

◆ MENDOCINO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION ◆  
BOARD OF RETIREMENT MEETING MINUTES  
◆ MARCH 18, 2015 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, Kathryn Cavness, John Sakowicz, Supervisor Dan Gjerde, Tim Knudsen, Jerilyn Harris, Richard Shoemaker, and Shari Schapmire. Also present: James Wilbanks, Retirement Administrator, Jeff Berk, Legal Counsel, and Judy Zeller, Administrative Assistant.  
Absent: Ted Stephens and Craig Walker.

**Public Comment:** John Almida spoke regarding the Cost of Living Adjustment.

**1) MINUTES OF THE BOARD MEETING HELD FEBRUARY 18, 2015**

**Presenter/s:** Chair Schapmire referenced the February 18, 2015 meeting minutes.

**Board Direction:** Staff will correct two typographical errors.

**Board Action:** Motion was made by Mr. Goodman to approve the corrected minutes of the board meeting held February 18, 2015. Mr. Gjerde seconded the motion and it was approved by the following vote: Ayes: Mr. Goodman, Ms. Cavness, Mr. Sakowicz, Mr. Gjerde, Mr. Knudsen, Ms. Harris, and Ms. Schapmire. Noes: 0. Abstain: 0. Absent: Mr. Stephens, Mr. Walker.

Mr. Stephens entered the meeting at 8:39 a.m.

**2) APPROVAL OF CONSENT AGENDA**

**Presenter/s:** Chair Schapmire referenced the consent agenda which included A) February 2015 Retirement Report, B) January 2015 Preliminary Financial Report, and C) January 2015 Preliminary Investment Report. Mr. Knudsen noted that the format of the monthly financial report and monthly investment report had changed. He asked that these reports be agendized separately for discussion and not be included in the consent agenda.

**Board Action:** Motion was made by Mr. Goodman to approve the Consent Agenda. Ms. Harris seconded the motion and it was approved by the following vote: Ayes: Mr. Goodman, Ms. Cavness, Mr. Sakowicz, Mr. Gjerde, Mr. Stephens, Mr. Knudsen, Ms. Harris, and Ms. Schapmire. Noes: 0. Abstain: 0. Absent: Mr. Walker.

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**3) DISCUSSION AND POSSIBLE ACTION REGARDING AMENDMENT TO INVESTMENT POLICY STATEMENT - WATCH LIST POLICY**

**Presenter/s:** Mr. Wilbanks referenced his memo which included a draft investment policy statement amendment recommended by Greg Ungerman of Callan Associates. Mr. Wilbanks recommended not adopting the language in the memo. Mr. Goodman agreed that we should keep our investment policy the same and that we do not need a watch list. Mr. Wilbanks explained that an investment manager status update will be a regular meeting agenda item and any meaningful news will be brought to the board regarding our investments.

**4) DISCUSSION AND POSSIBLE ACTION REGARDING APPROVAL OF ANNUAL COST OF LIVING ADJUSTMENT (COLA) AS OF APRIL 1, 2015**

**Presenter/s:** Mr. Wilbanks referenced the February 2015 board meeting discussion regarding the Annual Cost of Living Adjustment (COLA) and the direction to staff and legal counsel to research the topic and report back to the board in March. His memo regarding the COLA issue summarizes the research done and a handout outlined two Consumer Price Index (CPI) options; the San Francisco–Oakland-San Jose, CA index, which includes eleven counties in or around the bay area, or the West Urban index, which includes thirteen states. Mr. Wilbanks explained that nationally the CPI is urban and Mendocino County is not urban. This is a policy choice of the board as to which index best reflects the CPI for this County. He referenced a comparative graph which showed that the West Urban index can have a higher CPI than the bay area at times and over the long term there is no significant difference between the two indexes.

Mr. Goodman referenced a recent Ukiah Daily Journal article regarding the COLA issue stating that the article was incorrect in reporting a West Urban CPI of .07%. MCERA is required to use the CPI as of January 1<sup>st</sup>, so the West Urban CPI would be 1.3% and the Bay Area CPI would be 2.67%. He noted that 80% of our retirees live in California (CA) and the majority resides in Mendocino County. CA is an expensive state and retirees need a COLA that reflects where they live. San Francisco is more reflective of gas, food, and housing costs. Retiree average income is low and these dollars are what come back to the County in tax revenue. Mr. Knudsen added that we are close to Sonoma County, but the Central Valley has no connection to us. Our actuary recommends keeping the same practice we have followed since 1971. He made motion to approve the 2.5% COLA recommended by the actuary.

The board discussed COLA banking, a historical review of CPI indexes, the government code, and that new pension reform tiers do not participate in a COLA program. Mr. Shoemaker provided information on median home values, rent, gas, etcetera. He felt this information showed that Mendocino County is closer to the bay area index when compared to other counties and cities. Mr. Knudsen added that employees pay in advance for COLA in their pay.

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**Public Comment:** Cyndi Montesonti, Retiree, Aaron Burton, SEIU 1021, Kimberly Foster, Superior Court, Ole Kolkman, retiree, Doug Sawyers, Retiree spoke regarding the COLA item. Letters were received from Norm Thurston, Retiree, and Granville Pool, Retiree, regarding the COLA item.

The board discussed property tax increases, past CPI practice, plan funding, urban vs. metro, rising housing and goods costs, and the potential for recession. Mr. Gjerde, Mr. Stephens, and Mr. Sakowicz each felt that the Bay Area CPI did not represent the costs in our rural county.

**Board Action:** Motion was made by Mr. Knudsen to approve a 2.5% COLA as of April 1, 2015 as recommended by Segal Consulting. Mr. Goodman seconded the motion and it was approved by the following vote: Ayes: Mr. Goodman, Ms. Cavness, Mr. Knudsen, Ms. Harris, and Ms. Schapmire. Noes: Mr. Sakowicz, Mr. Gjerde, and Mr. Stephens. Abstain: 0. Absent: Mr. Walker.

**5) DISCUSSION AND POSSIBLE ACTION REGARDING APPROVAL OF AGREEMENT WITH NOSSAMAN LLP (Estimated Time 15 min.)**

**Presenter/s:** Mr. Wilbanks referenced an agreement with Nossaman LLP for fiduciary legal counsel and explained that Ashley Dunning, whom MCERA has worked with previously and who is recognized as an expert in 1937 Act issues, has joined the Nossaman firm. Ms. Dunning has provided this agreement for consideration should the board wish to retain her services and her new firm.

**Board Action:** Motion was made by Mr. Goodman to approve the agreement with Nossaman LLP. Ms. Cavness seconded the motion and it was approved by the following vote: Ayes: Mr. Goodman, Ms. Cavness, Mr. Sakowicz, Mr. Gjerde, Mr. Stephens, Mr. Knudsen, Ms. Harris, and Ms. Schapmire. Noes: 0. Abstain: 0. Absent: Mr. Walker.

**6) RETIREMENT ADMINISTRATOR'S REPORT**

- Pension Administration System Monthly Status Report
- Administrative and Operations Updates

**Presenter/s:** Mr. Wilbanks provided a pension administration system monthly report which included progress of user acceptance test execution. Staff is currently a week ahead of schedule. He stated that interviews with all trustees should be completed by the end of March. These meetings are informational and will assist in developing plans for important topics and projects in the coming year.

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7) GENERAL BOARD DISCUSSION

- **Report from Ms. Cavness regarding her attendance at the CALAPRS General Assembly**

Ms. Cavness reported on her attendance at the 2015 CALAPRS General Assembly which she found very informational. Areas of significant interest to her were presentations regarding global outlook, long term inflation, and bankruptcy. Some board members asked for copies of the CALAPRS meeting materials

Mr. Stephens also asked about the financial reports going to the consent agenda. The board agreed that these reports should be agendized for review and discussion.

**Board Direction:** The monthly financial and investment reports will be agendized for discussion and will not remain on the consent agenda. The Audit and Budget Committee will review the format of these reports again at their next meeting.

Mr. Stephens asked to go through process of a retirement benefit calculation when time allows. He would also like a complete review of adopted code sections and a review of our excess earnings policy. Mr. Wilbanks explained that his meetings with trustees will allow a list of items for discussion to be developed. A comprehensive review of all current MCERA policies needs to be done. Chair Schapmire requested making the excess earnings policy a top item.

Mr. Shoemaker asked about the condition of the flooring in the building. Mr. Wilbanks explained that new carpet is needed throughout the building and an assessment and condition report on the building will need to be done. We need to know the shape of our asset and what needs to be done to update it. Regular maintenance and upkeep has not been done. A plan for this asset will be built as part of the next fiscal year budget. Mr. Shoemaker offered ad hoc assistance on the project.

8) CLOSED SESSION

- **Pending Disability Applications Update**
- **Timothy Marsh Disability Application**
- **Possible Initiation of Litigation (3 Cases) pursuant to Government Code section 54956.9(d)(4)**

**Board Direction:** Direction was given to staff and legal counsel regarding the possible litigation item.

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**Board Action:** Motion was made by Mr. Goodman to approve Timothy Marsh for Service Connected Disability Retirement. Ms. Cavness seconded the motion and it was approved by the following vote: Ayes: Mr. Goodman, Ms. Cavness, Mr. Sakowicz, Mr. Gjerde, Mr. Stephens, Mr. Knudsen, Ms. Harris, and Ms. Schapmire. Noes: 0. Abstain: 0. Absent: Mr. Walker.

**ADJOURNMENT (11:50 a.m.)**