

MCERA RETIREMENT BOARD MEETING AGENDA
THURSDAY, JUNE 14, 2018
MERCED COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
3199 M STREET, MERCED, CA 95348

Please turn your cell phone, beeper or other electronic device to non-audible mode and please refrain from using them during the Board meeting.

CALL TO ORDER: 8:15 A.M.

- ROLL CALL.
- APPROVAL OF MINUTES – May 24, 2018.

PUBLIC COMMENT

Members of the public may comment on any item under the Board's jurisdiction. Matters presented under this item will not be discussed or acted upon by the Board at this time. For agenda items, the public may make comments at the time the item comes up for Board consideration. Persons addressing the Board will be limited to a maximum of five (5) minutes in total. Please state your name for the record.

CLOSED SESSION

As provided in the Ralph M. Brown Act, Government Code sections 54950 et seq., the Board may meet in closed session with members of its staff, county employees and its attorneys. These sessions are not open to the public and may not be attended by members of the public. The matters the Board will meet on in closed session are identified below. Any public reports of action taken in the closed session will be made in accordance with Government Code sections 54957.1.

(1) DISABILITY RETIREMENT APPLICATIONS: PERSONNEL EXCEPTION

(Govt. Code § § 54957, 31532; Cal Const. art. I, § 1)

1. Disability update and possible action:

- a. Arroyo, Elizabeth
- b. Estep, Jason
- c. Guzman Hernandez, Rosa M.
- d. Ramirez, Linda A.
- e. Ramirez, Rosalva
- f. Valizan, Mathew
- g. Wall, Nichol
- h. Winder, Trudy
- i. Ward, Kissy

(2) PUBLIC EMPLOYMENT- CONFERENCE WITH LABOR NEGOTIATORS

(Govt. Code § 54957.6)

Unrepresented Employee: Retirement Plan Administrator.

RETURN TO OPEN SESSION

Report on any action taken in closed session.

CONSENT CALENDAR

Consent matters are expected to be routine and may be acted upon, without discussion, as one unit. If an item is taken off the Consent Calendar for discussion, it will be heard as the last item(s) of the Board Action/Discussion as appropriate.

RETIREMENTS: Pursuant to Govt. Code § 31663.25 or § 31672

All items of earnable compensation for service or disability retirements listed below are in compliance with the pay code schedule approved by the Board of Retirement. The retirement is authorized; however, administrative adjustments may be necessary to alter the amount due to: audit, late arrival of data, court order, etc.

a. Ordunez, Samuel P	DPW/Roads	29 Yrs. Svc.	Eff. 04/28/2018
b. Jacobo, Albert	Admin Svcs.	23 Yrs. Svc.	Eff. 05/12/2018
c. Blodgett, Richard	Sheriff	22 Yrs. Svc.	Eff. 05/13/2018
d. Brown, Linda	HSA	15 Yrs. Svc.	Eff. 05/18/2018
e. Curtis, Roberta	HSA	14 Yrs. Svc.	Eff. 05/26/2018

YTD fiscal year 2017/2018 retirees: 097

YTD fiscal year 2016/2017 retirees: 082

YTD fiscal year 2015/2016 retirees: 065

REFUND OF SERVICE PURCHASE: None

DEATH BENEFIT: None

MONTHLY BUDGET REPORT: Submitted

REGULAR CALENDAR

BOARD ACTION¹/DISCUSSION

1. Discussion and possible action to amend current year (FY 17-18) investment and professional services budget in the amount of \$450,000 for investment related expenses – Staff.
2. Review and possible action on Legislative Review – Staff.
3. Review calendar of any training sessions and authorize expenditures for Trustees and Plan Administrator. Pursuant to Govt. Code § 31522.8 and MCERA’s Trustees Education and Training Policy requirements. Examples of upcoming training and educational sessions:
 - a. CALAPRS Administrators’ Round Table, June 22, 2018, Oakland, CA.
 - b. SACRS UC Berkeley Program, July 15-18, 2018, Berkeley, CA.
 - c. CALAPRS Principles of Pension Management for Trustees, August 27-30, 2018, Malibu, CA.
 - d. CALAPRS Benefits and Attorney Round Table and Course in Disability Administration, September 20-21, 2018, Glendale, CA.
 - e. CALAPRS Administrators Institute, September 26-28, 2018, Carmel, CA.
 - f. SACRS Fall Conference, November 13-18, 2018, Indian Wells, CA.

¹ “Action” means that the Board may dispose of any item by any action, including but not limited to the following acts: approve, disapprove, authorize, modify, defer, table, take no action, or receive and file.

INFORMATION ONLY

ADJOURNMENT

All supporting documentation is available for public review in the office of the Merced County Employees' Retirement Association, 3199 "M" Street, Merced, California, 95348 during regular business hours, 8:00 a.m. – 5:00 p.m., Monday through Friday.

The Agenda is available online at www.co.merced.ca.us/retirement

Any material related to an item on this Agenda submitted to the Merced County Employees' Retirement Association, after distribution of the Agenda packet is available for public inspection in the office of the Merced County Employees' Retirement Association.

Persons who require accommodation for a disability in order to review an agenda, or to participate in a meeting of the Merced County Employees' Retirement Association per the American Disabilities Act (ADA), may obtain assistance by requesting such accommodation in writing addressed to Merced County Employees' Association, 3199 "M" Street, Merced, CA 95348 or telephonically by calling (209) 726-2724. Any such request for accommodation should be made at least 48 hours prior to the scheduled meeting for which assistance is requested.

**MCERA RETIREMENT BOARD MEETING MINUTES
THURSDAY, MAY 24, 2018
MERCED COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
3199 M STREET, MERCED, CA 95348**

ROLL CALL: 8:15 A.M.

Board Members Present: Darlene Ingersoll, Ryan Paskin, Karen Adams, David Ness, Michael Rhodes, Jason Goins, Sandy Teague, Janey Cabral, Al Peterson, and Samuel Spangler. **Counsel:** Forrest Hansen. **Staff:** Kristen Santos, Angelo Lamas, Mark Harman and Michelle Lee. **Other:** Jaime Fielder, Cliffwater; Mika Malone, Leo Festino, Paola Nealon, Meketa.

Absent: Jerald O'Banion

APPROVAL OF MINUTES: May 10, 2018.

**Motion to approve the May 10, 2018 meeting minutes.
Paskin/ Peterson U/A (8-0)**

PUBLIC COMMENT

No public comment.

CLOSED SESSION

The meeting went into closed session.

RETURN TO OPEN SESSION

(1) CONFERENCE WITH LEGAL COUNSEL - EXISTING LITIGATION

(Govt. Code § 54956.9(a))

1. In re Wilmington Trust Securities Litigation, 10-cv-00990-SLR-SRF.

(2) CONFERENCE WITH LEGAL COUNSEL – SIGNIFICANT EXPOSURE TO LITIGATION

Pursuant to Government Code Section 54956.9(d)(2) – two cases.

(3) DISCUSSION AND POSSIBLE ACTION REGARDING INVESTMENTS IN RECOMMENDED FUNDS, ROLL CALL VOTE REQUIRED.

(Govt. Code § 54956.81)

Discussion and possible adoption of private equity investment manager and fund recommendation – Cliffwater.

MCERA Board of Retirement voted to approve an investment of \$5M in Taconic Commercial Real Estate Dislocation Fund II pending legal review of all plan documents and delegate authority to Plan Administrator to execute all fund documents.

Paskin/Peterson U/A (8-0)

Roll Call Vote:

Yes – Peterson, Adams, Cabral, Teague, Goins, Ness, Paskin, Ingersoll.

REGULAR CALENDAR**BOARD ACTION¹/DISCUSSION**

1. Presentation and possible action of the April 2018 Investment Performance Report and market update with possible board action on any funds - Meketa.

No action.

2. Presentation and possible action to approve functional asset allocation categorization and Phase I asset allocation review - Meketa.

No action.

3. Presentation and possible action to support by adoption the reclassification of Retirement Benefit Specialist and Retirement Officer classifications to Staff Services Analyst classification - Staff.

Motion to approve the adoption of the Retirement Benefits Specialist reclassification to Staff Services Analyst classification.

Adams/Cabral (7-1)

Yes - Adams, Cabral, Goins, Ingersoll, Ness, Paskin, Peterson

No - Teague

Motion to approve the adoption of the Retirement Officer reclassification to Staff Services Analyst classification with the condition of implemented Y rate salary of incumbent. Roll Call vote requested.

Ingersoll/Goins (5-3)

Yes - Ness, Goins, Ingersoll

No - Paskin, Teague, Cabral, Adams, Peterson

4. Review calendar of any training sessions and authorize expenditures for Trustees and Plan Administrator. Pursuant to Govt. Code § 31522.8 and MCERA's Trustees Education and Training Policy requirements. Examples of upcoming training and educational sessions:
 - a. CALAPRS Trustee Round Table, June 8, 2018 Oakland, CA.
 - b. CALAPRS Administrators' Round Table, June 22, 2018, Oakland, CA.
 - c. SACRS UC Berkeley Program, July 15-18, 2018, Berkeley, CA.
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 - f. CALAPRS Administrators Institute, September 26-28, 2018, Carmel, CA.
 - g. SACRS Fall Conference, November 13-18, 2018, Indian Wells, CA.

No action.

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INFORMATION ONLY

Plan Administrator provided a briefing on the SACRS Spring Conference voting. The slate of nominees for the SACRS Board of Directors passed as recommended and the legislative bill SB 1270 Videk passed and will be supported by SACRS.

ADJOURNMENT

The meeting adjourned at 11:48 a.m.

Respectfully submitted,

Darlene Ingersoll, Chair

Al Peterson, Secretary

Date

Professional Service Budget	Adopted	Current Budget	Expended 05/2018	Expended YTD	Encumbrances	Bal Remaining	% Exp YTD
21800 · Professional & Special Services - Consultant and Management Fees	2,800,000.00	2,800,000.00	250,328.50	2,513,636.39	24,263.55	262,100.06	90%
5/2/2018 Cliffwater - 2018-04 PE & HF Consulting			33,333.33				
5/4/2018 Nossaman - 2018-04 PE & Inv Advice			428.40				
5/4/2018 Nossaman - EnCap Fund XI Related Legal			1,455.75				
5/4/2018 Nossaman - KKR-GII III Related Legal			20,591.10				
5/4/2018 Nossaman - Titan Mas Int Fund Related Legal			954.45				
5/4/2018 Nossaman - Laurion Cap Ltd Related Legal			833.85				
5/9/2018 Mellon LC SIF - 2018-Q1 Mgt Fee			10,816.68				
5/9/2018 Mellon Dynamic - 2018-Q1 Mgt Fee			55,793.53				
5/9/2018 Mellon Int SIF - 2018-Q1 Mgt Fee			11,471.98				
5/14/2018 Reimb for Raven Capital Annual Meeting (Due Diligence)			190.80				
5/14/2018 Agency Fee for Raven Due Diligence Trip			7.00				
5/24/2018 Nossaman - 2018-04 EnCap Fund IV Related Legal			1,211.40				
5/24/2018 Nossaman - 2018-04 KKR GII III Related Legal			83.70				
5/24/2018 Nossaman - 2018-04 Laurion Cap Ltd Related Legal			17,167.05				
5/24/2018 Nossaman - 2018-04 Cressey & Co Fund VI Related Legal			9,635.40				
5/31/2018 SsgA - 2018-Q1 Mgt Fee			23,951.20				
5/31/2018 Copper Rock - 2018-Q1 Mgt Fee			62,402.88				
Total 21800 · Professional & Special Services - Consultant and Management Fees			250,328.50				
21802 · Professional & Special Services - Actuarial Service	58,000.00	90,500.00	-	88,683.02	-	1,816.98	98%
Total 21802 · Professional & Special Services - Actuarial Service			-				
21812 · Prof & Spec-Data Processing	175,463.00	142,963.00	5,710.21	97,904.73	-	45,058.27	68%
5/15/2018 2018-04 IS Billing			5,710.21				
Total 21812 · Prof & Spec-Data Processing			5,710.21				
21840 · Prof & Spec Sv-Administrative Serv	103,000.00	103,000.00	1,007.77	89,879.26	-	13,120.74	87%
5/3/2018 2018-04 NT STIF Income Custodial Fee			882.77				
5/24/2018 2018-04 Wire Fees			125.00				
Total 21840 · Prof & Spec Sv-Administrative Serv			1,007.77				
22350 · Spec Dept Exp-Software	208,000.00	208,000.00	15,768.95	196,217.13	43.06	11,739.81	94%
5/9/2018 CPAS - 2018-06 Support			12,600.00				
5/9/2018 CPAS - 2018-06 Maint			1,919.00				
5/15/2018 QuickBooks 2018 Premier			1,249.95				
Total 22350 · Spec Dept Exp-Software			15,768.95				
Total Professional Service Budget	3,344,463.00	3,344,463.00	272,815.43	2,986,320.53	24,306.61	333,835.86	89%
Capital Asset Budget	Adopted	Current Budget	Expended 05/2018	Expended YTD	Encumbrances	Bal Remaining	% Exp YTD
82167 - Board Room Audio Visual	10,000.00	10,000.00	-	9,939.14	-	60.86	99%
Total 82167 · Board Room Audio Visual			-				
Software Upgrade	120,000.00	120,000.00	-	-	-	120,000.00	0%
Total Capital Asset Budget Budget	130,000.00	130,000.00	-	9,939.14	-	120,060.86	8%
Administrative Service Budget	Adopted	Current Budget	Expended 05/2018	Expended YTD	Encumbrances	Bal Remaining	% Exp YTD
10110 · Salaries & Wages	1,187,360.83	1,187,360.83	67,543.88	843,464.59	-	343,896.24	71%
5/4/2018 Office payroll 10110-10360			34,171.08				
5/18/2018 Office payroll 10110-10360			33,372.80				
Total 10110 · Salaries & Wages			67,543.88				
20600 · Communications	5,050.00	5,050.00	342.64	3,469.23	133.69	1,447.08	69%
5/2/2018 AT&T - 2018-04 Comm			134.53				
5/14/2018 2018-04 Comm Billing			208.11				
Total 20600 · Communications			342.64				
20900 · Household Expense	9,700.00	9,700.00	676.00	7,540.60	636.00	1,523.40	78%
5/2/2018 Geil Enterprises - 2018-04 Janitorial			636.00				
5/9/2018 Bob's Pest Control - 2018-04 Svcs			40.00				
Total 20900 · Household Expense			676.00				

Administrative Service Budget (Cont'd)	Adopted	Current Budget	Expended 05/2018	Expended YTD	Encumbrances	Bal Remaining	% Exp YTD
21000 · Insurance-Other	85,000.00	85,000.00	-	79,999.00	-	5,001.00	94%
Total 21000 · Insurance-Other			-				
21001 · Insurance-General Liability	3,072.00	3,072.00	189.23	2,335.06	-	736.94	76%
5/4/2018 General Liability			96.44				
5/18/2018 General Liability			92.79				
Total 21001 · Insurance- General Liability			189.23				
21200 · Maintenance-Equipment	4,634.60	5,134.60	170.01	5,011.63	-	122.97	98%
5/24/2018 Spriggs - Bizhub Lease			170.01				
Total 21200 · Maintenance-Equipment			170.01				
21301 · Maintenance Structure Improvement	12,000.00	13,500.00	45.58	12,437.55	300.00	762.45	92%
5/15/2018 2018-04 DPW Billing			45.58				
Total 21301 · Maintenance Structure Improvement			45.58				
21500 · Membership	6,500.00	6,500.00	-	5,160.00	-	1,340.00	79%
Total 21500 · Membership			-				
21700 · Office Expense-General	11,000.00	11,000.00	246.09	10,839.14	45.00	115.86	99%
5/9/2018 REMCO - Abatement for Newsletter Labels & Data Provided			(45.00)				
5/9/2018 First Choice - 2018-04 Water Svc			18.67				
5/9/2018 First Choice - 2018-04 Cooler Rental			7.00				
5/14/2018 Staples - Banners for Meetings and Fairs			102.38				
5/15/2018 2018-04 Stores Billing			153.04				
5/15/2018 2018-04 Pacific Shredding			10.00				
Total 21700 · Office Expense-General			246.09				
21710 · Office Expense-Postage	15,750.00	15,750.00	1,131.09	12,686.33	-	3,063.67	81%
5/2/2018 FedEx - 2018-04 Shipping Chgs			28.40				
5/15/2018 2018-04 IS Postage			907.74				
5/15/2018 2018-04 Mail Room			131.52				
5/24/2018 FedEx - 2018-05 Shipping Chgs			63.43				
Total 21710 · Office Expense-Postage			1,131.09				
21805 · Prof & Spec Service-Audits	55,000.00	55,000.00	-	46,273.20	-	8,726.80	84%
Total 21805 · Prof & Spec Service-Audits			-				
21808 · Prof & Spec-BD Membership	12,000.00	12,000.00	1,100.00	9,300.00	900.00	1,800.00	78%
5/2/2018 2018-04 - Bd Mtgs			200.00				
5/2/2018 2018-04 - Bd Mtgs			200.00				
5/2/2018 2018-04 - Bd Mtgs			300.00				
5/2/2018 2018-04 - Bd Mtgs			300.00				
5/2/2018 2018-04 - Bd Mtgs			100.00				
Total 21808 · Prof & Spec-BD Membership Fee			1,100.00				
21811 · Prof & Spec-Court Reporters	2,000.00	2,000.00	-	1,390.00	-	610.00	70%
Total 21811 · Prof & Spec-Court Reporters			-				
21814 · Prof & Spec -Medical Exams	25,000.00	25,000.00	-	-	-	25,000.00	0%
Total 21814 · Prof & Spec -Medical Exams			-				
21816 · Prof & Spec -Medical Services	80,000.00	80,000.00	-	37,685.00	4,225.00	38,090.00	47%
Total 21816 · Prof & Spec -Medical Services			-				

Administrative Service Budget (Cont'd)	Adopted	Current Budget	Expended 05/2018	Expended YTD	Encumbrances	Bal Remaining	% Exp YTD
21834 · Prof & Spec -Legal Services	175,000.00	172,000.00	5,636.70	93,902.74	6,987.90	71,109.36	55%
5/3/2018 PPC - 2018-04 Legal Svcs			265.00				
5/4/2018 Nossaman - 2018-03 Gen Adv & Couns			909.50				
5/4/2018 Nossaman - 2018-03 AB 197 Related Legal			6,078.40				
5/9/2018 Ted Cabral - 2018-04 Disability Legal Svcs			1,570.00				
5/21/2018 RLI - Abatement - Reimb for Nossaman AB 197 Related Legal			(4,381.00)				
5/24/2018 Nossaman - 2018-04 Gen Adv & Couns			107.00				
5/24/2018 Nossaman - 2018-04 AB 197 Related Legal			4,645.83				
5/31/2018 RLI - Abatement - Reimb for Nossaman AB 197 Related Legal			(3,558.03)				
Total 21834 · Prof & Spec -Legal Services			<u>5,636.70</u>				
21872 · Prof & Spec Sv - Investigations	1,000.00	1,000.00	-	-	-	1,000.00	0%
Total 21872 · Prof & Spec Sv - Investigations			<u>-</u>				
21900 · Publications & Legal Notices	700.00	1,700.00	-	1,544.61	-	155.39	91%
Total 21900 · Publications & Legal Notices			<u>-</u>				
22300 · Spec Dept Exp - Other	500.00	500.00	-	5.00	-	495.00	1%
Total 22300 · Spec Dept Exp - Other			<u>-</u>				
22327 · Spec Dept Exp-Cost Allocation	200,230.00	200,230.00	16,720.83	183,929.13	-	16,300.87	92%
5/9/2018 2018-05 Cost Allocation			16,720.83				
Total 22327 · Spec Dept Exp-Cost Allocation			<u>16,720.83</u>				
22500 · Transportation & Travel	800.00	800.00	32.37	212.20	-	587.80	27%
5/2/2018 2018-03 & 04 Mail Runs			32.37				
Total 22500 · Transportation & Travel			<u>32.37</u>				
22505 · Trans & Travel -Staff Development	4,000.00	4,000.00	-	2,194.48	-	1,805.52	55%
Total 22505 · Trans & Travel -Staff Development			<u>-</u>				
22515 · Trans & Travel -In State	55,000.00	55,000.00	1,359.65	24,335.16	-	30,664.84	44%
5/2/2018 CALAPRS Mgt Academy Travel Reimb			138.82				
5/2/2018 CALAPRS Accountants' Roundtable Travel Reimb			99.10				
5/14/2018 SACRS Spring Conf Flight			494.22				
5/14/2018 CALAPRS Mgt Academy Hotel			389.38				
5/24/2018 SACRS Spring Conf Travel Reimb			238.13				
Total 22515 · Trans & Travel -In State			<u>1,359.65</u>				
22516 · Trans & Travel -Out of State	3,000.00	3,000.00	-	2,295.61	-	704.39	77%
Total 22516 · Trans & Travel -Out of State			<u>-</u>				
22527 - Trans & Travel- Car Allowance	14,000.00	14,000.00	923.10	10,384.88	-	3,615.12	74%
5/4/2018 Car Allowance			461.55				
5/18/2018 Car Allowance			461.55				
Total 22527 - Trans & Travel- Car Allowance			<u>923.10</u>				
22600 · Utilities	12,000.00	12,000.00	547.99	9,256.33	343.27	2,400.40	77%
5/2/2018 PG&E - 2018-04 Gas & Electric Charges			403.80				
5/9/2018 City of Merced - 2018-04 Water, Sewer, & Garbage			144.19				
Total 22600 · Utilities			<u>547.99</u>				
Total Administrative Service Budget	1,980,297.43	1,980,297.43	96,665.16	1,405,651.47	13,570.86	561,075.10	71%
Total MCERA	5,454,760.43	5,454,760.43	369,480.59	4,401,911.14	37,877.47	1,014,971.82	81%

**Merced County Employees' Retirement Association (MCERA)
RETIREMENT BOARD AGENDA ITEM**

DATE: June 14, 2018

TO: MCERA Board of Retirement

FROM: Mark Harman, Interim Retirement Fiscal Supervisor & Accountant II

SUBJECT: Proposal to Amend FY 2017-2018 Budget.

ITEM NUMBER: 1

ITEM TYPE: Action

STAFF RECOMMENDATION:

1. Amend the MCERA professional budget for Fiscal Year 2017-2018 by \$450,000.

DISCUSSION AND ANALYSIS:

During the current fiscal year (FY 17-18), MCERA has had increased professional budget costs related to investments due to a number of factors:

1. MCERA had increased investment legal fees as required by the build out of MCERA's Alternative Portfolio.
2. An increase in investment performance, which also drove an increase in fees from investment managers.
3. Investment Consulting services were under-budgeted by \$25,000.

Please refer to the following tables. Please note in the first table the consulting fees, legal fees, other costs and their associated actuals and budgets are through May 2018. The remaining items are through March 2018:

Expense Source	2017-2018 Q1- Q3 Budgeted	2017-2018 Q1- Q3 Actuals	Differential
Consulting Fees (through May 2018)	471,250.00	462,833.30	8,416.70
Legal Fees (through May 2018)	55,000.00	275,672.30	(220,672.30)
Other Costs (through May 2018)*	92,566.67	5,518.96	87,047.71
SSgA	-	76,112.91	(76,112.91)
Barrow Hanley	210,000.00	308,470.00	(98,470.00)
Copper Rock	162,000.00	190,287.36	(28,287.36)
DFA	63,000.00	55,682.54	7,317.46
Invesco	39,000.00	9,999.61	29,000.39
KKR	96,000.00	59,882.00	36,118.00
Mellon Capital	180,000.00	245,277.00	(65,277.00)
PanAgora	123,000.00	123,550.36	(550.36)
UBS	339,000.00	284,277.89	54,722.11
Wells Capital	309,000.00	416,072.16	(107,072.16)
Totals	2,139,816.67	2,513,636.39	(373,819.72)

*Other Costs include due diligence travel and unexpected items.

Merced County Employees' Retirement Association (MCERA)
RETIREMENT BOARD AGENDA ITEM

Adopted Budget for Investment Expenses:		\$ 2,800,000.00
Subtract: Expenses Through May 31st		(2,513,636.39)
Remaining Budget at May 31st		<u>286,363.61</u>
Estimated Expenses for Remainder of Year:		
PanAgora	\$40,000.00	
DFA	18,000.00	
Mellon LC	11,000.00	
Mellon Dynamic	58,000.00	
Mellon International	12,000.00	
Wells Capital EM	150,000.00	
Copper Rock	67,000.00	
SSgA	25,000.00	
UBS	98,000.00	
Invesco IV	5,000.00	
Consulting Fees	120,166.66	
Legal Fees	56,000.00	
Total Estimated Expenses:		<u>660,166.66</u>
Deficit		<u>\$ (373,803.05)</u>

Fiscal Year 2017-2018 Q4 Budget Amendment Request:

Staff requests an amendment in the amount of \$450,000 to cover expenses for the remainder of the 2017-2018 Fiscal Year to provide for the estimated investment expenses above. Due to the variability of investment manager fees, which are driven by financial market performance, a buffer of an additional \$76,000 for investment expenses is included in the total amendment amount.

Legislative Review of Proposed Legislation for 1937 Act Systems

May 29, 2018

State Legislation**AB 283, Cooper.** County employees' retirement: permanent incapacity.*Re: Amends section 31720 of the Government Code.*

Status: Hearing canceled at the request of author – July 10, 2017.

This bill would require, for purposes of determining permanent incapacity for any member who is employed in a position classified as a peace officer under Section 830 of the Penal Code, that in determining permanent incapacity pursuant to subdivision (a), the member, based on the standards specified in Section 1031, shall be evaluated by the existing procedure established by the retirement system, to determine if that member can perform all of the usual and customary duties of a peace officer who is described under Section 830 of the Penal Code.

AB 526, Cooper. County employees' retirement.*Re: Amends sections 31468, 31522.5, 31522.7, 31522.9, 31528, 31529.9, 31535, 31557.3, and 31580.2 of, and adds section 31522.75 to the Government Code.*

Status: Hearing canceled at the request of the author – July 10, 2017.

This bill 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. Latest amendment was to section 31522.75 g (5), which deals with transferring leave balances for those county employees who become retirement system employees.

AB 2076, Rodriquez. County employees' retirement: disability: date of retirement.*Re: Adds Section 31541.1 to the Government Code.*

Status: In Senate. Com. on P. E. & R.

This bill would authorize a county retirement system in Los Angeles County to correct a prior board decision determining the date of retirement for a member permanently

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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 provision, become operative.

AB 2085, Cooley. Retirement systems: surviving spouse.

Re: Adds Section 31480.1 to the Government Code.

Status: Re-referred to Com. on P.E., R., & S.S. on March 21, 2018. Hearing canceled at the request of the author.

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 2571, Fletcher. Public employee retirement systems: investments: race and gender pay equity.

Re: Adds Section 7513.76 to and amends Section 16642 of the Government Code.

Status: Amended April 11, 2018. Referred to Com. on P.E., R., & S.S. on April 12, 2018. Hearing canceled at the request of the author.

This bill, if consistent with fiduciary responsibilities of a public investment fund as determined by its board, would require a public investment fund to require an alternative investment to report at least certain information concerning specified hospitality employers relating to race and gender pay equity and sexual harassment. The bill would require a public investment fund to disclose race and gender pay equity and sexual harassment information provided to it pursuant to the bill at least once annually in a report presented at a meeting open to the public and would require the fund to provide the report upon request to a member of the Legislature. The bill would authorize the Department of Fair Employment and Housing to issue regulations for the implementation of these reporting requirements. The bill would define terms for purposes of the reporting provisions and repeal the reporting provisions on January 1, 2022.

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AB 3084, Levine. Public employees: other postemployment benefits: annual report.

Re: Adds Section 7514.8 to the Government Code.

Status: In Com. on APPR on May 25, 2018. Held under submission.

This bill would require each governing body of a public agency that provides postemployment benefits to, in an annual financial statement submitted to the Controller, in a form prescribed by the Controller, show that 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:

- (a) Making targeted prefunding contributions on a timely basis.
- (b) Depositing contributions in an irrevocable qualified trust for the exclusive benefit of plan members.
- (c) Investing contributions in excess of any pay-as-you-go amounts in a diversified investment portfolio with a defined investment policy.
- (d) Ensuring that the discounted rate used to develop the actuarial account liability and normal cost recognizes the expected return of the entire portfolio.

AB 3150. Brough. Public employees' retirement: annual audits.

Re: Amends Section 7512 of the Government Code.

Status: Referred to Com. on P.E., R., & S.S. on March 12, 2018.

This bill would also require each state and local pension or retirement system to post a concise annual audit of the information described above on that system's Internet Web site no later than the 90th day following the audit's completion. By imposing new duties on local retirement systems, the bill would impose a state-mandated local program.

ACA 15, Brough. Public employee retirement benefits.

Re: Adds Section 24 to Article XVI, to the California Constitution.

Status: Introduced: Read first time – May 10, 2017.

The measure would prohibit a government employer from enhancing employee pension benefits, as defined, without approval by the voters of the jurisdiction, and would prohibit a government employer from enrolling a new government employee, as defined, in a defined benefit pension plan without approval by the voters of the jurisdiction.

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The measure also would prohibit a government employer from paying more than $\frac{1}{2}$ of the total cost of retirement benefits, as defined, for new government employees without approval by the voters of the jurisdiction.

The measure would prohibit retirement boards from imposing charges or other financial conditions on a government employer that proposes to close a defined benefit pension plan to new members unless the voters or the sponsoring government employer approve those charges or conditions.

The measure would require challenges to the legality of actions taken by a government employer or a retirement board to comply with its provisions to be brought in state or federal courts.

The measure would prohibit its provisions from being interpreted to modify or limit disability benefits provided for government employees or death benefits for families of government employees, even if provided as part of a retirement benefits system, or from requiring voter approval of disability or death benefits.

The measure would prescribe various requirements and prohibitions regarding its interpretation and the effect of any other competing measures, among other things.

SB 1031, Mooralach. Public employees' retirement: cost-of-living adjustments: prohibitions.

Re: Adds Section 7522.45 to the Government Code.

Status: Referred to Com. on P.E. & R. Amended in Senate on April 5, 2018. Failed in committee, and reconsideration was granted on April 23, 2018.

The bill would prohibit a public retirement system, as defined, from making a cost-of-living adjustment to any allowance payable to, or on behalf of, a person retired under the system who becomes a new member on or after January 1, 2019, or to any survivor or beneficiary of that member or person retired under the system, for any year in which the unfunded actuarial liability of that system is greater than 20%. The bill would require that the determination of unfunded actuarial liability be based on a specified financial report and would apply the prohibition on cost-of-living adjustments, if any, to the calendar year following the fiscal year upon which the report is based.

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SB 1244, Wieckowski. Public records: disclosure.

Re: Amends Section 6259 of the Government Code.

Status: Ordered to third reading.

The California Public Records Act requires a public agency, defined to mean a state or local agency, to make its public records available for public inspection and to make copies available upon request and payment of a fee, unless the public records are exempt from disclosure. The act makes specified records exempt from disclosure and provides that disclosure by a state or local agency of a public record that is otherwise exempt constitutes a waiver of the exemptions.

The act, when it appears to a superior court that certain public records are being improperly withheld from a member of the public, requires the court to order the officer or person charged with withholding the records to disclose the public record or show cause why he or she should not do so. The act requires the court to award court costs and reasonable attorney fees to the plaintiff if the plaintiff prevails in litigation filed pursuant to these provisions, and requires the court to award court costs and reasonable attorney fees to the public agency if the court finds that the plaintiff's case is clearly frivolous. This bill would replace "plaintiff" with "requester" in that provision.

SB 1270, Vidak. County employees' retirement: system personnel.

Re: Amends Section 31522.3 of the Government Code.

Status: In Assembly on April 23, 2018. Referred to Com. on P.E., R., & S.S. June 6, 2018 hearing postponed by committee.

The County Employees Retirement Law of 1937 (CERL) authorizes counties to establish retirement systems pursuant to its provisions in order to provide pension benefits to their employees. 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.

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SB 1413, Nielsen. Public employees retirement.

Re: Adds Chapter 19 (commencing with Section 21710) to Part 3 of Division 5 of Title 2 of the Government Code, relating to public employees' retirement, and making appropriations therefor.

Status: In Senate. Amended second time and ordered to third reading on May 25, 2018.

This bill 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.

The bill would authorize an employer, upon terms and conditions set by the board, to elect to participate in the prefunding plan, and would require the governing body of that employer to enter into a contract with the board relative to the prefunding plan. The bill would require the board to offer participating employers, as defined, 4 specified investment options. The bill would require each participating employer to pay an amount, determined by the board, for administrative and asset management costs of the prefunding plan to the fund and would grant the board the sole and exclusive control of the administration and investment of the fund. The bill would also set the terms under which a prefunding plan contract could be terminated or transferred. The bill would specify that all moneys in the fund would be continuously appropriated to the board for the purposes of these provisions.

SB 1433, Moorlach. County employees' retirement: Deferred Retirement Option Program.

Re: Amends Section 31770 of the Government Code.

Status: Re-referred to Com. on P.E. & R. Failed passage in committee and reconsideration was granted on April 24, 2018.

This bill, on and after January 1, 2019, would 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.

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SCA 8, Moorlach. Public employee retirement benefits.

Re: Adds Article XVI, Section 17.5 to the California Constitution.

Status: First hearing canceled at the request of author – June 20, 2017.

This measure 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.

SCA 10, Moorlach. Public employee retirement benefits.

Re: Adds Article XVI, Section 17.3 to the California Constitution.

Status: First hearing canceled at the request of author – June 20, 2017.

This measure would prohibit a government employer from providing public employees any retirement benefit increase until that increase is approved by a $\frac{2}{3}$ vote of the electorate of the applicable jurisdiction and that vote is certified. The measure would define retirement benefit to mean any postemployment benefit and would define benefit increase as any change that increases the value of an employee's retirement benefit. The measure would define a government employer to include, among others, the state and any of its subdivisions, cities, counties, school districts, special districts, the Regents of the University of California, and the California State University.

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CALIFORNIA LEGISLATIVE CALENDAR:

2018:

Jan. 1 Statutes take effect
Jan. 3 Legislature reconvenes
Jan. 10 Budget must be submitted by Governor
Jan. 12 Last day for policy committees to hear and report to fiscal committees fiscal bills introduced in their house in the odd-numbered year
Jan. 19 Last day for any committee to hear and report to the Floor bills introduced in that house in the odd-numbered year.
Last day to submit bill requests to the Office of Legislative Counsel.
Jan. 31 Last day for each house to pass bills introduced in that house in the odd- numbered year
Feb. 16 Last day for bills to be introduced
Mar. 22 Spring Recess begins upon adjournment Apr. 2
Legislature reconvenes from Spring Recess
Apr. 27 Last day for policy committees to hear and report to fiscal committees fiscal bills introduced in their house
May 11 Last day for policy committees to hear and report to the Floor non-fiscal bills introduced in their house
May 18 Last day for policy committees to meet prior to June 4
May 25 Last day for fiscal committees to hear and report to the Floor bills introduced in their house. Last day for fiscal committees to meet prior to June 4.
May 29 - June 1 Floor session only. No committee may meet for any purpose except for Rules Committee and Conference Committees
June 1 Last day for each house to pass bills introduced in that house
June 15 Budget Bill must be passed by midnight
June 28 Last day for a legislative measure to qualify for the Nov. 6 General Election ballot
June 29 Last day for policy committees to hear and report fiscal bills to fiscal committees
July 6 Last day for policy committees to meet and report bills Summer Recess begins on adjournment, provided Budget Bill has been passed
Aug. 6 Legislature reconvenes from Summer Recess
Aug. 17 Last day for fiscal committees to meet and report bills
Aug. 20 – 31 Floor session only. No committee may meet for any purpose except Rules Committee, and Conference Committees
Aug. 24 Last day to amend on Floor
Aug. 31 Last day for each house to pass bills Final Recess begins on adjournment
Sept. 30 Last day for Governor to sign or veto bills passed by the Legislature before September 1 and in the Governor's possession on or after Sept. 1
Oct. 1 Bills enacted on or before this date take effect January 1, 2019
Nov. 6 General Election
Nov. 30 Adjournment *sine die* at midnight.
Dec. 3 2019-20 Regular Session convenes for Organizational Session at 12 noon

2019:

Jan. 1 Statutes take effect