

◆MENDOCINO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION◆  
BOARD OF RETIREMENT SPECIAL MEETING MINUTES  
◆DECEMBER 4, 2013 AT 1:00 P.M.◆

**CALL TO ORDER**

Shari Schapmire, Board Chair, called the meeting to order at 1:00 p.m.

**ROLL CALL**

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

**PUBLIC COMMENT:** Kendall Smith, Retired Member, commented on past Valuations and the stated percentages of funding.

**1) SWEARING IN OF BOARD MEMBERS RANDALL GOODMAN AND CRAIG WALKER  
(KATRINA BARTOLOMIE, COUNTY CLERK-ELECTIONS)**

**Presenter/s:** Ms. Bartolomie asked Mr. Goodman to stand and raise his right hand. She proceeded with the reading of the Oath of Office. Mr. Goodman accepted the oath verbally and signed the oath of office document. Ms. Bartolomie witnessed the document therefore completing the swearing in of Mr. Goodman. Mr. Walker was sworn in this morning at the Clerk Recorders office by Ms. Bartolomie.

**2) CONSENT AGENDA**

**All matters on the Consent Agenda are to be approved by one action without discussion unless a Board Member requests separate action on a specific item.**

**A. Minutes of the Board Meeting held November 6, 2013**

**B. Signature Resolution 2013-04**

**Presenter/s:** Chair Schapmire referenced the Consent Agenda previously distributed to the Board which included 1-A Minutes of the Board Meeting held November 6, 2013 and 1-B Signature Resolution 2013-04.

Mr. Berk mentioned that after discussion of SB751 at our last meeting the minutes will state the vote of any Board Action by member and how they voted unless the vote is unanimous.

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

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

**Board Action:** None

**4) DISCUSSION AND POSSIBLE ACTION REGARDING THE JUNE 30, 2013  
ACTUARIAL VALUATION (THE SEGAL COMPANY)**

**Presenter/s:** Andy Yeung, The Segal Company, referenced the Actuarial Valuation report for the year ending June 30, 2013. He reported that this valuation is very similar to those done in the past. There will be some increase to contribution rates, but we are sitting on a cushion of good investment gains. June 30, 2011 was the last time the assumptions were reviewed. Once this Valuation is approved we will begin work on the next three year experience study.

Mr. Stephens mentioned the continued Unfunded Accrued Actuarial Liability (UAAL) increase. Mr. Yeung stated that any amortization over 18 years is negative, so we will continue to see an increase. Board members may now see the causes of unfunded liability on a new page in the valuation report. Since the sponsors will owe the greater of the fixed UAAL amortization payment or the UAAL employer cost percentage of payroll, Mr. Stephens expressed concern that an employer may owe a large lump sum at the end of the year if they had fewer employees than projected. Mr. Weer explained that the County Auditor Controller would set up a quarterly monitoring program so employers would not have a payroll cost shock at the end of the year.

Mr. Stephens mentioned that the employer will always be behind when there is increase in contribution rates due to the one year implementation delay. Mr. Yeung stated that Segal has implemented the assumption that this one year implementation delay will happen. This assumption will be built into the current year and will add or subtract from the employer rate depending on whether there is an increase or decrease in contribution rates. Mr. Stephens asked if the excess earnings practice should be shown in Valuation reports somewhere, noticing the effect on plan funding. Mr. Yeung stated that Segal looks at assumed rate of return, not spent excess earnings. This would not be an actuarial practice.

The Board discussed the funded ratio and Government Accounting Standards Board (GASB) reporting requirements. Mr. Yeung mentioned that AB 1380 no longer requires rounding of Public Employees' Pension Reform Act (PEPRA) Tiers which will allow for an exact one half split of normal cost. Mr. White added that we did not implement the rounding to follow the

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law exactly. Mr. Yeung referenced investment gain of \$584,000 noted on page 5 of the report and how it is recognized. He added that Segal will recommend active management of smoothing and this will be brought to the Board for approval in the future.

The Board discussed missed assumptions, past actions of this board, and past recommendations made by their advisors. Mr. Stephens questioned the amount paid by the sponsor on page 40 of the report and if that was actually paid. Mr. Yeung replied that the amount due is based on actual payroll and adopted rates. Segal always assumes a one hundred percent (100%) contribution by the employer. Mr. Stephens added that the County Auditor Controller is required to deposit and make whole any missed employer contributions pursuant to the Government Code.

Board members referenced page 49 of the report asking if we can review the actual employer contributions paid for 2008, 2009, and 2010. Mr. White reminded the Board that there would be much cost for Segal to research this issue and to correct the reporting. Supervisor McCowen and Ted Stephens recommended this item for future Board discussion. Mr. Knudsen commented that the prior actuary may have used projected figures which would have been unadjusted to fluctuations in payroll. He offered to review the 2008, 2009 and 2010 Valuation reports and report his findings to the Board at our next meeting.

**Board Direction:** The June 30, 2013 Actuarial Valuation report will be sent to Gallina LLP for use in their annual Audit report and will be discussed again at the December 18<sup>th</sup> Board meeting.

**Board Action:** None

**5) DISCUSSION AND POSSIBLE ACTION REGARDING RECRUITMENT FOR THE RETIREMENT ADMINISTRATOR POSITION**

**Presenter/s:** Mr. White referenced information previously distributed to the Board regarding his resignation and recruitment of a Retirement Administrator. He referred to the next agenda item regarding the Accountant Position and described the recruitment process for a full-time accountant that has now twice failed in the eighteen months of his tenure with MCERA. During this period Scott German of Fechter and Company has provided accounting services for the Retirement Association, but this is a short-term measure. The future uncertainty of the Accountant Position is a point of discussion for the board to consider and the current state of affairs without a full-time accountant is a difficult situation to be in for any longer. The recruitment of a Retirement Administrator may be more successful if the Board were to look for an Administrator with accounting experience.

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Supervisor McCowen stated that he appreciated Mr. White's recommendation to combine positions. Mr. Sakowicz added that he is sad to see Mr. White go. He understands how highly regarded Mr. White is in our industry and thanked Mr. White for the training he received and the networking he gained after introduction to all at Indian Wells.

Chair Schapmire stated that we should start recruitment for an Administrator immediately and we need to be upfront regarding the accounting issue. Mr. Knudsen requested a copy of the job class specification or recruitment flyer for the Retirement Administrator position. Chair Schapmire appointed Mr. Sakowicz, Mr. Knudsen, and herself to an Ad Hoc committee to oversee the recruitment process.

**Board Direction:** Board members will review the job class specification for the Retirement Administrator position. Mr. White will contact Human Resources to begin the recruitment process immediately. This item will be discussed again at the December 18<sup>th</sup> Board meeting.

Mr. Shoemaker left the meeting at 4:15 p.m.

**6) DISCUSSION AND POSSIBLE ACTION REGARDING THE ACCOUNTANT POSITION**

**Presenter/s:** Chair Schapmire began by stating that when the Administrator is doing accounting other items are not getting done. Mr. Goodman stated that all functions cannot be done with one position and felt that the original Fiscal Officer position should be filled, not an entry level accounting position, and don't combine positions. Mr. Knudsen agreed that the Administrator should do administration only. He has seen more positive administrative change since Mr. Andersen and Mr. White have worked with us.

Board members discussed increasing accounting hours to forty per week for recruitment and job sharing with the Mendocino or Sonoma Counties. Mr. White reminded the Board that six months ago we explored job sharing and the Counties were reluctant to do so because they did not have enough staff. He suggested extending the contract with Fechter and Company and discuss at the December 18<sup>th</sup> Board meeting. Supervisor McCowen asked Mr. Goodman why the job sharing did not work out for him. Mr. Goodman replied that Retirement's accounting required more hours than he could give, it was hard to switch duties frequently and he would get behind in both departments. He could not take things to next level here. Supervisor McCowen congratulated Mr. Goodman on doing an excellent job and proceeded to state that he was not convinced that we need two positions. A Retirement Administrator with a Certified Public Accounting background should be able to do it.

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Mr. Stephens stated that he was unsure if we had better stewardship today with the staff we have or in the past with less staff. Many dollars are going out in staffing; we have a large UAAL, and a mission statement that speaks to providing sustainable benefits. This is a big expansion from a budget standpoint. Mr. Goodman mentioned that we hired Mr. White without an accounting background and never gave him the tools to get the job done. A person with the required level of experience will not come in at half time. The expertise will cost more and we are already spending close to what a full time position would cost. Mr. Berk reminded the Board that the administration of a public pension plan is difficult on its own and understanding the County Employees Retirement Law Act of 1937 is a struggle. As the smallest retirement system it is even more difficult with less staff. We have the same duties as much larger systems and we now have a trust fund that is over \$400 million.

Mr. Weer stated that the County Auditor's office could not handle any additional work. It's hard to compare our staffing requirements to others and independency puts much pressure on our staff. He thought five staff members would still be considered low. Automation, independence, and training are all important, but most importantly, we cannot always be looking for a Retirement Administrator. Mr. Sakowicz stated that it is painful to see our department grow when other departments are retracting, but we need a full time accounting position. Mr. Mirata stated that our salary is not high enough to draw qualified applicants and government regulations and legislation puts more demand on departments and staff. We need to recruit a full time position. Retirement office staff including Judy Zeller, Katy Richardson, and Christie O'Farrall shared their thoughts with the Board as well.

Mr. White suggested looking at the position of Administrative Services Manager which may need modification for use in this department, but is included in the position allocation table. The Fiscal Officer position is not included in the position table due to Board of Supervisors denial. Mr. Goodman agreed with Mr. White's suggestion and asked him to work on the Administrative Services Manager position with Human Resources knowing that Civil Service must review and the position may need to go to the Board of Supervisors for approval.

**Board Direction:** Mr. White will contact Human Resources to obtain more information regarding the Administrative Services Manager position and a new recruitment for our accounting needs. This item will be discussed again at the December 18<sup>th</sup> Board meeting.

## 7) GENERAL BOARD MEMBER DISCUSSION

Mr. Sakowicz spoke about his attendance at the State Association of County Retirement Systems (SACRS) Conference at Indian Wells stating it was a great opportunity. He enjoyed the session on alternative investments and fixed income stating that the Board should receive education on syndicated bank loans and private lending. Mr. White added that other systems

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are looking at this as well. He referenced the RV Kuhns report which lists one fund that does a lot of investment in this area and that is why they have high returns in fixed income in the report. Mr. Knudsen stated that Real Estate is an alternative investment and asked if we would have to account for this type of investment as Real Estate. Mr. White replied that this type of investment would be considered part of Fixed Income, but that the Board would need to make that decision if they chose to invest in that way.

**Board Direction:** The Board will discuss this alternative investment item at their January 15, 2013 Board meeting. Mr. White will ask Callan Associates to participate in this discussion.

**ADJOURNMENT (4:35 p.m.)**