

Date: October 17, 2018  
To: Board of Retirement  
From: James Wilbanks, Ph.D., Executive Director  
Subject: Agenda Item 8) Administrative Report

## **Investment Consultant RFP Update**

We received seven responses to the Investment Consultant Request for Proposals (RFP). The respondents are:

- Aon Hewitt Investment Consulting,
- Callan LLC,
- Meketa Investment Group,
- NEPC, LLC,
- Pension Consulting Alliance (PCA),
- Vanguard, and
- Verus Advisory, Inc..

MCERA Staff is reviewing the responses, conducting research and meeting with respondents to understand the strengths of each respondent. We will be meeting with several firms in their offices next week to assist in this process. We plan to bring finalists forward for consideration at the December Board meeting.

## **Holiday Office Hours**

Similar to last year, MCERA plans to close our office to the public around the Holidays. Specifically, the office will be closed the following non-holidays:

- Wednesday, November 21, 2018;
- Monday, December 24, 2018 ;
- Wednesday, December 26, 2018;
- Thursday, December 27, 2018;
- Friday, December 28, 2018; and
- Monday, December 31, 2018.

As in years past, staff will either be allowed to use leave for this time, or they may work in the office if they choose, but the office will be closed to the public regardless.

# **State Association of County Retirement Systems (SACRS)**

## **Legislative Report**

Attached is a copy of changes to the SACRS Legislative Report from September 12, 2018 for your review.

# SACRS Legislative Report

## Other Legislation Changes from 9/12/2018 Report

### Bill Description

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

**Introduced:** 2/17/2017

**Last Amended:** 8/24/2018

**Fiscal:** Y

**Urgency:** N

**Status:** 9/30/2018 - Vetoed by Governor.

**Location:** 9/30/2018 - A . VETOED

**Summary:** Would, upon the passage of a federal law that imposes 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** (**Rodriguez D**) **Public employees' retirement: joint powers agreements: liability.**  
**1912**

**Introduced:** 1/23/2018

**Last Amended:** 8/24/2018

**Fiscal:** Y

**Urgency:** N

**Status:** 9/29/2018 - Approved by the Governor. Chaptered by Secretary of State - Chapter 909, Statutes of 2018.

**Location:** 9/29/2018 - A . CHAPTERED

**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 specify that the parties to the joint powers agreement may not specify otherwise with respect to retirement liabilities of the agency if the agency contracts with a public retirement system, and would eliminate an authorization for a party to a joint powers agreement to separately contract or assume responsibilities for specific debts, liabilities, or obligations of the agency.

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

**Introduced:** 2/14/2018

**Last Amended:** 8/17/2018

**Fiscal:** Y

**Urgency:** N

**Status:** 9/29/2018 - Approved by the Governor. Chaptered by Secretary of State - Chapter 916, Statutes of 2018.

**Location:** 9/29/2018 - A . CHAPTERED

**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.

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

**Introduced:** 2/17/2017

**Last Amended:** 8/24/2018

**Fiscal:** Y

**Urgency:** N

**Status:** 9/30/2018 - Vetoed by the Governor. In Senate. Consideration of Governor's veto pending.

**Location:** 9/30/2018 - S . VETOED

**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:** 9/23/2018 - Approved by the Governor. Chaptered by Secretary of State. Chapter 731, Statutes of 2018.

**Location:** 9/23/2018 - S . CHAPTERED

**Summary:** Current statutory law establishes various public employee retirement systems and provides for the administration of the State Teachers' Retirement System by the Teachers' Retirement Board and for the administration of the Public Employees' Retirement System, among other public employee retirement systems, by the Board of Administration of the Public Employees' Retirement System. This bill would, until January 31, 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.

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

**Introduced:** 2/7/2018

**Last Amended:** 4/12/2018

**Fiscal:** Y

**Urgency:** N

**Status:** 9/23/2018 - Approved by the Governor. Chaptered by Secretary of State. Chapter 732, Statutes of 2018.

**Location:** 9/23/2018 - S . CHAPTERED

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

**Introduced:** 2/13/2018

**Last Amended:** 8/23/2018

**Fiscal:** Y

**Urgency:** N

**Status:** 9/30/2018 - Vetoed by the Governor. In Senate. Consideration of Governor's veto pending.

**Location:** 9/30/2018 - S . VETOED

**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, 2019, or on or after January 1, 2017, if an appeal has been filed and the employee member, survivor, or beneficiary has not exhausted his or her administrative or legal remedies, 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:** 9/14/2018 - Approved by the Governor. Chaptered by Secretary of State. Chapter 416, Statutes of 2018.

**Location:** 9/14/2018 - S . CHAPTERED

**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 1413 (Nielsen R) Public employees’ retirement: pension prefunding.**

**Introduced:** 2/16/2018

**Last Amended:** 6/21/2018

**Fiscal:** Y

**Urgency:** N

**Status:** 9/21/2018 - Approved by the Governor. Chaptered by Secretary of State. Chapter 665, Statutes of 2018.

**Location:** 9/21/2018 - S . CHAPTERED

**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.