

BOB MIRATA
CHAIRMAN
B.O.S. APPOINTEE

SHARI SCHAPMIRE
VICE-CHAIRMAN
TREASURER TAX COLLECTOR

TIM KNUDSEN
ELECTED RETIRED MEMBER

SUPERVISOR KENDALL SMITH
B.O.S. APPOINTEE

DR. DON COURSEY
B.O.S. APPOINTEE

TED STEPHENS
B.O.S. APPOINTEE

VACANT
ELECTED
GENERAL MEMBER

RANDY GOODMAN
ELECTED GENERAL
MEMBER

CRAIG WALKER
ELECTED SAFETY
MEMBER

RICHARD SHOEMAKER
ELECTED RETIRED
ALTERNATE MEMBER



JIM ANDERSEN
RETIREMENT
ADMINISTRATOR

JEFF BERK
LEGAL COUNSEL

MENDOCINO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION BOARD MEETING AGENDA DECEMBER 14, 2011 – 8:30 A.M.

- 1) ROLL CALL (8:30 A.M.)
- 2) DISCUSSION AND POSSIBLE ACTION REGARDING ELECTION OF OFFICERS AND BOARD MEETING CALENDAR FOR 2011/12 (Estimated Time 5 min.)
- 3) PRESENTATION OF PROCLAMATION HONORING DR. DON COURSEY FOR HIS SERVICE ON THE BOARD OF RETIREMENT (Estimated Time 5 min.)
- 4) CLOSED SESSION (Timed Item at 8:40 A.M.) (Estimated Time 15 min.)
 - a) Pending disability applications:
 - 1) ALEXANDER, GRETA (11/17/11) MENTAL HEALTH NSCD
 - 2) HUDSON, GARY (09/07/10) SHERIFF SCD
 - 3) KOSKINEN, KIM (10/15/08) HHSA (SOC SERV) SCD
- (Pursuant to Government Code Section 31532, individual medical records of disability applicants will be discussed during closed session and are not public information.)
- 5) REPORT OUT FROM CLOSED SESSION (Estimated Time 5 min.)
- 6) OPEN SESSION & MINUTES OF THE MEETING HELD NOVEMBER 9, 2011 (Approximate time 9:00 A.M.) (Estimated Time 5 min.)

◆RETIREMENT BOARD MEETING AGENDA◆
◆DECEMBER 14, 2011 - 8:30 A.M.◆

7) 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.

8) DISCUSSION AND POSSIBLE ACTION REGARDING RETIREMENT ADMINISTRATOR'S REPORT (Estimated Time 20 min.)

- a) Withdrawal of contributions by terminating employees
- b) Billings for fees and services
- c) Presentation of Administrator's report

9) INVESTMENTS/FINANCIALS (Estimated Time 5 min.)

- a) Presentation of financial statements
- b) Action may be taken to terminate or hire investment managers at any meeting

10) PROJECT STATUS REPORT AND POSSIBLE ACTION REGARDING "CORRECTION OF CONTRIBUTION RATES" PROJECT (Estimated Time 30 min.)

11) DISCUSSION AND POSSIBLE ACTION TO SUPERCEDE PRIOR BOARD ACTION THAT PROHIBITS BOARD MEMBERS FROM BECOMING RETIREMENT ADMINISTRATOR FOR A PERIOD OF THREE YEARS AFTER LEAVING THE BOARD (Estimated Time 15 min.)

12) REPORT FROM EXECUTIVE RECRUITMENT AD HOC COMMITTEE (Estimated Time 5 min.)

13) REPORT FROM ATTENDEES OF THE SACRS FALL CONFERENCE (Estimated Time 5 min.)

ADJORNMENT followed by HOLIDAY REFRESHMENTS (Approximate time 10:30 A.M.)

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

James M. Andersen
Retirement Administrator



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

Date: December 2, 2011
To: Board of Retirement
From: Jim Andersen, Retirement Administrator 
Subject: Discussion and Possible Action Regarding the Administrator's Report

Financial

1. GALLINA communicated to staff that they have a conference call with Hanson Bridgett and Segal on December 5th to discuss the scope of services and projected costs for reviewing excess earnings history, postings to the Retiree Health Insurance reserve and developing findings and recommendations, if any. All contractors are aware of the urgency of this project work.
2. GALLINA completed its draft financial statements for the fiscal year ending June 30, 2011. The draft statements have been forwarded to The Segal Company for use in developing the actuarial valuation for the same period, and the development of recommended rates for the 2012/13 fiscal year.
3. Per the Board's Interest Crediting and Undistributed Earnings Policy, staff has calculated the earnings to post to employee accounts at December 31, 2011. The amount is calculated to be 0.889% (.00889). Per the policy, only realized net income was used to determine the amount of earnings to post. The Auditor-Controller's Office, the Courts, and retirement staff have been informed of the interest to post to employee ledgers.
4. MCERA received RVKuhns and Associates comparison of public funds which included identification of all 1937 Act systems. The comparison was provided to all Board members and posted to MCERA's website. MCERA compares very favorably with other 1937 Act systems over the past 5 years, and within certain asset classes, but compared less favorably over the past year. Key slides will be shared at the December 12th joint meeting with the Board of Supervisors.
5. Staff has prepared an initial cash flow analysis, and will be adjusting it for irregular cash flows (e.g., year end closing of budget unit 1920, transfer of debt service payments on Pension Obligation Bonds from the Courts/MCERA to the County debt service reserve, etc.). We expect to bring back a cash management policy for the Board's January meeting.

6. Staff sent out notice of MCERA's new placement agent policy, along with forms to all fund managers. The deadline for returning completed forms is January 1, 2012.
7. On November 30th, MCERA received the County Share Report for pay period 24. This is the first pay period where all employees' wages reflect a concession. The new wage base subject to retirement contributions was included in that report, and is approximately \$1.97 million per pay period. Knowing the new wage base allowed staff to provide the County with an estimate of the increased cost associated with correcting the employee and employer contribution rates beginning January 8, 2012 (pay period 2). The gross impact to the County for the balance of 2011/12 will be roughly \$182,000, or \$91,000 in general fund financing.

Legislation

The California Supreme Court ruled in Retired Employees Association of Orange County, Inc. v. County of Orange that there can be an implied contract for retiree health care. However, the Court stated that sufficient evidence of having entered into a contract must exist. What will be considered sufficient evidence to support the presence of an implied contract has not been determined at this time. The outcome of the Orange County case may provide some level of legal definition.

Automation

Staff conducted two conference calls with Linea Solutions regarding initiation of the electronic data imaging (EDMS) project. The calls were to discuss project milestones, timelines and resources needed from MCERA to ensure initiating the project did not interfere with successful completion of the Correction of Contribution Rates project. After review, Linea and staff tentatively agreed on a draft project timeline, beginning in March of 2012 and ending in January of 2013, which will be shared with the full Board prior to implementation.

Retiree Health Care

The Board of Supervisors provided ninety (90) days notice to pre-Medicare retirees of the County's intent to cease offering a health plan for that group. The Board appointed a committee of retirees (Shoemaker, Wharff, Thornhill and Mordhorst) to meet with County Human Resources to explore alternatives that will maintain access to health care for this population of retirees. Staff will be attending meetings and providing information as needed.

Miscellaneous

1. Richard Shoemaker was unopposed for the 10th seat on the Board, Retired Member (Alternate). On December 6, 2011, the Board of Supervisors will direct the County Clerk to cast a unanimous ballot in favor of Richard Shoemaker, and he will be eligible to attend the joint meeting with the Board of Supervisors on December 12th.
2. As you were notified, a special election for the 3rd seat, General Member (elected) is being conducted, and will be completed in time for the January Board meeting. In the interim period, counsel has opined that Lloyd Weer cannot sit beyond the three year term for which he was elected. Lloyd was planning to be absent for the December meeting.

He has submitted a declaration of candidacy for the 3rd seat. Bob Mirata will be considered for reappointment to the 9th seat on December 6th. The Clerk of the Board requested a letter recommending Bob for reappointment, which was signed by the Vice Chair, Shari Schapmire.

3. Trustees Mirata and Knudsen and I attended the fall SACRS conference November 15th through the 18th. Members will report out on SACRS sessions at the Board meeting. As always, MCERA will receive DVD copies of all SACRS general sessions and most breakout sessions. Staff will let the Board know when those DVDs are available.

JA

MENDOCINO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
STATEMENT OF PLAN NET ASSETS
OCTOBER 31, 2011
(FINAL)

ASSETS

CASH AND EQUIVALENTS

GENERAL CASH \$ 1,953,732.86

TOTAL CASH AND EQUIVALENTS 1,953,732.86

CURRENT ASSETS

RECOUPMENTS 3,618.37

TOTAL CURRENT ASSETS 3,618.37

PROPERTY AND EQUIPMENT

EQUIPMENT 3,786.40

TOTAL PROPERTY AND EQUIPMENT 3,786.40

INVESTMENTS, AT COST

BONDS 92,193,902.66

INTERNATIONAL EQUITIES 72,147,656.65

SMALL CAP EQUITIES 20,623,084.58

MID CAP EQUITIES 35,556,653.25

LARGE CAP EQUITIES 59,240,873.29

REAL ESTATE 25,122,396.88

TOTAL INVESTMENTS, AT COST 304,884,567.31

TOTAL ASSETS \$ 306,845,704.94

LIABILITIES

CURRENT LIABILITIES

ACCOUNTS PAYABLE \$ 1,906.75

AMCRE DUES 763.46

PEDIT TRUST DENTAL 18,115.44

AFLAC INSURANCE 2,992.06

BUCK SETTLEMENT RESERVE 293,500.00

TOTAL CURRENT LIABILITIES 317,277.71

TOTAL NET ASSETS \$ 306,528,427.23

**MENDOCINO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
STATEMENT OF CHANGES IN PLAN NET ASSETS
FOR THE FOUR MONTHS ENDED OCTOBER 31, 2011
(FINAL)**

	CURRENT MONTH	YEAR TO DATE
ADDITIONS		
CONTRIBUTIONS		
EMPLOYER	\$ 976,093.37	\$ 3,557,809.73
PLAN MEMBERS	394,985.70	1,522,081.95
	<u>1,371,079.07</u>	<u>5,079,891.68</u>
INVESTMENT INCOME		
RENTAL INCOME, NET OF EXPENSES	10,052.99	15,035.80
INTEREST	3,976.50	32,096.55
DIVIDENDS	128,627.02	1,372,690.31
CAPITAL GAINS	(8,928.57)	327,980.61
	<u>(8,290.27)</u>	<u>(43,290.27)</u>
LESS INVESTMENT EXPENSE		
TOTAL INVESTMENT INCOME	<u>125,437.67</u>	<u>1,704,513.00</u>
TOTAL ADDITIONS	<u>1,496,516.74</u>	<u>6,784,404.68</u>
DEDUCTIONS		
BENEFIT PAYMENTS AND SUBSIDIES	(1,888,840.74)	(7,187,933.73)
REFUNDS OF CONTRIBUTIONS	(8,729.07)	(417,559.09)
ADMINISTRATIVE EXPENSES	(21,051.00)	(47,666.80)
	<u>1,918,620.81</u>	<u>7,653,159.62</u>
TOTAL DEDUCTIONS		
INCREASE (DECREASE) IN NET ASSETS	(422,104.07)	(868,754.94)
NET ASSETS		
BEGINNING OF YEAR	<u>306,950,531.30</u>	<u>307,397,182.17</u>
END OF YEAR	<u>\$ 306,528,427.23</u>	<u>\$ 306,528,427.23</u>

COMPARISON OF CAST AND MARKET VALUES FOR MENDOCINO COUNTY RETIREMENT ASSOCIATION
OCTOBER 2011 FINAL

	A	B	C	D	E	F	G	H
	MARKET VALUE INVESTMENTS	CASH RESERVED	TOTAL AVAILABLE	PERCENT OF PORT.	% BY CLASS	TARGET % (2010 STUDY)	TARGET AS DOLLARS	DIFFERENCE AS DOLLARS
FIXED INCOME								
PIMCO	47,357,347		47,357,347	14.36%		14.000%	46,161,465	(1,195,882)
DODGE & COX INCOME	48,152,995		48,152,995	14.60%		14.000%	46,161,465	(1,991,530)
					28.967%	28.000%		
SMALL CAP GROWTH								
ALLIANCE	3,846,751		3,846,751	1.17%		1.000%	3,297,248	(549,503)
RS EMERGING MANAGERS	3,401,524		3,401,524	1.03%		1.000%	3,297,248	(104,276)
	6,341,050		6,341,050	1.92%		1.900%	6,264,770	(76,280)
					4.121%	3.900%		
SMALL CAP VALUE								
VANGUARD SMALL CAP INDEX	-		-	0.00%		0.000%	-	-
PRUDENTIAL	6,185,053		6,185,053	1.88%		1.900%	6,264,770	79,717
					1.876%	1.900%		
MID CAP GROWTH								
MORGAN STANLEY	5,373,368		5,373,368	1.63%		1.400%	4,616,147	(757,221)
JANUS ENTERPRISE	5,315,528		5,315,528	1.61%		1.400%	4,616,147	(699,381)
					3.242%	2.800%		
MID CAP VALUE								
FIDILITY LP STCK	5,160,592		5,160,592	1.57%		1.400%	4,616,147	(544,445)
ROYCE TOTAL RTN	4,985,869		4,985,869	1.51%		1.400%	4,616,147	(369,722)
					3.077%	2.800%		
LARGE CAP GROWTH								
GROWTH FUND OF AMERICA	9,972,859		9,972,859	3.02%		3.000%	9,891,743	(81,116)
HARBOR CAP APPRE	10,850,906		10,850,906	3.29%		3.000%	9,891,743	(959,163)
JANUS RESEARCH	10,326,610		10,326,610	3.13%		3.000%	9,891,743	(434,867)
					9.447%	9.000%		
LARGE CAP VALUE								
SELECTED AMERICAN	9,772,104		9,772,104	2.96%		3.000%	9,891,743	119,639
DODGE & COX	14,426,149		14,426,149	4.38%		4.400%	14,507,889	81,740
INVEST CO AMERICA	10,099,079		10,099,079	3.06%		3.000%	9,891,743	(207,336)
ROBECO	13,451,101		13,451,101	4.08%		4.400%	14,507,889	1,056,788
VAN GUARD GR&INC	10,289,235		10,289,235	3.12%		3.000%	9,891,743	(397,492)
					17.602%	17.800%		
INTERNATIONAL STOCK								
EUROPACIFIC	14,305,177		14,305,177	4.34%		4.700%	15,497,063	1,191,886
HARBOR INTL	14,731,920		14,731,920	4.47%		4.700%	15,497,063	765,143
ACORN INTL	7,911,660		7,911,660	2.40%		2.500%	8,243,119	331,459
ARTISAN	-		-	0.00%		0.000%	-	-
JANUS INTL	12,302,028		12,302,028	3.73%		4.700%	15,497,063	3,195,035
MONDRIAN	13,793,344		13,793,344	4.18%		4.700%	15,497,063	1,703,719
OAKMARK	11,641,704		11,641,704	3.53%		3.800%	12,529,541	887,837
					22.651%	25.100%		
REAL ESTATE								
RREEF PUBLIC	13,085,205		13,085,205	3.97%		1.700%	5,605,321	(7,479,884)
RREEF PRIVATE	16,645,593		16,645,593	5.05%		4.200%	13,848,440	(2,797,153)
NEW PRIVATE	-		-	0.00%		2.800%	9,232,293	9,232,293
					9.017%	8.700%		
TOTAL MANAGED INVEST.	329,724,751	-	329,724,751	100.000%	100.000%	100.000%	329,724,751	0
OTHER REAL ESTATE								
625 B KINGS COURT	738,992		738,992	0.224%		0.224%	738,992	-
					0.224%	0.224%		
FUNDS AVAILABLE	330,463,743	-	330,463,743	100.224%	100.224%	100.224%	330,463,743	0

COMPARISON OF COST AND MARKET VALUES FOR MENDOCINO COUNTY RETIREMENT ASSOCIATION
OCTOBER 2011 FINAL

	A	B	C	D	E	F	G	H
	COST VALUE	MARKET VALUE	UNREALIZED GAIN	GAIN BY CATEGORY	PRIOR MONTH GAIN/LOSS	MONTHLY CHANGE	START OF FISCAL YEAR (MARKET)	FISCAL YEAR CHANGE (MARKET)
FIXED INCOME								
PIMCO	44,061,683	47,357,347	3,295,664		(562,258)	3,857,922	50,473,381	(3,116,034)
DODGE & COX INCOME	48,132,220	48,152,995	20,775		2,776,191	(2,755,416)	47,208,923	944,072
				<u>3,316,439</u>				
SMALL CAP GROWTH								
ALLIANCE	1,967,850	3,846,751	1,878,901		1,321,224	557,677	4,149,842	(303,091)
RS EMERGING MANAGERS	2,500,101 5,357,501	3,401,524 6,341,050	901,423 983,549		496,576 100,377	404,847 883,172	3,883,292 7,009,997	(481,768) (668,947)
				<u>3,763,873</u>				
SMALL CAP VALUE								
VANGUARD SMALL CAP IN PRUDENTIAL TARGET	0 6,900,000	- 6,185,053	- (714,947)		- (1,460,317)	- 745,370	- 6,717,460	- (532,407)
				<u>(714,947)</u>				
MID CAP GROWTH								
MORGAN STANLEY JANUS ENTERPRISE	4,254,453 5,232,908	5,373,368 5,315,528	1,118,915 82,620		606,134 (417,505)	512,781 500,125	6,016,150 5,752,795	(642,782) (437,267)
				<u>1,201,535</u>				
MID CAP VALUE								
FIDILITY LP STCK ROYCE TOTAL RTN	3,897,632 3,861,617	5,160,592 4,985,869	1,262,960 1,124,252		730,955 576,312	532,005 547,940	5,497,767 5,343,466	(337,175) (357,597)
				<u>2,387,212</u>				
LARGE CAP GROWTH								
AMERICAN FUND HARBOR CAP APPRE JANUS RESEARCH	8,378,074 8,771,886 8,535,170	9,972,859 10,850,906 10,326,610	1,594,785 2,079,020 1,791,440		649,810 989,401 677,542	944,975 1,089,619 1,113,898	10,762,588 11,269,773 10,986,434	(789,729) (418,867) (659,824)
				<u>5,465,245</u>				
LARGE CAP VALUE								
SELECTED AMERICAN DODGE & COX INVEST CO AMERICA ROBECO VAN GUARD GR&INC	8,787,463 13,829,602 9,147,059 14,500,000 9,499,295	9,772,104 14,426,149 10,099,079 13,451,101 10,289,235	984,641 598,547 952,020 (1,048,899) 789,940		35,295 (877,236) 6,622 (2,545,407) (196,012)	949,346 1,473,783 945,398 1,496,508 985,952	10,484,731 15,957,294 10,682,563 14,491,030 10,831,151	(712,627) (1,531,145) (583,484) (1,039,929) (541,916)
				<u>2,274,249</u>				
INTERNATIONAL STOCK								
EUROPACIFIC HARBOR INTL ACORN INTL ARTISAN JANUS INTL MONDRIAN OAKMARK	12,709,336 15,027,678 5,840,163 - 12,924,605 14,500,000 11,145,875	14,305,177 14,731,920 7,911,660 - 12,302,028 13,793,344 11,641,704	1,595,841 (295,758) 2,071,497 - (622,577) (706,656) 495,829		312,286 (1,884,572) 1,479,482 - (2,294,303) (1,836,324) (409,415)	1,283,555 1,588,814 592,015 - 1,671,726 1,129,668 905,244	16,443,168 17,012,890 8,952,037 - 14,726,811 14,874,406 13,492,130	(2,137,991) (2,280,970) (1,040,377) - (2,424,783) (1,081,062) (1,850,426)
				<u>2,538,176</u>				
REAL ESTATE								
RREEF PUBLIC FUND RREEF PRIVATE FUND NEW PRIVATE	9,069,048 15,152,236 -	13,085,205 16,645,593 -	4,016,157 1,493,357 -		2,303,836 1,493,357 -	1,712,321 - -	13,567,707 16,238,535 -	(482,502) 407,058 -
				<u>5,509,514</u>				
TOTAL MANAGED INVEST.	<u>303,983,455</u>	<u>329,724,751</u>	<u>25,741,296</u>	<u>25,741,296</u>	<u>2,072,051</u>	<u>23,669,245</u>	<u>352,826,321</u>	<u>(23,101,570)</u>
OTHER REAL ESTATE								
625 B KINGS COURT	901,112	738,992	(162,120)		(162,120)	-	738,992	-
				<u>(162,120)</u>				
FUNDS AVAILABLE	<u>304,884,567</u>	<u>330,463,743</u>	<u>25,579,176</u>	<u>25,579,176</u>	<u>1,909,931</u>	<u>23,669,245</u>	<u>353,565,313</u>	<u>(23,101,570)</u>

James M. Andersen
Retirement Administrator



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

Date: December 2, 2011
To: Board of Retirement
From: Jim Andersen, Retirement Administrator 
Jeff Berk, General Counsel
Subject: Project Status Report and Possible Action Regarding "Correction of Contribution Rates" Project

Introduction

At its October 2011 meeting, the Board approved a project charter entitled Correction of Contribution Rates (attached). The project is intended to correct erroneous employee contribution rates calculated by Buck Consultants and applied from the beginning of the 2009/10 fiscal year (pay period 15) until amended in January of 2012 (pay period 2). The Board also established an ad hoc committee of members Goodman and Walker and approved contracts or amended contracts with The Segal Company (Segal), Hanson Bridgett, and Peter Stalder to provide specialized assistance with the project. Staff communicated that they would place a project status update on the Board's agenda each month.

Discussion

Page 5, 6 and 7 of the project charter have been updated to reflect staff's confidence level in meeting upcoming milestones (page 5 and 6) and to provide specific updates on which milestones have been or are in the process of being completed (pages 6 and 7). At this time, there are no milestones where staff believes there is a high concern about meeting the objective or the timeline.

Motion/Action

Accept the Correction of Contribution Rates Project status report of December 2011.

Staff will be happy to respond to any questions or comments you may have.

JA/JB

Copy Carmel Angelo, CEO
Caryn Downing, Court Executive Officer
Andy Yeung, The Segal Company
Peter Stalder
Judith Boyette, Hanson Bridgett

Project Charter

Project Name:

Correction of Contribution Rates

Expected Deliverables/Outcomes: *List of reports, recommendations, policies, processes, services, or other expected products from the project. Remember that deliverables are things, not actions. Number each deliverable.*

1. A report from the actuary containing the correctly calculated basic member contribution rates, for each tier and type of employee, for adoption by the Boards of Retirement and Supervisors to be effective January 1, 2012.
2. A report from the actuary containing the basic member contribution rates, for each tier and type of employee, which should have been used for fiscal years 2009/10 through December 31, 2011.
3. A secured, web based file transfer site (FTP).
4. A software program to compute, for all members who contributed during fiscal years 2009/10, 2010/11, and through December 31, 2011, the variance between the actual contribution and the corrected contribution rates plus interest rates recommended by general and tax counsel. The software program will be able to transfer member data to correspondence with members regarding their over/under payment (see 12).
5. A database containing a file for each member who made a contribution between July 1, 2009 and December 31, 2011, by pay period, displaying the variance and how it was calculated. The database will be capable of rolling up pay period variances into member and organizational variances.
6. A legal opinion from tax counsel, and associated advice, describing how refunds of any overpayments to members and collections of underpayments from members and plan sponsors can be accomplished in a manner that is compliant with IRS rules. The opinion will include all forms and procedures appropriate for tax reporting purposes.
7. A policy determining whether or not members who underpaid contributions will be required to make payments to the retirement system. The policy should identify all subgroups (e.g., retirees, deferred members, active members) and the rules for making payments, if any.
8. A report from the actuary and tax counsel containing alternatives and recommendations regarding the source for financing refunds of overpayments and receipt of underpayments, if any. The financing policy must address financing of cash flows, but also address the manner in which the retirement system will receive reimbursement from the plan sponsors for employer contributions that should have been made during fiscal year 2009/10 through December 31, 2011.
9. A report from the actuary, in close collaboration with the software vendor, containing the outcome of quality assurance samples from the database and quality assurance calculations at a summary, or plan, level.
10. A report from tax counsel and Retirement Administrator, as required by the IRS, containing controls that will limit exposure of such errors occurring in the future. The report will also contain a discussion of the alternatives for either supplementing our existing Voluntary Correction Plan (VCP) submitted to the IRS, or filing a new VCP.
11. A new or supplemental VCP.
12. A communication plan to members, plan sponsors and the media, including standardized correspondence to each of the stakeholders.

Project Owner: *The Project Owner provides or locates funding and resources for the project, approves project work plans, timelines, and budget, guides and directs the project manager, and in concert with the project manager delineates roles and responsibilities of the manager and project team. Overall they ensure successful completion of the project.*

The Board of Retirement.

Project Manager(s): *The project manager is responsible for ensuring that project planning, execution, and reporting occur. For purposes of the project, reports to Project Owner (though may be the same person).*

The Retirement Administrator.

Strong consideration should be given to a board ad hoc or steering committee, and a technical advisory committee (i.e., IT, Auditor, Legal and Actuary)

Other Departments Involved: *Please list those departments whose participation or support is necessary in order for the project to be completed.*

1. Information Services Division of the County General Services Agency: (a) set up FTP and (b) consultation on data sharing.
2. Auditor-Controller: (a) distribution of overpayments as directed; (b) possible collection of underpayments; (c) collaboration with tax counsel on forms and procedures to remain compliant for tax purposes; (d) implementing new rates; and (e) provision of payroll data to contractor.
3. Courts: (a) distribution of overpayments as directed; (b) possible collection of underpayments; (c) collaboration with tax counsel on forms and procedures to remain compliant for tax purposes; (d) implementing new rates; and (e) provision of payroll data to contractor.
4. Treasurer: collaboration on cash flow strategy for refunds of overpayments.
5. CEO: (a) collaboration on cash flow strategy and (b) collaboration on repayment to MCERA of sponsor underpayments.
6. County Counsel: advising the plan sponsor on reimbursing MCERA for underpayments of employer contributions.

Start/Finish:

1. Begin October 20, 2011.
2. Implement new, corrected rate January 1, 2012.
3. Balance of work products/milestone activities by June 30, 2012 (see milestone table).

Background/Summary: (Optional)

It was communicated by MCERA's previous actuary, Buck Consultants, and confirmed by its new actuary, The Segal Company, that members' basic contribution rates for fiscal years 2009/10, 2010/11 and 2011/12 were incorrectly computed, resulting in an overpayment of contributions by employees, in the aggregate, during that period. The project is to correct the employee and employer payments.

Resources Required: Please note the name of the county department and whether existing and/or new personnel will be required, as well as any external resources. Note role they will play (examples would be Project manager, Subject Matter Experts, IT support, Project team member, etc): check box for existing or new.

Department	Role	Existing	New
Retirement	Project Management	Yes	
Information Services	FTP site	Yes	
Auditor-Controller	Payroll data	Yes	
	Distributions/Collections	Yes	
	Implement new rate	Yes	
Courts	Payroll data	Yes	
	Distributions/Collections	Yes	
	Implement new rate	Yes	
Treasurer	Cash flow strategy	Yes	
CEO	Cash flow strategy	Yes	
	County contribution	Yes	
County Counsel	County contribution	Yes	
Peter Stalder, contractor	Software development		Yes
	Database development		Yes
The Segal Company	Establish correct rates		Yes
	Quality assurance		Yes
Hanson Bridgett	IRS compliance advice		Yes
	Future Internal Controls		Yes
	VCP review		Yes
Retirement	Communications	Yes	

Policy Review: List and briefly describe Board of Retirements, Board of Supervisors or CEO policies that need to be considered and/or resolved before the project can be completed.

1. The Board of Retirement must determine if a steering and/or technical advisory committee is desired, and, if so, to establish their composition.
2. The Board of Retirement must determine what interest rate will be used.
3. The Board of Retirement and Board of Supervisors must adopt corrected rates effective January 1, 2012.
4. The Board of Retirement must establish a policy regarding collection of underpayments. Any underpayments not collected will increase the plan sponsors' payments.
5. The Board of Supervisors, in coordination with the CEO, Treasurer, County Counsel, and MCERA (tax counsel) must determine the cash source for reimbursing overpayments of employee contributions.
6. The Board of Retirement, in coordination with the Board of Supervisors, CEO, collective counsels (County, MCERA, tax) and the actuary must determine the manner in which the retirement system will collect underpayments by the plan sponsor from July 1, 2009 to December 31, 2011.
7. The Board of Retirement, in coordination with tax counsel, must determine whether or not to submit a supplemental or new VCP to the IRS.

Assumptions/Constraints: *List any major assumptions and or constraints important to the project's success.*

1. Corrected employee contribution rates can be established by January 1, 2012, thereby setting limits around the corrective action.
2. An IRS compliant means of reimbursing members for overpayments of contributions can be determined and can be implemented by the County's finance system.
3. The Board of Retirement and Board of Supervisors can agree upon a strategy for correcting underpayment of employer contributions that meets the fiduciary standards for the BOR and is financially manageable for the BOS.
4. That the electronic data imaging (EDMS) project can be initiated concurrently or immediately following the contribution correction project.

Project Interdependencies and Inputs: *List by project name any other projects or initiatives upon which this project is dependent. Also note any projects or initiatives dependent upon this project.*

1. Application to the IRS for a Determination Letter and VCP.
2. The June 30, 2011 valuation study and 2009 to 2011 experience study.
3. The June 30, 2012 valuation study.
4. The fiscal year 2011/12 and/or 2012/13 County and Courts budgets.
5. The electronic data imaging (EDMS) project.

Risks: *(Optional)*

1. Employee/Member Relations. Likelihood of reduced employee/member confidence in the employer and MCERA during a critical period for the plan sponsor in Employee Relations and MCERA in its organizational development.
2. Rate increase and corrective action resulting in an economic hardship to the plan sponsors.
3. Limited alternatives for financing member reimbursements (cash flows) due to IRS constraints.
4. Change in project lead during project.
5. Unknown impact to MCERA's Determination Letter and VCP applications.

Exclusions: *Use this section, if necessary, to clarify what **will not** be addressed by the project.*

Member contribution rates were reviewed by The Segal Company (Segal) beginning with the June 30, 2010 actuarial valuation. Segal reviewed both the basic and COLA rates. An error was found in the basic rate, but the COLA rate was determined to be correct. As a result all previous COLA rates were assumed to be correct. Segal continued to review the basic rate until finding the first year in which the basic was correct, June 30, 2007 (for fiscal year 2008/09). Employee contributions rates were not reviewed for any other periods.

Milestones: *Note key events marking project progress*

1. Corrected rates from the actuary.
2. Determine interest rate for overpayment corrections.
3. Variances calculated for each member.
4. Determination of a tax forms and procedures for reimbursing overpayments by members.
5. Determination of the manner in which the plan sponsors will correct underpayments to the retirement system.
6. Completion of actuarial quality assurance work.
7. Determination regarding whether to submit a new or supplemental VCP.
8. Standardized communication to each member regarding their under/over payment, and how the corrective action plan will work.
9. Input corrected information into member ledgers, pension system.
10. Submission of the new or supplemental VCP.

Project Duration Estimates

Project Milestone	Date Estimate (mo/day/year)	Confidence Level (high, medium, or low)
Board of Retirement establish a steering committee and/or technical advisory committee (TAC)	10/19/2011	High
County IS set up an FTP site	10/21/2011	High
Corrected rates from the actuary	11/04/2011	High
Determine Interest rate to be applied	11/09/2011	High
Variances calculated for each member through June 30, 2011	12/09/2011	High
Board of Retirement adopt corrected rate for 2011/12	12/12/2011	High
Board of Supervisors adopt corrected rate for 2011/12	12/13/2011	High
Actuarial sampling and Quality Assurance of variance calculations through June 30, 2011	12/30/2011	High
Implement corrected rate for the balance of 2011/12	01/08/2012	High
Variances calculated for each member from July 1, 2011 through December 31, 2011	01/20/12	High

Actuarial sampling and Quality Assurance of variance calculations through December 31, 2011, and at the summary level	02/03/2012	High
Input corrections into County, Court and Retirement systems	02/10/2012	
Determination of a tax forms and procedures for reimbursing overpayments by members	02/15/2012	
Determination of whether or not to collect from members who underpaid contributions	02/15/2012	
Determine new project lead	03/21/2012	
Determination on the manner in which the plan sponsors will correct underpayments to the retirement system	03/21/2012	Moderate
Standardized communication to each member regarding their under/over payment, and how the corrective action plan will work	03/21/2012	
Letter from tax counsel and the Retirement Administrator to the IRS regarding internal controls to avoid future errors/corrections	04/18/2012	
Determination regarding whether to submit a new or supplemental VCP	04/18/2012	
Submission of the new or supplemental VCP	06/20/2012	

Project Status: For those projects underway, please note the date and indicate Green (low concern) Yellow (moderate concern) or Red (high concern) that project will exceed timeline, budget or scope.

- **Milestone 1 – Completed.** That the Board establishes an ad hoc committee for staff guidance between meetings. On October 19th the Board established an ad hoc committee of Goodman and Walker. Staff was authorized to create a technical advisory committee (TAC) as needed.
- **Milestone 2 – Completed.** That County IS set up a secured FTP site on October 24th for transferring information between authorized project participants. Staff identified all individuals who would need access to the site, and IS established a security system and list of users.
- **Milestone 3 – Completed.** Corrected rates from the actuary. Segal has calculated correct employee and employer contribution rates for FY 2009/10, 2010/11, and 2011/12. The new rates have been provided to Peter Stalder and as of December 2, 2011, Peter has nearly completed corrected rates by pay period for 2009/10 and 2010/11.
- **Milestone 4 – Completed.** Determine interest rate to be applied. The Board of Retirement acted at its November meeting to reimburse actual over and under payments, without the application of interest/earnings.
- **Milestone 5 – Completed.** Variances calculated for each member through June 30, 2011.

Contracted consultant Peter Stalder has received all requested data for fiscal years 2009/10 and 2010/11. Peter has been working closely with the courts, Retirement, and County payroll on any information needs. The milestone was completed on December 6, 2011. Segal has been asked to begin to perform its Quality Assurance work.

- **Milestone 6 – Completed**. Board of Retirement adopts corrected rates for 2011/12. Segal has provided corrected employee and employer contribution rates to be effective January 8, 2012. The rates are on the BOR and BOS agendas for action on December 12th and 13th, respectively. New rate sheets have been sent to the County and courts for use in payroll administration.
- **Milestone 7 – Completed**. Board of Supervisors adopts corrected rates for 2011/12. See Milestone 6.
- **Milestone 8 – 12/30/2011**. Actuarial sampling and QA on variance calculations through June 30, 2011. As noted in the status of Milestone 5, Peter Stalder completed his computation of the variance between actual and corrected employee contributions on December 6, 2011. Segal has been contacted to begin their Quality Assurance work for the first two fiscal years.
- **Milestone 9 – 01/08/12**. Implement correct employer and employee rates for the balance of fiscal year 2011/12. There is no reason to believe the new rate for 2011/12 will not be implemented in time to be effective January 8, 2012, pay period 2. Segal has provided the rates to MCERA, the boards have agenda items to approve the corrected rates, and new rate sheets have been provided to the payroll supervisors of the County and courts.
- **Milestone 10 – 01/20/12**. Variance calculated for the first fiscal year 2011/12 through pay period 1. Given that Retirement, County, Courts and IS staff have successfully created and transferred the data for fiscal years 2009/10 and 2010/11, and contractor Peter Stalder has been successful in calculating variances for those years, it is reasonable to assume he can calculate the variances for pay periods 15 through 1 for fiscal year 2011/12 by the milestone target date.
- **Milestone 11 – 02/03/12**. Actuarial sampling and QA on variance calculations for 2011/12, pay period 15 through 1. Similarly to Milestone 10, there is no reason to assume Segal will not be able to sample calculations for fiscal year 2011/12 by the milestone target date.
- **Milestone 16 – 12/12/2011**. Determination on the manner in which plan sponsors can correct underpayments. Staff received a draft legal opinion from Hanson Bridgett on 12/2, and is reviewing it at the time this status report was being written. Alternatives will be provided, along with the pros and cons of each approach, and a recommendation from legal counsel. The objective was to have the opinion completed in time to discuss with the Board of Supervisors at the joint meeting on December 12, 2011. It is my belief that a separate agenda item with the Board of Supervisors will be required. The only reason for moderate concern on this milestone is the budgetary impact to the employer, and the unknown alternatives for the employer to raise proceeds for correction payments to members and/or MCERA.

Comments:

The parties (MCERA, County, Courts and contractors) are continuing to work well together.

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Retirement Administrator



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

Date: December 8, 2011
To: Board of Retirement
From: Jim Andersen, Retirement Administrator *JA*
Subject: Discussion and possible action to supersede a prior Board action that prohibits Board Members from becoming Retirement Administrator for a period of three years after leaving the Board

Background

In 1999, the Board of Retirement was considering whether or not to ask the Board of Supervisors to make operative Government Code (GC) Section 31522.2, thereby allowing the Board to hire a Retirement Administrator. The Board also considered hiring an individual by another job title to oversee operations of MCERA under GC Section 31522.1. The Board did, pursuant to GC Section 31522.1, move forward to establish the position of Retirement Coordinator, but did not take an action to remove the overall administrative duties from the County Treasurer. The Board considered the potential for a real or perceived conflict of any member serving on the Board at that time to vote on GC Section 31522.1 or Section 31522.2 when they could have an interest in pursuing appointment to a position created under said sections. As a result, the Board took a second action that stated "no Retirement Board member could become retirement administrator for a period of three years after leaving the Retirement Board."

In 2001, Peter Klein, County Counsel, and more recently Jeff Berk, MCERA Counsel, opined that the policy remains active unless superseded.

Discussion

Given that the Board is currently recruiting for a Retirement Administrator, staff is bringing this policy back to the Board for consideration. Staff believes that the policy was put in place for a specific purpose at a specific point in time to ensure that any action to create staff positions at MCERA would be unbiased both in fact and appearance. Now that the position has been established, staff believes the Board may not wish to restrict any candidates from applying for the Retirement Administrator position, even current or past Board members.

Recommended Motion/Action

Allow all current and past Retirement Board members to apply for and, at the prerogative of the Board, be appointed as Retirement Administrator.

Alternative

Maintain the current policy.

JA