MENDOCINO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION BOARD MEETING AGENDA

AUGUST 17, 2011 - 8:30 A.M.

1) ROLL CALL (8:30 A.M.)

2) MINUTES OF THE MEETING HELD JULY 20, 2011 (Estimated Time 5 min.)

3) PUBLIC COMMENT (Estimated Time 5 min.)

Members of the public are welcome to address the board on subjects within the jurisdiction of the Board of Retirement regarding items both on and off the agenda. The board is prohibited by law from taking action on matters not on the agenda, but may ask questions to clarify the speaker's comment and/or briefly answer questions. The board limits testimony on matters not on the agenda to 5 minutes per person and not more than 10 minutes for a particular subject at the discretion of the Chair of the Board. To best facilitate public expression please complete the speaker form available at the entrance to the boardroom and present to the Clerk to the Board. If you wish to submit written comments please provide 12 copies to the Clerk to the Board prior to the start of the meeting. Public speakers are reminded to announce their names before they address the board.

4) DISCUSSION AND POSSIBLE ACTION REGARDING RETIREMENT ADMINISTRATOR'S REPORT (Estimated Time 30 min.)
   a) Withdrawal of contributions by terminating employees
   b) Billings for fees and services
   c) Presentation of Administrator's report

5) INVESTMENTS/FINANCIALS (Estimated Time 5 min.)
   a) Presentation of financial statements
   b) Action may be taken to terminate or hire investment managers at any meeting

♦RETIREMENT ASSOCIATON CONFERENCE ROOM: 625-B KINGS COURT, UKIAH, CA 95482♦
♦PHONE 707-463-4328 FAX 707-467-6472♦ WWW.CO.MENDOCINO.CA.US/RETIREMENT♦

6) DISCUSSION AND POSSIBLE ACTION REGARDING QUARTERLY PERFORMANCE REPORT FROM CALLAN ASSOCIATES (Estimated Time 45 min.)

7) BREAK (Estimated Time 15 min.)

8) CLOSED SESSION (Timed Item at 10:15 A.M.) (Estimated Time 1 hour)

   a) Pending disability applications:

1) HUDSON, GARY	(09/07/10) SHERIFF SCD
2) KOSKINEN, KIM	(10/15/08) HHSA (SOC SERV) SCD
3) NOONAN, KRISTIN	(05/05/11) HHSA (SOC SERV) NSCD

   b) Disability retirement case review:

1) BROIN, LORI	APPROVED FOR SCD 11/17/2010

   c) Potential initiation of litigation (Buck Consultants) pursuant to Government Code Section 54956.9(c) - one (1) case
   d) Significant exposure to litigation pursuant to Government Code Section 54956.9(b)(3)(A)- one (1) case

(Pursuant to Government Code Section 31532, individual medical records of disability applicants will be discussed during closed session and are not public information.)

9) REPORT OUT FROM CLOSED SESSION (Estimated Time 5 min.)

10) PRESENTATION REGARDING TAXABLE PENSION INCOME FOR SERVICE CONNECTED DISABILITES ARISING OUT OF PRESUMPTIVE ILLNESS OR INJURIES (GC§ 31726.5) (Estimated Time 20 min.)

11) DISCUSSION AND POSSIBLE ACTION REGARDING MINOR REORGANIZATION OF MCERA STAFFING (Estimated Time 25 min.)

12) ADJORNMENT (12:00 Noon)

(Pursuant to Government Code Section 54954, this agenda was posted 72 hours prior to the meeting.)

James M. Andersen
Retirement Administrator

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(707) 467-6473
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MENDOCINO COUNTY
EMPLOYEES' RETIREMENT ASSOCIATION
625-B KINGS COURT
UKIAH, CALIFORNIA 95482-5027

Date: August 8, 2011
To: Board of Retirement
From: Jim Andersen, Retirement Administrator
Subject: Discussion and Possible Action Regarding the Administrator's Report

Financial

1. Staff has provided GALLINA with all preliminary documents requested to assist them in preparing for their first independent audit of MCERA. GALLINA will be on site for two days, September 6th and 7th, to meet with staff for the purpose of better understanding the business functions of MCERA and refining their audit program. GALLINA would like to meet with the ad hoc budget and audit committee of the Board while on site. **Given trustee Goodman's role as an employee providing accounting and fiscal support to MCERA, I'm recommending he step down from the ad hoc budget and audit committee. I'm further recommending trustee Stephens be appointed by the Chair, making a committee of trustees Weer and Stephens.**

2. Staff conducted two conference calls with The Segal Company to clarify economic and noneconomic data that is required for the experience study and valuation study. Staff's goal is to provide Segal with all data requests no later than August 19th, providing the greatest opportunity for the experience study to be completed for the October Board meeting. Segal has not confirmed that they can meet this aggressive timeline, but is aware of our desire to have the information available to discuss at a joint meeting with the Board of Supervisors on November 8th.

3. Staff attended a webinar on the impacts of proposed amendments to GASB 25 and 27. The webinar was coordinated by SACRS. PowerPoint slides are provided for your information. I recommend placing this item on the agenda for an open session presentation, possibly even a replay of the webinar. The most pertinent points that I took from the session were: 1) GASB will be intentionally separating pension expense accounting from pension funding; 2) sponsor balance sheets will contain much more volatile expense information for all audiences to understand; 3) Net Pension Liability (NPL), very close to the calculation of Unfunded Accrued Actuarial Liability (UAAL), will be considered a long-term liability of the sponsors; 4) the NPL will likely will be one of the larger items on the balance sheet; 5) there is uncertainty how bond buyers of public

debt will react to the balance sheet changes (there was little reaction after GASB 43 and 45, OPEB); 6) there may be changes to discount rates used by some sponsors in calculating NPL for their systems, however, this is not expected of 1937 Act systems where all normal costs and UAAL are currently reflected in the contribution rates; and 7) MCERA sponsors would be required to implement the new accounting rules beginning in fiscal year 2013/14.

Automation

Linea Solutions submitted a revised scope of work for the first initiative, imaging and indexing of all past and future files (EDMS). I will prepare a contract for action by the Board for its September meeting.

Legislation

SACRS is considering sponsoring legislation that provides authority for the Board of Retirement to set the total compensation of the Chief Executive Officer (Retirement Administrator) and Chief Investment Officer (CIO), provided that such compensation shall not exceed the total compensation of the senior official in the county. The argument put forth is that there are a number of vacancies of CEOs and CIOs among the SACRS systems, more anticipated, and it is becoming increasingly difficult to recruit individuals who are competent to manage the assets and responsibilities of a public pension plan.

Miscellaneous

1. SACRS president, Richard White, released a memorandum (attached) which communicates the positive response thus far in having local pension board appointees considered as fiduciaries only, and not as placement agents as could be interpreted under SEC Release No. 34-63576. If appointed Board members are defined as placement agents, then they would fall under SEC rules regarding conflicts, reporting, and political contributions (lobbying). This may discourage highly qualified individuals from serving on Boards of Retirement/Investments. SACRS has presented a strong case that board members are clearly fiduciaries under California state law.

2. One of our retired members is requesting that the Board consider adopting the provisions of GC Section 31760.2. If this section were adopted it would change the eligibility of a surviving spouse to receive a continuance of a retiree's benefit upon the death of the retiree. Currently a continuance to a spouse is only granted if the marriage occurred at least one (1) year prior to retirement and the spousal relationship continues until the death of the retiree.

   Adopting GC Section 31760.2 would allow a surviving spouse to receive a continuance of the retiree's benefit if the marriage occurred at least two (2) years prior to the death of the retiree and the spouse attains the age of 55 on or before the date of death. Under the provisions of GC Section 31760.2, a member could marry after retiring and the post retirement spouse could be eligible to receive a continuance of the retiree's benefit upon their death.

The Board of Retirement has the authority to adopt the GC Section 31760.2 by resolution. The requested enhanced benefit is provided in roughly half of the 1937 Act systems.

Given the current funded status of MCERA and the study underway by the plan sponsor to review all benefits/liabilities that have been granted beyond the base level of benefits provided in the 1937 Act, staff will not move forward on this item at this time unless otherwise directed by the Board.

JA
Attachments

GASB EXPOSURE DRAFTS STATEMENTS 25 AND 27 ACCOUNTING AND FINANCIAL REPORTING FOR PENSIONS

SACRS Web Seminar

August 5, 2011

5146576v6

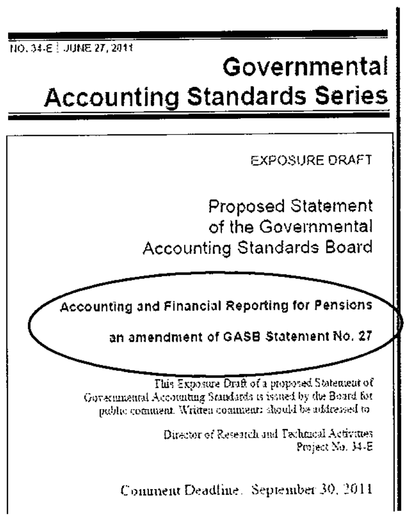
SPEAKERS FOR WEB SEMINAR

David Twa
County Administrator, Contra Costa County

Eric Berman
CPA & Partner, Brown Armstrong Accountancy Corporation

Paul Angelo
Senior Vice President & Actuary, The Segal Company

TWO EXPOSURE DRAFTS ISSUED


NO. 34-E | JUNE 27, 2011

Governmental
Accounting Standards Series

EXPOSURE DRAFT

Proposed Statement
of the Governmental
Accounting Standards Board

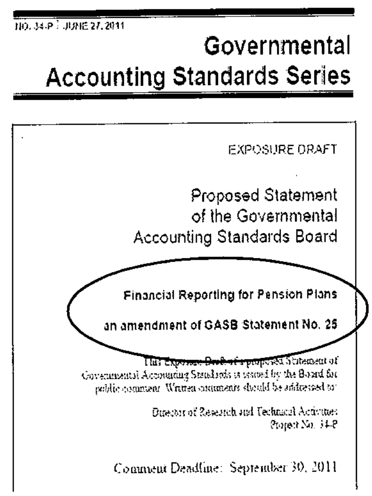
Accounting and Financial Reporting for Pensions

an amendment of GASB Statement No. 27

This Exposure Draft of a proposed Statement of Governmental Accounting Standards is issued by the Board for public comment. Written comments should be addressed to:

Director of Research and Technical Activities
Project No. 34-E

Comment Deadline: September 30, 2011


NO. 34-P | JUNE 27, 2011

Governmental
Accounting Standards Series

EXPOSURE DRAFT

Proposed Statement
of the Governmental
Accounting Standards Board

Financial Reporting for Pension Plans

an amendment of GASB Statement No. 25

This Exposure Draft of a proposed Statement of Governmental Accounting Standards is issued by the Board for public comment. Written comments should be addressed to:

Director of Research and Technical Activities
Project No. 34-P

Comment Deadline: September 30, 2011

PROPOSED MAJOR REVISIONS TO PENSION ACCOUNTING

- “Net Pension Liability” goes on the balance sheet
- “De-linking” of pension expense from funding
- Pension expense more volatile from year to year
- Lower discount rate for some plans
- Implementation / transition issues

- Generally consistent with 2010’s “Preliminary Views” for Employer reporting
  - + Plus expanded disclosure requirements

"NET PENSION LIABILITY" GOES ON THE BALANCE SHEET

- Net Pension Liability (NPL) similar to UAAL except
  - Must use Entry Age Normal cost method
  - Assets at market value instead of "smoothed"
- GASB: post-employment benefits (pensions now – health care coming soon!) are indeed liabilities
- Could be the largest items on balance sheet
- Very volatile since based on market assets
  - Even with "deferrals" based on five year smoothing
- Also volatile from changes in liability
  - Much shorter amortization (more on this later)

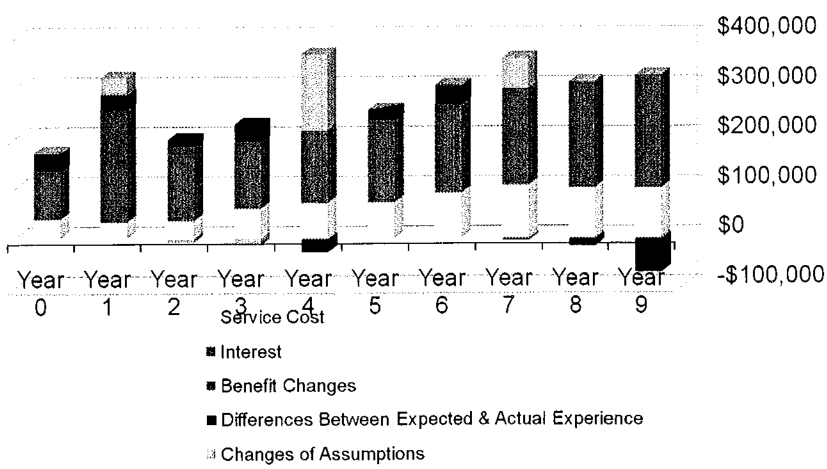
"DE-LINKING" OF PENSION EXPENSE FROM FUNDING

- Current expense based on "ARC"
  - "Annual Required Contribution"
  - Generally the same as actuarially determined contribution requirement
- New expense amount unrelated to funding
  - Based on changes in NPL, with limited deferrals
- Funding requirement shown only in disclosures
  - "Actuarially Calculated Employer Contribution"
- Confusion: which is "true" cost
  - Pension expense or ACEC?

PENSION EXPENSE MORE VOLATILE FROM YEAR TO YEAR

- Expense is change in NPL with limited deferrals
- Investment gain/loss: expensed over 5 years
  - Unlike funding, where investment gain/loss is:
    - Smoothed over (typically) five years AND
    - Also amortized as part of the UAAL
- Liability changes (besides plan amendments)
  - For retired liability: expensed immediately
  - For active liability: expensed over future service
- Plan amendments: expensed immediately

PENSION EXPENSE MORE VOLATILE FROM YEAR TO YEAR



Source – GASB Exposure Draft 10 Year Schedule of Changes in Net Pension Liability – amounts in thousands

LOWER DISCOUNT RATE FOR *SOME* PLANS

- New procedure: Project assets and benefits
  - Including future contributions to fund benefits for current members
- For benefits covered by projected assets
  - Discount using long-term expected return on assets
    - Consistent with current practice
- For benefits not covered by projected assets
  - Use tax-exempt AA or higher municipal bond index
- Add these two present values together

LOWER DISCOUNT RATE FOR *SOME* PLANS

- Solve for single rate that gives same combined present value (Excel exercise!)
  - Then use this single rate to determine service cost and total pension liability and
- Single rate is <u>not</u> based on current funded status
  - Key is whether plan is receiving – and will receive – actuarially determined contributions
  - Most CA <u>pension</u> plans will end up getting to use just the long term rate
  - Unfunded OPEB plans – probably not

IMPLEMENTATION / TRANSITION ISSUES

- Timing and coordination will be key for agent multiple employer or cost sharing employer plans
  - Actuarial valuations must be at most 24 months apart and within 24 months of statement of plan position date
    - Changes between valuation and statement date must be trued up
    - Timing of plan information key for member governments so that member governments financials released timely

IMPLEMENTATION / TRANSITION ISSUES

- Roles of auditor versus actuary
  - Net pension liability could be the largest number on a statement of net position for a general purpose government
  - Larger reliance on actuary / actuarial assumptions
    - Audit role could shift
    - Open question as to whether or not member governments would be "going concern"

IMPLEMENTATION / TRANSITION ISSUES

- Proposed implementation
  - For plans with $1 billion or more in the first fiscal year ending after 6/15/10 (e.g. 6/30/10):
    - implementation for fiscal years beginning after 6/15/2012 (FY2012-13)
  - All others FY 2013-2014.
  - Prior periods cumulatively restated by an entry to net position to record liability or asset

EMPLOYER DISCLOSURE CHANGES

- Some in notes, some in "required supplementary information" (RSI)
  - New sensitivity test: change in liability if discount rate shifts ± 1% (similar to OPEB for medical trend)
  - Detailed basis for long term earnings assumption
  - Actuarial contribution (ACEC) compared to actual
  - Schedules of funded status and inflows / outflows increased from 3 valuations to 10 valuations
  - Cost sharing plans – proportional shares for member governments

PLAN REPORTING (STATEMENT 25)

- Statement of plan net position (similar to statement of plan net assets of today
- Statement of changes in plan net position
- Notes
  - Classes of investment assets, allocations, projected rates of return
  - Concentrations (>5%) in investments / companies / classes
  - Changes in plan net position (showing funding) and liability (changes, expense etc.)
  - Components of expense
  - Changes in deferred inflows and outflows
  - Allocated insurance contracts

WHAT'S NEXT?

- Comment Period
  - Comments Due September 30th
- Public Hearings and User Forums: Three sets
    - New York, (LaGuardia Plaza) – October 3 & 4rd
    - San Francisco (Drake) – October 13 & 14
    - Chicago (Renaissance O'Hare) – Oct. 20 & 21th
  - Deadline to notify to speak- September 20th (New York) September 30th (others)
- Final standards in Spring 2012
- Still to come: OPEB by 2013

GASB SEEKING "FIELD TEST" PLANS

- Part of GASB's regular "due process"
- Systems invited to volunteer
- Go through process of implementing proposed standards
- Work closely with GASB staff, provide feedback
- Contact GASB for more information if interested
  - Dean Michael Mead
  - dmmead@gasb.org
  - (203) 956-5294

QUESTIONS TO THE PANELISTS

1. What are the possible consequences as accounting costs are determined differently than funding costs?

2. What will be the impact to the annual financial statements as a result of more volatility in the expense calculations?

3. What will be the impact to the annual financial statements as a result of adding a very large (and volatile) liability to the balance sheet?

4. How will the employer and pension plan explain the initial transitional "journal entry" as the new GASB statements are implemented?

5. How will reporting requirements work as employers and pension plans may have different fiscal years? What coordination issues do you see that need to be addressed?

6. How will the new information be interpreted and used by the following groups?
   a) Public Employers
   b) Financial Rating Agencies
   c) General Public
   d) Employees
   e) Elected Officials
   f) Critics of the Public Sector
   g) Supporters of the Public Sector

7. The disclosures will require ten years of history. Does this information become too burdensome or stale to be useful, verses a three year history?

8. How are these changes likely to be different for '37 Act Counties? For Cal PERS Counties?

9. If employers pooled assets for cost-sharing purposes, does this action create a multiple employer plan? What could be some of the consequences of this approach under the proposed GASB changes?

10. If the plan is a hybrid with pooled smaller employers and a separate employer, what are the reporting requirements? What could be some of the consequences of this approach under the proposed GASB changes?

OUR PANELISTS:

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QUESTIONS

BROWN ARMSTRONG
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Contra Costa County

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SACRS
State Association of County Retirement Systems
Staff * Trustees * Affiliates * Success
A California Non Profit Corporation

Date: August 3, 2011
To: All Board of Retirement Chairs
From: Richard White, SACRS President
Subject: Update on SEC Issue Regarding "Appointed Trustees" Being Required To Register With the SEC as "Municipal Advisors"

Background:

This issue began in January 2011, when the SEC Release No. 34-63576 "Registration of Municipal Advisors". From page 41:

The Commission does not believe that appointed members of a governing body of a municipal entity that are not elected 'ex officio' members should be excluded from the definition of a "municipal advisor." The Commission believes that this interpretation is appropriate because employees and elected members are accountable to the municipal entity for their actions. In addition, the Commission is concerned that appointed members, unlike elected officials and elected 'ex officio' members, are not directly accountable for their performance to the citizens of the municipal entity.

Members of National Association of Public Pension Attorneys (NAPPA) saw the published language and began to question whether or not a pension fund was a "municipal entity" and if non-elected, non-employee members of boards are "municipal advisors".

On February 7, 2011, SACRS sent a letter to the SEC pointing out that there are significant differences between investment advisers and fiduciary responsibilities of trustees. (Copies of the letter were sent to all SACRS systems.)

Working with Mr. Tom Hickey, a SACRS affiliate and former counsel to the Senate Health Education, Labor and Pension Committee (HELP), we were able to gain contact with Mr. Michael Kreps, the current Pension Counsel for HELPS. It was this committee that participated in the drafting of the language that became the Dodd-Frank Wall Street Reform Act.

Current Situation:

We were able to get a response back from Mr. Kreps after a series of meetings with the SEC staff on this subject. Below is his **e-mail correspondence** with Tom Hickey:

> "*Tom_*
> *We have had several conversations with the SEC about this issue and are trying to stay actively involved. The SEC appears to fully understand the concerns that have been raised by the public plan community. The agency has also gotten a number of letters from members of Congress on this issue. A letter from Senator Bennet – a member of HELP – is attached along with the SEC's response.* **(Note: memo not included with this memo to Board Chairs).**

1415 L St. Suite 200 | Sacramento, CA 95814 | T (916) 441-1850 | F (916) 441-6178 | www.sacrs.org
OPERATING UNDER COUNTY EMPLOYEES RETIREMENT LAW OF 1937, GOVERNMENT CODE 31450 ET SEQ

From our conversations with SEC staff, we understand that it was never their intention to require public plan trustees to register solely because the trustees performed normal trustee functions, including discussing investments with other board members. Their intention was to capture "real" investment advisers providing "real" advice to the boards on which they happen to serve. The SEC is trying to figure out how to best draw the line, but the staff seems to be acutely aware that the proposed rule is overbroad and that final rule needs to be more carefully tailored. We also asked them to consider whether trying to thread the needle with pension trustees is necessary given the current state-level regulatory framework (e.g., fiduciary laws, ethics policies, and recusal procedures).

The SEC is still going through the hundreds of comments they have received, but it sounds like they are on target to issue a final rule in August or September of this year. We have asked the agency to consider whether there is more it can do to give some certainty to the plan community before the final rule comes out, but unfortunately, the staff is limited in what they can do without board action, and it is unlikely that the board will provide interim guidance.

We will continue to do what we can to be helpful on this issue....

Michael Kreps
Pension Counsel for HELPS"

Bottom Line:

From all indications, it appears that the SEC now realizes that their definition of "municipal advisor" is overly broad. We would expect that appointed trustees would be excluded from that definition when the final regulations come out in August or September.

If you have any questions or would like additional information, please feel free to contact me at rawhite1@cox.net or Bob Palmer at sirbpalmer@aol.com

Thank you,

Richard A. White

Richard A. White
SACRS President

Cc: All CEO's/ Retirement Administrators
SACRS BOD

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OPERATING UNDER COUNTY EMPLOYEES RETIREMENT LAW OF 1937, GOVERNMENT CODE 31450 ET SEQ

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MENDOCINO COUNTY
EMPLOYEES' RETIREMENT ASSOCIATION
625-B KINGS COURT
UKIAH, CALIFORNIA 95482-5027

Date: August 10, 2011
To: Board of Retirement
From: Jim Andersen, Retirement Administrator
Subject: Administrator's Report and Financial Reports

Attached are the preliminary recaps of our portfolio of investments as of July 31, 2011.

As is typical after the close of the fiscal year, staff will be preparing a June 30, 2011, Pre-Accrual Financial Statement, Post Accrual Financial Statement, and Pre-Closing Financial Statement. Staff has been reconciling all assets on the balance sheet, and making corrections or adjustments where necessary. We are endeavoring to make the Pre-Accrual Financial Statement available for your August meeting. All other financial statements will not be available until September when accruals are completed and MCERA's books are closed for the fiscal year.

JA
Attachments

COMPARISON OF RETIREMENT SYSTEM MONEY MANAGERS MARKET VALUE OF INVESTMENTS
JULY 2011 PRELIM

	A	B	C	D	E	F	G	H
	MARKET VALUE INVESTMENTS	CASH RESERVED	TOTAL AVAILABLE	PERCENT OF PORT.	% BY CLASS	TARGET % (2010 STUDY)	TARGET AS DOLLARS	DIFFERENCE AS DOLLARS ( ) INDICATES
BRADFORD & MARZEC	-		-	0.00%		0.000%	-	-
DODGE & COX (SEPARATE)	-		-	0.00%		0.000%	-	-
PIMCO	47,803,041	-	47,803,041	13.69%		14.000%	48,880,971	1,077,930
DODGE & COX INCOME	51,077,400		51,077,400	14.63%		14.000%	48,880,971	(2,196,429)
					28.320%	**28.000%**		
SMALL CAP GROWTH								
ALLIANCE	3,986,608		3,986,608	1.14%		1.000%	3,491,498	(495,110)
RS EMERGING	3,703,540		3,703,540	1.06%		1.000%	3,491,498	(212,042)
FREMONT	6,809,552		6,809,552	1.95%		1.900%	6,633,846	(175,706)
					4.153%	**3.900%**		
SMALL CAP VALUE								
VANGUARD SMALL CAP IN	-		-	0.00%		0.000%	-	-
PRUDENTIAL	6,498,413		6,498,413	1.86%	**1.861%**	1.900%	6,633,846	135,433
						1.900%		
MID CAP GROWTH								
MORGAN STANLEY	5,942,482		5,942,482	1.70%		1.400%	4,888,097	(1,054,385)
JANUS ENTERPRISE	5,472,215		5,472,215	1.57%		1.400%	4,888,097	(584,118)
					3.269%	**2.800%**		
MID CAP VALUE								
FIDILITY LP STCK	5,367,119		5,367,119	1.54%		1.400%	4,888,097	(479,022)
ROYCE TOTAL RTN	5,192,345		5,192,345	1.49%		1.400%	4,888,097	(304,248)
					3.024%	**2.800%**		
LARGE CAP GROWTH								
GROWTH FUND OF AMERIC	10,614,092		10,614,092	3.04%		3.000%	10,474,494	(139,598)
HARBOR CAP APPRE	11,289,584		11,289,584	3.23%		3.000%	10,474,494	(815,090)
JANUS RESEARCH	10,794,872		10,794,872	3.09%		3.000%	10,474,494	(320,378)
					9.365%	**9.000%**		
LARGE CAP VALUE								
SELECTED AMERICAN	10,292,396		10,292,396	2.95%		3.000%	10,474,494	182,098
DODGE & COX	15,344,956		15,344,956	4.39%		4.400%	15,362,591	17,635
INVEST CO AMERICA	10,446,648		10,446,648	2.99%		3.000%	10,474,494	27,846
ROBECO	13,936,812		13,936,812	3.99%		4.400%	15,362,591	1,425,779
VAN GUARD GR&INC	10,637,780		10,637,780	3.05%		3.000%	10,474,494	(163,286)
					17.373%	**17.800%**		
INTERNATIONAL STOCK								
EUROPACIFIC	16,135,571		16,135,571	4.62%		4.700%	16,410,040	274,469
HARBOR INTL	16,514,747		16,514,747	4.73%		4.700%	16,410,040	(104,707)
ACORN INTL	8,969,450		8,969,450	2.57%		2.500%	8,728,745	(240,705)
ARTISAN	-		-	0.00%		0.000%	-	-
JANUS INTL	13,839,391		13,839,391	3.96%		4.700%	16,410,040	2,570,649
MONDRIAN	14,718,494		14,718,494	4.22%		4.700%	16,410,040	1,691,546
OAKMARK	13,012,883		13,012,883	3.73%		3.800%	13,267,692	254,809
					23.827%	**25.100%**		
REAL ESTATE								
RREEF PUBLIC	13,771,875		13,771,875	3.94%		1.700%	5,935,546	(7,836,329)
RREEF PRIVATE	16,238,535		16,238,535	4.65%		4.200%	14,664,291	(1,574,244)
NEW PRIVATE	-		-			2.800%	9,776,194	9,776,194
625 B KINGS COURT	738,992		738,992	0.21%		0.300%	1,047,449	308,457
					8.807%	**9.000%**		
NEW FUNDS AVAILABLE			-					
	349,149,793	-	349,149,793	100.00%	100.000%	100.300%	350,197,242	1,047,449

COMPARISON OF COST AND MARKET VALUES FOR MENDOCINO COUNTY RETIREMENT ASSOCIATION
JULY 2011 PRELIM

	A	B	C	D	E	F	G	H
	COST VALUE	MARKET VALUE	UNREALIZED GAIN	GAIN BY CATEGORY	PRIOR MONTH GAIN/LOSS	MONTHLY CHANGE	START OF FISCAL YEAR (MARKET)	FISCAL YEAR CHANGE (MARKET)
BRADFORD & MARZEC								
NET COST VALUE	0	-	-		-	-	-	-
DODGE & COX								
NET COST VALUE	0	-	-		-	-	-	-
DODGE & COX INCOME	50,661,641	51,077,400	415,759		(188,260)	604,019	50,473,381	604,019
PIMCO	43,567,928	47,803,041	4,235,113		3,640,995	594,118	47,208,923	594,118
NET COST VALUE				**4,650,871**				
SMALL CAP GROWTH								
ALLIANCE	1,967,844	3,986,608	2,018,764		2,181,998	(163,234)	4,149,842	(163,234)
RS EMERGING	2,500,101	3,703,540	1,203,439		1,383,191	(179,752)	3,883,292	(179,752)
FREMONT	5,311,845	6,809,552	1,497,707		1,698,152	(200,445)	7,009,997	(200,445)
				4,719,910				
SMALL CAP VALUE								
VANGUARD SMALL CAP INDEX	0	-	-		-	-	-	-
PRUDENTIAL TARGET	6,900,000	6,498,413	(401,587)		(182,540)	(219,047)	6,717,460	(219,047)
				(401,587)				
MID CAP GROWTH								
MORGAN STANLEY	4,254,453	5,942,482	1,688,029		1,761,697	(73,668)	6,016,150	(73,668)
JANUS ENTERPRISE	5,232,908	5,472,215	239,307		519,887	(280,580)	5,752,795	(280,580)
				1,927,336				
MID CAP VALUE								
FIDILITY LP STCK	3,588,432	5,367,119	1,778,687		1,909,335	(130,648)	5,497,767	(130,648)
ROYCE TOTAL RTN	3,848,055	5,192,345	1,344,290		1,495,411	(151,121)	5,343,466	(151,121)
				3,122,977				
LARGE CAP GROWTH								
AMERICAN FUND	8,378,074	10,614,092	2,236,018		2,384,514	(148,496)	10,762,588	(148,496)
HARBOR CAP APPRE	8,771,886	11,289,584	2,517,698		2,497,887	19,811	11,269,773	19,811
JANUS RESEARCH	8,535,170	10,794,872	2,259,702		2,451,264	(191,562)	10,986,434	(191,562)
				7,013,418				
LARGE CAP VALUE								
SELECTED AMERICAN	8,787,463	10,292,396	1,504,933		1,697,268	(192,335)	10,484,731	(192,335)
DODGE & COX	13,773,424	15,344,956	1,571,532		2,183,870	(612,338)	15,957,294	(612,338)
INVEST CO AMERICA	9,091,103	10,446,648	1,355,545		1,591,460	(235,915)	10,682,563	(235,915)
ROBECO	14,500,000	13,936,812	(563,188)		(8,970)	(554,218)	14,491,030	(554,218)
VAN GUARD GR&INC	9,498,238	10,637,780	1,139,542		1,332,913	(193,371)	10,831,151	(193,371)
				5,008,365				
INTERNATIONAL STOCK								
EUROPACIFIC	12,709,336	16,135,571	3,426,235		3,733,832	(307,597)	16,443,168	(307,597)
HARBOR INTL	15,027,678	16,514,747	1,487,069		1,985,212	(498,143)	17,012,890	(498,143)
ACORN INTL	5,840,163	8,969,450	3,129,287		3,111,874	17,413	8,952,037	17,413
ARTISAN	-	-	-		-	-	-	-
JANUS INTL	12,924,605	13,839,391	914,786		1,802,206	(887,420)	14,726,811	(887,420)
MONDRIAN	14,500,000	14,718,494	218,494		374,406	(155,912)	14,874,406	(155,912)
OAKMARK	11,145,875	13,012,883	1,867,008		2,346,255	(479,247)	13,492,130	(479,247)
				11,042,879				
REAL ESTATE								
RREEF PUBLIC FUND	9,069,048	13,771,875	4,702,827		4,498,659	204,168	13,567,707	204,168
RREEF PRIVATE FUND	14,896,452	16,238,535	1,342,083		1,342,083	-	16,238,535	-
625 B KINGS COURT	901,112	738,992	(162,120)	**5,882,790**	(162,120)	(0)	738,992	-
TOTAL INVESTMENTS	306,182,833	349,149,793	42,966,960	42,966,960	47,382,479	(4,415,519)	353,565,313	(4,415,520)

REALIZED GAIN ON SALE OF INVESTMENTS

(AMOUNT AVAILABLE TO CREDIT TO RESERVES)	THIS MONTH	CURRENT YEAR	TOTAL		
INTEREST INCOME		-			-
WRITE DOWN OF INVESTMENTS		-			-
GAIN/(LOSS) ON INTERNATION SALES		-			-
GAIN/(LOSS) ON SALE OF EQUITIES		-			-
GAIN/(LOSS) ON SALE OF BONDS		-			-
GAIN/LOSS INCOME REINVESTED		-			-
DIVIDEND/INTEREST INCOME REINVESTED		-			-
RECOGNIZED MARKET VALUE APPREC.					-
COMMISSION RECAPTURE					-
RENTAL INCOME					-
BUILDING EXPENSE					-
NET ADMINISTRATION EXPENSES					-
TOTAL REALIZED GAIN AND INCOME		-	-	-	
TOTAL REALIZED AND UNREALIZED GAIN-INCOME					
AMOUNT AVAILABLE TO CREDIT TO RESERVES		-	-	-	

James M. Andersen
Retirement Administrator

Telephone: (707) 463-4328
(707) 467-6473
Fax: (707) 467-6472

MENDOCINO COUNTY
EMPLOYEES' RETIREMENT ASSOCIATION
625-B KINGS COURT
UKIAH, CALIFORNIA 95482-5027

Date: July 29, 2011

To: Board of Retirement

From: Jim Andersen, Retirement Administrator
Jeff Berk, MCERA Counsel

Subject: Presentation Regarding Taxable Pension Income for Service Connected Disabilities Arising out of Presumptive Illnesses, Specifically Government Code Section 31720.5

Background

In past discussions with the Board, there has been ongoing confusion as to whether or not the standard rules for taxable and nontaxable pension income for retirees with service connected disabilities (SCD) apply when said retirement is approved due to a presumptive illness, specifically heart trouble (GC Section 31720.5). The historical position of MCERA was that all pension income for a retiree with a SCD due to a presumptive illness under GC Section 31720.5 is taxable.

Staff conducted a survey of other 1937 Act systems requesting their current practice for determining taxable and nontaxable pension income for SCD due to a presumptive illness, and whether or not the system has an IRS Private Letter Ruling (PLR) or legal opinion supporting their practice. See the "Findings" below for the survey results.

Findings

MCERA received survey results from eighteen (18) retirement systems. In all but two cases, SCD pension payments for presumptive illnesses, for taxation purposes, were treated in the same manner as any other SCD. Specifically, the first 50% of pension income (or other percent consistent with the rules of a non 1937 Act system) is treated as nontaxable given that the income is determined as flat percentage of salary "in the nature of workers' compensation" and therefore is not subject to taxation. The remaining pension income is subject to taxation in that it is determined using typical pension formulas including age at the time of retirement, years of service, compensable income for retirement purposes, etc. This portion of pension income is not a flat percentage of salary; rather it is viewed as being no different than a regular retirement.

The two systems that did not treat SCD due to presumptive illness in this manner were San Joaquin, which admittedly is also reviewing its practice, and the City of Fresno which functions under a retirement charter that does not include presumptive illnesses. The City of Fresno did not have an IRS PLR supporting the terms of their charter at the time of the survey.

What was also consistent from the systems was that the taxation treatment of SCD from a presumptive illness changed in 2007 as a result of *Pellerin v. Kern County Employees' Retirement Association*. Prior to the *Pellerin* case the IRS issued 4 PLRs citing that any amount of pension income paid to a member under the heart presumption (GC Section 31720.5) is not tax exempt and is not paid under a statute that is "in the nature of workers' compensation." The PLRs argued that since the presumptive illness was "irrebuttable," the SCD was being granted on a basis other than medical evidence and causation, and therefore, from a legal perspective, was no different from an ordinary retirement. These IRS PLRs are the sources of MCERA's and other retirement systems past practice of treating all SCD disabilities due to a presumptive heart illness to be subject to taxation.

In *Pellerin*, however, the court concluded that the heart presumption is "rebuttable," and if it is "rebuttable," the disability benefit is taxed in the same manner as a regular SCD case. The IRS has issued PLRs on individual cases since *Pellerin* (PLR 133074-07, attached), but those PLRs are person/case specific, and the IRS has not yet issued a universal PLR on this issue. Nonetheless, given the consistency of PLRs in favor of treating 50% of the SCD retiree's pension income as non-taxable and "in the nature of workers' compensation," there has been a clear movement to adopt this practice (Sacramento County Employee Retirement System letter, attached).

Summary

Based upon the results of my survey and PLRs both prior to and subsequent to the *Pellerin* case, I recommend that the Board of MCERA treat SCD due to a presumptive illness under GC Section 31720.5, for taxation purposed, the same as a non-presumptive SCD.

Staff will be happy to respond to any questions or comments you may have.

JA/JB

Internal Revenue Service

Index Number: 104.00-00

Anne Holdren, Executive Director
Kern County Employees' Retirement Association
1115 Truxton Avenue, First Floor
Bakersfield, CA 93301

Department of the Treasury
Washington, DC 20224

Third Party Communication: None
Date of Communication: Not Applicable

Person To Contact:
Stephanie L. Caden, ID No. 50-15119
Telephone Number:
(202) 622-6080
Refer Reply To:
CC:TEGE:EB:HW
PLR-133074-07
Date: NOV 29

Legend:

Plan	=	Kern County Employees' Retirement Association E.I.N. 95-60000925
State	=	California
County	=	Kern County, California
Statute A	=	Section 31720.5 of California's County Employees' Retirement Law of 1937
Statute B	=	Section 31727.4 of California's County Employees' Retirement Law of 1937

Dear Ms. Holdren:

This is in reply to your letter dated July 16, 2007, requesting a ruling on behalf of Plan concerning whether certain disability benefits paid to County firefighters and safety officers under Statute A are excludable from gross income under section 104(a)(1) of the Internal Revenue Code (the Code). By letter ruling to the Plan dated July 5, 1990, we previously ruled on this matter. You now request that we reconsider that ruling in view of a recent State court decision which has clarified the law with respect to Statute A.

Statute A provides that: "If a safety member, a fireman member, or a member in active law enforcement who has completed five years or more of service under a pension system established pursuant to Chapter . . . or under a pension system established pursuant to Chapter ... or both or under this retirement system or under the State Employee's Retirement System or under a retirement system established under this chapter in another county, and develops heart trouble, such heart trouble so developing or manifesting itself in such cases shall be presumed to arise out of and in the course of employment. Such heart trouble so developing or manifesting itself in such cases shall in no case be attributed to any disease existing prior to such development or manifestation. "

Statute B states, in part, that:: "Upon retirement of any member for service-connected disability, he shall receive an annual retirement allowance payable in monthly installments, equal to one-half of his final compensation."

Section 104(a)(1) of the Code provides that except in the case of amounts attributable to (and not in excess of) deductions allowed under section 213 (relating to medical, etc., expenses) for any prior year, gross income does not include amounts received under workmen's compensation acts as compensation for personal injuries or sickness.

Section 1.104-1(b) of the Income Tax Regulations states that section 104(a)(1) excludes from gross income, amounts that are received by an employee under a workmen's compensation act or under a statute in the nature of a workmen's compensation act, that provides compensation to employees for personal injuries or sickness incurred in the course of employment. Section 104(a)(1) also applies to compensation which is paid under a workmen's compensation act to the survivor or survivors of a deceased employee. However, section 104(a)(1) does not apply to a retirement pension or annuity to the extent that it is determined by reference to the employee's age or length of service, or the employee's prior contributions, even though the employee's retirement is occasioned by an occupational injury or sickness. Section 104(a)(1) also does not apply to amounts which are received as compensation for a nonoccupational injury or sickness nor to amounts received as compensation for an occupational injury or sickness to the extent that they are in excess of the amount provided in the applicable workmen's compensation act or acts.

In Rev. Rul. 85-105, 1985-2 C.B. 53, a pension received by a disabled firefighter under a state statute that created a rebuttable presumption that the disability was service-connected was held to be excludable from gross income as statute in the nature of a workmen's compensation act because the statutory presumption did not remove the necessity of demonstrating that the disability was work-related. It merely shifted the burden of proof concerning the cause of disability to the board of the pension fund. The board still had to make a finding, based on medical evidence, whether the employee's disability was service-connected.

A State court has recently considered whether the heart trouble language found in Statute A creates a rebuttable presumption that the condition is service-related. In Pellerin v. Kern County Employees' Retirement Association, 145 Cal. App. 4^{th} 1099, 1106 (Dec. 18, 2006), the court held that Statute A establishes a rebuttable presumption that an employee's heart condition arises out of or in the course of his or her employment. The effect of this rebuttable presumption is to shift the burden of proof.

Based on the information submitted, authorities cited above and, in particular, the recent State court decision, we conclude as follows:

With respect to those members who are retired pursuant to the presumption in Statute A, Statute A is in the nature of a workmen's compensation act under section 104(a)(1) of the Code and section 1.104-1(b) of the regulations.

Statute B provides that if a member, receiving an allowance on account of a service-connected disability, is qualified for a service retirement, he shall receive his service retirement allowance if such allowance is greater. Therefore, in the event that a member, retired under Statute A, falls within this provision, only an amount equal to one-half of his final compensation is excludable under section 104(a)(1) of the Code and the remainder is includible in the recipient's gross income.

Except as ruled upon above, no opinion is expressed as to the tax consequences of the Statutes under any other section of the Code. In addition, other than with respect to Statute A and Statute B, no other changes are made to the letter ruling issued to the Plan on July 5, 1990.

This ruling is directed only to the Taxpayer who requested it. Section 6110(k)(3) of the Code provides that it may not be used or cited as precedent.

In accordance with the Power of Attorney on file with this office, a copy of this letter is being sent to your authorized representative.

Sincerely,

Harry Beker
Chief, Health and Welfare Branch
Office of Division Counsel/Associate Chief Counsel
(Tax Exempt & Government Entities)

cc: Robert A. Blum, Esq.
Anne C. Hydorn, Esq.
Hanson, Bridgett, Marcus, Vlahos & Rudy, LLP
425 Market Street, 26th Floor
San Francisco, CA 94105

cc: Internal Revenue Service
T:GE:FSLF:7254
185 Lennon Lane
Walnut Creek, CA 94598

Sacramento County SCERS Employees' Retirement System

January 22, 2009

[redacted]

Re: Service-Connected Disability Retirement Benefits – Reporting Changes for 2008

Dear Service-Connected Disability Retiree or Survivor:

You may recall that in January 2008, SCERS provided you with a memo regarding "Expanded Reporting for Pension Payments." As noted in that memo and in remuneration statements since then, SCERS is now reporting the Taxable Benefit and, where applicable, the Non-Taxed Benefit associated with monthly pension payments.

Because these improvements will also affect the information that we provide as part of IRS Form 1099-R, we want to highlight some reporting changes for 2008 and future years. Depending on the amount of and basis for your service-connected disability retirement benefits, **you will notice differences between the 1099-Rs distributed in prior years and those prepared for 2008, which SCERS will distribute by February 2, 2009.**

1. Service-Connected Disability – Benefits Equal 50% of Final Compensation

   Pursuant to longstanding rulings from the IRS, SCERS has informed members that benefits payable entirely as a result of service-connected disability are generally excludable from gross income. Because of this exclusion, SCERS has not previously prepared 1099-Rs for service-connected disability retirement awards that equal 50% of Final Compensation, since no portion of the benefit considers the injured member's age or service at retirement.

   Unlike in prior calendar years, SCERS will now prepare and distribute 1099-Rs to retirees and survivors who receive benefits that equal 50% of Final Compensation. Consistent with the remuneration statements provided since last January, **Box 2a of these 1099-Rs will report a Taxable Amount of $0.00.**

2. Service-Connected Disability – Benefits Exceed 50% of Final Compensation

   Pursuant to the same rulings from the IRS noted above, SCERS has always prepared 1099-Rs for service-connected disability retirement awards that exceed 50% of Final Compensation. This is because a portion of the benefit considers the injured member's age and service, just like a standard retirement.

As in prior calendar years, SCERS will continue to prepare and distribute 1099-Rs to retirees and survivors who receive benefits that exceed 50% of Final Compensation. Consistent with the remuneration statements provided since last January, however, **Box 2a of these 1099-Rs will report a Taxable Amount equal to that portion of the benefit that exceeds 50% of Final Compensation.**

3. Service-Connected Disability – Benefits Provided for Safety Heart Trouble Presumption

   Pursuant to a previous Private Letter Ruling obtained from the IRS, SCERS has previously characterized service-connected disability retirement benefits awarded under the "heart trouble" presumption of the County Employees Retirement Law of 1937 as income. This has been based on the fact that the IRS considered the presumption to be non-rebuttable. However, a recent California appellate decision has held that the "heart-trouble" presumption was in fact rebuttable (*Pellerin v. Kern County Employees' Retirement Association* (2006) 145 Cal.App.4th 1099). In light of this decision, **SCERS has concluded that benefits provided under the "heart trouble" presumption should be treated in the same manner as other service-connected disability retirement benefits.**

   As in prior calendar years, SCERS will continue to prepare and distribute 1099-Rs to retirees and survivors who receive benefits under the "heart trouble" presumption. Unlike most of the remuneration statements provided for 2008, however, Box 2a of these 1099-Rs will report a Taxable Amount in the same way as other service-connected disability retirement benefits. **In other words, the Taxable Amount reported for benefits that equal 50% of Final Compensation will be $0.00, while the Taxable Amount for benefits that exceed 50% of Final Compensation will be the additional benefit payable for age and service at retirement.**

While we realize that some of the reporting standards reviewed in this letter may be new or unfamiliar to some persons receiving service-connected disability benefits, we want you to be aware of these changes <u>before</u> you receive a 1099-R for 2008 and begin working on your personal tax returns. As indicated on the prior page, **1099-R forms for the 2008 year will be distributed no later than no February 2, 2009.**

We hope that this new information is helpful to you. If you have questions regarding the 1099-R changes that SCERS has put in place for 2008 and future calendar years, please contact our office at (916) 874-9119 and ask to speak with a person in the Pension Payroll group about this memo.

Sincerely,

John W. Gobel, Sr.
Chief Benefits Officer

James M. Andersen
Retirement Administrator

Telephone: (707) 463-4328
(707) 467-6473
Fax: (707) 467-6472

MENDOCINO COUNTY
EMPLOYEES' RETIREMENT ASSOCIATION
625-B KINGS COURT
UKIAH, CALIFORNIA 95482-5027

Date:	August 10, 2011
To:	Board of Retirement
From:	Jim Andersen, Retirement Administrator
Subject:	Discussion and Possible Action Regarding a Minor Reorganization of the Retirement Office

Introduction

The Retirement Office performs many activities under the broad categories of asset management, pension administration, and review of disability applications. Under asset management, activities include, but are not limited to:

- Tracking of changes in the market value of assets, monitoring liquidity, and rebalancing asset classes to targets contained in the investment policy statement
- Updating financial reports including the balance sheet, income statement, and changes in the market value of assets, and reconciling all balance sheet accounts
- Annual financial activities including assisting in the external audit, actuarial valuation, State Controller's Office report, CAFR, federal survey of retirement systems, and SACRS comparative survey of 1937 Act systems
- Semi-annual computation of interest/earnings to post to reserves
- Closing of the books, ensuring all financial records are properly maintained, and initiating financial reporting for the new fiscal year
- Developing proposed and final budgets and monitoring expenditures throughout the year

Many of these activities will now be performed by the 0.5 FTE fiscal/budget support position approved by the Board during the 2011/12 fiscal year budget discussions. The administrator will provide close oversight and participation due to the criticality of this function. The asset management duties described above consume the lion's share of time of the administrator. In addition to those duties, the administrator is responsible for:

- Providing supervision and direction to staff, and evaluating performance
- Preparing agendas and associated reports for monthly Board meetings, and following up on any Board actions or direction
- Organizational development, including review of such areas as staffing, technology, policies, practices, etc.
- Monitoring legislative and regulatory changes

- o Interacting with other systems, professional organizations, plan sponsors, members, the public and media

As noted, the above described duties consume much of the administrator's and accountant/auditor's time, leaving the administration of benefits to the Retirement Benefits Specialists. Historically, the Retirement Coordinator position provided support in this area. The Retirement Coordinator was the office expert in the sections of the 1937 Act pertaining to the calculation and distribution of benefits, acted as clerk to the Board, assumed the most complex member cases, supervised other specialists in daily duties, and trained, supervised and evaluated all specialists in the office. In addition, the Retirement Coordinator was the lead in receiving disability applications, educating applicants, and preparing the applications for consideration by the Board. With the Retirement Coordinator retiring in October of 2010, several of the "lead" duties have been assigned to Katy Richardson, Retirement Specialist II. These duties include:

- o Expertise in the pension calculation and benefit sections of the 1937 Act
- o Training other retirement specialists in pension calculation and benefit administration
- o Assuming all member caseload at this time, and the most complex caseload as other specialists are prepared to assume member caseloads

Ms. Richardson relieves the Retirement Administrator from these duties. However, unlike the former Retirement Coordinator, she is not responsible for evaluation of specialists in the office, coordination of disability applications, or clerking to the Board. In reviewing the duties of all the office staff with Human Resources, it was agreed that Ms. Richardson's new role results in an increase in responsibility, is necessary to support the Retirement Administrator in meeting the full goals and objectives of the organization, but is not as comprehensive as the former Retirement Coordinator. The role of the former Retirement Coordinator was very broad given the position acted as a division head within the Treasurer-Tax/Collector's Office prior to MCERA becoming independent and hiring a Retirement Administrator.

Discussion

Attached are comparative organizational charts of how the Retirement Office is currently structured, and how I propose it be structured in the future (Exhibit A). The fundamental change is eliminating the Retirement Coordinator Position (currently under-filled by a Retirement Specialist I), and creating a Senior Retirement Specialist. The job description (Exhibit B) of a Senior Retirement Specialist is consistent with the duties currently performed by Ms. Richardson.

This is being described as a "minor" reorganization because it is very similar to reclassifying an individual to ensure their job description and compensation are consistent with the duties they are assigned and performing. However, this is viewed as a reorganization of the office in that a purposeful proposal is being made to reallocate the responsibilities of the former Retirement Coordinator among a Senior Retirement Specialist, the Retirement Administrator, and the existing classifications of Retirement Specialist I/II.

The County Human Resources Department and Chief Executive Office have performed a preliminary review of this reorganization proposal, and support moving forward in this direction (Exhibit C).

Alternatives

The only alternative I can identify is to not proceed with the reorganization, ensure the duties of all Retirement Specialist I/II fall within their job descriptions, and request the Retirement Administrator to assume "hands on" supervision of both benefit and asset management functions. I believe this alternative creates the dual risk of suboptimal performance in both benefit and asset management.

Fiscal Impact

The additional annual cost of salaries and benefits due to the creation and allocation of a Senior Retirement Specialist would be $5,655. This cost includes a 10% salary differential from a Retirement Specialist II and 33% of salary for the increased cost of associated benefit (i.e., taxes and retirement). The additional cost for fiscal year 2011/12 would be roughly $4,240, assuming implementation the first pay period in October.

Recommended Motion/Action

1. Approve moving forward with the minor reorganization, specifically deleting 1.0 FTE Retirement Coordinator and adding 1.0 FTE Senior Retirement Specialist.

2. Authorize staff to work with Human Resources to process the minor reorganization through the proper authorities (e.g., Civil Service Commission, Board of Supervisors, etc.), with the goal of completing the process by the end of September 2011.

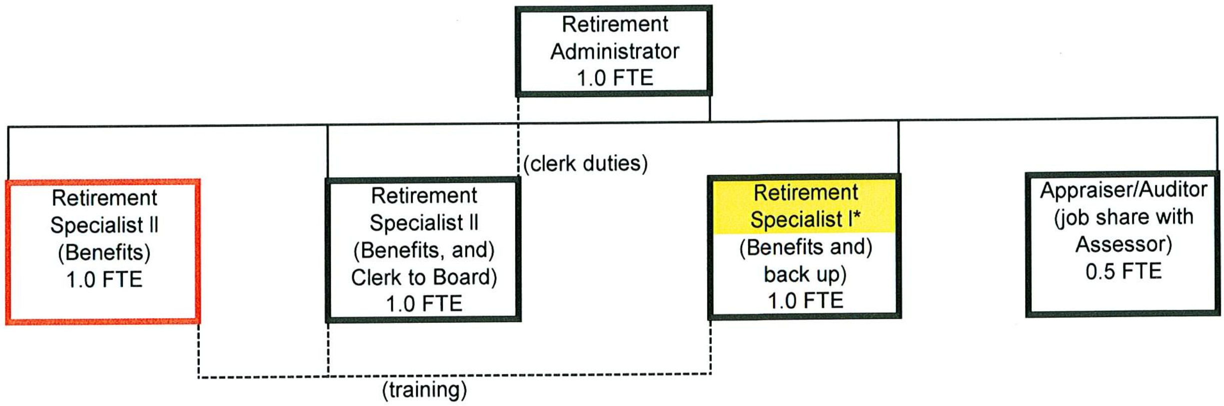
3. Communicate to the CEO and Auditor-Controller the increases in salaries and benefits for inclusion in the Final Budget for fiscal year 2011/12.

I will be happy to respond to any questions you may have.

JA
Attachments

Exhibit A

Current Organizational Chart
8/10/2011



* Underfill Retirement Coordinator Position

Proposed Organizational Chart
8/10/2011

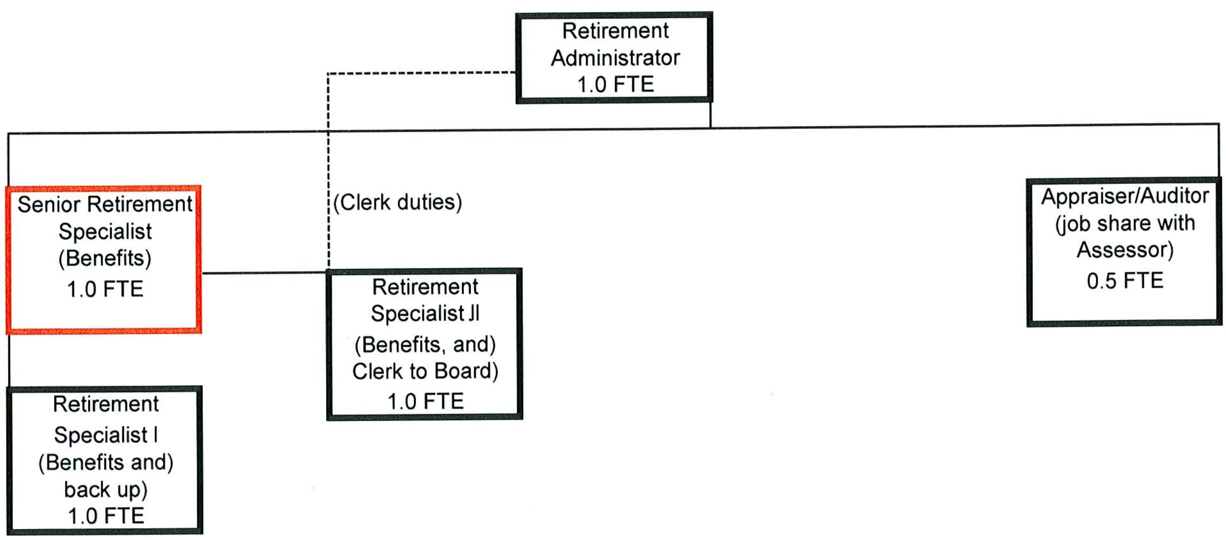


Exhibit B

MENDOCINO COUNTY
DEPARTMENT JOB DESCRIPTION

In an effort to ensure proper classification of positions and maintain the classification system, this form must be completed and submitted with all Staffing Request Forms to fill positions or add new positions. A job description defines the duties assigned to a specific position in your department. It will differ from the Classification Specification, which is a broad overview of the array of duties that may be performed by incumbents in the same classification. Once you have established a job description for a specific position, it need not be re-written unless the duties change. In addition to helping Human Resources maintain the classification system and make recommendations as necessary, this job description can be used internally by supervisors when assigning work, defining an employee's duties, establishing performance objectives and expectations and conducting performance evaluations.

Current Classification: Senior Retirement Specialist
(or proposed, if request is to add new position)

Position Number:

GENERAL DESCRIPTION (Why does this job exist?)

Under direction, performs a variety of more complex and difficult specialized technical and informational support to active and retired members of Mendocino County Employees' Retirement Association; trains, monitors, and reviews work of lower level staff; and performs related duties as required. The Senior Retirement Specialist is the lead worker and advanced journey-level in the Retirement Specialst series. This position may also provide lead direction to staff.

DUTIES:	List, in order of importance, the major responsibilities of the job and estimate the percentage of time spent on each responsibility (the main function of the job may or may not be where the most time is spent).
20%	Processes Retiree Payroll. Reviews application material and accompanying documentation for completeness, identifies missing information and documentation and takes effective course of action. Balancing and submitting data to IS for processing.
37%	Researches, calculates and verifies retirement estimates, calculates cost for purchase of service credit, disability benefits, death benefits, provides benefit options, verifies employee contributions and service credits, processes applications and supporting documents.
10%	Calculates final compensation, years of service, and age at retirement. Processes complex calculations such as age rate changes and tier conversions.
5%	Maintains data for annual actuarial reporting.
10%	Conducts individual interviews with active employees, interprets and explains policies, procedures and retirement law. Interviews retiring employees to obtain necessary information and explains available benefits and options.
2%	Computes and establishes records for members requesting reciprocity, establishes and coordinates reciprocal benefits with other retirement systems.
5%	Processes roll-overs and time buy-backs, recalculates changes in retirement contributions and rates. Maintains payroll contract data.
5%	Orients, trains and leads lower-level staff; directly observes work activities of staff and provides feedback regarding work performance.
6%	Supports Administrator, performs general office duties such as office payroll, filing, maintaining records, answers telephones and assists the public.
100%	

	Knowledge, Skills & Abilities required or necessary to peform this job:

Considerable knowledge of: County Employees' Retirement Act of 1937, regulations related to disability retirement, divorce and property settlements, death benefits; medical terminology, benefits processing; legal standards, filing requirements, documents and document control, information gathering techniques, business and legal writing formats, interviewing techniques; the use of electronic information equipment and specific systems allowed within the department; office support and department practices, procedures, programs, services, policies, and regulations; the purpose and processing of a diversity of forms and documents; English grammar, vocabulary, spelling, punctuation, and composition; basic mathematics; methods and techniques used in researching, proofing, evaluation, gathering, organizing and arranging data.

Ability to understand and apply specific rules, codes, regulations, procedures, policies, and precedents; use reference material; select, interpret and explain regulations and procedures to others; work effectively under deadlines; follow written and oral instructions; locate, identify, and correct technical inaccuracies; use independent initiative and discretion in organizing work and carrying out instructions; establish and maintain cooperative work relationships with other employees and the public; work effectively with individuals in sensitive and stressful circumstances; establish, organize and revise the maintenance of department files; research, proof, evaluate, gather, organize and arrange a diversity of information; type a variety of material to include graphs, charts, statistical statements, specifications, purchase orders, reports and standardized forms; independently research and prepare correspondence in answer to inquiries about department records, programs, services and regulations; maintain and process a variety of records and transactions; make accurate and rapid mathematical calculations; operate office equipment; develop and implement procedures, lead, train, and advise other staff; provide technical directions to others; work independently in performing assignments and in resolving problems and deviations; use electronic information equipment and specific ystems as used within the department; and enter data accurately.

Are there any qualifications that may not be necessary, but are preferred?

License/s or Certification/s required to perform this job?

None

Software Knowledge Required:

Microsoft Word and Excel

Software Knowledge Preferred:

Munis Financial Management

PHYSICAL DEMANDS:

Are there particular physical demands associated with this position that should be noted (i.e.: walking, standing, bending, stooping, crawling, crouching, lifting, etc.)? Yes __X__ No ____ If yes, please explain:

Most work is performed sitting in front of a computer monitor. Lifting and carrying member files, some weighing 5-10 pounds.

Lifting: regularly lifts 5-10 pounds; frequently lifts 5-10 pounds; occasionally lifts up to 20 pounds

WORK ENVIRONMENT:

Are there particular work environment or working conditions associated with this position that should be noted (i.e. hours of work, travel, work space, dirty or dusty, outside, weather elements, hazardous, etc.)? Yes _____ No __X__ If yes, please explain:

Completed by: Katy Richardson Date: July 8, 2011

Title: Retirement Specialist II Telephone # (707) 467-6473

Exhibit C

MENDOCINO COUNTY

REQUEST TO ADD POSITION/S, REORGANIZE OR RESTRUCTURE

This request must be submitted to Executive Office and approved prior to submitting Staffing Request to Human Resources requesting additional positions, reorganizations or restructuring.

COUNTY OF MENDOCINO BOARD OF SUPERVISORS JUN 13 2011 EXECUTIVE OFFICE PER UKIAH, CALIFORNIA

REQUESTING DEPARTMENT Retirement **Date:** 06/10/2011

Contact Person: Jim Andersen **Phone:** 463-4329

- [x] **Add New Position/s** Retirement Specialist Senior ~~Supervisor~~ **Delete** Retirement Coordinator
- [ ] **Create New Classification**
- [ ] **Study existing position classified as:** ____
- [ ] **Other - Explain:** ____

■ **PROGRAM WITHIN THE DEPARTMENT AFFECTED BY THIS REQUEST:** retirement benefits administration

- [ ] State Mandated position

■ **BRIEF SUMMARY/JUSTIFICATION** - *Please explain why this request is necessary, including services affected. Attach extra sheets as needed. (A proposed organizational chart which clearly indicates the reporting relationships MUST be attached):*

Until very recently, the retirement system was a division of the Treasurer/Tax-Collector's office. Daily operations were supervised by the Retirement Coordinator. Since becoming independent, the Board of Retirement hired a Retirement Administrator, so the Retirement Coordinator position is no longer needed, and represents a higher cost model. It is currently being underfilled by a Retirement. Specialist I. The office continues to need a lead position in benefits to: 1) supervise the duties of the benefits staff; 2) train new benefits staff; 3) interpret complex benefit issues; and 4) assume the most complex member benefit caseload. Please see the current and proposed organizational charts.

■ **ALTERNATIVES**-*Describe how services will be impacted if the request is not approved as submitted or denied:*

The Retirement Specialist II job description does not include supervising responsibilities. In the absence of a lead worker, capable of supervising, training and handling complex caseloads, all such duties would fall upon the Retirement Administrator. Essentially, we would have a completely flat organization with all employees reporting to the administrator on benefit, accounting, and investment functions. Such an operational environment would preclude the type of supervision and training needed for benefits staff, and would result in errors and inconsistent application of rules.

■ **FUNDING SOURCE/S**

- [ ] General fund: Budget Unit ____
- [ ] Grant source: ____ Grant Term: ____
- [x] Other Sources: Identify source: Earnings from investments of MCERA
- [ ] Indirect costs (A-87) [ ] Temporary (or any restrictions) ____

DEPARTMENT HEAD SIGNATURE: James M. Andersen **DATE:** 6/10/2011

■ **COUNTY EXECUTIVE OFFICE**

- [x] Approved as requested
- [ ] Approved as Revised
- [ ] Alternatives Recommended
- [ ] Denied

Comments:

Signature: Carmel J. Angelo **Date:** 6/14/11

Approved form must be submitted to HR along with Staffing Request, proposed Org Chart, Job Description Form and other pertinent information that will enable HR to review and make recommendation.