

◆ MENDOCINO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION ◆  
BOARD OF RETIREMENT MEETING MINUTES  
◆ OCTOBER 16, 2013 AT 8:30 A.M. ◆

**CALL TO ORDER**

Shari Schapmire, Board Chair, called the meeting to order at 8:32 a.m.

**ROLL CALL**

Roll call was conducted with the following members present: Shari Schapmire, Randy Goodman, Lloyd Weer, John Sakowicz, Supervisor John McCowen, Ted Stephens, Tim Knudsen, Bob Mirata, and Richard Shoemaker. Members absent: Craig Walker. Also present: Rich White, Retirement Administrator, Jeff Berk, Legal Counsel, and Judy Zeller, Board Clerk.

**PUBLIC COMMENT:** None

**1) APPROVAL OF CONSENT AGENDA**

**Presenter/s:** Chair Schapmire referenced the Consent Agenda previously distributed to the Board which included 1-A Minutes of the Board Meeting held September 18, 2013, 1-B Membership, 1-C Retirements Processed, 1-D Retirement Administrator's report, 1-E Audit and Budget Committee Report, and 1-F Communications.

**Board Action:** Motion was made by Mr. Mirata to approve the Consent Agenda items. Mr. Weer seconded the motion and it was approved unanimously. (Motion Approved)

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

None

**3) DISCUSSION REGARDING STRATEGIC PLAN GOALS AND OBJECTIVES**

- **Annual update**

**Presenter/s:** Rich White referenced information previously distributed to the Board regarding an annual report on the progress of the Strategic Plan. He mentioned a rating worksheet distributed to the Board and asked that it be completed and returned by the next board meeting. This Board review will measure the accomplishments made so far in the implementation of the goals and objectives of the Strategic Plan.

Mr. Shoemaker commented that this was the best report regarding the Strategic Plan for an organization that he has seen and felt it was a job well done.

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**4) DISCUSSION AND POSSIBLE ACTION REGARDING BOARD CHARTERS AND POLICIES**

- **Communication Policy**

**Presenter/s:** Rich White referenced information previously distributed to the Board regarding adoption of a Board Communications Policy. The purpose of the Communications Policy is to enhance Board governance and ensure that Board members and our stakeholders receive effective, timely and accurate information about our pension plan. Currently, we do not have a formal communications policy.

Mr. Mirata asked if a workstation is available for members to use to obtain information about the Association and the Board. Mr. White replied that we don't have a designated workstation, but are thinking about it. Mr. Knudsen stated that he was concerned about speaking to the AMCRE Board regarding the Association. Mr. White stated that the intent of the policy does not eliminate Board member communication, but clarifies how to do so. Mr. Shoemaker suggested that Mr. White attend AMCRE Board meetings. Mr. Knudsen thought it would be better if he attend AMCRE General Membership meetings which are held four times per year.

Mr. Sakowicz stated that he will apply this policy to his radio show and that he speaks as a public citizen. Mr. Stephens wanted to know what would happen if a trustee did not adhere to the policy. Mr. Berk replied that the Board of Retirement would take action on that issue. Mr. Stephens agreed that it would most likely be an open board meeting statement. He stated that we should not be closing the door on effective communication and we need to make it clear that trustees should be able to communicate their knowledge. Is this going to keep us from saying what we believe if it is not a position of the board? Chair Schapmire replied that you must speak for yourself, not speak as a board member. Mr. Sakowicz added that he felt this was a very good policy and he wished more boards would adopt policies like this.

**Board Direction:** Staff will amend the policy as Supervisor McCowen suggested. Item 1V. A. will read as follows: Communications Among Trustees/Brown Act Compliance. Item 1V. A. 2. will read as follows: The Board shall carry out its activities in the spirit of open governance and adhere to the provisions of the Ralph M. Brown Act, California Government Code Section 54950, et seq., which include but are not limited to. Staff will incorporate a description of black-out periods in item E. 1.

**Board Action:** Motion was made by Supervisor McCowen to approve the Communications Policy as amended. Mr. Mirata seconded the motion and it was approved unanimously. (Motion Approved)

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**5) MONTHLY FINANCIAL REPORT**

- **Statement of Plan Net Assets**
- **Statement of Changes in Plan Net Assets**
- **Cash Flow Analysis**
- **Rental Income Net of Expenses**
- **Vendor Ledger**

**Presenter/s:** Rich White referenced information previously distributed to the Board regarding the preliminary August 2013 Financial Report.

Mr. Goodman asked why the reports are preliminary. Mr. White explained that there is a lag due to Munis accounting. Mr. Stephens spoke regarding cash flow and the challenge of getting ahead in our plan while supplementing benefits with plan assets. He suggested that we discuss with Segal this year. Mr. White explained that this is why you have a trust fund. Contributions are going out as benefits, the Board approved harvest of dividends, and periodic distributions are part of the overall design of plan, not unlike any other public pension plan. Supervisor McCowen added that there is no control over the pay out of benefits which relies on returns of the fund. Even if our plan was fully funded we would still rely on future returns to pay out benefits. Mr. Knudsen added that retirements are up and benefit payments have doubled over where we were five years ago. Mr. White added that salaries are up which also effects benefit payments.

Supervisor McCowen agreed that it is difficult to understand. Having more employees contributing does not necessarily help the plan. Previous decisions by previous boards have dug a big hole over decades. Our new focus is recent and we still have a catch up issue. Mr. White explained that we must start with how the plan is funded, have a long term and a short term plan. Unfunded liability costs and funding policies are part of your plan and at the end we should be where you want to be. Investment income is much greater than what is taken out to pay benefits. You planned for that and kept liquidity which is a reason why you went with a passive manager.

**6) MONTHLY INVESTMENT REPORT**

- **Investment Goal Statements**
- **MCERA Trust Fund Performance Information**
- **Monthly Investment Account Balance Report**
- **Update on Passive Account and Re-balancing**

**Presenter/s:** Rich White referenced information previously distributed to the Board regarding the Monthly Investment Report. The preliminary September fund balance is \$404,177,436. Rebalancing of investments was done before the end of September. There is some rebalancing to be done in

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October to meet our target allocation. Mr. Knudsen pointed out that highlighting the report makes the numbers hard to read.

**Board Direction:** Staff will change or remove highlights on report so that the numbers are clear.

**7) DISCUSSION AND POSSIBLE ACTION REGARDING ADMINISTRATOR PARTICIPATION ON SACRS BOARD OF DIRECTORS**

**Presenter/s:** Mr. White referenced information previously distributed to the Board regarding his participation on the SACRS Board of Directors as the Immediate Past President. He explained the organization, its purpose, and that he did not continue to participate on the SACRS Board due to his responsibility to the Association. A SACRS Board member has left due to health reasons and they have asked Mr. White to complete the term until the next election. His primary duty would be to act on the nomination committee which would take a minimal amount of time and should not distract from his primary duty as Retirement Administrator. SACRS Board duties would end in May 2014. Mr. Sakowicz approved of Mr. White's participation on the SACRS Board.

Mr. Goodman asked if there was a cost involved. Mr. White replied that there should not be a cost to the system. The budget approved staff training which includes the Administrator. This budget is used to pay for conference attendance. Chair Schapmire felt this should not be of concern because the amount should be small, especially if meetings are by teleconference and it would be nice to have representation on the SACRS Board. The Board continued to discuss payment of any additional cost. Mr. White stated that this is not a sticking point and his participation on the SACRS Board is more important. Mr. Stephens felt it is reasonable to pay the expense. Supervisor McCowen stated that he cannot support this motion if the Administrator seeks reimbursement from management training.

**Board Action:** Motion was made by Mr. Sakowicz to approve Mr. White's participation on the SACRS Board. Mr. Mirata seconded the motion and it was approved by the following vote: Ayes 7 Noes 1 (McCowen) Abstain 0 Absent 1 (Motion Approved)

**8) DISABILITY PROCESS AND LEGAL STANDARDS TRAINING**

**Presenter/s:** Jeff Berk referenced information previously distributed to the Board regarding the legal standards which are to be considered when determining the status of a disability application.

Mr. Knudsen asked whether you get a tax benefit in a presumption case. Mr. White explained that MCERA posed this question to SACRS a few years ago and the SACRS membership felt that the question was too specific to MCERA. Mr. Berk will follow up on this item.

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Mr. Walker entered the meeting at 10:54 a.m.

**9) CLOSED SESSION**

- Pending disability applications update
- Timothy Goss Disability Application
- Possible Initiation of Litigation - McCarthy - Pursuant to Government Code Section 54956.9(d)4
- Public Employee Performance Evaluation - Retirement Administrator - Pursuant to Government Code Section 54957

**REPORT OUT FROM CLOSED SESSION**

The Board provided direction to staff and counsel regarding the McCarthy matter. The Board denied the application for Service Connected Disability retirement filed by Timothy Goss by the following vote: Ayes 7 Noes 2 (Schapmire, Goodman) Abstain 0 Absent 0. There was no action taken on the public employee performance evaluation or any other closed session items.

**10) GENERAL BOARD MEMBER DISCUSSION**

Mr. Knudsen asked about a recent court ruling regarding the City of Los Angeles and contributions to retiree health care benefits. Mr. Berk explained that this judgment is limited to a small labor group and it is unknown whether the ruling will be appealed or not.

Mr. Sakowicz mentioned that he had provided the communications article titled Detroit Paid Billions Extra From Pensions to Mr. White for distribution to the Board. He also reminded us that his next radio show on KZYX will be Friday October 25, 2013 at 9:00 a.m. His guest will be Hedrick Smith, NY Times Correspondent, Author, and Pulitzer Prize winner.

Board members discussed our future meeting schedule which is as follows:

November 6, 2013 at 8:30 a.m.

December 4, 2013 at 1:00 p.m. (Special meeting)

December 18, 2013 at 8:30 a.m.

**ADJOURNMENT (12:37 p.m.)**