

◆ MENDOCINO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION ◆
BOARD OF RETIREMENT MEETING MINUTES
◆ MARCH 19, 2014 AT 8:30 A.M. ◆

CALL TO ORDER

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

ROLL CALL

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

PUBLIC COMMENT: None

1) APPROVAL OF CONSENT AGENDA

Presenter/s: Chair Schapmire referenced the Consent Agenda previously distributed to the Board which included 1-A Minutes of the Board Meeting held February 19, 2014, 1-B Membership, 1-C Retirements Processed, and 1-D Retirement Administrator's report.

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

Mr. Stephens asked for an update regarding the Voluntary Correction Program (VCP) webinar prepared by Hanson Bridgett. Mr. Watson reported that he participated in the webinar on March 11, 2014. Hanson Bridgett will be discussing the Determination letter and Compliance Statement with the Board at either their April or May Board meeting and will address the next steps required of MCERA and their other 1937 Act clients.

Mr. Walker entered the meeting at 8:34 a.m.

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

None

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3) REPORT FROM THE AUDIT AND BUDGET COMMITTEE (RANDY GOODMAN, COMMITTEE MEMBER)

Presenter/s: Mr. Goodman reported on the last Audit and Budget Committee meeting held March 11, 2013. He briefly explained the changes made to the Comprehensive Annual Financial Report (CAFR) and Financial Statements, stating that they were not numerical, just some language changes based on comments made by the Government Finance Officers Association (GFOA). There were some additional Government Accounting Standards Board (GASB) requirements that changed some of the format and titles. The Audit and Budget Committee approved all of the changes so that the reports could be finalized immediately. Both the CAFR and the Financial Statements had been previously approved by the full Board at their February meeting.

4) DISCUSSION REGARDING THE FINANCIAL STATEMENTS AND ANNUAL INDEPENDENT AUDIT REPORT FOR YEAR ENDED JUNE 30, 2013

Presenter/s: Mr. Watson referenced the Final Audit Report for year ended June 30, 2013 previously distributed to the Board. He explained that the Audit and Budget Committee worked with Scott German & Gallina LLP on making a few changes to the report. Mr. German delivered the Final Financial Statements to the State Controller's office on Wednesday March 12, 2014, which beat our deadline of March 18, 2014. The Financial Statements are now final and they were incorporated in the CAFR which is also final. Mr. German and Ms. Zeller worked together on their completion.

Mr. Stephens asked about the management response letters from Gallina LLP and asked for review to make sure that the issues are taken care of. This would protect us from deficiency and ensure that proper procedures are put in place.

Board Direction: Staff will review the Audit findings letters and will prepare a discussion for our next Board meeting.

5) DISCUSSION REGARDING THE COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR) FOR YEAR ENDED JUNE 30, 2013

Presenter/s: Mr. Watson referenced the CAFR for year ended June 30, 2013.

Mr. Sakowicz mentioned a Blue Ribbon Committee of Actuaries which is studying actuarial issues. This information was in the New York Times and Pensions and Investments. Mr. Sakowicz volunteered to provide a summary for the Board. He requested the item be agenzied

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for discussion at our next Board meeting. Supervisor McCowen mentioned that the executive summary of that study should be provided for the discussion.

Board Direction: John Sakowicz will provide a report on the Blue Ribbon Committee of Actuaries at our next Board meeting.

6) MONTHLY INVESTMENT REPORT

Presenter/s: Mr. Watson referenced information previously distributed to the Board regarding the Monthly Investment Report. He commented that this Investment report contains very detailed information.

Mr. Shoemaker mentioned that he had some difficulty reading the investment report due to the use of bright colors and requested that light color or black and white be used when printing report.

Direction: Staff will remove dark colors from the Investment report. Yellow or black and white may be used.

7) MONTHLY FINANCIAL REPORT

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

Presenter/s: Mr. Watson referenced information previously distributed to the Board regarding the preliminary financial report for January 2014. He explained the various statements included in his report.

Mr. Stephens brought up an issue regarding the Cash Disbursements Journal. He was concerned that some information included in the report may be confidential and should not be made public. Mr. Berk will review the issue, but it was agreed that this information should not be released unless requested by a Public Records Act request.

8) DISCUSSION AND POSSIBLE ACTION REGARDING THE DODGE AND COX PROXY STATEMENT DATED MARCH 5, 2014

Presenter/s: Mr. Watson referenced information previously distributed to the Board regarding the Dodge and Cox Proxy Statement for their Mutual Funds for a special meeting on April 23,

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2014. There are six proposals in this Statement. The first is the election of Trustees to the Board of Trustees; the other proposals are for changing investment restrictions currently in place for the Dodge and Cox mutual funds. The Mutual Fund's policy governs investments for 37 Act Retirement Systems. With this statement Dodge and Cox would like to update their policy to remove some restrictions and change some items that seem dated. Greg DeForrest of Callan Associates has reviewed this proxy statement and he is comfortable with the proposed changes. Mr. Stephens stated that Mr. Watson made a good recommendation and stated that we would be consistent to vote this way based on our charter.

Board Action: Mr. Stephens motioned to approve the Interim Retirement Administrator's recommendation for each of the six Dodge and Cox proposals and to vote accordingly using the Proxy Statement provided. Supervisor McCowen seconded the motion and it was approved unanimously.

9) CLOSED SESSION

- Farris Purviance Non-Service Connected Disability Application
- Appointment of Retirement Administrator pursuant to Government Code Section 54957(b)(1)

REPORT OUT FROM CLOSED SESSION

The Board unanimously approved Farris Purviance for Non-Service Connected Disability Retirement. There was no action taken on the appointment of retirement administrator.

10) GENERAL BOARD MEMBER DISCUSSION

Mr. Knudsen mentioned that he would not be attending the Friday SACRS Business Meeting. Mr. Sakowicz will attend and will represent MCERA.

Mr. Walker congratulated Chair Schapmire on being unopposed for the next County election for Treasurer/Tax Collector. He also acknowledged the same for Mr. Weer and election for Auditor Controller.

Supervisor McCowen noted that the presence of Mr. Watson at the last Board of Supervisor's meeting resulted in unanimous approval of the Financial Investment Officer position. He added that the letter from Chair Schapmire and the prior work by Mr. White also helped in getting this position approved.

ADJOURNMENT (10:25 a.m.)

Tom Watson
Interim Retirement Administrator



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

Date: April 9, 2014
To: Board of Retirement
From: Tom Watson, Interim Retirement Administrator *Tom Watson*
Subject: Administrator's Report

Meetings attended since the last Board of Retirement meeting:

All staff met on Thursday, March 20, 2014 to review the recap of the Board of Retirement meeting; discuss the next meeting agenda items; receive and review a sample "Calendar of Events" (showing tasks throughout the month/year to be accomplished); get a Pension Gold project update; look at upcoming vacations to ensure coverage; and share information on the member's statement and retired member's COLA letters that Benefits staff will be mailing out.

Actuaries Paul Segal and Andy Yeung called me on April 1, 2014 to begin the process of bringing together MCERA Board (Audit and Budget Committee) and its external auditor and County financial representatives and their external auditor (Gallina LLP) to discuss and learn more about GASB Statements #67 (MCERA) and #68 (County) and the effects of reporting actuarial liabilities differently in financial statements than within the context of the previous GASB Statements #25 (MCERA) and #26 (County). The initial meeting and discussion could occur as soon as June 2014.

I attended the County's Department Head meeting on April 2, 2014 (along with Chair Schapmire). **The County's Chief Executive Office is preparing a Strategic Planning Session on Financial Sustainability for the Board of Supervisors that will focus on public employee pensions as a "Pension Workshop" tentatively scheduled for Tuesday, April 22, 2014.**

I plan to attend a County Chief Executive Office budget conference on developing/inputting the budget information for the County's budget process on April 14, 2014 (subsequent to this writing...but before the Board of Retirement meeting).

Pension Gold Benefits Administration Computer System:

The team of MCERA staff, County Information Services, Linea Solutions (the consultant) and implementation personnel of Pension Gold continue to work on the integration and further computerization of the benefits administration system. Meetings are held biweekly. Three modules have been completed in the design phase. The monthly status report from Linea Solutions is included in this item for your information.

Financial/Investment Officer Recruitment:

We were notified that County Human Resources has officially added the Retirement Association Financial/Investment Officer position to the Position Allocation Table pursuant to the County's Board of Supervisors' Resolution #14-040 and deleted the former Accountant position effective March 16, 2014.

Retirement Administrator Recruitment:

County Human Resources has added the Retirement Administrator's job announcement to the CSAC's website; flyers have been distributed to all 1937 Act retirement systems and associated personnel/Human Resources agencies; and advertisement has been made through Pensions and Investments magazine online distribution with "blast" e-mails to subscribers (the pension community...both public and private pension administration personnel).

State Association of County Retirement Systems (SACRS) May 2014 Conference Update

Three Board of Retirement members will be attending the upcoming SACRS Conference: John Sakowicz, Tim Knudsen and Richard Shoemaker. John Sakowicz will be the MCERA Board representative to the SACRS Business meeting. The Board will discuss and vote on the slate of candidates for the SACRS Board of Directors that is recommended by the SACRS Nominating Committee at the upcoming Board of Retirement meeting.

MCERA Member Communication

Approximately 1,300 retired members will be receiving the annual cost of living adjustment (COLA) letters and communication from the Administrator during the month of April. The COLA for most retired members this year is 2.5%. Retired members who retired prior to April 1, 1985 will receive 3.0%.

Staff Commendation

Dr. Daly, a MCERA member on deferred retirement status, sent a WONDERFUL, glowing commendation for the Administrative Assistant, Judy Zeller. I followed up with an official Commendation for Judy's excellent customer service. Please read the attached Commendation memo from me and the copy of Dr. Daly's e-mail for details! Staff do receive compliments verbally also. I know they serve MCERA members well every day!



MENDOCINO COUNTY EMPLOYEES' RETIREMENT SYSTEM
 Project: PENSION ADMINISTRATION SYSTEM



Report Type:	Monthly Status Report
Status Date:	03/09/2014
Project Managers:	John Keeler – Linea, Jack Blonski – LRS Pension Gold
MCERA Team Members:	Tom Watson, Katy Richardson, Judy Zeller, Christie O’Ferrall
Report Period:	March 2014

1. Current Period Activities

Activity	Comments
Design Reviews	<ul style="list-style-type: none"> Final versions of the Deliverable 1 have been reviewed. 3 have been signed off and 10 are ready for sign-off
Data Conversion	<ul style="list-style-type: none"> A few spreadsheets identified in RFP are still outstanding. Issue of data cleansing for courts data is under discussion Courts payroll interface development has not been scheduled by ADP
Open Trouble Tickets	<ul style="list-style-type: none"> None
New Trouble Tickets	<ul style="list-style-type: none"> None
Open Change Requests	<ul style="list-style-type: none"> None
New Change Requests	<ul style="list-style-type: none"> None

2. Scheduled Activities

Activity	Comments	Start Date	Due Date	Status	Percent Complete
Requirements	<ul style="list-style-type: none"> Delivery by MCERA to LRS of items identified in requirements sessions 	12/10/2013	1/10/2014 1/24/2014	In Progress	90%
Analysis of In-House Printing	<ul style="list-style-type: none"> Analysis has been delivered by LRS 	12/12/2013	2/3/2014	Complete	100%
Data Conversion	<ul style="list-style-type: none"> Multiple iterations will be needed during implementation 	12/2/2013	On Going	In Progress	10%
Deliverable 1	<ul style="list-style-type: none"> Member and Employer Reporting – Design reviews completed, sign-off has begun. Minimal development has started, full development effort will commence as soon as all documents are approved 	12/19/2013	5/20/2014	In Progress	95%
Deliverable 2	<ul style="list-style-type: none"> Benefit Calculations and Payments 	5/20/2014	6/12/2014	Not Started	0%
Deliverable 3	<ul style="list-style-type: none"> System and MemberDirect 	10/8/2014	1/2/2015	Not Started	0%
Production Go-Live	<ul style="list-style-type: none"> Milestone date for system go-live and beginning of parallel processing 	N/A	1/9/2015	N/A	N/A
Parallel Processing	<ul style="list-style-type: none"> Pension Gold run in parallel with existing systems and processes 	1/12/2015	3/12/2015		0%



MENDOCINO COUNTY EMPLOYEES' RETIREMENT SYSTEM
 Project: PENSION ADMINISTRATION SYSTEM



Activity	Comments	Start Date	Due Date	Status	Percent Complete
Project Completion	<ul style="list-style-type: none"> All documentation delivered Training completed Old system discontinued Warranty period completed System acceptance sign off 	N/A	6/10/2015		N/A

3. Budget Overview

Description	Approved Budget	Paid To Date
Pension Admin System Implementation		
LRS (Hosting, software, vendor implementation services)	\$1,374,810.00	\$0.00
LRS additional support	\$0.00	\$0.00
County IT	N/A	\$7,069.88
Linea	\$490,500.00	\$ 33,907.50
Total for all Phases	\$1,865,310.00	\$ 40,977.38
Projected Total for all Phases		\$1,865,310.00

Tom Watson
Interim Retirement Administrator



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MENDOCINO COUNTY
EMPLOYEES' RETIREMENT ASSOCIATION
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Commendation

To: Judy Zeller, Administrative Assistant

From: Tom Watson, Interim Retirement Administrator

A handwritten signature in cursive script that reads "Tom Watson".

Date: March 27, 2014

I received a WONDERFUL e-mail from Dr. Donna M. Daly, a member of MCERA on deferred retirement status (see attachment).

In the e-mail you are commended for your knowledge, strong work ethic and providing outstanding customer service to her. Dr. Daly notes that you are a consummate professional as well as a true asset to our team.

I heartily agree with Dr. Daly in all points and commend you for your excellent customer service!

As you are aware, the Board of Retirement has adopted "exceptional service through professional plan administration" in its mission statement as well as many core values some of which are to "act with honesty, integrity and accountability;" to have a "focus on customer service" and to "be a reliable source of information for stakeholders." You have certainly fulfilled MCERA's mission and adhered to its core values!

Thank you for providing such excellent customer service, Judy...and keep up the great work!

cc: Dr. Daly
Board of Retirement Members
Personnel File

Thomas Watson - Commendation

From: Donna Daly <[REDACTED]>
To: <watsont@co.mendocino.ca.us>, Katy Richardson <richardsonka@co.mendocino...>
Date: 3/26/2014 3:38 PM
Subject: Commendation

Dear Tom and Katy,

I am writing to commend Judy Zeller of your staff. I was employed by Mendocino County as a manager in 92/93. I have since gone on to work for San Diego County and San Diego State University.

Over the course of the last few years I have had to contact Mendocino with a host of retirement questions and have spoken with Ms. Zeller on a number of occasions. She is very knowledgeable, has a strong work ethic and provides outstanding customer service. She is a consummate professional.

Please feel free to share my comments with Judy. She is a true asset to your team!

My best,
Dr. Daly

Tom Watson
Interim Retirement Administrator



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EMPLOYEES' RETIREMENT ASSOCIATION
625-B KINGS COURT
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Date: April 16, 2014
To: Board of Retirement
From: Judy Zeller, Administrative Assistant
Subject: Education and Training

History:

January 1, 2013 Section 31522.8 was added to the Government Code which requires trustees to receive education in general pension related topic areas. MCERA's Trustee Education and Travel Policy, adopted December 12, 2012, ensures that board members receive education and the reporting of that education is compliant with the new statute. Some highlights of the Trustee Education and Travel Policy include:

- ◇ Board members are required to complete a minimum of 24 hours of education within the first two years of assuming office and for every subsequent two-year period in which the board member continues to hold office.
- ◇ The goal of the policy is that all trustees agree to develop and maintain an adequate level of knowledge and understanding of relevant issues involved in the administration of MCERA throughout their terms as trustees of MCERA.
- ◇ Establishes a means for determining the programs, training, and educational sessions that qualify as Board member education. Educational seminars sponsored by the state, national pension fund organizations, and seminars sponsored by accredited academic institutions shall be deemed to meet board member educational requirements.
- ◇ Requires that each Board maintain a record of board member compliance with the Trustee Education and Travel Policy and that the Policy and an annual report on board member compliance be placed on MCERA's internet website.
- ◇ Mandates that the Board allocate sufficient funds annually in its budget to enable trustees to attend specified conferences.

Quarterly Trustee Education Update:

Staff would like to provide a quarterly report on the progress of our trustees towards their educational requirements and provide a current list of 2014 Educational opportunities. You may also receive credit for viewing recordings of past conferences by completing and submitting an Attendance at Conference form. Available DVD recordings include: the 2013 SACRS Symposium and the 2013 Fall SACRS Conference. The next quarterly update will be provided in July 2014 and the next Annual report will be posted to our website in January 2015.

2013 Trustee Conference/Seminar Attendance and Educational Hours Credited

	Bob Mirata	Craig Walker	John Sakowicz	Lloyd Weer	Randall Goodman	Richard Shoemaker	Shari Schapmire	Ted Stephens	Tim Knudsen	John McCowen
Ethics Training		2.00			2.00		2.00	2.00		
1/28/13 Callan Institute	8.00		8.00				8.00			
5/8/13 Board Fiduciary Training	1.00		1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
5/12-17/13 Spring SACRS	13.50		10.00	9.00	9.00	10.00				
6/26/13 Callan Workshop	2.00			2.00						
SACRS UC Berkeley Program 7/13			24.00							
Board Disability Standards Training 10/16/13	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
SACRS Fall Conf 11/12-15/13			10.00							
Annual Totals	25.50	3.00	54.00	13.00	13.00	12.00	12.00	4.00	2.00	2.00

2014 Trustee Conference/Seminar Attendance and Educational Hours Credited

	Bob Mirata	Craig Walker	John Sakowicz	Lloyd Weer	Randall Goodman	Richard Shoemaker	Shari Schapmire	Ted Stephens	Tim Knudsen	John McCowen
Ethics Training									2.00	
1/27-29/14 Callan Conference	8.00		8.00	8.00		8.00	8.00			
Totals	8.00	0.00	8.00	8.00	0.00	8.00	8.00	0.00	2.00	0.00

Board members are required to complete a minimum of 24 hours of education within the first two years of assuming office and for every subsequent two-year period in which the board member continues to hold office. Board members who have met the 24 hour requirement for the two year period ending December 31, 2014 are Bob Mirata and John Sakowicz.

2014 Educational Opportunities:

April 23-24, 2014	Callan College Introduction to Investments	San Francisco, CA
April 30, 2014	PIMCO Alternative Investment Day	Newport Beach, CA
May 13-16, 2014	SACRS 2014 Spring Conference	Sacramento, CA
June 13, 2014	CALAPRS Trustee's Roundtable	San Francisco, CA
June 25, 2014	Callan Regional Workshop	San Francisco, CA
July 20-23, 2014	SACRS Investment Management Program	Berkeley, CA
August 5-8, 2014	CALAPRS Principles of Pension Management	Stanford, CA
October 28-29, 2014	Callan College Introduction to Investments	San Francisco, CA
November 11-14, 2014	SACRS 2014 Fall Conference	Monterey, CA