributed to the Board

Jim Andersen reviewed the comprehensive response, which responded in detail to each point in the Grand Jury's report.

Board Action: After some discussion the Board voted unanimously to approve the recommended action to submit the response within the time allowed by law.

4. DISCUSSION AND POSSIBLE ACTION REGARDING DRAFT RESOLUTION OF THE MENDOCINO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION DIRECTING THAT $9,557,912.25 IN THE ACTUARIAL VALUE OF UNRECORDED EARNINGS BE MARKED DOWN TO ZERO ($0.00) IN RECOGNITION OF THE AMENDED INTEREST CREDITING AND UNDISTRIBUTED EARNINGS POLICY

Presenter/s: Jim Andersen referenced written material previously distributed to the Board. After lengthy discussion among the Board members Chair Pearce requested Jim Sligh, CPA,

be contacted for either a conference call or if available to come to the meeting in order to answer questions of the Board.

Chair Pearce moved to item #5 while waiting for Mr. Sligh.

Jim Sligh entered the meeting at 9:50 to be available for questions of the Board members.

Mr. Andersen requested he explain the implications of leaving a negative balance in the fund should the full amount be written off in one fiscal year. He also asked should the Board consider selling assets to cover the loss.

Mr. Sligh suggested the Board should not do the correction in the 2009/10 fiscal year since the interest has already been posted for that period. He added should it cause a negative balance in the fund it would simply be a reporting issue on his annual audit report. He further related there would be no need to sell assets in order to cover the negative fund balance.

Mr. Sligh commended the Board on the work they have done on behalf of the fund and left the meeting at 10:15.

Board Action: After some discussion a motion was made by Trustee Coursey, seconded by Trustee Callahan to approve the recommended action and adopt the resolution writing down the full balance of Accrued Actuarial Value of Unrecorded Earnings, $9,557,912.25, in July 2010, and recognize the loss associated with the write down in fiscal year 2010/11. Roll call vote was taken and the Board voted unanimously in favor of the motion.

5. RETIREMENT ADMINISTRATOR'S REPORT

Presenter/s: Jim Andersen referenced his written report distributed to the Board, and offered the following comments.

Financial

1) Proposals for conducting an audit of our actuary have been received and will be reviewed and ranked by the ad hoc committee and be submitted to the entire Board at a future meeting.

2) During the preparation of the CAFR staff discovered several errors in the tables which are contained within the report. In order to determine the variances staff met with Jim Sligh, CPA, to review the areas of concern. The causes range from accruals performed by the auditor to simple mathematical errors caused by the work being done in Word rather than in Excel. All tables have now been moved to Excel so formulas can be checked and imported into the CAFR.

3) Reconciliation with the Bank of New York Mellon (BONY) is almost complete and staff will complete one more month of parallel accounting for bond activities, and if successful, will move to a summary report from BONY for our monthly reports.

4) Staff has been working with the State Controller's Office (SCO) to address past confusion about annual reporting. The SCO, the retirement staff and our external auditor have reached an agreement regarding the preparation of future reports. Future SCO will contain pension data only, and any transactions for retiree health care will be contained in footnotes.

Legislative/Regulatory

1) The SACRS Legislative Platform worksheet was received and will be reviewed and submitted with any issues the Board or staff feel should be considered.

2) AB 209 (Conway) has passed the Assembly and is now on the Senate floor. The bill would establish a new administrative spending limit based upon the value of liabilities rather than assets. It is argued that liabilities are more stable than assets and more accurately determine the administrative resources needed by a retirement system.

3) Collaboration between administrators statewide continues regarding the proposed accounting changes from GASB. Staff will report to the Board at a future meeting.

Automation

The Software ad hoc committee will meet with Linea Solutions on July 22nd and review the draft IT Roadmap. Since the report is quite detailed staff anticipates bringing a recommendation to the full Board in either September or October.

Retiree Health Care

1) Staff has been working closely with Human Resources on both outreach and education during the transition.

2) Per statute forms were developed and are being signed and returned by the retirees authorizing the deduction of health insurance premiums from their monthly benefit checks.

3) August 12th staff from Human Resources, Retirement and the CEO will meet regarding transition and future accounting practices for collecting health insurance premiums.

Board Action: Motion by Mirata, seconded by Goodman to approve Administrator's report as presented.

6. INVESTMENTS/FINANCIALS

Presenter/s: Jim Andersen referenced written reports previously distributed to the Board, including the final financial reports for April 2010 and May 2010 and the preliminary for June 2010.

7. HEALTH INSURANCE

Presenter/s: Sue Thornhill presented the "Insurance Reserve Balance Report" which was distributed to the Board and the public at the beginning of the meeting.

The Board was advised the fund is currently on track to be depleted by the end of 2010, without the forthcoming changes.

8. MISCELLANEOUS

Presenter/s: Jim Andersen

a. Discussion and possible action to approve a Memorandum of Understanding (MOU) between the Association and County Counsel for attorney services.

Board Action: Tabled until further research can be completed.

b. Discussion and possible action regarding the letter of engagement from V. James Sligh, CPA, MBA to conduct an independent audit of fiscal year 2009/2010.

Board Action: Motion by Trustee Mirata, seconded by Trustee Goodman to approve letter as presented and direct Chair to sign agreement.

9. PUBLIC COMMENT: None

10:35 ENTERED INTO CLOSED SESSION

a. Discussion and possible action on disability applications

10:40 OUT OF CLOSED SESSION

BOARD ACTION FROM CLOSED SESSION

a. BROIN, LORI, filed 09/29/09 for Service Connected Disability
No action taken

b. CANALE, MARK filed 5/25/10 for Service Connected Disability
7/21/2010 Application set for hearing

c. HAMMER, LAWRENCE, filed 05/12/2008 for Service Connected Disability
No action taken

d. KOSKINEN, KIM, filed 10/15/2008 for Service Connected Disability
No action taken

e. VEST, DEBORAH, filed 05/05/10 for Service Connected Disability
No action taken

f. WHITE, TAMMY (Brett), filed 11/09/2008 for Service Connected Disability
No action taken

g. ZIMMERER, TIMOTHY, filed 8/27/09 for Service Connected Disability

No action taken

10:40 REPORT OUT FROM CLOSED SESSION

It was reported that at the request of applicant the application of Mark Canale was referred to Attorney Anthony Graham to be set for hearing.

There being no further business Chairman Pearce adjourned the meeting at 10:41 A.M.

_____ _____

Tim Pearce, Chair Susan Thornhill, Retirement Coordinator