

BOB MIRATA
CHAIRMAN
B.O.S. APPOINTEE

SHARI SCHAPMIRE
VICE-CHAIRMAN
TREASURER TAX COLLECTOR

TIM KNUDSEN
SECRETARY
ELECTED RETIRED MEMBER

SUPERVISOR KENDALL SMITH
B.O.S. APPOINTEE

JOHN SAKOWICZ
B.O.S. APPOINTEE

TED STEPHENS
B.O.S. APPOINTEE

LLOYD WEER
ELECTED
GENERAL MEMBER

RANDY GOODMAN
ELECTED GENERAL
MEMBER

CRAIG WALKER
ELECTED SAFETY
MEMBER

RICHARD SHOEMAKER
ELECTED RETIRED
ALTERNATE MEMBER



RICH WHITE
RETIREMENT
ADMINISTRATOR

JEFF BERK
LEGAL COUNSEL

MENDOCINO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION BOARD MEETING AGENDA NOVEMBER 7, 2012 – 8:30 A.M.

ROLL CALL (8:30 A.M.)

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 13 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.

1) APPROVAL OF THE MINUTES OF THE BOARD MEETING HELD OCTOBER 17, 2012 AND THE BOARD STRATEGIC WORKSHOP HELD OCTOBER 17 AND OCTOBER 18, 2012 (Estimated Time 5 min.)

2) MONTHLY INVESTMENT REPORT (Estimated Time 1 hour 45 min.)

- **Quarterly Investment Report, Callan Associates**
(visit <http://www.co.mendocino.ca.us/retirement/reports.htm> for report)
- **Review of Equity Structure of Investments including review and recommendation on active vs passive allocation, Callan Associates**
(visit <http://www.co.mendocino.ca.us/retirement/reports.htm> for reports)
- **Pimco Portfolio Review and Discussion on Derivatives, Matt Clark of Pimco**

BREAK (Estimated Time 10 min.)

◆RETIREMENT BOARD MEETING AGENDA◆
◆NOVEMBER 7, 2012 - 8:30 A.M.◆

3) CLOSED SESSION (Approximately 10:35 A.M.) (Estimated Time 1 hour)

- Potential litigation pursuant to Government Code Section 54956.9(b)(3)(A) - 1 case

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

4) MONTHLY FINANCIAL REPORTS (Estimated Time 5 min.)

- September Financial Statements

5) DISCUSSION AND POSSIBLE ACTION REGARDING 2013 BOARD MEETING CALENDAR (Estimated Time 5 min.)

6) DISCUSSION AND POSSIBLE ACTION REGARDING SIGNATURE AUTHORITY RESOLUTION 2012-05 (Estimated Time 5 min.)

LUNCH RECESS (Approximately 11:55 A.M.)

RECONVENE (1:00 P.M.)

7) DISCUSSION AND POSSIBLE ACTION REGARDING PEPRA (Estimated Time 1 hour)

- Resolution 2012-06 Defining Compensation Earnable Pursuant to Government Code Section 31461 for members who are not subject to Government Code 7522.34
- Resolution 2012-07 Defining Compensation Earnable Pursuant to Government Code Section 7522.34 for members who are not subject to Government Code 31461
- Segal Issues Regarding Implementation of Provisions of PEPRA

8) DISCUSSION AND POSSIBLE ACTION REGARDING BOARD STRATEGIC PLAN (Estimated Time 1 hour)

9) BENEFITS AND OPERATIONS (Estimated Time 5 min.)

- Member retirements and withdrawals of contributions by inactive members

10) RETIREMENT ADMINISTRATOR'S REPORT (Estimated Time 10 min.)

- Holiday Office Hours and office closure
- Public Records Act Requests
- RV Kuhn's Report

(visit <http://www.co.mendocino.ca.us/retirement/reports.htm> for report)

11) COMMUNICATIONS (Estimated Time 5 min.)

12) GENERAL BOARD MEMBER DISCUSSION (Estimated Time 5 min.)

ADJORNMENT (Approximate Time 3:25 P.M.)

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

◆RETIREMENT ASSOCIATION CONFERENCE ROOM: 625-B KINGS COURT, UKIAH, CA 95482◆

◆PHONE 707-463-4328 FAX 707-467-6472◆ WWW.CO.MENDOCINO.CA.US/RETIREMENT◆

◆MENDOCINO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION◆
BOARD OF RETIREMENT MEETING MINUTES
◆OCTOBER 17, 2012 AT 9:00 A.M.◆

CALL TO ORDER

Bob Mirata, Board Chair, called the meeting to order at 9:00 A.M.

ROLL CALL

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

PUBLIC COMMENT: Jed Davis of Potter Valley addressed the Board.

1) APPROVAL OF THE MINUTES OF BOARD MEETING HELD SEPTEMBER 19, 2012

Upon motion by Board member Schapmire, seconded by Board member Stephens; IT IS ORDERED that the minutes of the September 19, 2012 Board meeting are approved as amended by the following vote: Ayes 7 Noes 0 Abstain 2 Absent 0.

2) RETIREMENT ADMINISTRATOR'S REPORT

- Accountant Position
- Contribution Rate Correction Project

Presenter/s: Rich White referenced information previously distributed to the Board.

Accountant Position

Our contract service provider for Accounting Services, Scott German, CPA Fechtner & Company started on October 10, 2012.

Contribution Rate Correction Project

The County of Mendocino completed the issuance of checks to County employees who overpaid contributions into MCERA. The process of contacting members who under contributed is underway. The Superior Court has completed their issuance of checks to their employees who over-paid contributions and has begun the process of completing the collection of under-payments. Staff will be providing the Cemetery District with the information on the contributions project and the impact on their employees in the near future. Staff is continuing to assist our plan sponsors with their efforts as all parties move towards the completion of this matter.

◆MENDOCINO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION◆
BOARD OF RETIREMENT MEETING MINUTES
◆OCTOBER 17, 2012 AT 9:00 A.M.◆

3) DISCUSSION AND POSSIBLE ACTION REGARDING THE CALIFORNIA PUBLIC EMPLOYEES' PENSION REFORM ACT OF 2013 (PEPRA)

Presenter/s: Rich White referenced information previously distributed to the Board.

Board Direction: Staff will continue to meet with the County Executive Office, the County Auditor, Human Resources, and Segal regarding PEPRA implementation and will report back to the Board with more information as it becomes available.

John Sakowicz left the meeting at 9:45 A.M.

4) DISCUSSION AND POSSIBLE ACTION REGARDING THE 2012 FALL SACRS BUSINESS MEETING

Presenter/s: Rich White referenced information previously distributed to the Board.

Board Action: Motion was made by Board member Supervisor Smith to direct voting delegate Tim Knudsen to vote on the items on the floor at the Fall SACRS meeting on behalf of MCERA consistent with Board policy. Board member Goodman seconded the motion and it was approved by the following vote: Ayes 8 Noes 0 Abstain 0 Absent 1. (Motion approved)

Motion was made by Board member Knudsen to approve legislative proposal LACERA #1 at the Fall 2012 SACRS business meeting. Board member Supervisor Smith seconded the motion and it was approved by the following vote: Ayes 8 Noes 0 Abstain 0 Absent 1. (Motion approved)

Motion was made by Board member Supervisor Smith to approve legislative proposal LACERA #2 at the Fall 2012 SACRS business meeting. Board member Goodman seconded the motion and it was approved by the following vote: Ayes 8 Noes 0 Abstain 0 Absent 1. (Motion approved)

Motion was made by Board member Walker to approve legislative proposal SAN JOAQUIN #1 at the Fall 2012 SACRS business meeting. Board member Supervisor Smith seconded the motion and it was approved by the following vote: Ayes 8 Noes 0 Abstain 0 Absent 1. (Motion approved)

Mr. Sakowicz reentered the meeting at 11:25 A.M.

5) CLOSED SESSION (11:30 A.M.)

- Pending disability applications update
- Jennie Angell, NSCD
- Paul Mounts, SCD
- Rebecca Wilson, SCD

◆MENDOCINO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION◆
BOARD OF RETIREMENT MEETING MINUTES
◆OCTOBER 17, 2012 AT 9:00 A.M.◆

Board member Knudsen recused himself from discussion of applicant Rebecca Wilson and left the boardroom.

REPORT OUT FROM CLOSED SESSION (12:10 P.M.)

Mr. Knudsen reentered the meeting.

Board Action: Motion was made by Board member Knudsen to approve applicant Jennie Angell for Non-Service Connected Disability Retirement. Board member Goodman seconded the motion and it was approved by the following vote: Ayes 9 Noes 0 Abstain 0 Absent 0. (Motion approved)

Board Action: Motion was made by Board member Schapmire to approve applicant Paul Mounts for Service Connected Disability Retirement. Board member Knudsen seconded the motion and it was approved by the following vote: Ayes 9 Noes 0 Abstain 0 Absent 0. (Motion approved)

The Board provided direction to staff on other closed session items. There was no action taken on any other closed session items.

6) COMMUNICATIONS

7) GENERAL BOARD MEMBER DISCUSSION

There being no further business Bob Mirata, Chair, adjourned the meeting at 12:25 P.M.

◆MENDOCINO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION◆
BOARD OF RETIREMENT STRATEGIC WORKSHOP MEETING MINUTES
◆OCTOBER 17, 2012 AT 1:00 P.M.◆

CALL TO ORDER

Bob Mirata, Board Chair, called the meeting to order at 1:00 P.M.

ROLL CALL

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

PUBLIC COMMENT: None

1) BOARD STRATEGIC WORKSHOP FACILITATED BY NANCY A. WILLIAMS AND RUSS CHARVONIA OF HEWITT ENNIS KNUPP

Nancy Williams and Russ Charvonias introduced themselves and provided an overview of the Strategic Planning Process.

The Board and staff participated in roundtable discussions regarding Mission Statement, Core Values, Goals, Objectives, and Critical Issues. At the end of the meeting our consultants explained how they would prepare the information gathered and organize issues by related topics. Possible language for Goals and Objectives was proposed for Board and staff consideration. A brief description of what would be discussed during the next workshop on October 18, 2012 was provided and our consultants thanked the Board and staff for their input and participation.

There being no further business Bob Mirata, Chair, adjourned the meeting at 5:15 P.M.

◆ MENDOCINO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION ◆
BOARD OF RETIREMENT STRATEGIC WORKSHOP MEETING MINUTES
◆ OCTOBER 18, 2012 AT 8:30 A.M. ◆

The meeting began at 8:35 A.M.

Board attendance was as follows: Members present: Shari Schapmire, Randy Goodman, Lloyd Weer, John Sakowicz, Ted Stephens, Tim Knudsen, Bob Mirata. Members absent: Supervisor Kendall Smith, Craig Walker, and Richard Shoemaker. Also present: Rich White, Retirement Administrator, Jeff Berk, Legal Counsel, Judy Zeller, Clerk to the Board, and Katy Richardson, Senior Retirement Specialist.

PUBLIC COMMENT: None

1) BOARD STRATEGIC WORKSHOP, CONTINUED

Nancy Williams and Russ Charvonja presented a recap of the previous workshop meeting on October 17, 2012.

The Board and staff participated in more discussion regarding their Mission Statement, Core Values, Possible Goals, and Possible Objectives and reached a general consensus on them.

The next steps in Strategic Planning were explained by our consultants. It was recommended that the Board continue to further develop the Strategic Plan. The Retirement Administrator and staff will determine start and completion dates for each objective and appropriate strategy to use in their implementation will be developed. The Board of Retirement will review and approve for any necessary budget changes. Staff will also address performance measurement during the first year of implementation, early 2013, which is a very important element of the Strategic Plan. Once the completed Strategic Plan Charter has been adopted, progress towards goals and objectives should be monitored and the Board should continue with the Strategic Planning process every two years.

Everyone involved in the Board Strategic Workshop was congratulated for their participation and effort.

There being no further business the meeting adjourned at 12:01 P.M.

Richard A. White, Jr.
Retirement Administrator



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

Date: November 7, 2012
To: Board of Retirement
From: Richard White, Retirement Administrator
Subject: Monthly Investment Report

A. Quarterly Investment Performance Report

The 3rd Quarter Investment Performance Report will be presented by Greg DeForrest and Jim Van Heuit of Callan Associates Inc. The material is provided to the Board of Retirement as a separate report.

B. Discussion on Equity Structure

The discussion led by Callan will center on the current structure of the equity asset allocation which was requested by the Board of Retirement at time of last quarter's report. The material is provided to the Board of Retirement as a separate report.

C. Strategy review and use of derivatives on PIMCO Total Return Fund

PIMCO has managed the Total Return Fund mandate for MCERA since February 28, 2009 and is one of the two institutional investment managers in our fixed income asset allocation. PIMCO was founded in 1971 and provides investment solutions that include fixed income, active equities and alternatives. They have approximately \$1.77 trillion dollars in assets under management.

R. Matthew Clark, CFA is a senior vice president and account manager in the Newport Beach office with a focus on institutional client servicing. Prior to joining PIMCO in 2002, he served as an officer in the U.S. Army for eight years, achieving the rank of captain. He has nine years of investment experience and holds an MBA from Harvard Business School.

Materials will be provided at the Board of Retirement meeting.

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Retirement Administrator



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

Date: November 7, 2012
To: Board of Retirement
From: Richard White, Retirement Administrator
Subject: Monthly Financial Report

A. Financial Reports

The monthly reports for September, 2012 are included for your review. Please note that these are *preliminary reports*:

- ◇ Statement of Plan Net Assets.
- ◇ Statement of Changes in Plan Net Assets.
- ◇ Cash Flow Analysis

Attachment(s).

MENDOCINO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
STATEMENT OF PLAN NET ASSETS
SEPTEMBER 30, 2012
(PRELIMINARY)

ASSETS

CASH AND EQUIVALENTS		
TRUST CASH-HELD AT COUNTY	\$	<u>2,111,229.06</u>
TOTAL CASH AND EQUIVALENTS		2,111,229.06
CURRENT ASSETS		
ACCOUNTS RECEIVABLE		3,000.00
RECOUPMENTS		<u>2,291.66</u>
TOTAL CURRENT ASSETS		5,291.66
PROPERTY AND EQUIPMENT		
EQUIPMENT		<u>3,786.40</u>
TOTAL PROPERTY AND EQUIPMENT		3,786.40
INVESTMENTS, ADJUSTED TO MARKET		
UNREALIZED GAIN/(LOSS) INVESTS		45,642,811.54
BONDS		87,511,500.33
INTERNATIONAL EQUITIES		77,645,417.14
SMALL CAP EQUITIES		21,383,960.85
MID CAP EQUITIES		36,105,372.85
LARGE CAP EQUITIES		58,821,498.23
REAL ESTATE		<u>29,333,633.62</u>
TOTAL INVESTMENTS, AT MARKET		<u>356,444,194.56</u>
TOTAL ASSETS		<u><u>\$ 358,564,501.68</u></u>

LIABILITIES

CURRENT LIABILITIES		
AMCRE DUES	\$	798.78
FEDERAL WITHHOLDING		146,779.18
STATE WITHHOLDING		37,102.37
WAGE ATTACHMENTS		868.74
WAGES ACCRUED - 1920 ACCOUNT		87,376.33
PEDIT TRUST DENTAL		18,163.89
AFLAC INSURANCE		3,037.03
BUCK SETTLEMENT RESERVE		<u>248,092.50</u>
TOTAL CURRENT LIABILITIES		<u>542,218.82</u>
TOTAL NET ASSETS		<u><u>\$ 358,022,282.86</u></u>

**MENDOCINO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
STATEMENT OF CHANGES IN PLAN NET ASSETS
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2012
(PRELIMINARY)**

	CURRENT MONTH	YEAR TO DATE
ADDITIONS		
CONTRIBUTIONS		
EMPLOYER	\$ 1,045,158.45	\$ 3,469,961.06
PLAN MEMBERS	351,024.89	966,979.95
	<u>1,396,183.34</u>	<u>4,436,941.01</u>
TOTAL CONTRIBUTIONS		
INVESTMENT INCOME		
UNREALIZED GAIN/(LOSS) INVESTS.	8,581,295.00	16,763,629.60
RENTAL INCOME, NET OF EXPENSES	3,686.26	4,392.11
INTEREST	60.60	11,329.00
DIVIDENDS	556,849.27	959,592.53
CAPITAL GAINS	0.00	0.00
	<u>0.00</u>	<u>0.00</u>
LESS INVESTMENT EXPENSE		
TOTAL INVESTMENT INCOME	<u>9,141,891.13</u>	<u>17,738,943.24</u>
TOTAL ADDITIONS	<u>10,538,074.47</u>	<u>22,175,884.25</u>
DEDUCTIONS		
BENEFIT PAYMENTS, SUBSIDIES, & REFUNDS	(1,973,644.94)	(6,753,903.02)
ADMINISTRATIVE EXPENSES	(57,656.62)	(136,509.34)
	<u>2,031,301.56</u>	<u>6,890,412.36</u>
TOTAL DEDUCTIONS		
INCREASE (DECREASE) IN NET ASSETS	<u>8,506,772.91</u>	<u>15,285,471.89</u>
NET ASSETS		
BEGINNING OF YEAR	<u>349,515,509.95</u>	<u>342,736,810.97</u>
END OF YEAR	<u>\$ 358,022,282.86</u>	<u>\$ 358,022,282.86</u>

**MENDOCINO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
CASH FLOW ANALYSIS
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2012
(PRELIMINARY)**

	CURRENT MONTH	YEAR TO DATE
ADDITIONS		
CONTRIBUTIONS		
EMPLOYER	1,045,158.45	3,469,961.06
PLAN MEMBER	351,024.89	966,979.95
	1,396,183.34	4,436,941.01
TOTAL CONTRIBUTIONS		
INVESTMENT INCOME		
RENTAL INCOME, NET OF EXPENSES	3,686.26	4,392.11
INTEREST	60.60	11,329.00
DIVIDENDS	556,849.27	776,933.58
CAPITAL GAIN	0.00	0.00
	0.00	0.00
LESS INVESTMENT EXPENSE		
	560,596.13	792,654.69
TOTAL INVESTMENT INCOME		
	1,956,779.47	5,229,595.70
TOTAL ADDITIONS		
DEDUCTIONS		
BENEFIT PAYMENTS AND SUBSIDIES	(1,937,543.31)	(5,844,310.82)
REFUNDS/ADJUSTMENTS OF CONTRIBUTIONS	(36,101.63)	(909,592.20)
ADMINISTRATIVE EXPENSES	(57,656.62)	(136,509.34)
	(2,031,301.56)	(6,890,412.36)
TOTAL DEDUCTIONS		
OTHER INCREASES/(DECREASES)		
ACCOUNTS RECEIVABLE	120.61	(2,638.17)
ACCOUNTS PAYABLE	215,552.93	140,161.78
BUCK SETTLEMENT	0.00	0.00
SALE/PURCHASE OF INVESTMENTS	1,000,000.00	1,000,000.00
	1,215,673.54	1,137,523.61
TOTAL OTHER INCREASES/(DECREASES)		
	\$ 1,141,151.45	(\$ 523,293.05)
INCREASE (DECREASE) IN CASH		
SUMMARY		
CASH AT END OF PERIOD	\$ 2,111,229.06	\$ 2,111,229.06
CASH AT BEGINNING OF PERIOD	970,077.61	2,634,522.11
	\$ 1,141,151.45	(\$ 523,293.05)
INCREASE (DECREASE) IN CASH		

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CALENDAR YEAR 2013 MEETING DATES

Board of Retirement meetings take place on the third Wednesday of every month
(unless otherwise noted with and asterisk*).

Meetings begin at 8:30 AM

January 16	April 17	July 17	October 16
February 20	May 8*	August 21	November 6*
March 20	June 19	September 18	December 18

EDUCATIONAL CONFERENCES

January 29-31, 2013	CALAPRS Board Leadership Institute	Los Angeles, CA
January 28-30, 2013	Callan 2013 National Conference	San Francisco, CA
February 8, 2013	CALAPRS Trustee Roundtable	San Jose, CA
March 2-5, 2013	CALAPRS General Assembly	San Francisco, CA
March 26-29, 2013	CALAPRS Principles of Pension Management	Palo Alto, CA
May 14 – 17, 2013	SACRS 2013 Spring Conference	Napa, CA
June 14, 2013	CALAPRS Trustee Roundtable	Burbank, CA
July 29-31, 2013	SACRS Public Pension Investment Program	Berkeley, CA
September 13, 2013	CALAPRS Trustee Roundtable	San Jose, CA
November 12-15, 2013	SACRS 2013 Fall Conference	Indian Wells, CA

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

Date: November 7, 2012
To: Board of Retirement
From: Richard White, Retirement Administrator
Subject: MCERA Resolutions resulting from Pension Reform Legislation

Introduction:

Governor Brown and Democratic lawmakers announced the long-anticipated comprehensive public employee pension reform plan on August 28, 2012 which went to the Legislature's conference committee that evening where the plan was approved. The plan will be carried as AB 340 and Assembly Bill 197 and is known as the California Public Employees' Pension Reform Act of 2013 (PEPRA). The bill was passed by the Legislature and the Governor signed the bill on September 12, 2012. The effective date for implementation of PEPRA is January 1, 2013.

As discussed with the Board at the October meeting, the PEPRA legislation impacts a number of areas of public employee pension benefits for current and future employees. One of the significant areas addressed in the legislation are the pay elements that are added to base salary for the purpose of determining final compensation. These pay elements are somewhat unique to 1937 Act systems such as Mendocino and have been the subject of litigation and legislation around the State over the course of the past fifteen or so years.

Mendocino CERA passed a resolution in 1998 which codified the pay elements available to members of the retirement association. In essence, PEPRA confirmed what MCERA is already doing in calculating compensation earnable for current members. For current employees who retire on or after 1-1-13, the same items of compensation are included and excluded as those who retire on or before 12-31-12. The Board is being asked to pass an updated resolution which complies with the new PEPRA legislation as passed under AB 197. The new resolution will supersede the 1998 resolution.

The Board is being asked to pass an additional resolution that will define the pay elements included for new members of the retirement association on or after January 1, 2013. The PEPRA legislation changed pay elements of pensionable compensation for new members and this resolution codifies the changes reflected in the legislation passed as AB 340.

MCERA staff has worked closely with our counterparts in the SACRS systems, CalPERS and with County staff to review the pay elements, pay codes and ensure the compliance with the PEPRA legislation. It should be noted that the review of the PEPRA legislation continues to be a very fluid situation by all of those tasked with the interpretation and operational implementation of the pension reform legislation. We have previously mentioned this and it continues to be so. In fact, staff expects to have a very meaningful series of discussions about the legislation at the SACRS Fall Conference which takes place the week of November 13-16, 2012.

The information and interpretations of the PEPRA legislation might change and staff will return to the Board in that event. Staff is comfortable with the resolutions before you and we believe they are based upon the best information that the staff has available to us at this point. These resolutions are what we think the right answer is today and staff is recommending that the Board adopt these resolutions at today's meeting because it will assist the County with the timing of their workload necessary to implement their payroll system to deal with the pension reform legislation.

Also, it is anticipated that the Board of Supervisors will be discussing the PEPRA legislation and pension tiers at their meeting on November 13, 2012 and I will be participating in the agenda item as a member of the county working group.

Recommended action: Approve and adopt Resolution 2012-06 and 2012-07.

MENDOCINO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
RESOLUTION 2012-06

**RESOLUTION DEFINING COMPENSATION EARNABLE
PURSUANT TO GOVERNMENT CODE §31461 FOR MEMBERS
WHO ARE NOT SUBJECT TO GOVERNMENT CODE §7522.34.**

WHEREAS, for those current members who became active members prior to January 1, 2013, and those members who became active members on or after January 1, 2013, but who are not subject to Government Code §7522.34 of the California Public Employees' Pension Reform Act, the determination of compensation earnable for remuneration earned by those members is governed by Government Code §31461; and

WHEREAS, Government Code §31461 provides that compensation earnable by a member means the average compensation as determined by the Board, for the period under consideration upon the basis of the average number of days ordinarily worked by persons in the same grade or class of positions during the period, and at the same rate of pay; and

WHEREAS, Government Code §31461 provides that this Board determine which items of remuneration earned by members shall constitute "compensation earnable"; and

WHEREAS, the Board has reviewed the current pay items and has determined which of those items are to be included in "compensation earnable" and which items are not to be included; and

WHEREAS, it is necessary for this Board from time to time to amend its determinations of compensation earnable due to changes in the compensation schedules of MCERA employers or changes in the law; Therefore be it

RESOLVED that effective January 1, 2013, resolution number 97-98 as amended is rescinded, and pursuant to Government Code §31461 as interpreted by the courts, the Board hereby makes the following determinations to be effective January 1, 2013, as to what is included in "compensation earnable" and items of remuneration that are not included:

1. Compensation earnable shall include:

Pay Code	Description
(303)	Vacation Pay-Out Non Management.
(304)	Vacation Pay-Out Management
(406)	Shift PM
(407)	Shift AM
(409)	Supervisor Shift
(417)	32.50 Bilingual
(418)	18.00 Bilingual
(422)	Confidential 5%
(438)	2.5% Longevity
(439)	5% Longevity
(440)	On Call Regular

Pay Code	Description
(441)	On Call Prior PP
(443)	7.5% Longevity
(444)	10% Longevity
(445)	Car Allowance
(456)	Board Of Supervisor Auto Allowance
(457)	BA Incentive
(514)	Standby Pay
(515)	Animal Handler
(520)	Field/Specialized Training
(523)	Bilingual 5% MCLEMA
(525)	Uniform Allowance
(528)	Covelo Housing
(529)	Covelo Bonus
(530)	Officer In Charge
(531)	Officer In Charge Level 2
(532)	Detective/Investigator Premium
(556)	AA/AS/Supv Incentive MCLEMA
(558)	10% B/A Incent
(559)	AA/AS DSA 3%
(567)	Bilingual 3% MCLEMA
(926)	Uniform Non-Cash

2. Pursuant to Government Code §31461(b) compensation earnable, shall not include in any case the following:

A. Any compensation determined by the Board to have been paid to enhance a member's retirement benefit under that system. That compensation may include:

(1) Compensation that had previously been provided in kind to the member by the employer or paid directly by the employer to a third party other than the retirement system for the benefit of the member, and which was converted to and received by the member in the form of a cash payment in the final average salary period.

(2) Any one-time or ad hoc payment made to a member, but not to all similarly situated members in the member's grade or class.

(3) Any payment that is made solely due to the termination of the member's employment, but is received by the member while employed, except those payments that do not exceed what is earned and payable in each 12-month period during the final average salary period regardless of when reported or paid.

B. Payments for unused vacation, annual leave, personal leave, sick leave, or compensatory time off, however denominated, whether paid in a lump sum or otherwise, in an amount that exceeds that which may be earned and payable in each 12-month period during the final average salary period, regardless of when reported or paid.

C. Payments for additional services rendered outside of normal working hours, whether paid in a lump sum or otherwise.

D. Payments made at the termination of employment, except those payments that do not exceed what is earned and payable in each 12-month period during the final average salary period, regardless of when reported or paid.

3. Pursuant to Government Code §31641(c), the terms listed above in paragraph 2 are intended to be consistent with and not in conflict with the holdings in *Salus v. San Diego County Employees Retirement Association* (2004) 117 Cal.App.4th 734 and *In re Retirement Cases* (2003)110 Cal.App.4th 426.

FURTHER RESOLVED that the above listed determinations by the Board of what is included or not included in compensation earnable, shall be in effect until such time as action taken by the Board or action by the Legislature or the Courts as a matter of law requires a different determination.

The foregoing resolution introduced by Board Member _____, seconded by Board member _____, and carried this 7th day of November, 2012, by the following vote:

ayes:
noes:
absent:

WHEREUPON, The Chair declared said Resolution adopted, and SO ORDERED.

Bob Mirata, Chairman
Mendocino County Board of Retirement

Attest: _____
Judy Zeller, Clerk to the
Mendocino County Board of
Retirement

MENDOCINO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
RESOLUTION 2012-07

**RESOLUTION DEFINING PENSIONABLE COMPENSATION
PURSUANT TO GOVERNMENT CODE §7522.34 FOR MEMBERS
WHO ARE NOT SUBJECT TO GOVERNMENT CODE §31461**

WHEREAS, for those members who became active members on or after January 1, 2013, and who are subject to the California Public Employees' Pension Reform Act contained in Government Code §7522 et seq., the determination of their pensionable compensation is governed by Government Code §7522.34; and

WHEREAS, the pensionable compensation for those employee members who are subject to Government Code §7522.34 shall be the normal monthly rate of pay or base pay of the member paid in cash to similarly situated members of the same group or class of employment for services rendered on a full-time basis during normal working hours, pursuant to publicly available pay schedules; and

WHEREAS, the Board has reviewed the current pay items and has determined which of those items are to be included in "pensionable compensation" and which items are not to be included; and

WHEREAS, it will be necessary for this Board, from time to time, to amend its determinations of pensionable compensation due to changes made by MCERA employers in their compensation schedules as well as changes in the law; Therefore be it

RESOLVED, pursuant to Government Code §7522.34, the Board hereby makes the following determinations to be effective January 1, 2013, as to what is included in "pensionable compensation" and items of remuneration that are not included:

1. Pensionable compensation shall include:

Pay Code	Description
(406)	Shift PM
(407)	Shift AM
(409)	Supervisor Shift
(417)	32.50 Bilingual
(418)	18.00 Bilingual
(422)	Confidential 5%
(438)	2.5% Longevity
(439)	5% Longevity
(443)	7.5% Longevity
(444)	10% Longevity
(457)	BA Incentive
(515)	Animal Handler
(520)	Field/Specialized Training

Pay Code	Description
(523)	Bilingual 5% MCLEMA
(529)	Covelo Bonus
(530)	Officer In Charge
(531)	Officer In Charge Level 2
(532)	Detective/Investigator Premium
(556)	AA/AS/Supv Incentive MCLEMA
(558)	10% B/A Incent
(559)	AA/AS DSA 3%
(567)	Bilingual 3% MCLEMA

2. Pensionable compensation, at a minimum, shall not include, in any case, the following pay items.

A. The following pay codes are not included:

Pay code	Description
(303)	Vacation Pay-Out Non Management
(304)	Vacation Pay-Out Management
(440)	On Call Reg
(441)	On Call Prior PP
(445)	Car Allowance
(456)	BOS Auto Allowance
(514)	Standby Pay
(525)	Uniform Allowance
(528)	Covelo Housing
(926)	Uniform Non-Cash

B. Pursuant to Government Code §7522.34, pensionable compensation does not include the following:

1. Any compensation determined by the Board to have been paid to increase a member's retirement benefit.
2. Compensation that had previously been provided in kind to the member by the employer or paid directly by the employer to a third party other than the retirement system for the benefit of the member and which was converted to and received by the member in the form of a cash payment.
3. Any one-time or ad hoc payments made to a member.
4. Severance or any other payment that is granted or awarded to a member in connection with or in anticipation of a separation from employment, but is received by the member while employed.

5. Payments for unused vacation, annual leave, personal leave, sick leave, or compensatory time off, however denominated, whether paid in a lump sum or otherwise, regardless of when reported or paid.
 6. Payments for additional services rendered outside of normal working hours, whether paid in a lump sum or otherwise.
 7. Any employer-provided allowance, reimbursement, or payment, including, but not limited to, one made for housing, vehicle, or uniforms.
 8. Compensation for overtime work, other than as defined in Section 207(k) of Title 29 of the United States Code.
 9. Employer contributions to deferred compensation or defined contribution plans.
 10. Any bonus paid in addition to the compensation described in subdivision (a) of Government Code §7522.34 .
 11. Any other form of compensation the Board determines is inconsistent with the requirements of subdivision (a).
 12. Any other form of compensation that this Board determines should not be pensionable compensation.
3. Pursuant to Government Code §7522.10, whenever pensionable compensation, as defined in §7522.34, is used in the calculation of a benefit, the pensionable compensation shall be subject to the monetary limitations set forth in subdivision §7522.10.

FURTHER RESOLVED that the above listed determinations by the Board of what is included or not included in pensionable compensation, shall be in effect until such time as this Board, the Legislature or the Courts take action that as a matter of law requires a different determination.

The foregoing resolution introduced by Board Member _____, seconded by Board member _____, and carried this 7th day of November, 2012, by the following vote:

ayes:
noes:
absent:

WHEREUPON, The Chair declared said Resolution adopted, and SO ORDERED.

Bob Mirata, Chairman
Mendocino County Board of Retirement

Attest: _____
Judy Zeller, Clerk to the
Mendocino County Board of
Retirement

RESOLUTION NO. 97-98 -

RESOLUTION OF THE BOARD OF MENDOCINO COUNTY EMPLOYEES RETIREMENT ASSOCIATION TO IMPLEMENT THE DECISION OF THE CALIFORNIA SUPREME COURT REGARDING COMPENSATION EARNABLE AND FINAL COMPENSATION

WHEREAS, on October 1, 1997, the decision of the California Supreme Court, in Ventura County Deputy Sheriff's Association v. Board of Retirement of The Ventura County Employee Retirement Association ("Ventura County"), became final;

WHEREAS, the Supreme Court in such Ventura County case mandated a change in the method for calculating pension benefits for members and their beneficiaries by retirement systems governed by the County Employees Retirement Law of 1937.

WHEREAS, the Board of Retirement desires to implement the decision of the Supreme Court by taking action to include within "compensation earnable" and "final compensation" specific cash payments made to employees not previously recognized as such; and

WHEREAS, the Board of Retirement desires to establish policies on issues not specifically addressed by the Supreme Court decision with regard to certain cash payments made to employees.

THEREFORE, BE IT RESOLVED, AS FOLLOWS:

- A. The previous measurement of "compensation earnable" as set forth on the various Resolutions adopted by the Board of Retirement, shall continue to apply.
- B. The Board of Retirement hereby adopts the following additional items as "compensation earnable" and "final compensation" for retirement purposes to be added to base salary:
 1. Bilingual Premium Pay
 2. Miscellaneous Earnings Adjustments
 3. Taxable Automobile Allowance (excludes mileage reimbursement)
 4. Annual Vacation Redemption - limited to Annual Leave actually redeemed by member during the normal course of active service, and within the 12 or 36 months period to be used for measurement of final compensation, not to exceed the number of hours actually accrued by the member during such measurement period, reduced by the number of hours of annual leave the member was required to use in order to qualify to redeem annual leave.
 5. Travel Time Pay (Straight time pay while traveling)
 6. Taxable Uniform Allowance
 7. Animal Handling
 8. Field Training
 9. Night Shift Differential

10. Supervisory Night Shift Differential
11. On Call Pay
12. Shift Differential p.m. Mental Health
13. Shift differential a.m. Mental Health

- C. The Board of Retirement hereby formally excludes from "compensation earnable" and "final compensation" any lump sum payment made to a member as a result of his or her separation from service. Examples of such payments would be, but are not limited to, payment to any member upon separation from service of their accrued annual leave, vacation or sick leave balances.
- D. The Board of Retirement retains the right to make further determinations on the eligibility of any cash payments made to members as brought to the attention of the Board.
- E. The provisions of this Resolution shall be implemented by the Mendocino County Auditor-Controller effective with pay period 98-01. The Board retains the right to make future determinations with respect to the retroactive collection of employer and employee retirement contributions.
- F. No retirement benefit shall be paid to a member if the amount of such benefit is in excess of Section 415 of the Internal Revenue Code, of the United States.

The above and foregoing resolution was introduced by Board of Retirement Member DUMAN who moved for its adoption, seconded by Board of Retirement member PINTANE, and was

PASSED AND ADOPTED by the Mendocino County Employees Retirement Association Board of Retirement this 10 day of JUNE by the following vote:

AYES: **DUMAN, THURSTON, CARTER, BOYES, PINTANE, KNUDSEN, FISHER**

NOES: **0**

ABSENT; **SHOEMAKER, LANGE**

WHEREUPON, THE Chairman declared this resolution passed and adopted, and SO ORDERED.



William Fisher, Chairman
Board of Retirement

Richard A. White, Jr.
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: November 7, 2012
To: Board of Retirement
From: Richard White, Retirement Administrator
Subject: MCERA Strategic Plan

Introduction:

The Mendocino County Employees' Retirement Association (MCERA) met on October 17 and 18, 2012 for the first formal strategic planning session undertaken by the Board of Retirement. The session was facilitated by Nancy Williams and Russ Charvonja, consultants from the Fiduciary Practice at the consulting firm Hewitt EnnisKnupp (HEK).

Subsequent to the meeting, the Board of Retirement received a summary of the Strategic Planning workshop from the HEK consultants which provided a general overview of the strategic planning process and the outcomes from the meeting which included a proposed mission statement, proposed core values and proposed goals and objectives.

The next steps for the Board of Retirement and staff are detailed on page 13 of the strategic plan summary, as follows:

1. Staff refines the language of the Core Values, Goals, Objectives, and the details under Goal 3, Objective A for Board review at the November 7, 2012 Board meeting.
2. Staff adds proposed start and completion dates to each of the Objectives for Board review at the December 12, 2012 Board meeting.
3. Staff submits the revised strategic plan for the Board's approval of the Mission Statement, Core Values, Goals and Objectives for the Board's review at the January 16, 2013 Board meeting.
4. Using the approved strategic plan, the Retirement Administrator creates strategies with timelines and budgets for March 2013 Board meeting, when the budget will first be discussed.
5. The Retirement Administrator collaborates with the staff and creates action plans for Objectives that are to start in 2013.

6. The Board and staff reach agreement on the “definition of success” for the Objectives that are to start in 2013.
7. The Retirement Administrator reports progress under the plan as necessary and prepares a formal report on the progress of the strategic plan for the Board meeting in October, 2013.
8. The Board updates the strategic plan in October 2014.

Action Items:

The Board of Retirement is being asked to finalize these components of the strategic plan, as the initial steps in the strategic plan and in anticipation of the next steps:

1. **Mission Statement (Page 9)**

- a. A mission statement conveys the organization’s purpose and identity. It speaks to both internal and external stakeholders. A mission statement sets a tone and expresses a philosophy or image to guide the organization.
- b. At the time of the strategic planning session, MCERA had a formal mission statement; however, it was closer to a list of statutorily required functions than to a true mission statement. During the session, the Board and staff reached consensus on the following Mission Statement that generally reflected their thoughts.
- c. **Recommended action:** Adopt the MCERA Mission Statement

2. **Core Values (Page 10)**

- a. Core values state beliefs, attitudes and ideals. They address “how we do business around here” and communicate standards of behavior. Sometimes called ‘guiding principles’, ‘organizational values’ or simply ‘values.’
- b. During the meeting, the participants discussed the values that are important to the organization. Core values can serve as a message to current and future Board members and staff about the culture of MCERA. It also conveys to the membership, County, and outside entities, the way business is conducted at the MCERA.

During the strategic planning session, the Board and staff reached a general consensus on the following Core Values, although the Board still needs to finalize them.

- c. **Recommended action:** Adopt the MCERA Core Values

3. **Goals and Objectives (Pages 11 and 12)**

- a. Goals state what you seek to accomplish and what you want to change or what you intend to become.
 - b. Objectives identify measureable steps you need to accomplish goals and create focus and motivation toward goals.
 - c. The participants engaged in a SWOT analysis which led to a number of critical issues. (See Appendix for details.) The following are the priorities, stated as Goals and Objectives, for the Board and staff over the next 3 to 5 years.
 - d. **Recommended action:** Adopt the MCERA Goals and Objectives
4. This initial step after the Strategic Planning Session also called for the Board of Retirement to set details under Goal 3, Objective A.

Goal #3: Establish optimal board governance

- a. Objective A: Review existing charters and policies to identify gaps (further details to be added after Board discussion)
- b. **Recommended action:** Review the attached listing of suggested Board Charters and Board Policies and give direction to staff regarding the prioritization of Board adoption.

PRIORITY	CHARTERS
	Defined Terms for Charters and Policies
	Mission Statement
	Core Values
	Board of Retirement Charter
	Board Chair Charter
	Board Vice Chair Charter
	Audit Committee Charter
	Governance Committee Charter
	Committee Chair Charter
Draft to Board 11/7/2012	Retirement Administrator Charter

PRIORITY	POLICIES
	Acceptance and Reporting of Gifts
	Administrative Hearings
	Board Disclosure Policy
Adopted 4/18/2012	Board Policy Development Process
	Board Performance Review
	Budget Approval Policy
	Communications Policy
	Disability Retirement Reemployment Policy
	Disposition of Equipment Policy
	Due Diligence Policy
	Election Procedures Policy
	Extraordinary Expense Recovery Policy
	Fact Sheets
	Funding Policy
	Hearing Officer Selection & Retention Policy
	Indemnity & Defense Policy
Adopted 9/2010	Investment Policy Statement
	Legislative Policy
	Monitoring & Reporting Policy
Adopted 2/15/2012	Overpayment Policy
	Placement Agent Disclosure Policy
	Planning Policy
	Proxy Voting Policy

	Record Retention Policy
PRIORITY	POLICIES
Adopted 9/19/2012	Retirement Administrator Performance Evaluation Policy
Adopted 9/19/2012	SACRS Voting Authority Policy
	Securities Litigation Policy
	Service Provider Selection Policy
Adopted 12/16/2009 Draft to Board 11/7/2012	Trustee Education and Travel Policy
Adopted 6/16/2010	Undistributed Earnings Policy
	Quiet Period Policy



**Mendocino County Employees'
Retirement Association**

Strategic Planning Session
October 17-18, 2012

Summary

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 - A. Introduction
 - B. Meeting Participants
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 - E. Roles and Responsibilities
 - F. Strategic Planning Process

- 2 **Outcomes from the Meeting**
 - A. Proposed Mission Statement
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 - C. Proposed Goals and Objectives

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 - A. SWOT Analysis
 - B. Critical Issues

Subject to Board Approval

GENERAL OVERVIEW

Introduction

The Mendocino County Employees' Retirement Association (MCERA or the Association) is governed by a Board of Trustees (Board) and managed by a four person staff. The Board and staff met on October 17 and 18, 2012 for their first formal strategic planning session. The meeting was arranged by the recently hired Retirement Administrator who had engaged in a successful strategic planning effort at a public retirement system where he was previously a member of the board of trustees. The session was facilitated by consultants from Hewitt EnnisKnupp (HEK).

During the session, the group reviewed the fundamentals of strategic planning and discussed an approach to planning for the Association that would engage the Board at a governance level and the staff at a management level. Working together, the group developed the foundation of a 3 to 5 year strategic plan. Once finalized, the strategic plan will guide the Association's activities and will influence budget development. The strategic plan and progress made under the plan will also be integrated into the Retirement Administrator's periodic performance evaluations.

In preparation for the meeting, HEK consultants interviewed the Retirement Administrator to gain an understanding of his expectations for this endeavor and reviewed basic information about the Association.

On the first day, the Board and staff members were asked what they hoped to accomplish over the two-day strategic planning session. Among the objectives they stated were:

- To understand the issues and see a snapshot of where we are and where we will be in the next 1-2 years
- To define a list of issues, prioritize them, and address them in a timely way and to measure results
- To minimize future funding surprises
- To come to closure on some issues that we have discussed over and over again (actuarial matters and automation)
- To set priorities and have a useful guide for addressing them
- To have goals written down and a measurable way of achieving them
- To have something that is useful when setting budgets and to know what the board wants the staff to be working on
- To deal with the daunting task of pension reform
- To get good ideas on the table and discuss implementation and to provide continuity
- To be more efficient in meetings
- To have tools to follow through on the plan
- To increase transparency and accountability
- To deal with the GASB 68 restated pension liabilities
- To be less reactive and more proactive
- To do what we can to make the system sustainable
- To follow up and follow through on the issues we identify
- To clarify the roles and responsibilities of Board and staff
- To create a roadmap and operational templates for the organization
- To enhance our problem-solving and decision-making
- To increase efficiencies in a system of our size
- To let staff know what they are to do with their time
- To reduce surprises and sidestep crises
- To define who we are to our stakeholders

GENERAL OVERVIEW

- To focus on the participants
- To better serve our participants

The meeting participants next considered the Association's existing Mission Statement and discussed alternatives to it. They took a "first cut" at creating a new Mission Statement, and articulated Core Values for MCERA. The final approval of these basic elements of the strategic plan will take place at a future Board meeting.

The Board and staff also discussed the strengths and weaknesses of the internal organization as well as the opportunities and threats on the horizon through a SWOT analysis. Strengths and weaknesses were discussed first to determine what MCERA, as an organization, is capable of accomplishing. The opportunities and threats to the organization are external factors that could be advantageous or potentially troublesome.

The SWOT analysis led to a discussion of critical issues. The participants were encouraged to bring forth any ideas or concerns of a strategic nature. The intent of this part of the planning session was to elicit broad input from everyone and not to limit or exclude any ideas. Many issues were repeated by several participants.

At the end of the first day, the consultants took the Board's and staff's input, coupled with the themes derived from the SWOT analysis, and organized the issues into "clusters" of related topics. The consultants' aim was to create a limited number of draft Goals (3 to 7) with corresponding measurable Objectives under each Goal. The consultants proposed possible language for the Goals and Objectives for the Board and staff to consider and modify the next day.

On the second day, the participants once again reviewed the Mission Statement and Core Values and reached general consensus on them.

The participants also generally agreed upon 4 Goals with 6 to 14 Objectives under each Goal. The exact wording of the Goals and Objectives was not discussed in great detail due to time constraints.

The Retirement Administrator and staff will propose start and completion dates for each Objective and the appropriate strategies to use in their implementation. For those Objectives with a start date in 2013, the strategies will contain action plans and expected costs.

After the Board receives a briefing on the strategies and approves any necessary budget changes, the staff will create specific action plans for the Objectives that are scheduled to start in 2013 and manage them as part of their ongoing management activities. There is less value in assigning action plans much more than a year out since things will inevitably change. Objectives have start and completion dates, whereas action plans state intermediate deadlines.

GENERAL OVERVIEW

Early in 2013, the first year of implementation, the staff will also address performance measurements, a very important element of the strategic plan. They will establish metrics and other ways to measure and report progress under the plan. Their recommendations will be presented to the Board for approval.

After the implementation of the strategic plan, the staff will provide regular progress reports to the Board and Retirement Administrator at the agreed upon frequency.

Approximately one year from now, the Board and staff will convene with the purpose of evaluating their success and updating the strategic plan. This effort will keep the plan alive and maintain it as a meaningful road map for those who follow.

Subject to Board Approval

GENERAL OVERVIEW

Meeting Participants

Retirement Board

Bob Mirata, Chair
Shari Schapmire, Vice Chair
Tim Knudsen, Secretary
Randy Goodman, Trustee
John Sakowicz, Trustee
Richard Shoemaker, Trustee
Supervisor Kendall Smith, Trustee
Ted Stephens, Trustee
Craig Walker, Trustee
Lloyd Weer, Trustee

MCERA Staff

Rich White, Retirement Administrator
Katy Richardson, Senior Retirement Specialist
Judy Zeller, Retirement Specialist II
Jeff Berk, MCERA Legal Counsel

Consultants from Hewitt EnnisKnupp

Nancy Williams, Partner
Russ Charvonia, Partner

Subject to Board Approval

GENERAL OVERVIEW

**Mendocino County Employees' Retirement Association
Strategic Planning Session Agenda
Ukiah Conference Center
October 17 & 18, 2012**

Wednesday, October 17th

- Overview of Strategic Plan Basic Components
- Mission Statement and Core Values
- SWOT Analysis
- Identification of Critical Issues

Thursday, October 18th

- Recap of Previous Day
- Clustering of Issues
- Goals and Objectives
- Next Steps in Strategic Planning

Subject to Board Approval

GENERAL OVERVIEW

Strategic Planning Terminology

During the meeting, the HEK consultants proposed that the following terminology be used in order to avoid confusion. The terms were defined as answering the following questions:

- Mission Statement:
 - Who are we?
 - Why do we exist?
- Core Values:
 - What do we believe in?
 - What principles guide us?
- Goals:
 - What do we want to achieve?
 - What are our priorities?
- Objectives:
 - What measurable steps do we need to take to achieve our goals?
- Strategies:
 - How will we allocate our time, talent, and budget to reach our goals and objectives?
- Action Plans:
 - Who is responsible for doing what?
 - When are the deadlines?
- Performance Measurement:
 - How successful have we been?
 - What changes do we need to make?

Subject to Board Approval

GENERAL OVERVIEW

Roles and Responsibilities

The Board and staff have valuable, but different, roles in strategic planning. Ultimately the Board “owns” the plan and the staff implements the plan.

Roles of Board and Staff in Strategic Planning	
Board with input from Staff	Mission Statement
	Core Values
Board with input from Staff and possibly consultants	Goals
	Objectives
Staff responsibility with Board approval of budget and timeline	Strategies
	Action Plans
Joint effort of Board and Staff	Performance Measurement

Subject to Board Approval

GENERAL OVERVIEW

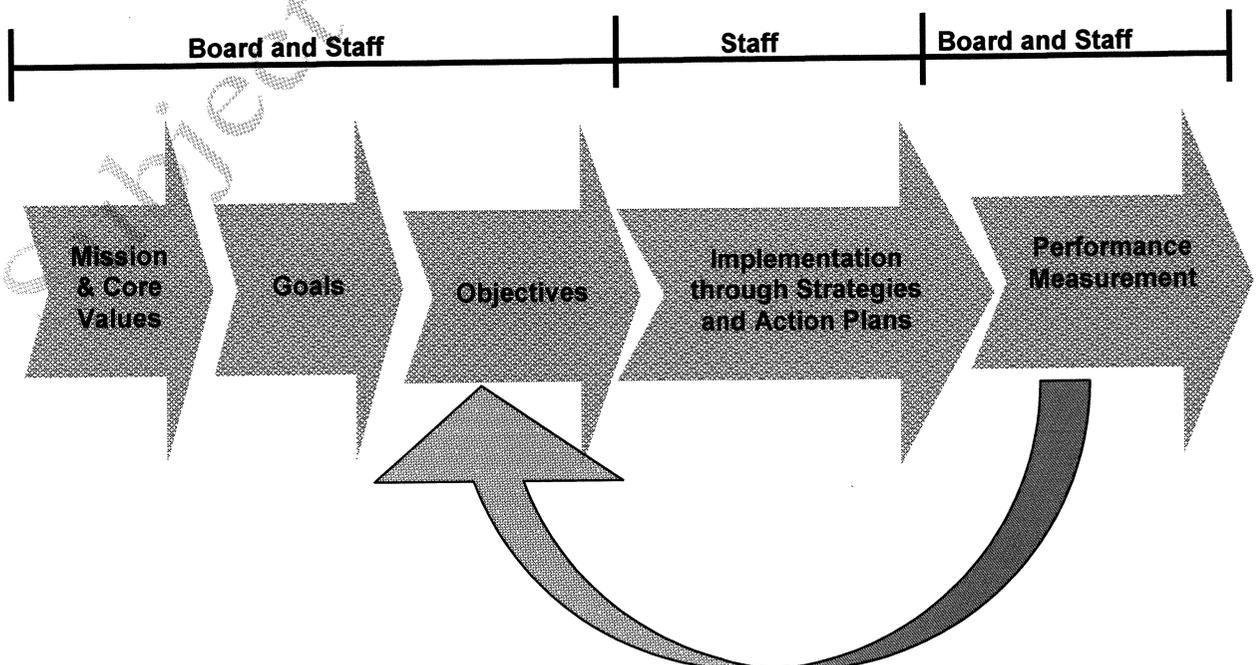
Strategic Planning Process

In general the strategic planning process used by MCERA was one that was recommended by Hewitt EnnisKnupp and has been used successfully for decades by other public retirement systems. It differs from a private sector approach in that it is purposely designed to be an interactive process that includes trustees and staff working cooperatively through the initial steps in developing the plan.

The benefits of strategic planning are many, with education among them. When questioned, many of the Board members and staff stated that they hoped to learn more about the views of others and to come away with the clear perspective about the big issues and challenges facing MCERA over the next few years. They were also looking forward to having a “road map” for the future and a way of measuring progress as the plan is implemented.

The HEK consultants conveyed that the time-consuming part of planning for the Board takes place up front. After the plan is in place, the Board should not have to spend significant time in reviewing progress reports or in updating the plan. In future years, the foundation of the strategic plan should not change much. If the Mission and Core Values were created with proper care, then they will likely last for many years. The same is true with the over-arching Goals. What changes most are the Objectives. The HEK consultants recommended that the plan be updated by adding new Objectives, modifying other Objectives, and deleting completed Objectives on a two-year cycle. They also recommended that progress under the plan be reported at regular Board meetings when issues tied to the plan are on the agenda as well as during the Retirement Administrator’s performance evaluations, which are scheduled to take place every 6 months.

Strategic Planning— A Continual Process



Proposed Mission Statement

At the time of the strategic planning session, MCERA had a formal mission statement; however, it was closer to a list of statutorily required functions than to a true mission statement. During the session, the Board and staff reached consensus on the following Mission Statement that generally reflected their thoughts.

Proposed Mission Statement
<p style="text-align: center;">Mendocino County Employees' Retirement Association Mission Statement</p> <p style="text-align: center;">To provide members and their beneficiaries with sustainable benefits and exceptional service through professional plan administration and prudent investment practices.</p>

Previous Mission Statement
<p>The goal of the Mendocino County Employees' Retirement Association (MCERA) is to provide member services in a confidential, professional, competent and approachable manner. Those services include:</p> <ul style="list-style-type: none">▪ Providing retirement compensation, death and disability benefits to County retirees and their beneficiaries.▪ Providing assistance to County employees in planning for their retirement.▪ Preserving and maintaining the assets of the system through prudent investment of employee and employer contributions, while maintaining a sound funded status for the system.

Proposed Core Values

During the meeting, the participants discussed the values that are important to the organization. Core values can serve as a message to current and future Board members and staff about the culture of MCERA. It also conveys to the membership, County, and outside entities, the way business is conducted at the MCERA.

During the strategic planning session, the Board and staff reached a general consensus on the following Core Values, although the Board still needs to finalize them.

Proposed Core Values
Act with honesty, integrity and accountability
Adhere to the highest fiduciary standards
Treat all stakeholders in a fair and equitable manner
Think strategically; anticipate and prepare for change
Promote a culture of transparency
Focus on customer service
Be a reliable source of information for stakeholders
Strive for continuous improvement
Protect confidential information
Develop and empower Association staff
Ensure a positive work environment
Communicate effectively
Be accountable to each other and to all who rely on us
Be respectful of diversity and different points of view

Proposed Goals and Objectives

The participants engaged in a SWOT analysis which led to a number of critical issues. (See Appendix for details.) The following are the priorities, stated as Goals and Objectives, for the Board and staff over the next 3 to 5 years.

Goal #1: Enhance communications and customer service provided by the Association

Objectives:

- a. Develop a proactive communication strategy (further details to be added after Board discussion)
- b. Increase interaction and information sharing with the plan sponsors to better educate them about funding and other Association issues
- c. Improve the annual member statements
- d. Invite greater participation by the various employee groups
- e. Improve the content and usability of the website
- f. Assess the costs and benefits of creating a periodic email newsletter for members and retirees
- g. Create an external Internet portal so members can access their account information on a 24/7 basis
- h. Provide members with the education to equip them for retirement

Goal #2: Increase the effectiveness of internal operations

Objectives:

- a. Prepare for the implementation of PEPRA
- b. Assess technological needs for all key functions of the organization and prepare an IT roadmap
- c. Evaluate various service providers and implement an automated pension administration system
- d. Undertake the process of imaging vital documents (EDMS)
- e. Complete the IRS Voluntary Correction Program
- f. Re-evaluate the organizational structure, the assignment of responsibilities, and job descriptions
- g. Assess the adequacy of internal controls, including the separation of duties
- h. Pursue staff development, cross-training, and succession planning
- i. Explore options for disaster preparedness
- j. Discuss the feasibility of issuing debit cards or requiring electronic funds transfers (EFTs) for benefit payments
- k. Decide the most cost-effective way of handling accounting functions
- l. Evaluate ways to streamline the procurement process and expense reimbursement
- m. Investigate means of achieving economies of scale to reduce costs
- n. Evaluate long range requirements for office space

Goal #3: Establish optimal board governance

Objectives:

- a. Review existing charters and policies to identify gaps (further details to be added after Board discussion)
- b. Refine the disability determination policy and processes
- c. Prepare a board member position description outlining expectations for those who are seeking election or appointment to the Board
- d. Discuss ways to augment limited staff resources
- e. Establish ways to report and measure progress of strategic plan goals and objectives
- f. Establish annual fiduciary training tailored for the Association

Goal #4: Explore creative ways to help the plan sponsors address the unfunded liability

Objectives:

- a. Continue to explore ways to increase investment returns while managing overall portfolio risk to an acceptable level
- b. Evaluate the risks and returns of shifting the degree of active and passive management of investments
- c. Undertake an asset/liability modeling (ALM); analyze the best case, worst case, and most likely case scenarios and trends
- d. Review the portfolio's asset allocation following the ALM and make adjustments, as appropriate
- e. Re-evaluate the existing actuarial funding method and the assumptions
- f. Analyze the potential impact that budget constraints of the federal and state governments will have on the County and the Association
- g. Provide information to the plan sponsors regarding costs of benefit changes (formulas and eligibility) that may stem from PEPR

NEXT STEPS

The next steps for MCERA to take in finalizing the strategic plan are the following.

1. Staff refines the language of the Core Values, Goals, Objectives, and the details under Goal 3, Objective A for Board review at the November 7, 2012 Board meeting
2. Staff adds proposed start and completion dates to each of the Objectives for Board review at the December 12, 2012 Board meeting
3. Staff submits the revised strategic plan for the Board's approval of the Mission Statement, Core Values, Goals and Objectives for the Board's review at the January 16, 2013 Board meeting
4. Using the approved strategic plan, the Retirement Administrator creates strategies with timelines and budgets for March 2013 Board meeting, when the budget will first be discussed
5. The Retirement Administrator collaborates with the staff and creates action plans for Objectives that are to start in 2013
6. The Board and staff reach agreement on the "definition of success" for the Objectives that are to start in 2013
7. The Retirement Administrator reports progress under the plan as necessary and prepares a formal report on the progress of the strategic plan for the Board meeting in October, 2013.
8. The Board updates the strategic plan in October 2014.

Subject to Board Approval

SWOT Analysis

The Board and staff engaged in a SWOT (Strengths, Weaknesses, Opportunities, and Threats) analysis to evaluate MCERA's current strategic position. They identified the strengths and weaknesses of the internal organization as well as the external opportunities and threats that might impact MCERA in a positive or negative way.

When doing a SWOT analysis, it was important to view the organization from many perspectives. In examining each of the four elements of SWOT, the following questions were discussed.

Strengths:

- What do we do well?
- What are our core competencies?
- Where do we excel?

Weaknesses:

- What could use improvement?
- What is hindering us from performing?
- What are our deficiencies?

Opportunities:

- What has changed in our environment that can help us improve?
- What can we take advantage of?
- What unique circumstances exist?

Threats:

- What external factors might hurt us or stand in our way?
- What should we watch out for?
- Where are the risks?

The results of the SWOT analysis were summarized into critical issues that were then translated into Goals and Objectives.

Critical Issues

The participants shared many thoughts on the issues that were most important to them. Some of these issues were brought up as a result of the discussion of internal strengths and weakness and external opportunities and threats (SWOT) and others were issues that have been around for awhile but have not been fully addressed. The discussion was primarily on strategic issues that:

- Change the organization's direction in a significant way
- Involve important policy decisions
- Require substantial resources of the part of the Board and staff
- Require more than one year to accomplish
- Have a major impact on the operating budget

Critical issues were clustered into four general areas:

Communications & Customer Service

- Alternative methods for communicating with members
- Information sharing with County, employee groups and the public
- Public perception and confidence
- Improve member experience
- Employer expectations

Internal Operations

- PEPPRA implementation
- Information technology
- Pension automation system implementation
- IRS Voluntary Correction Program completion
- Staff development, cross-training and succession planning
- Internal controls
- Disaster preparedness and recovery
- Accounting functions
- Procurement process and economies of scale

APPENDIX B

Board Governance

- Completing governance policies and documentation
- Refining disability policy and processes
- Communicating expectations of board members
- Managing limited staff resources
- Fiduciary training

Unfunded Liability

- Maximizing investment returns versus managing risk
- Communicating the impact of PEPRA on the plan sponsors
- Understand and manage budgetary constraints from federal and state governments

The list of critical issues was the basis for the proposed Goals and Objectives for MCERA.

Subject to Board Approval

Richard A. White, Jr.
Retirement Administrator



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

Date: November 7, 2012
To: Board of Retirement
From: Richard White, Retirement Administrator
Subject: Retirement Administrator Report

I have listed some noteworthy activities which I have participated in since your last Board of Retirement meeting.

- I was invited to speak to the Employer's Council of Mendocino County (ECMC) at their monthly luncheon which was held in Fort Bragg on October 19, 2012.
- I gave a brief update on MCERA Board of Retirement activities to the Board of Supervisors during public expression at their meeting on October 23, 2012.
- I attended the welcome reception for the new Mendocino County Counsel, Thomas Parker held on October 23, 2012.
- I met with Supervisor John Pinches in his office on October 25, 2012.

The following is a summary status report on items of interest for the Board of Retirement:

A. Public Records Act Requests

MCERA received a public records act request from the UNITEHERE International Union, Washington, D.C. which has been completed.

B. Holiday Hours

MCERA will be closed for the Veteran's Day Holiday on November 12 and closed for the Thanksgiving Holiday on November 22 and 23.

C. R. V. Kuhns Public Fund Universe Analysis Report

MCERA once again participated in the annual system comparison report which is prepared by R.V Kuhns and presented at the SACRS Fall Conference. The report for the period ended June 30, 2012 is included as a separate report in your materials.

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America's looming retirement crisis

By Chad Parks

Published October 14, 2012 | FoxNews.com

It's time to wake up, America. Yes, we have a debt crisis. Yes, we have a government spending crisis. And yes, we're still recovering from the economic crisis.

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But there is another crisis that no one wants to talk about — the looming retirement crisis. It's time to take control of our retirement futures, which first starts by learning about it, and then doing something about it.

Millions of baby boomers are retiring over the next 19 years, but a significant number don't have the savings necessary to make it through retirement comfortably. Meanwhile, millions of working Americans are putting off saving for retirement, and thus retirement savings accounts are woefully inadequate. Worse yet, there are some 40 million workers who don't even have work-place retirement savings available to them.

How did we get here?

Retirees used to depend on a three-legged stool approach to retirement income: a pension, Social Security and personal savings.

These days, pensions are extinct for most people, while Social Security is on the brink of insolvency. Personal savings isn't working for many either. The Employee Benefit Research Institute reported in March that 60 percent of American workers said the total value of their savings and investments is less than \$25,000.

That's a gut-wrenching fact that should give you a moment of pause.

Instead of a three-legged stool, we're left with a pogo-stick that is difficult to balance our retirements on.

The current path is unsustainable and we need to strengthen and expand retirement savings plans so we have at least one leg to stand on. At my company, The Online 401(k), we are acutely aware of the retirement crisis.

Here is what we need to do:

1. Expand access to small businesses

Small businesses are the backbone of America, but they're suffering more than anyone else from the looming retirement crisis. According to the Small Business Administration, workers employed by small businesses are the least likely to have access to employer-sponsored retirement plans. Further, 72 percent report having no retirement at all.

We need small businesses to see the value and importance of offering a retirement plan. Perhaps businesses should be incentivized to offer retirement savings at work. Most people don't realize that the government is willing to pay you to save through tax savings. Either you get paid to save, or you pay the government.

2. Lower 401(k) fees

Do you know how much you're paying for your 401(k) plan? AARP found about seven in 10 workers weren't aware they were paying any fees for their 401(k) plans.

There's a reason why the Department of Labor recently mandated that 401(k) providers disclose all of the fees they are charging you. Fees must come down. Reasonable fees to set-up and run plans is one thing – but taking a major bite out of your plan based on your plan's balance and not telling you about it is entirely different. Don't pay more than you need to.

3. Talk about it!

Earlier this year, some of my colleagues and I traveled across the country for six weeks to speak to everyday Americans about retirement. The overall sentiment of the country surprised me. Though there is a sense of awareness that things aren't right, people were generally pessimistic when it came to their own retirements without realizing this is a countrywide problem that can be fixed.

People are talking about this in the retirement industry, but in order to solve the looming retirement crisis, all Americans need to join the discussion. Take an interest in the impact that it will have on your future and the future of your children.

Join the conversation by checking out the website we created for our road trip and documentary at www.brokeneggfilm.com.

The looming retirement crisis will affect all of us, but it is avoidable. We need to redefine what retirement means, we need to think about our family structures, and we need to be willing to make short-term sacrifices for the greater good. We all need to save in order to literally save ourselves.

This fatal combination of outsourcing our futures to the government, corporations abandoning their pensions, and people not taking personal responsibility and saving enough will hit us hard.

What are we going to do when the majority of our citizenry is broke and looking to the government to help them? What will happen to our taxes then? What will happen to our economy when no one has any money to spend? What happens when we outlive what meager savings we may have?

What happens indeed.

I implore you, be part of the solution, and not part of the problem. Step up, take personal responsibility, talk about it and for yours and my sake, please save!

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THE WALL STREET JOURNAL

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ECONOMY September 21, 2012, 8:02 p.m. ET

Pension Crisis Looms Despite Cuts

Almost Every State Trims Public-Employee Benefits but \$900 Billion Retirement Funding Gap Remains

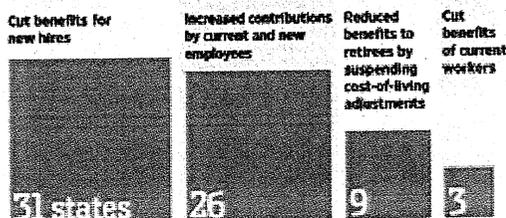
By MICHAEL CORKERY

Almost every state in the U.S. has made cuts to its public-employee pensions, seeking to dig out from the economic downturn, but so far the measures have fallen well short of bridging a nearly \$1 trillion funding gap.

Since 2009, 45 states have rolled back pension benefits for teachers, police, firefighters and other public workers, including cuts by Michigan and California this month. Next week, Republican Ohio Gov. John Kasich is expected to sign legislation requiring, for example, that certain teachers work longer and pay more toward their pensions.

The state measures show how economic forces are reshaping traditional rivalries, convincing lawmakers and labor leaders that past public pension plans are unsustainable. In Ohio and elsewhere, politically potent unions have locked arms with state officials over the pension cuts.

How States Have Trimmed Pension Benefits



Note: While 45 states have opted for some form of benefit reductions, some have pursued more than one tactic.
Source: Center for Retirement Research at Boston College
The Wall Street Journal

But the new laws have trimmed just \$100 billion out of the \$900 billion gap between what the states and their workers put into their retirement plans and what the states owe in retirement benefits, according to estimates prepared for The Wall Street Journal by researchers at Boston College.

Unfunded liabilities in many states grew to troubling levels after investment losses in the 2008 financial crisis depleted pension assets. While most states have approved some form of pension cuts, many have opted to apply those changes only to workers who have yet to be hired.

That means most of the savings won't be realized for decades, when the most expensive retirement benefits come off the books. Changes made to the retirement plans of newly hired workers are expected to reduce pension costs by 25% over the

next 35 years, according to Boston College estimates.

For years, part of the attraction of public service jobs has been guaranteed pensions and other benefits. That remains largely intact for current workers. Only a handful of states have replaced some guaranteed pension benefits with 401(k)-style retirement accounts that are commonplace in U.S. corporations.

Experts say the differences between public and private retirement benefits will eventually narrow as cuts to new workers' plans take hold.

Many states have avoided reducing benefits for current workers or retirees, saying the plans have legal protections. Courts in Minnesota and Colorado have ruled that cost-of-living raises can be reduced.

"There is a lot of gray area," said Alicia Munnell, director of the Center for Retirement Research at Boston College. More states could try to cut future benefits for current workers because the laws aren't clear, she said.

Earlier this month, California Gov. Jerry Brown, a Democrat, signed pension reductions he called the "biggest rollback to public pension benefits in the history of California pensions." The changes, mostly for newly hired workers, are expected to save the state retirement system as much as \$55 billion over the next few decades. But the measures won't immediately reduce unfunded liability, said spokesman for Calpers, the state pension fund.

A spokesman for the California department of finance said the pension changes would achieve some immediate savings, but they are largely designed to address the long term sustainability of the retirement system. He said pensions of current workers were "vested rights" that can't be altered.

The \$100 billion reduction in unfunded liabilities comes from such states as Rhode Island and New Jersey, which suspended annual cost-of-living raises for retirees, according to the Boston College estimates.

States also have shifted more pension costs to employees. As of 2010, state workers were paying 10% more toward their retirement plans compared with three years earlier, according to Boston College. These increased contributions will gradually reduce unfunded liabilities.

Some states say they need more immediate relief.

On Friday, the Teachers Retirement System of the State of Illinois said its pension bill to the state would increase by about \$300 million in the fiscal year that starts next July. The higher costs derive from a pension board decision to lower its assumed rate of investment return, citing the "volatility of the world economy."

The lower the expected return, the more the pension's unfunded liabilities grow—unless the state fills the gap with higher contributions from employees or taxpayers, or tries to cut benefits.

Illinois lawmakers had a chance to address the deepening hole last month but they couldn't agree on a bill to limit cost-of-living adjustments. "Changes of some sort are necessary and everyone expects them to happen," said Richard Ingram, executive director of the Illinois teachers' pension fund.

In Ohio, lawmakers this month passed a series of changes that touch current and retired workers, along with new hires.

Many of the state's public-employee unions supported the pension cuts less than a year after they fought a bruising battle with Republican lawmakers to retain their current rights to collective bargaining. But on the pension issue, many state labor leaders agreed that their members' retirement benefits needed to be trimmed.

"It is a tough pill to swallow," said Kevin Griffin, who is president of the local teachers union and an English teacher in Dublin, Ohio.

An educator since 1994, Mr. Griffin will now have to retire later and pay more of his salary to receive a smaller pension.

"We had to make the math work," he said. "It came down to the question of whether there will be a pension there for me when I retire or not."

Not all unions are cooperating.

Rhode Island, for instance, shifted some workers into a retirement plan that combines traditional pension benefits with 401(k)-style accounts that leave investment choices to employees.

A group of labor unions and retired public workers have filed lawsuits in state court challenging the pension changes passed a year ago.

Write to Michael Corkery at michael.corkery@wsj.com

A version of this article appeared September 22, 2012, on page A1 in the U.S. edition of The Wall Street Journal, with the headline: Pension Crisis Looms Despite Cuts.

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