

◆MENDOCINO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION◆
BOARD OF RETIREMENT MEETING MINUTES
◆DECEMBER 14, 2016 AT 8:30 A.M.◆

CALL TO ORDER

Dan Gjerde, Vice Chair, called the meeting to order at 8:30 a.m.

ROLL CALL AND PLEDGE OF ALLEGIANCE

Roll call was conducted with the following members present: Kathryn Cavness, John Sakowicz, Dan Gjerde, Ted Stephens, Tim Knudsen, Jerilyn Harris, Shari Schapmire, Patrick Sullivan and Richard Shoemaker. Also present: James Wilbanks, Retirement Administrator, Jeff Berk, Legal Counsel, Stan Conwell, Financial Investment Officer, and Judy Zeller, Administrative Assistant. Absent: Craig Walker. Crystal Ekanayake of Gallina LLP participated by video conference.

PUBLIC COMMENT: None

1) SWEARING IN OF BOARD MEMBER PATRICK SULLIVAN

Presenter/s: Dr. Wilbanks introduced Gina Bartolomie from the County Assessor/Clerk Recorder's Office who conducted the swearing in of Patrick Sullivan.

2) DISCUSSION AND POSSIBLE ACTION REGARDING ELECTION OF BOARD OF RETIREMENT OFFICERS FOR 2016/2017 AND APPOINTMENTS TO AUDIT AND BUDGET COMMITTEE

Presenter/s: Mr. Gjerde asked for a motion regarding nomination of Board of Retirement officers for 2016/17.

Board Action: Motion was made by Ms. Harris to nominate Dan Gjerde as Chair, Kathryn Cavness as Vice Chair, and Tim Knudsen as Secretary. Ms. Schapmire seconded the motion and it was approved by the following vote: Ayes: Kathryn Cavness, John Sakowicz, Dan Gjerde, Ted Stephens, Tim Knudsen, Jeri Harris, Shari Schapmire, and Patrick Sullivan. Noes: 0. Abstain:0. Absent: Craig Walker.

Chair Gjerde stated that the existing committees will continue with the same appointments.

3) MINUTES OF THE BOARD MEETING HELD NOVEMBER 2, 2016

Presenter/s: Chair Gjerde referenced the November 2, 2016 minutes which were approved by unanimous consent.

4) CONSENT AGENDA

- November 2016 Retirement Report

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Presenter/s: Chair Gjerde referenced the Consent Agenda which was approved by unanimous consent.

5) DISCUSSION AND POSSIBLE ACTION REGARDING ANY CONSENT AGENDA ITEM NEEDING SEPARATE ACTION

None

6) AUDIT AND BUDGET COMMITTEE REPORT

- Discussion and Possible Action regarding Adoption of the Financial Statements and Independent Audit Report for Year Ended June 30, 2016 (Gallina, LLP)

Presenter/s: Mr. Knudsen, Chair of the Audit and Budget Committee, referenced the Financial Statements for Year Ended June 30, 2016 and reported that the committee met on December 6, 2016 for review of the draft audit with Gallina LLP. This report has been edited per the December 6th review and the Audit and Budget Committee recommends approval of the Financial Statements by the full board.

Crystal Ekanayake of Gallina LLP referenced the independent audit report for the year ended June 30, 2016 stating that an unmodified opinion was issued and all staff involved was very helpful with audit. The Management's Discussion and Analysis (MDA) was prepared by the Association and was not audited by Gallina LLP, but was reviewed for consistency. The Statement of Net Position included a new line item for software equipment which is the pension automation system. This item will be capitalized and recorded as an expense over next the next 10 years as payments are made to the vendor. The footnotes, consistent with prior years, did change for Government Accounting Standards Board (GASB) 72 on page 16. One difference in the fair value footnote is the disclosures for investments at net asset value which is not significant, just presentational. Note 5 was taken directly from the Segal actuarial valuation report. Note 6 includes all GASB pronouncements and the Net Pension Liability is calculated by Segal Consulting per GASB.

Ms. Ekanayake explained the sensitivity analysis, subsequent events, the net pension liability disclosure, and the schedule of funding progress. The technical review of this report will begin following board approval, and then a final Segal Consulting review will be completed before the final report version is issued.

Dr. Wilbanks stated that the Audit and Budget Committee made motion to approve the financial statements on December 6th and this does not require a subsequent motion.

Board Action: The Financial Statements and Independent Audit Report for Year Ended June 30, 2016 were approved by unanimous consent.

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7) DISCUSSION AND POSSIBLE ACTION REGARDING INVESTMENT REPORT

- Monthly Investment Report
- Investment Manager Status Update: Royce Total Return, Morgan Stanley, RS Investments, PIMCO

Presenter/s: Dr. Wilbanks referenced the October and November monthly investment reports prepared by Callan Associates. Discussion included bonds, the benchmark, and interest rates.

8) MONTHLY FINANCIAL REPORT

Presenter/s: Dr. Wilbanks referenced the monthly financial report. Discussion included cash flow and benefit payments, an upcoming rebalance of the real estate portfolio, demographics, and the funding status of CALPERS.

Public Comment: Richard Respini, Peggy Backup, John Almida, Stan Anderson, and George Hollister addressed the board.

9) DISCUSSION REGARDING LETTER FROM SEGAL CONSULTING REGARDING ALTERNATIVE RATE OF RETURN ASSUMPTIONS

Presenter/s: Chair Gjerde referenced a letter from Segal Consulting regarding alternative rates of return assumptions. This information was requested by board direction during the November 2, 2016 meeting. Dr. Wilbanks referenced page 3 of the letter stating that the only assumption change would be the rate of return assumption; all of the other current assumptions remain the same. This letter was provided for informational use only.

Discussion included taking this information to the Board of Supervisors for discussion, setting contribution rates per the Government Code, thinking long term vs a 10 year term, concerns regarding employer contribution increases and its effects, and increased debt due to a reduced rate of return.

Mr. Stephens requested agendaizing board action on the discount rate in January. Dr. Wilbanks reminded the board that the valuation had been approved in November and it will be going before the Board of Supervisors in January for adoption of contribution rates. Dr. Wilbanks recommended the Board follow the previously established process regarding the conduct of Actuarial Experience Studies and Annual Actuarial Valuation Reports.

Mr. Walker entered the meeting at 10:00 am.

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10) DISCUSSION AND POSSIBLE ACTION REGARDING RESOLUTION 2016-04 DEFINING COMPENSATION EARNABLE PURSUANT TO GOVERNMENT CODE SECTION 31461 FOR MEMBERS WHO ARE NOT SUBJECT TO GOVERNMENT CODE SECTION 7522.34 (NON- PEPRA MEMBERS)

Presenter/s: Dr. Wilbanks referenced Resolution 2016-04 and accompanying memo stating that pay code 432 is considered compensation earnable for Non-PEPRA members and that pay code 430 is not considered compensation earnable for Non-PEPRA members. Additionally, new language had been added which states that any new pay codes will be excluded until this board meets regarding consideration of compensation earnable.

Board Action: Motion was made by Mr. Sakowicz to adopt Resolution 2016-04. Ms. Harris seconded the motion and it was approved by the following vote: Ayes: Kathryn Cavness, John Sakowicz, Dan Gjerde, Ted Stephens, Craig Walker, Tim Knudsen, Jeri Harris, Shari Schapmire, and Patrick Sullivan. Noes: 0. Abstain:0. Absent:0.

11) DISCUSSION AND POSSIBLE ACTION REGARDING RESOLUTION 2016-05 DEFINING PENSIONABLE COMPENSATION PURSUANT TO GOVERNMENT CODE SECTION 7522.34 FOR MEMBERS WHO ARE NOT SUBJECT TO GOVERNMENT CODE SECTION 31461 PEPRA MEMBERS)

Presenter/s: Dr. Wilbanks referenced Resolution 2016-05 and accompanying memo stating that both pay codes 430 and 432 are considered non-pensionable for PEPRA members. This resolution includes similar language regarding excluding new pay codes until this board meets regarding consideration of pensionable compensation.

Board Action: Motion was made by Mr. Sakowicz to adopt Resolution 2016-05. Ms. Schapmire seconded the motion and it was approved by the following vote: Ayes: Kathryn Cavness, John Sakowicz, Dan Gjerde, Ted Stephens, Craig Walker, Tim Knudsen, Jeri Harris, Shari Schapmire, and Patrick Sullivan. Noes: 0. Abstain:0. Absent:0.

12) DISCUSSION AND POSSIBLE ACTION REGARDING RESOLUTION 2016-06 PERTAINING TO REGULATIONS FOR INTERNAL REVENUE CODE SECTION 415 - ANNUAL LIMITS

Presenter/s: Dr. Wilbanks referenced Resolution 2016-06 and accompanying memo stating that the favorable determination letter from the IRS requested the adoption of a resolution regarding 415 limits on Heart Act payments upon the end of employment. We do not have such payments, but this is an IRS requirement. If approved, this resolution will be presented to Board of Supervisors for adoption.

Board Action: Motion was made by Ms. Schapmire to adopt Resolution 2016-06. Mr. Sullivan seconded the motion and it was approved by the following vote: Ayes: Kathryn Cavness, John Sakowicz, Dan Gjerde, Ted Stephens, Craig Walker, Tim Knudsen, Jeri Harris, Shari Schapmire, and Patrick Sullivan. Noes: 0. Abstain:0. Absent:0.

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13) DISCUSSION AND POSSIBLE ACTION REGARDING RETIREMENT ADMINISTRATOR CHARTER

Presenter/s: Dr. Wilbanks referenced the Retirement Administrator Charter stating that new language has been included regarding the ability of the Retirement Administrator to execute contracts. The language is consistent with other County departments.

Board Action: Motion was made by Ms. Harris to approve the amended Retirement Administrator Charter. Ms. Cavness seconded the motion and it was approved by the following vote: Ayes: Kathryn Cavness, John Sakowicz, Dan Gjerde, Ted Stephens, Craig Walker, Tim Knudsen, Jeri Harris, Shari Schapmire, and Patrick Sullivan. Noes: 0. Abstain:0. Absent:0.

14) DISCUSSION AND POSSIBLE ACTION REGARDING ALTERNATIVE PROPOSED SCHEDULE FOR THE 2017 REVIEW OF ECONOMIC ASSUMPTIONS AND DEMOGRAPHIC EXPERIENCE STUDY

Presenter/s: Dr. Wilbanks referenced information from Segal Consulting regarding an alternative proposed schedule for the 2017 experience study and stated that if this schedule is adopted the experience study will be conducted as early as April and the valuation can be adopted in early November. Dr. Wilbanks recommended the alternate schedule and use of 2014 through 2016 data for the study.

Board Action: Motion was made by Ms. Schapmire to adopt the alternative schedule for the 2017 experience study. Mr. Stephens seconded the motion and it was approved by the following vote: Ayes: Kathryn Cavness, John Sakowicz, Supervisor Dan Gjerde, Ted Stephens, Craig Walker, Tim Knudsen, Jeri Harris, Shari Schapmire, and Patrick Sullivan. Noes: 0. Abstain:0. Absent:0.

15) DISCUSSION AND POSSIBLE ACTION REGARDING 2017 BOARD CALENDAR

Presenter/s: Dr. Wilbanks referenced the draft 2017 board calendar and explained his recommendation for the alternative meeting dates.

Board Action: Motion was made by Mr. Stephens to approve the 2017 board calendar with the recommended alternative meeting dates. Ms. Harris seconded the motion and it was approved by the following vote: Ayes: Kathryn Cavness, John Sakowicz, Supervisor Dan Gjerde, Ted Stephens, Craig Walker, Tim Knudsen, Jeri Harris, Shari Schapmire, and Patrick Sullivan. Noes: 0. Abstain:0. Absent:0.

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16) RETIREMENT ADMINISTRATOR REPORT

- Marin CERA Court Case Update
- Online Board Appointment Filing
- Governmental Accounting Standards (GAS) 68 Report Cost
- 625 Kings Court Maintenance Update
- Administrative and Operations Update

Presenter/s: Dr. Wilbanks referenced his administrative report which included an update on the Marin CERA court case, a press release regarding Board and Commission Appointment Filing, a report on the GASB 68 Report cost, and a Kings Court update.

Mr. Stephens made motion to charge the County for the cost of preparing the GASB 68 report by Segal Consulting as it is a direct County expense. Mr. Walker seconded the motion.

Dr. Wilbanks reminded the board that they are committed to being a policy focused board and therefore should not make policy without a staff recommendation. Chair Gjerde called for board direction and withdrawal of the motions. Mr. Stephens and Mr. Walker withdrew their motions.

Board Direction: Staff will research the expense of preparing the GASB 68 report and will report to the board next meeting.

17) PRESENTATION OF MEMBERDIRECT MEMBER SELF SERVICE WEBSITE

Presenter/s: Katy Richardson, Senior Retirement Specialist, demonstrated the MemberDirect self-service website.

18) CLOSED SESSION

- Steve Adams, Corrections Deputy, Disability Application
- Dwayne Boggs, Senior Engineering Technician, Disability Application

REPORT OUT FROM CLOSED SESSION

Board Action: Motion was made by Ms. Cavness to approve Steve Adams for a Non Service Connected Disability Retirement. Mr. Stephens seconded the motion and it was approved by the following vote: Ayes: Kathryn Cavness, John Sakowicz, Supervisor Dan Gjerde, Ted Stephens, Tim Knudsen, Jeri Harris, Shari Schapmire, and Patrick Sullivan. Noes: 0. Abstain: Craig Walker. Absent:0.

Board Action: Motion was made by Mr. Knudsen to deny Dwayne Boggs a Service Connected Disability Retirement. Mr. Sakowicz seconded the motion and it was approved by the following vote: Ayes: Kathryn Cavness, John Sakowicz, Supervisor Dan Gjerde, Ted

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Stephens, Craig Walker, Tim Knudsen, Jeri Harris, Shari Schapmire, and Patrick Sullivan.
Noes: 0. Abstain:0. Absent:0.

19) GENERAL BOARD MEMBER DISCUSSION

Ms. Harris inquired as to the timing of the Cost of Living Adjustment (COLA) study. Dr. Wilbanks explained that there have been delays in getting the report complete and that he was exploring alternative means to complete project. Ms. Harris also expressed interest in research regarding the 30 year end of employee contributions. Dr. Wilbanks explained that the policy is in the 37 Act and was adopted by the Board of Supervisors. The County is looking at this item now.

Mr. Sakowicz stated that he hoped Callan Associates would participate in shareholder advocacy as we may see changes in accounting standards in the private sector per the U.S. Securities and Exchange Commission (SEC). All agreed that they hoped to see implementation of best practice.

ADJOURNMENT AND NOTICE OF NEXT BOARD OF RETIREMENT MEETING

- The next regularly scheduled Board of Retirement meeting will be held Wednesday January 18, 2017 at 8:30 a.m. in the Mendocino County Employees' Association Conference Room.