

◆ MENDOCINO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION ◆  
BOARD OF RETIREMENT MEETING MINUTES  
◆ SEPTEMBER 17, 2014 AT 8:30 A.M. ◆

**CALL TO ORDER**

Shari Schapmire, Board Chair, called the meeting to order at 8:30 a.m.

**ROLL CALL**

Roll call was conducted with the following members present: Randy Goodman, John Sakowicz, Ted Stephens, Tim Knudsen, Bob Mirata, Craig Walker, Supervisor John McCowen, and Shari Schapmire. Also present: Jim Andersen, Interim Retirement Administrator, Jeff Berk, Legal Counsel, and Judy Zeller, Administrative Assistant. Absent: Lloyd Weer and Richard Shoemaker.

**PUBLIC COMMENT:** None

**1) MINUTES OF THE BOARD MEETING HELD AUGUST 20, 2014**

**Presenter/s:** Chair Schapmire referenced the minutes of the board meeting held August 20, 2014.

Mr. Stephens recommended a change to page two of the minutes. The last sentence in the first paragraph should read as follows: For the quarter ending June 30, 2014 this is a net increase of \$11.5 million after posting \$13.5 million in investment gains and subtracting \$2 million in net new investment (cash and dividends). Mr. Goodman asked that page five of the minutes reflect that he, Mr. Weer, and Mr. Walker were unable to attend the afternoon closed session discussion due to previous commitments.

**Board Direction:** Staff will amend the minutes per Mr. Stephens' and Mr. Goodman's recommendations.

**Board Action:** Motion was made by Mr. Mirata to approve the minutes of the board meeting held August 20, 2014 as amended. Mr. Goodman seconded the motion and it was approved by the following vote: Ayes: Mr. Sakowicz, Mr. Knudsen, Mr. Stephens, Mr. Goodman, Mr. Mirata, Mr. Walker, Supervisor McCowen and Ms. Schapmire. Noes: 0. Abstain: 0. Absent: Mr. Weer.

**2) APPROVAL OF CONSENT AGENDA**

**Presenter/s:** Chair Schapmire referenced the Consent Agenda which included 2-A Retirement Administrator's report, 2-B Addendum to Agreement with Manatt, Phelps & Phillips LLP, 2-C Addendum to Agreement with Jim Andersen, 2-D Resolution 2014-05, 2-E Resolution 2014-06, 2-F Addendum to Agreement with Fechter & Company, 2-G Membership, 2-H, Retirements processed for the month of August.

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Supervisor McCowen asked to pull item 2-D/E for further discussion.

Mr. Stephens asked about item 2 of the Retirement Administrator's report and 401(H) compliance. He requested review of the diagram previously presented by Bob Blum, previously with Hanson Bridgett. He felt the diagram would be very helpful to any future discussion regarding 401(H). He also asked why the addendum to the agreement with Mr. Andersen did not include a dollar amount. Mr. Andersen explained that we are well below the initial agreement amount of \$40,000.00 and that is why it was not included in the amendment. We are only amending the agreement end date.

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

Mr. Shoemaker entered the meeting at 8:40 a.m.

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

**Presenter/s:** Supervisor McCowen referenced Consent Agenda item 2-D/E which was pulled for further discussion, which included Resolution 2014-05 defining compensation earnable and Resolution 2014-06 defining pensionable compensation. The resolutions are related to the August 26, 2014 Memorandum of Understanding (MOU) between the Board of Supervisors and the Service Employees International Union (SEIU) Local 1021. This MOU established a one-time payment of \$1,200.00 to all employees in that bargaining unit on the date the MOU was approved.

Mr. Andersen explained that the resolutions supersede prior 2012 resolutions and include the new pay code 435, Supplemental Pay to similarly situated members in the same grade or class. The board discussed the pay code descriptions, whether they required any changes, and if this could be continued to our next meeting. Chair Schapmire stated that supplemental payment checks had already been issued. Mr. Andersen added that the County had presumed this payment to be compensation earnable and went forward with processing payment.

Supervisor McCowen felt that there should be better communication and coordination between the Board of Retirement (BOR) and the County in the future. The Board of Supervisors (BOS) is required to get an Actuarial opinion. The BOR may engage an Actuary for opinion, but it is not required. If the BOR does consult with an Actuary, they report to the BOS. The letter Mr. Andersen requested from Segal does not meet our requirements and should be more specific regarding the impact to the plan. The County needs a thorough understanding before the next round of negotiations and this would be a good topic for our next joint meeting.

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Mr. Andersen explained that the actuary used an all events test and actuarial theory regarding what is likely to happen. This payment was below any assumed salary increase and it will fall in the 2015/2016 valuation. It is uncertain whether any other salary increases will happen. The ultimate contribution impact from the less than expected salary increases can only be calculated after all of the factors described in the letter are examined in the June 30, 2015 valuation.

**Board Direction:** Staff will amend the RESOLVED in both resolutions as follows: rescinded will be replaced with supersedes and to be effective January 1, 2013 will be removed. Staff will work with the County Executive Office regarding review and possible modification of the pay code descriptions.

**Board Action:** Motion was made by Mr. Stephens to approve Consent Agenda item D/E as amended. Mr. Knudsen seconded the motion and it was approved by the following vote: Ayes: Mr. Sakowicz, Mr. Knudsen, Mr. Stephens, Mr. Goodman, Mr. Mirata, Supervisor McCowen, and Ms. Schapmire. Noes: 1: Mr. Walker. Abstain: 0. Absent: Mr. Weer.

**4) DISCUSSION AND POSSIBLE ACTION REGARDING RESOLUTION 2014-07 STATING AUTHORIZED AND RESCINDED SIGNATURES**

**Presenter/s:** Mr. Andersen referenced Resolution 2014-07 stating authorized and rescinded signature authority for our investments. He explained that adoption of this resolution will allow us to inform our investment firms of Shari Schapmire and Stan Conwell's primary authority regarding our investments and account transactions, and to formally rescind the past authority of Richard A. White due to his resignation in March of 2014.

**Board Action:** Motion was made by Supervisor McCowen to approve Resolution 2014-07. Mr. Mirata seconded the motion and it was approved by the following vote: Ayes: Mr. Sakowicz, Mr. Knudsen, Mr. Stephens, Mr. Goodman, Mr. Mirata, Mr. Walker, Supervisor McCowen, and Ms. Schapmire. Noes: 0. Abstain: 0. Absent: Mr. Weer.

**5) INVESTMENT REPORT**

**Presenter/s:** Mr. Andersen referenced the monthly Investment Report stating a \$434 million total market value of assets as of July 31, 2014. The total unrealized gain in investments was \$92.6 million or \$91.2 million including the change in cash.

Mr. Stephens expressed concern regarding the decrease in cash and asked if this was due to the timing of contributions arriving from plan sponsors. Mr. Andersen explained that May contributions and dollars accrued may have been posted to June and dividend income was limited. August and September will be reviewed for rebalancing and we may see a light use of cash. March of 2014 was our last raise of cash and the next rebalance is planned for October or November.

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Mr. Sakowicz mentioned that the California Public Employees' Retirement System (CalPERS) announced that it would pull all of its Hedge Fund asset allocation, stating that this is a major event in the investment world.

**6) 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:** Jim Andersen referenced the monthly Financial Report.

**7) DISCUSSION AND POSSIBLE ACTION REGARDING THE REPORT OF THE BLUE RIBBON PANEL ON PUBLIC PENSION PLAN FUNDING**

**Presenter/s:** Jim Andersen referenced the Blue Ribbon Panel report on Public Pension Plan Funding and stated that Mr. Stephens had submitted his questions for Segal for discussion today. Mr. Andersen provided a recap of the last board meeting's discussion regarding the Blue Ribbon Panel Report and his request for Board members to submit their questions for Segal Consulting. There was a brief discussion regarding Segal's letter in response to the Blue Ribbon Panel Report.

Mr. Stephens stated that he had a third question to pose to Segal in advance of the triennial experience study. We will have a tight time frame to set the discount rate. If we progress in small increments, plan sponsors may have increased liability. Our sponsors should be involved, we should ask about methodology, and we should have sensitivity testing done for a full 1% rate reduction. It is our responsibility to make the plan fully funded, but what will the cost be in employer budgets. We must discuss the correct way to build the rate, historical or forward. He suggested asking Segal to estimate the change in cost if we reduce our rate by 1% with a sensitivity analysis.

Mr. Andersen mentioned that Andy Yeung of Segal Consulting requested that we submit our questions early. The triennial experience study looks at assumptions and the valuation report discussion may be a better time to review the discount rate. Mr. Sakowicz asked if the Board of Supervisors (BOS) is expecting a change in the rate. Supervisor McCowen replied that the BOS is obliged to make the payment, not to assume any change. The BOS may be able to make an additional payment to the Unfunded Actuarial Accrued Liability (UAAL) to avoid negative amortization, but the focus is on funding either option and to assist the County in meeting its obligations. Segal should be able to provide a ballpark figure with reasonable assumptions based on our current actuarial data.

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**Board Direction:** The Retirement Administrator will work with Mr. Stephens in developing his third question for Segal.

**Board Action:** Motion was made by Supervisor McCowen to approve submission of Mr. Stephens' questions to Segal Consulting. Mr. Sakowicz seconded the motion and it was approved by the following vote: Ayes: Mr. Sakowicz, Mr. Knudsen, Mr. Stephens, Mr. Goodman, Mr. Mirata, Mr. Walker, Supervisor McCowen, and Ms. Schapmire. Noes: 0. Abstain: 0. Absent: Mr. Weer.

**8) DISCUSSION AND POSSIBLE ACTION REGARDING A RESPONSE TO THE STATE ASSOCIATION OF COUNTY RETIREMENT SYSTEMS REGARDING THEIR APPROACH TO SUSTAINING PUBLIC DEFINED BENEFIT PLANS (TRUSTEES TED STEPHENS AND SUPERVISOR JOHN MCCOWEN)**

**Presenter/s:** Jim Andersen referenced a draft letter to the State Association of County Retirement Systems (SACRS) regarding their approach to sustaining public defined benefit plans which was originally composed by Mr. Stephens and discussed during our last board meeting. Supervisor McCowen assisted in revising the letter for today's discussion.

Mr. Stephens congratulated Supervisor McCowen on the wonderful job he did on the revisions to letter to SACRS. The Board agreed that the letter was well written and that it should be submitted to SACRS President, Yves Cherry, SACRS Executive Director, Robert Palmer, and to the Retirement Administrators of all 1937 Act Retirement Systems.

**Board Direction:** Staff will send the letter to SACRS and will send copies to the Retirement Administrators of all 37 Act Retirement Systems.

**Board Action:** Motion was made by Mr. Mirata to approve sending the letter to SACRS on behalf of the Board of Retirement. Mr. Goodman seconded the motion and it was approved by the following vote: Ayes: Mr. Sakowicz, Mr. Knudsen, Mr. Stephens, Mr. Goodman, Mr. Mirata, Mr. Walker, Supervisor McCowen, and Ms. Schapmire. Noes: 0. Abstain: 0. Absent: Mr. Weer.

**9) CLOSED SESSION**

- Pending Disability Applications Update
- Peggy Yee Disability Retirement Application
- Yolanda Ruiz Disability Retirement Application

**10) REPORT OUT FROM CLOSED SESSION**

The Board voted unanimously to approve the Hearing Officer's decision, as modified, to deny Peggy Yee's application for service connected disability retirement by the following vote: Ayes: Mr.

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Sakowicz, Mr. Knudsen, Mr. Stephens, Mr. Goodman, Mr. Mirata, Mr. Walker, Supervisor McCowen, and Ms. Schapmire. Noes: 0. Abstain: 0. Absent: Mr. Weer.

There was no action taken on the Disability Application for Yolanda Ruiz.

**11) DISCUSSION AND POSSIBLE ACTION REGARDING ANALYSIS OF BENEFICIARIES' COLA AND ADOPTION OF RESOLUTION 2014-04 PERTAINING TO THE DETERMINATION OF COST OF LIVING ADJUSTMENTS PAYABLE ON UNMODIFIED SURVIVOR ALLOWANCES (ASHLEY K. DUNNING, MANATT, PHELPS AND PHILLIPS)**

**Presenter/s:** Mr. Andersen referenced information regarding MCERA's current practice of paying surviving spouses 60% of the unmodified benefit that the member received upon retirement, plus 100% of the total cost-of living adjustment (COLA) subsequently added to it as of the member's death (100% COLA Approach) prepared by Ashley Dunning of Manatt, Phelps and Phillips. Ms. Dunning was available by telephone for any questions from Board members.

The Board discussed Ms. Dunning's recommendations with the understanding that some of our members had made an irrevocable decision when they retired. There was some concern regarding the cost of providing the 100% COLA to our current retired population. Going forward, a retired member's surviving spouse will receive 60% of the unmodified benefit that the member received upon retirement, plus 60% of the total (COLA) subsequently added to it as of the member's death (60% COLA Approach). Mr. Andersen stated that Segal Consulting is aware of our current 100% COLA Approach. The present value will be unknown until the next valuation study. Segal must look at mortality tables and cash flows going forward.

**Board Action:** Motion was made by Supervisor McCowen to approve the Resolution 2014-04. Mr. Walker seconded the motion and it was approved by the following vote: Ayes: Mr. Sakowicz, Mr. Knudsen, Mr. Goodman, Mr. Mirata, Mr. Walker, Supervisor McCowen, and Ms. Schapmire. Noes: Mr. Stephens. Abstain: 0. Absent: Mr. Weer.

**12) DISCUSSION AND POSSIBLE ACTION REGARDING TRAVEL AND TRAINING REQUEST (TRUSTEE JOHN SAKOWICZ)**

**Presenter/s:** Mr. Andersen referenced information regarding a travel and training expense for Trustee John Sakowicz. Mr. Sakowicz has expressed an interest in attending the CALAPRS Advanced Principles of Pension Management for Trustees at UCLA, January 28-30, 2015. This item was previously discussed with Chair Schapmire and Mr. Sakowicz.

Mr. Andersen explained that our current policy requires us to identify training opportunities when we adopt a budget. Our last budget process did not include approval of specific board training

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items. This CALAPRS training is appropriate and recommended. Mr. Andersen stated that a schedule of training will be brought back to the board for adoption and asked Mr. Sakowicz to speak to the board.

Mr. Sakowicz spoke regarding expense for this training and stated that this is the second of a two part training of which he has already attended part one. He believes the faculty to be outstanding and the curriculum to be first class. Attendees are assigned homework, take quizzes and tests daily, in order to receive a certificate of completion. It is good to have someone trained in investments and benefits on the board in this increasingly challenging environment and he would be honored to represent the retirement system at this training.

Supervisor McCowen questioned the impact to the training budget vs over training beyond requirements stating that a number of board members need to take advantage of available trainings. Mr. Sakowicz has exceeded his required hours of training in a two year period. This should be denied and we should direct staff to provide a list of trainings for 14/15.

**Board Action:** Motion was made by Supervisor McCowen to deny the training request and to direct staff to provide a list of training opportunities for 2014/2015. Mr. Knudsen seconded the motion and the training request was denied by the following vote: Ayes: Mr. Knudsen, Mr. Stephens, Mr. Mirata, Mr. Walker, and Supervisor McCowen. Noes: Mr. Goodman, Mr. Sakowicz, and Ms. Schapmire. Abstain: 0. Absent: Mr. Weer.

Mr. Sakowicz stated that the trustee training budget needs to be higher and announced that he would not attend the Fall State Association of County Retirement Systems (SACRS) Conference if this training was approved. The CALAPRS training will accrue 24 hours toward training requirements. Mr. Andersen explained that 24 hours is a minimum, but we would like to see more. Ms. Schapmire stated that Mr. Sakowicz would have to agree to give up all training opportunities this fiscal year to afford this training. Mr. Shoemaker noted that the CALAPRS training would fall in a different calendar year and Mr. Sakowicz would meet his next training requirement of 24 hours.

The board discussed setting limits and asked to see a fiscal analysis of the training budget at a future meeting. This should include a list of what is spent on travel by individual. Mr. Andersen mentioned that we want to provide broad opportunity. The board could consider assigning dollars per year per trustee in order to create an environment where staff is not making decisions as to who travels and not.

**Board Direction:** Staff will provide an analysis of the training budget and a list of what is spent by travel by individual at a future meeting. A schedule of training will be brought to the board for adoption during our next budget review.

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**Second Board Action:** Motion was made by Mr. Stephens to reconsider the previous motion regarding the training request. Mr. Sakowicz seconded the motion and the motion was approved by the following vote: Ayes: Mr. Sakowicz, Mr. Stephens, Mr. Goodman, Mr. Mirata, Mr. Walker, Supervisor McCowen, and Ms. Schapmire. Noes: Mr. Knudsen. Abstain: 0. Absent: Mr. Weer.

**Third Board Action:** Motion was made by Mr. Stephens to allow Mr. Sakowicz to attend this training, keeping training expense within a budget of \$4,000.00 for the two year period beginning July 1, 2015. Mr. Sakowicz seconded the motion and the motion was approved by the following vote: Ayes: Mr. Sakowicz, Mr. Stephens, Mr. Goodman, Mr. Mirata, Mr. Walker, Mr. Knudsen, and Ms. Schapmire. Noes: Supervisor McCowen. Abstain: 0. Absent: Mr. Weer.

**13) GENERAL BOARD MEMBER DISCUSSION**

Mr. Sakowicz thanked the board for their approval of his request to attend the CALAPRS Advanced Principles of Pension Management for Trustees at UCLA, January 28-30, 2015 and stated that he would provide a full report to the board.

Mr. Mirata stated that he would be resigning as of November 30, 2014. He explained that he would not be able to be here to participate fully in meetings. The Board expressed their appreciation for his service.

Mr. Stephens wanted to clarify his vote on the COLA item, stating that he realized his vote would not count nor make a difference.

**ADJOURNMENT (11:25 a.m.)**