

Date: August 15, 2018
To: Board of Retirement
From: James Wilbanks, Ph.D., Retirement Administrator
Subject: Administrative Report

MCERA Response to Mendocino Complex Fires

As we know far too well, the Mendocino Complex fires have been very destructive and necessitated emergency response from Mendocino County which relies on County employees to serve in areas well outside normal job descriptions to provide disaster services. There has been a significant amount of drama regarding County employees serving as disaster service workers since the outbreak of the fires.

As the Board is aware, I communicated the issue of MCERA being short staffed and the critical timing of the monthly retirement benefit payments to the County when MCERA staff was asked to provide disaster service work. I received no follow up communication nor direction that MCERA staff were needed as disaster service workers in spite of our critical processes. I did include in my communication to the County that the monthly retirement benefit process would be complete by Wednesday, August 1 and that MCERA staff would not be needed for critical processes after that point.

Throughout the emergency, MCERA staff kept track of MCERA retirees that were likely impacted by the fires. Based on the best information available, we believe there are between 90-100 MCERA retirees with addresses located within the mandatory evacuation zones caused by the Mendocino complex fires.

MCERA staff took additional steps during the processing of July benefit payments to ensure that benefits went out on schedule. Additionally, MCERA staff attempted to contact impacted retirees who still receive a check to offer alternative delivery methods since mail service was impaired due to the mandatory evacuations. Several retirees did make alternate arrangements to receive their check. For impacted retirees who receive a check that staff were unable to contact, the checks were sent in the mail as usual since we were not able to obtain alternate directions.

In light of the events of the past few weeks, I have initiated a project to clarify and codify the MCERA processes involved with supporting Mendocino County emergency operations during times of crisis. These written processes will identify specific steps for MCERA staff to take in the event of an emergency and will build upon the current body of knowledge to improve MCERA responsiveness to, and communication with, the County during times of crisis while ensuring we fulfill our fiduciary duty to MCERA members.

Plan Frequently Asked Questions

I have received no feedback from the Board regarding the list of questions submitted for review last month. I wanted to provide a reminder about this before I finalize the list of questions and prepare the responses. If you have any thoughts or see anything that should be added to the list, please let me know.

September 19, 2018 Meeting in Fort Bragg

The September Board meeting is scheduled to begin at 10:00 AM at the Harbor Lite Lodge Meeting Center in the Downstairs Meeting Room. The Harbor Lite Lodge is located at 120 N. Harbor Dr., in Fort Bragg. Callan will be

presenting the second quarter 2018 investment performance and discussing other options for real estate investing. Additionally, as directed I will present the talk I give to civic groups.

Investment Consultant Request for Proposal (RFP)

We received no comments from Trustees about the RFP. We plan to release the RFP on the MCERA website on August 17, 2018.

State Association of County Retirement Systems (SACRS) 2019 Legislative Request

The Board of Trustees of another 1937 Act Plan is interested in pursuing legislation to increase the \$100 per diem presently paid to Appointed Trustees for meeting attendance. That system is asking if any other 1937 Act Plans are also interested in the proposal before a proposal is submitted for SACRS consideration. I would like some direction from the Board regarding the level of interest and potential support for the proposal.

State Association of County Retirement Systems (SACRS) Legislative Report

Attached is a copy of the SACRS Legislative Report for review.

SACRS

Sponsored Legislation 8/8/2018

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

Introduced: 2/16/2018

Fiscal: N

Urgency: N

Status: 7/16/2018 - Approved by the Governor. Chaptered by Secretary of State. Chapter 114, Statutes of 2018.

Location: 7/16/2018 - S . CHAPTERED

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.

Other Legislation

AB 161 (Levine D) Public employees' retirement: pension fund management.

Introduced: 1/13/2017

Last Amended: 8/6/2018

Fiscal: Y

Urgency: N

Status: 8/7/2018 - Withdrawn from committee. Re-referred to Com. on RLS.

Location: 8/7/2018 - S . RLS.

Summary: Would require specified staff of the Public Employees' Retirement System to work with appropriate state agencies to produce an annual list, that may be provided to each board, of priority infrastructure projects most suitable for funding.

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

Introduced: 2/17/2017

Last Amended: 7/3/2018

Fiscal: Y

Urgency: N

Status: 8/6/2018 - In committee: Referred to APPR. suspense file.

Location: 8/6/2018 - S . APPR. SUSPENSE FILE

Summary: Would, upon the passage of a federal law imposing sanctions on Turkey for failure to acknowledge the Armenian Genocide, 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 a federal law imposing those sanctions on Turkey.

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

Introduced: 1/23/2018

Last Amended: 7/3/2018

Fiscal: Y

Urgency: N

Status: 8/6/2018 - In committee: Referred to APPR. suspense file.

Location: 8/6/2018 - S . APPR. SUSPENSE FILE

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 an 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. This bill would eliminate that authorization, and would specify that if an agency established by a joint powers agreement participates in, or contracts with, a public retirement system, member agencies, both current and former to the agreement, would be required, prior to a termination or a decision to dissolve or cease the operations of the agency, to mutually agree as to the apportionment of the agency's retirement obligations among themselves, provided that the agreement equals 100% of the retirement liability 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: 7/9/2018 - Approved by the Governor. Chaptered by Secretary of State - Chapter 72, Statutes of 2018.

Location: 7/9/2018 - A . CHAPTERED

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: 7/18/2018 - Approved by the Governor. Chaptered by Secretary of State - Chapter 125, Statutes of 2018.

Location: 7/18/2018 - A . CHAPTERED

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: 7/16/2018 - Approved by the Governor. Chaptered by Secretary of State - Chapter 97, Statutes of 2018.

Location: 7/16/2018 - A . CHAPTERED

Summary: This bill 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 2196 (Cooper D) Public employees' retirement: service credit: payments.

Introduced: 2/12/2018

Last Amended: 6/13/2018

Fiscal: Y

Urgency: N

Status: 8/6/2018 - Senate amendments concurred in. To Engrossing and Enrolling.

Location: 8/6/2018 - A . ENROLLMENT

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, on or after January 1, 2020, 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: 8/7/2018 - In Assembly. Ordered to Engrossing and Enrolling.

Location: 8/7/2018 - A . ENROLLMENT

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: 8/6/2018 - In committee: Referred to APPR. suspense file.

Location: 8/6/2018 - S . 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 specified 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: 8/6/2018 - In committee: Referred to APPR. suspense file.

Location: 8/6/2018 - S . APPR. SUSPENSE FILE

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 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: 5/24/2018 - Referred to Com. on RLS.

Location: 5/24/2018 - S . RLS.

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: 7/2/2018

Fiscal: Y

Urgency: N

Status: 8/8/2018 - August 8 set for first hearing. Placed on suspense file.

Location: 8/8/2018 - A . APPR. SUSPENSE FILE

Summary: Current law authorizes a judge who, among other things, separates from office after accruing 5 or more years of service and has not reached 65 years of age to continue health care benefits if he or she assumes certain payments. Current law specifies benefits provided to a surviving spouse or other beneficiary

in relation to these provisions. This bill would authorize a judge who is not otherwise eligible to retire and who has either attained 60 years of age with a minimum of 5 years of service or accrued 20 or more years of service to leave his or her monetary credits on deposit with the system, to retire, and upon reaching retirement age, as specified, to receive a monthly retirement allowance, as provided.

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: 8/8/2018 - August 8 set for first hearing. Placed on suspense file.

Location: 8/8/2018 - A . 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 and use taxes: service tax: qualified business.

Introduced: 2/5/2018

Last Amended: 5/9/2018

Fiscal: Y

Urgency: Y

Status: 5/16/2018 - May 16 hearing: Heard for testimony only.

Location: 5/9/2018 - S . GOV. & F.

Summary: Would reduce the rate of tax imposed by the Sales and Use Tax Law incrementally every calendar year beginning on January 1, 2020, until January 1, 2022, at which time the rate would be reduced by a total of 2%. This bill would require the Director of Finance to estimate the amount of net revenue that will be derived for specified calendar years as a result of the changes made by this bill and would require the

rate of tax imposed by the Sales and Use Tax Law to be reduced or increased by a specified percentage amount for specified calendar years depending on the amount of the estimated revenue gains or losses.

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

Introduced: 2/7/2018

Last Amended: 4/12/2018

Fiscal: Y

Urgency: N

Status: 8/8/2018 - From committee: Do pass. Ordered to consent calendar. (Ayes 17. Noes 0.) (August 8).

Location: 8/8/2018 - A . CONSENT CALENDAR

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: 8/7/2018

Fiscal: Y

Urgency: N

Status: 8/7/2018 - From committee with author's amendments. Read second time and amended. Re-referred to Com. on APPR.

Location: 6/20/2018 - A . APPR.

Summary: Would establish new procedures under PERL for cases in which a member's benefits are erroneously calculated by the state or a contracting agency. The bill would require the system, upon determining on or after January 1, 2013, that compensation for an employee member reported by the state or a contracting agency conflicts with specified law, to discontinue the reporting of the disallowed compensation.

SB 1165 (Pan D) State teachers' retirement.

Introduced: 2/14/2018

Last Amended: 6/6/2018

Fiscal: Y

Urgency: N

Status: 8/8/2018 - From committee: Do pass. Ordered to consent calendar. (Ayes 17. Noes 0.) (August 8).

Location: 8/8/2018 - A . 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: 6/18/2018

Fiscal: Y

Urgency: N

Status: 8/8/2018 - From committee: Do pass. (Ayes 12. Noes 5.) (August 8).

Location: 8/8/2018 - A . 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, and that fails to cure the delinquency within 7 days, to notify members and retired members who are current or past employees of that agency, or their beneficiaries, of the agency's delinquency by mail within 30 days of the payment having become delinquent.

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

Introduced: 2/16/2018

Last Amended: 6/21/2018

Fiscal: Y

Urgency: N

Status: 8/8/2018 - August 8 set for first hearing. Placed on suspense file.

Location: 8/8/2018 - A . APPR. SUSPENSE FILE

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.

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.