

Date: May 9, 2018
To: Board of Retirement
From: James Wilbanks, Ph.D., Retirement Administrator
Subject: Administrator Report

Retirement Administrator Evaluation:

The evaluation forms are being distributed under separate cover. The Chair has requested that Trustees return their completed evaluations to him by June 1, 2017 to allow for compilation of the results prior to the June 20, 2018 Board meeting.

RVK Public Fund Universe Analysis:

Attached is the updated RVK Public Fund Universes Analysis for Mendocino County Employees Retirement Association as of December 31, 2017. The general version of this report will be presented at the 2018 Spring SACRS Meeting. The investment performance for MCERA are overall positive. I did want to point out the information regarding actuarial assumptions on page 69 of the report, specifically how those results indicate that MCERA is relatively conservative compared to our peers in the setting of actuarial assumptions.

SACRS Legislative Report:

Attached is a copy of the SACRS Legislative Report for review. I have removed any bills that have already been enacted, vetoed or which have a Current Status of DEAD since these bills are not active legislation. This reduces the list of legislation by half.

SACRS

Sponsored Legislation 5/3/2018

AB 2085 (Cooley D) Retirement systems: surviving spouse.

Introduced: 2/7/2018

Last Amended: 3/20/2018

Fiscal: N

Urgency: N

Status: 4/16/2018 - In committee: Set, first hearing. Hearing canceled at the request of author.

Location: 2/16/2018 - A . P.E.,R. & S.S.

Summary: The County Employees Retirement Law of 1937 (CERL) requires, after a member's death, any retirement allowance earned but not yet paid to the member to be paid to the member's designated beneficiary. Current law authorizes the surviving spouse of a member who did not designate a beneficiary prior to death to file with the board, as specified, to be deemed the beneficiary. This bill would define surviving spouse, for purposes of CERL, as a person legally married to the member, who is neither divorced nor legally separated at the time of the member's death, and who meets other relevant requirements, as specified.

Public Pension Legislation

Full Report 5/3/2018

AB 283 (Cooper D) County employees' retirement: permanent incapacity.

Introduced: 2/2/2017

Last Amended: 3/23/2017

Fiscal: N

Urgency: N

Status: 7/21/2017 - Failed Deadline pursuant to Rule 61(a)(11). (Last location was P.E. & R. on 5/24/2017)(May be acted upon Jan 2018)

Location: 7/21/2017 - S . 2 YEAR

Summary: The County Employees Retirement Law of 1937 provides that a member who is permanently incapacitated shall be retired for disability despite age if, among other conditions, the member's incapacity is a result of injury or disease arising out of and in the course of the member's employment, and that employment contributes substantially to that incapacity or the member has completed 5 years of service and not waived retirement in respect to the particular incapacity or aggravation thereof, as specified. This bill would require, for purposes of determining permanent incapacity of certain members employed as peace officers, that those members be evaluated by the retirement system to determine if they can perform all of the usual and customary duties of a peace officer, as specified.

AB 526 (Cooper D) County employees' retirement: districts: retirement system governance.

Introduced: 2/13/2017

Last Amended: 5/18/2017

Fiscal: N

Urgency: N

Status: 7/21/2017 - Failed Deadline pursuant to Rule 61(a)(11). (Last location was P.E. & R. on 5/18/2017)(May be acted upon Jan 2018)

Location: 7/21/2017 - S . 2 YEAR

Summary: Would define the Sacramento County retirement system as a district under CERL. The bill would authorize the board to adopt, by resolution, specified administrative provisions that would classify various personnel of the retirement system as employees of the retirement system and not employees of the county. The bill would require the retirement system to notify, and to meet and discuss with, participating employers in the retirement system, the employees of the system, and specified employee organizations, regarding the retirement system's intent to exercise this authority at least 60 days before considering a resolution to make these provision applicable.

AB 1597 (Nazarian D) Public employee retirement systems: prohibited investments: Turkey.

Introduced: 2/17/2017

Last Amended: 6/22/2017

Fiscal: Y

Urgency: N

Status: 7/14/2017 - Failed Deadline pursuant to Rule 61(a)(10). (Last location was P.E. & R. on 6/14/2017)(May be acted upon Jan 2018)

Location: 7/14/2017 - S . 2 YEAR

Summary: Would prohibit the boards of administration of the Public Employees' Retirement System and State Teachers' Retirement System from making additional or new investments, or renewing existing investments, of public employee retirement funds in an investment vehicle in Turkey that is issued by the government of Turkey or that is owned, controlled, or managed by the government of Turkey. The bill would require the boards to liquidate existing investments in Turkey in these types of investment vehicles within 6 months of the passage of federal law imposing sanctions on Turkey.

AB 1603 (Ridley-Thomas D) Meyers-Milias-Brown Act: local public agencies.

Introduced: 2/17/2017

Last Amended: 8/24/2017

Fiscal: Y

Urgency: N

Status: 9/16/2017 - Ordered to inactive file at the request of Senator McGuire.

Location: 9/16/2017 - S . INACTIVE FILE

Summary: Under the Meyers-Milias-Brown Act (MMBA), employees of local public agencies have the right to form, join, and participate in the activities of employee organizations of their own choosing for the purpose of representation on all matters of employer-employee relations. The MMBA authorizes a local public agency to adopt reasonable rules and regulations after consultation in good faith with representatives of a recognized employee organization or organizations for the administration of employer-employee relations under the act. The bill would revise the definition of "public employee" for the purpose of the Meyers-Milias-Brown Act to also include persons jointly employed by a public agency and any other employer at specified clinics and hospitals.

AB 1912 (Rodriguez D) Public employees' retirement: joint powers agreements: liability.

Introduced: 1/23/2018

Last Amended: 4/19/2018

Fiscal: Y

Urgency: N

Status: 4/24/2018 - From committee: Do pass and re-refer to Com. on APPR. (Ayes 7. Noes 2.) (April 24). Re-referred to Com. on APPR.

Location: 4/24/2018 - A . APPR.

Summary: The Joint Exercise of Powers Act generally authorizes 2 or more public agencies, by agreement, to jointly exercise any common power. Under the act, if the agency is not one or more of the parties to the agreement but is a public entity, commission, or board constituted pursuant to the agreement, the debts, liabilities, and obligations of the agency are the debts, liabilities, and obligations of the parties to the agreement, unless the agreement specifies otherwise and except as otherwise provided with respect to certain community choice aggregator joint powers agencies. This bill would eliminate that authorization, would specify that if an agency to a joint powers agreement participates in a public retirement system, all parties, both current and former to the agreement, would be jointly and severally liable for all obligations to the retirement system, and would eliminate the authority of those parties to agree otherwise with respect to the retirement liabilities of the agency.

AB 2004 (Obernolte R) Big Bear Fire Agencies Pension Consolidation Act of 2018.

Introduced: 2/1/2018

Fiscal: N

Urgency: Y

Status: 4/19/2018 - Referred to Com. on P.E. & R.

Location: 4/19/2018 - S . P.E. & R.

Summary: Would enact the Big Bear Fire Agencies Pension Consolidation Act of 2018, which, on and after the effective date of a resolution of the Board of Retirement of the San Bernardino County Employees' Retirement Association consenting to membership by employees of the Big Bear Fire Authority as specified, would provide that all safety employees currently employed by the Big Bear Lake Fire Protection District as of that date would be deemed to be employees of the authority and that all duties and obligations of the fire protection district in the employment relationship would be assumed by the authority. The bill would specify that the authority is a "district" for purposes of the County Employees Retirement Law of 1937.

AB 2052 (Bonta D) State Teachers' Retirement System: contributions due to system: form.

Introduced: 2/6/2018

Fiscal: Y

Urgency: N

Status: 4/25/2018 - Referred to Com. on P.E. & R.

Location: 4/25/2018 - S . P.E. & R.

Summary: Would, upon authorization by the Teachers' Retirement Board, require contributions due to the system by an employer under the Defined Benefit Program and the Cash Balance Benefit Program to be paid by an electronic funds transfer method through an automated clearinghouse, as defined, as prescribed by the board. The bill would permit an employer that is unable, for good cause, to comply with this requirement to apply to the board for a waiver that would allow the employer to pay in an alternate manner.

AB 2076 (Rodriguez D) County employees' retirement: disability: date of retirement.

Introduced: 2/7/2018

Last Amended: 2/27/2018

Fiscal: N

Urgency: N

Status: 4/19/2018 - Referred to Com. on P.E. & R.

Location: 4/19/2018 - S . P.E. & R.

Summary: Would authorize a county retirement system in Los Angeles County to correct a prior board decision determining the effective date of retirement for a member permanently incapacitated for disability that was made between January 1, 2013, and December 31, 2015, and was based upon an error of law existing at the time of the decision, as specified. The bill would authorize a member seeking correction under these provisions to file an application with the board no later than one year from the date these provisions become operative.

AB 2085 (Cooley D) Retirement systems: surviving spouse.

Introduced: 2/7/2018

Last Amended: 3/20/2018

Fiscal: N

Urgency: N

Status: 4/16/2018 - In committee: Set, first hearing. Hearing canceled at the request of author.

Location: 2/16/2018 - A . P.E.,R. & S.S.

Summary: The County Employees Retirement Law of 1937 (CERL) requires, after a member's death, any retirement allowance earned but not yet paid to the member to be paid to the member's designated beneficiary. Current law authorizes the surviving spouse of a member who did not designate a beneficiary prior to death to file with the board, as specified, to be deemed the beneficiary. This bill would define surviving spouse, for

purposes of CERL, as a person legally married to the member, who is neither divorced nor legally separated at the time of the member's death, and who meets other relevant requirements, as specified.

AB 2196 (Cooper D) Public employees' retirement: service credit: payments.

Introduced: 2/12/2018

Fiscal: Y

Urgency: N

Status: 5/2/2018 - From committee: Do pass. To Consent Calendar. (Ayes 17. Noes 0.) (May 2).

Location: 5/2/2018 - A . CONSENT CALENDAR

Summary: Under the Public Employees' Retirement Law, members may make certain elections, including elections to purchase service credit for various types of public service, upon payment of additional contributions. Current law permits a member who retires before paying off the entire amount for service credit to pay the balance due or total amount if no payroll deductions had been made prior to retirement by deductions from his or her retirement allowance equal to those authorized as payroll deductions, as specified. The bill would permit the member, survivor, or beneficiary, as an alternative, to elect to receive an allowance that is reduced by the actuarial equivalent of any balance remaining unpaid by the member.

AB 2310 (Aguiar-Curry D) Public Employees' Retirement System: contracting members.

Introduced: 2/13/2018

Last Amended: 3/20/2018

Fiscal: Y

Urgency: N

Status: 5/2/2018 - From committee: Do pass. To Consent Calendar. (Ayes 17. Noes 0.) (May 2).

Location: 5/2/2018 - A . CONSENT CALENDAR

Summary: Under PERL, a contracting agency and its employees may agree in writing to share the costs of the employer contribution in accordance with specified procedures. Current law requires, in these circumstances, the collective bargaining agreement for a contracting agency and its employees to specify the exact percentage of member compensation that is to be paid toward the current service costs of the benefits by members. This bill would revise that provision to also refer to a memorandum of understanding ratified by the employee bargaining unit and the governing body of the contracting agency.

AB 2415 (Calderon D) Public Employees' Retirement System: officers and directors: appointment and compensation.

Introduced: 2/14/2018

Fiscal: Y

Urgency: N

Status: 4/18/2018 - In committee: Set, first hearing. Referred to APPR. suspense file.

Location: 4/18/2018 - A . APPR. SUSPENSE FILE

Summary: The Public Employees' Retirement Law requires the Board of Administration to appoint and fix the compensation of an executive officer, a general counsel, a chief actuary, a chief investment officer, a chief financial officer and other investment officers and portfolio managers, as specified. PERL requires that specific principles guide the board when fixing compensation, consistent with its fiduciary responsibility to recruit and retain highly qualified and effective employees for these positions. This bill would additionally require the board to appoint and fix the compensation of a chief operating officer and a chief health director.

AB 3068 (Daly D) County government: contract legal counsel: auditor-controller.

Introduced: 2/16/2018

Last Amended: 4/16/2018

Fiscal: Y

Urgency: N

Status: 4/26/2018 - From committee: Do pass and re-refer to Com. on APPR. (Ayes 8. Noes 0.) (April 25). Re referred to Com. on APPR.

Location: 4/26/2018 - A . APPR.

Summary: Existing law requires a county board of supervisors, upon request of the county assessor or sheriff, to contract with legal counsel to assist the assessor or sheriff with duties for which the district attorney or county counsel would have a conflict of interest in representing the assessor or sheriff. In the event the board of supervisors does not concur with the assessor or sheriff that a conflict of interest exists, existing law authorizes the county assessor or sheriff to initiate an ex parte proceeding before the presiding judge of the superior court, as provided. This bill would extend these provisions to additionally require the board of supervisors to contract with legal counsel to assist the auditor-controller, as described above.

AB 3084 (Levine D) Public employees: other postemployment benefits: annual report.

Introduced: 2/16/2018

Last Amended: 4/10/2018

Fiscal: Y

Urgency: N

Status: 5/2/2018 - In committee: Set, first hearing. Referred to APPR. suspense file.

Location: 5/2/2018 - A . APPR. SUSPENSE FILE

Summary: Would require each governing body of a public agency that provides other postemployment benefit to, in an annual financial statement submitted to the Controller, in a form prescribed by the Controller, show the public agency has met, or if it has not met, detail why it has not met and what the public agency is doing to meet, specified parameters related to the provision of other postemployment benefits.

AB 3235 (Grayson D) Public employees' retirement.

Introduced: 2/16/2018

Fiscal: N

Urgency: N

Status: 2/17/2018 - From printer. May be heard in committee March 19.

Location: 2/16/2018 - A . PRINT

Summary: Current law requires any city with a population of 1,000,000 or more, and any agency thereof, which has established any pension and retirement plan that requires officers and employees of one sex to pay greater contributions than those of another sex who are the same age to revise the plan so that the contributions are the same, as specified. This bill would make a nonsubstantive change to that provision.

AB 3245 (Committee on Public Employees, Retirement, and Social Security) Public employees' retirement.

Introduced: 2/22/2018

Last Amended: 4/9/2018

Fiscal: N

Urgency: N

Status: 4/26/2018 - Read third time. Passed. Ordered to the Senate. In Senate. Read first time. To Com. on RL for assignment.

Location: 4/26/2018 - S . DESK

Summary: Current law establishes various public agency retirement systems, including, among others, the Public Employees' Retirement System, the Judges' Retirement System, and the Judges' Retirement System II. These systems provide defined benefits to public employees based on age, service credit, and amount of final compensation. This bill would make various nonsubstantive changes to provisions governing these retirement systems.

SB 656 (Moorlach R) Judges' Retirement System II: deferred retirement.

Introduced: 2/17/2017

Last Amended: 1/23/2018

Fiscal: Y

Urgency: N

Status: 4/23/2018 - Referred to Com. on P.E., R., & S.S.

Location: 4/23/2018 - A . P.E.,R. & S.S.

Summary: Would authorize a judge who has attained 60 years of age with a minimum of 5 years of service, or who has accrued 20 or more years of service, to retire and to elect to receive a monthly pension that would be deferred until the judge reaches retirement age, as specified. The bill would prohibit a judge who elects to retire in this manner from receiving benefits until he or she reaches the applicable retirement age and would prescribe procedures to apply if the judge fails to elect within 30 days of separation.

SB 964 (Allen D) Public Employees' Retirement Fund and Teachers' Retirement Fund: investments: climate-related financial risk.

Introduced: 1/31/2018

Last Amended: 3/14/2018

Fiscal: Y

Urgency: N

Status: 4/16/2018 - April 16 hearing: Placed on APPR. suspense file.

Location: 4/16/2018 - S . APPR. SUSPENSE FILE

Summary: Would, until January 1, 2035, require climate-related financial risk, as defined, to be analyzed to the extent the boards identify the risk as a material risk to the Public Employees' Retirement Fund or the Teachers' Retirement Fund. The bill, by January 1, 2020, and every 3 years thereafter, would require each board to publicly

report on the climate-related financial risk of its public market portfolio, including alignment of the Public Employees' Retirement Fund and the Teachers' Retirement Fund with a specified climate agreement and California climate policy goals and the exposure of the fund to long-term risks, as specified.

SB 993 (Hertzberg D) Sales tax: services.

Introduced: 2/5/2018

Fiscal: Y

Urgency: Y

Status: 2/14/2018 - Referred to Com. on GOV. & F.

Location: 2/14/2018 - S . GOV. & F.

Summary: Would, on and after January 1, 2019, expand the Sales and Use Tax Law to impose a tax on the purchase of services by businesses in California at a specified percentage of the sales price of the service. The bill would require the tax to be collected and remitted by the seller of the purchased services. The bill would exempt certain types of services, including health care services, from the tax and would exempt from the tax a business with gross receipts of less than \$100,000 in the previous 4 quarters.

SB 1022 (Pan D) Public Employees' Retirement System: administration.

Introduced: 2/7/2018

Last Amended: 4/12/2018

Fiscal: Y

Urgency: N

Status: 4/27/2018 - Set for hearing May 7.

Location: 4/23/2018 - S . APPR.

Summary: The Public Employees' Retirement Law (PERL) vests the Board of Administration of the Public Employees' Retirement System with the responsibility of administering the Public Employees' Retirement System. PERL provides that data filed by a member or beneficiary with the board is confidential, subject to certain exceptions, and is to be used only for carrying PERL into effect. This bill would specify that the confidentiality provisions, described above, apply to the Public Employees Medical and Hospital Care Act, which the board also administers, and would make conforming changes to account for this and to account for school district and university employer categories currently in effect.

SB 1060 (Mendoza D) Public Employees' Retirement Law: employer contributions: notification.

Introduced: 2/12/2018

Fiscal: Y

Urgency: N

Status: 2/13/2018 - From printer. May be acted upon on or after March 15.

Location: 2/12/2018 - S . RLS.

Summary: The Public Employees' Retirement Law (PERL) establishes the Public Employees' Retirement System (PERS), which provides pension and other benefits to members of PERS. PERL requires certain public employers to contribute moneys to PERS. Current law prohibits the state, school employers, and contracting agencies, as defined, from refusing to pay the employers' contribution as required by PERL. This bill would require a contracting agency that fails to make a required contribution to PERS to notify members of the delinquency within 30 days, as specified.

SB 1061 (Mendoza D) State Teachers' Retirement Plan: employer contributions: notification.

Introduced: 2/12/2018

Fiscal: Y

Urgency: N

Status: 2/13/2018 - From printer. May be acted upon on or after March 15.

Location: 2/12/2018 - S . RLS.

Summary: The State Teachers' Retirement Law establishes the Defined Benefit Program of the State Teachers Retirement Plan. The law requires certain employers, as defined, to contribute moneys to the State Teachers' Retirement System (STRS). This bill would require an employer that fails to make a required contribution to STRS to notify members of the delinquency within 30 days, as specified.

SB 1062 (Mendoza D) Retirement systems: employer contributions: notification.

Introduced: 2/12/2018

Fiscal: Y

Urgency: N

Status: 2/13/2018 - From printer. May be acted upon on or after March 15.

Location: 2/12/2018 - S . RLS.

Summary: Current law creates the State Teachers' Retirement System (STRS) and the Public Employees' Retirement System (PERS), which provide pension and other benefits to their respective members. Both STRS and PERS are funded by employer and employee contributions and investment returns. This bill would require certain employers that fail to make a required employer contribution to STRS or PERS to notify members of the delinquency within 30 days, as specified.

SB 1124 (Leyva D) Public Employees' Retirement System: collective bargaining agreements: disallowed compensation.

Introduced: 2/13/2018

Last Amended: 3/22/2018

Fiscal: Y

Urgency: N

Status: 4/27/2018 - Set for hearing May 7.

Location: 4/23/2018 - S . APPR.

Summary: The California Public Employees' Pension Reform Act of 2013 (PEPRA) generally requires a public retirement system, as defined to modify its plan or plans to comply with the act. PEPRA, among other things, establishes new defined benefit formulas and caps on pensionable compensation. This bill would establish new procedures under PERL for cases in which a member's benefits are erroneously calculated by the state or a contracting agency.

SB 1165 (Pan D) State teachers' retirement.

Introduced: 2/14/2018

Last Amended: 4/19/2018

Fiscal: Y

Urgency: N

Status: 5/1/2018 - Read second time. Ordered to consent calendar.

Location: 5/1/2018 - S . CONSENT CALENDAR

Summary: Current law, applicable to both the Defined Benefit Program and the Cash Balance Benefit Program defines "school year" as the fiscal year or the academic year. Current law defines "school term" with reference to a minimum period of time that creditable service is required to be performed by a member employed on a full-time basis, subject to certain exclusions. Under current law, the "school term" is the same for members employed less than full-time who perform the same duties as members employed on a full-time basis. This bill would

redefine “school year” as the period of time beginning on July 1 of one calendar year and ending on June 30 of the following calendar year.

SB 1166 (Pan D) Public Employees’ Retirement System: contracting agency: contributions.

Introduced: 2/14/2018

Last Amended: 3/22/2018

Fiscal: Y

Urgency: N

Status: 4/27/2018 - Set for hearing May 7.

Location: 4/24/2018 - S . APPR.

Summary: PERL authorizes a public agency to contract to make its employees members of PERS and prescribes a process for this. PERL prohibits participating employers from failing or refusing to pay their contributions on time. PERL authorizes the board to charge interest on agency contributions due and unpaid. This bill would require a contracting agency that fails to make its required employer contributions on time to notify members and retired members of the delinquency by mail within 30 days of the payment having become delinquent.

SB 1270 (Vidak R) County employees’ retirement: system personnel.

Introduced: 2/16/2018

Fiscal: N

Urgency: N

Status: 4/23/2018 - Read third time. Passed. (Ayes 38. Noes 0.) Ordered to the Assembly. In Assembly. Read first time. Held at Desk.

Location: 4/23/2018 - A . DESK

Summary: CERL authorizes the retirement boards of 5 specified counties to appoint assistant administrators and chief investment officers who, following appointment, are outside county charter, civil service, and merit system rules, except as specified. CERL provides that these administrators and officers are employees of the county, as specified, while serving at the pleasure of the appointing boards, and that they may be dismissed without cause. This bill would apply these provisions to any county if the board of supervisors for that county, by resolution adopted by majority vote, makes those provisions applicable in the county.

SB 1413 (Nielsen R) Public employees' retirement: pension prefunding.

Introduced: 2/16/2018

Last Amended: 4/25/2018

Fiscal: Y

Urgency: N

Status: 4/27/2018 - Set for hearing May 7.

Location: 4/25/2018 - S . APPR.

Summary: Would enact the California Employers' Pension Prefunding Trust Program and establish the California Employers' Pension Prefunding Trust Fund to allow state and local public agency employers that provide a defined benefit pension plan to their employees to prefund their required pension contributions. This bill contains other related provisions.

SB 1433 (Moorlach R) County employees' retirement: Deferred Retirement Option Program.

Introduced: 2/16/2018

Last Amended: 4/2/2018

Fiscal: N

Urgency: N

Status: 4/24/2018 - April 23 set for first hearing. Failed passage in committee. (Ayes 1. Noes 3.) Reconsideration granted.

Location: 4/24/2018 - S . P.E. & R.

Summary: Would, on and after January 1, 2019, prohibit a county or district from allowing a member to participate in a Deferred Retirement Option Program who was not participating in the program on or before December 31, 2018. The bill would also prohibit a county or district from establishing a new or additional Deferred Retirement Option Program.

SCA 1 (Moorlach R) Retirement savings plans: funding prohibition: General Fund.

Introduced: 12/5/2016

Fiscal: Y

Urgency:

Status: 6/27/2017 - June 26 set for first hearing. Failed passage in committee. (Ayes 2. Noes 3.)

Location: 1/12/2017 - S . P.E. & R.

Summary: Would prohibit the state from incurring any liability for payment of the retirement savings benefit earned by program participants in the California Secure Choice Retirement Savings Program. The measure would also prohibit the appropriation, transfer, or encumbrance of moneys in the General Fund for the purposes of the program, including any unfunded liability that the program may incur, unless the appropriation, transfer, or encumbrance is for funding the startup and first-year administrative costs for the program.

SCA 8 (Moorlach R) Public employee retirement benefits.

Introduced: 2/15/2017

Fiscal: Y

Urgency:

Status: 6/20/2017 - June 26 set for first hearing canceled at the request of author.

Location: 2/23/2017 - S . P.E. & R.

Summary: Would permit a government employer to reduce retirement benefits that are based on work not yet performed by an employee regardless of the date that the employee was first hired, notwithstanding other provisions of the California Constitution or any other law. The measure would prohibit it from being interpreted to permit the reduction of retirement benefits that a public employee has earned based on work that has been performed, as specified. The measure would define government employer and retirement benefits for the purposes of its provisions.