

**MercedCERA ADMINISTRATIVE RETIREMENT BOARD AGENDA
THURSDAY MARCH 11, 2021
MERCED COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
TELEPHONE NUMBER: 1-310-372-7549, CONFERENCE CODE: 975839**

Important Notice Regarding SARS-COV-2

Based on guidance from the California Department of Public Health and the California Governor's Office, in order to minimize the spread of the SARS-COV-2 virus, MercedCERA's building will be closed to the public during MercedCERA Board meetings. Members of the MercedCERA Board will participate in this meeting offsite via conference call. Members of the public may listen to the meeting and offer public comment telephonically by calling into the telephone number provided above and entering the stated conference code. If you have any issues participating in the meeting telephonically or require reasonable accommodation for your participation, please contact MercedCERA staff at 209-726-2724.

Please turn your cell phone or other electronic device to non-audible mode or mute.

CALL TO ORDER: 8:15 A.M.

- ROLL CALL.
- APPROVAL OF MINUTES – February 25, 2021.

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

(Govt. Code § 54956.81)

1. Discussion and possible action to adopt the recommendation regarding one Fund/Manager – Cliffwater.

(2) DISABILITY RETIREMENT APPLICATIONS: PERSONNEL EXCEPTION

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

1. Informal Hearing
 - a. Salgado, Jose
2. Formal Hearing
 - a. None

3. Disability update and possible action:

- a. Aceves, Martin
- b. Arroyo, Elizabeth
- c. Banda, Gregory
- d. Brooks, Roland
- e. Castillo, Araceli
- f. Cureton, Michael
- g. Daniels, Autumn
- h. Elias Jr., Robert
- i. Herrera, Yvonne
- j. Jenkins, Robert
- k. Kayser, Esther
- l. Kim, Mary Kay (Cruz)
- m. Leyro, Domingo
- n. Moua, Keo
- o. Parras, Stacy
- p. Stavitsky, Nieves

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. Gonzalves, David	Plan & Comm	16 Yrs. Svc.	Eff: 02/15/2021
b. Liu, Hefeng	Admin Services	21 Yrs. Svc.	Eff: 03/01/2021
c. Dantzler, Furman	Child Support	30 Yrs. Svc.	Eff: 02/27/2021
d. Egberuare, Brenda	Mental Health	4 Yrs. Svc.	Eff: 03/07/2021
e. Crain, David	Animal Control	23 Yrs. Svc.	Eff: 02/27/2021
f. Montgomery, Anne-Marie	Library	2 Yrs. Svc	Eff: 02/27/2021
g. Vinckel, Jane	Beh. Health	19 Yrs. Svc.	Eff: 02/04/2021
h. Santiago, Annette	Sup Courts	30 Yrs. Svc.	Eff: 01/29/2021 Eff: 02/13/2021
i. Flores, Albert	District Attorney	21 Yrs. Svc.	Eff: 2/20/2021

YTD fiscal year 2020/2021 retirees: 60

YTD fiscal year 2019/2020 retirees: 104

YTD fiscal year 2018/2019 retirees: 103

REFUND OF SERVICE PURCHASE: None

DEATH BENEFIT: None

MONTHLY BUDGET REPORT: Submitted

BOARD ACTION¹/DISCUSSION

1. Discussion and possible action to adopt the Board of Retirement Policy for Felony Forfeiture and Resolution for MercedCERA (Government Code § 7522.72, subd. (b)(1)) - Staff.
2. Discussion and possible action to approve consent Portfolio Rebalancing Report which will appear in future agendas – Staff.
3. Discussion and possible action to adopt the Plan Administrator’s proposed four to five-year staffing plan as recommended by the ad hoc staffing subcommittee – Staff.
4. Review calendar of any training sessions and authorize expenditures for Trustees and Plan Administrator. Pursuant to Govt. Code § 31522.8 and MercedCERA’s Trustees Education and Training Policy requirements. Examples of upcoming training and educational sessions:
 - SACRS Spring Conference, May 11-14, 2021 (virtual conference).
 - CALAPRS Trustee Roundtable, May 28, 2021 (virtual conference).
 - SACRS/UC Berkeley Public Pension Investment Management Program, July 18-21, 2021 (virtual conference).
 - SACRS Fall Conference, November 9-12, 2021 (in person/virtual conference TBD).

INFORMATION ONLY

MercedCERA UPCOMING BOARD MEETINGS

Please note: The MercedCERA Board Meeting and/or Education Day times and dates may be changed in accordance with the Ralph M. Brown Act by the MercedCERA Board as required.

- March 25, 2021
- April 8, 2021

ADJOURNMENT

All supporting documentation is available for public review 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 at www.co.merced.ca.us/retirement

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 by emailing the Merced County Employees’ Association at MCERA@co.merced.ca.us, 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.

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.

**MercedCERA RETIREMENT BOARD INVESTMENT MEETING AGENDA
MINUTES FOR THURSDAY, FEBRUARY 25, 2021
MERCED COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
TELEPHONE NUMBER: 1-310-372-7549, CONFERENCE CODE: 975839**

CALL TO ORDER: 8:15 A.M.

Board members present: Ryan Paskin, Scott Johnston, Al Peterson, Janey Cabral, Scott Silveira, David Ness and Kalisa Rochester. **Counsel:** Jeff Grant. **Staff:** Kristen Santos, Martha Sanchez, Mark Harman, Ninebra Maryoonani, Brenda Mojica, Sheri Villagrana and Alexis Curry. **Absent:** Karen Adams.

APPROVAL OF MINUTES – February 11, 2021

The MercedCERA board voted unanimously via roll call vote to approve the February 11, 2021 minutes.

Johnston/ Rochester U/A (6-0)

Trustee Janey Cabral abstained.

PUBLIC COMMENT

No comments were made.

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

(Govt. Code § 54956.81)

1. Discussion and possible action to adopt the recommendation regarding one Fund/Manager – Cliffwater.

RETURN TO OPEN SESSION

The MercedCERA board voted unanimously via roll call vote to adopt Cliffwater's recommendation to invest \$8 million in Genstar Capital Partners X, LP.

Silveira/ Ness U/A (7-0)

REGULAR CALENDAR

BOARD ACTION¹/DISCUSSION

Pursuant to Govt. Code § 31594 and MercedCERA's Investment Objectives & Policy Statement due diligence analysis requirement:

1. Discussion on markets updates – Colin Bebee, Meketa Group.
No action taken.
2. Discussion and possible action regarding January and Quarterly performance and possible action regarding any managers and/or funds – Meketa Group.

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The MercedCERA Board voted unanimously via roll call vote to approve Meketa's rebalancing recommendation within the monthly and quarterly performance report. Silveira/ Peterson U/A (7-0)

3. Discussion and possible action to adopt the two CPAS contracts for maintenance and support – Staff.

The MercedCERA Board voted unanimously via roll call vote to approve the two CPAS contracts with authorization to the Plan Administrator and Board Counsel to clean up language in the contracts.

Cabral/ Johnston U/A (7-0)

4. Discussion and possible action to appoint members of the ad hoc budget committee to work with the staff on MercedCERA's upcoming budget for FY 21/22 – Chair.

The MercedCERA Board Chair appointed Janey Cabral, Scott Johnston and Karen Adams as the ad hoc budget committee for FY 2021/2022.

5. Review calendar of any training sessions and authorize expenditures for Trustees and Plan Administrator. Pursuant to Govt. Code § 31522.8 and MercedCERA's Trustees Education and Training Policy requirements. Examples of upcoming training and educational sessions:

- CALAPRS General Assembly, March 8-9, 2021 (Virtual Conference).
- CALAPRS Trustee Roundtable, May 28, 2021 (Virtual Conference).

INFORMATION ONLY

None.

ADJOURNMENT

The meeting adjourned at 9:23 A.M.

Respectfully submitted,

Ryan Paskin, Chair

Al Peterson, Secretary

Date

Non-Administrative Expenses	Original Projection	Current Projection	Expended 02/2021	Expended YTD	Bal Remaining	% Exp YTD
21800 · Investment Expenses	3,500,000.00	3,500,000.00	129,718.11	1,309,888.47	2,190,111.53	37%
02/01/2021 J & B Fencing - 2 Mo Fence Rental - Lot at 690 W 19th St Merced			300.00			
02/01/2021 Nossaman - 2020-12 - Khosla VII and Seed Funds			1,567.80			
02/01/2021 Nossaman - 2020-12 - General PE & Investment Adv			729.00			
02/01/2021 Nossaman - 2020-12 - Spark CGF III			289.80			
02/05/2021 Cliffwater - 2021-01 PE & HF Consulting			33,333.33			
02/12/2021 UBS TPF - 2020-Q4 Mgt Fees			76,621.18			
02/17/2021 KKR GII II - 2020-Q4 Mgt Fees			16,877.00			
Total 21800 · Investment Expenses			129,718.11			
21802 · Actuarial Services	150,000.00	150,000.00	-	75,818.75	74,181.25	51%
Total 21802 · Actuarial Services			-			
21812 · Data Processing	90,000.00	90,000.00	4,567.65	32,826.23	57,173.77	36%
02/23/2021 2021-01 IS Billing			3,964.21			
02/23/2021 Comcast - 2021-02 WiFi Chgs			251.44			
02/23/2021 2021-01 Cradlepoint Data Chgs			352.00			
Total 21812 · Data Processing			4,567.65			
21834 · Legal Services	325,000.00	325,000.00	43,509.05	206,483.19	118,516.81	64%
02/09/2021 2021-02 Cost Allocation - County Counsel			7,703.25			
02/11/2021 Ted Cabral - 2021-01 Disab Legal Svcs			900.00			
02/11/2021 Ted Cabral - 2021-01 Disab Legal Svcs			1,480.00			
02/11/2021 Ted Cabral - 2021-01 Disab Legal Svcs			185.00			
02/11/2021 Ted Cabral - 2021-01 Disab Legal Svcs			37.00			
02/11/2021 Ted Cabral - 2021-01 Disab Legal Svcs			3,091.50			
02/11/2021 Ted Cabral - 2021-01 Disab Legal Svcs			980.00			
02/11/2021 Ted Cabral - 2021-01 Disab Legal Svcs			1,680.00			
02/11/2021 Ted Cabral - 2021-01 Disab Legal Svcs			1,251.59			
02/11/2021 Ted Cabral - 2021-01 Disab Legal Svcs			6,257.00			
02/23/2021 Nossaman - 2021-01 - Gen Adv & Couns			58.70			
02/23/2021 Nossaman - 2021-01 - Litigation re AB 197			19,885.01			
Total 21834 · Legal Services			43,509.05			
21840 · Custodial Banking Services	135,000.00	135,000.00	1,640.37	58,109.03	76,890.97	43%
02/03/2021 2021-01 NT STIF Income - Custodial Fee			1,475.37			
02/09/2021 2021-01 Wire Fees			165.00			
Total 21840 · Custodial Banking Services			1,640.37			
22350 · Software and Technology	505,000.00	505,000.00	9,734.04	258,079.85	246,920.15	51%
02/01/2021 Zoom - 500 Participants Meeting Annual			600.00			
02/01/2021 Zoom - Standard Pro Annual			749.50			
02/11/2021 LexisNexis - 2021-01 Chgs			272.70			
02/23/2021 CPAS - 2021-03 Hosting			6,107.00			
02/24/2021 Digital Deployment - Feb 2021 SLA New Website			900.00			
02/24/2021 QPCS - 2 Cradlepoint Units			1,104.84			
Total 22350 · Software and Technology			9,734.04			
Depreciation Expense	250,000.00	250,000.00	-	4,719.42	245,280.58	
Total Non-Administrative Items	4,955,000.00	4,955,000.00	189,169.22	1,945,924.94	3,009,075.06	39%

Merced County Employees' Retirement Association
Non-Administrative Expenses Prev Year Comparison (Preliminary)
2/28/2021

Expense	<u>February 21</u>	<u>February 20</u>	<u>\$ Change</u>	<u>% Change</u>
62025 · Non-Administrative Expenses				
21800 · Investment Expenses	\$ 129,718.11	\$ 134,478.09	\$ (4,759.98)	-3.54%
21812 · Data Processing	4,567.65	4,788.60	(220.95)	-4.61%
21834 · Legal Services	43,509.05	39,911.48	3,597.57	9.01%
21840 · Custodial Banking Services	1,640.37	27,761.56	(26,121.19)	-94.09%
22350 · Software and Technology	9,734.04	94,088.46	(84,354.42)	-89.65%
Total 62025 · Non-Administrative Expenses	<u>\$ 189,169.22</u>	<u>\$ 301,028.19</u>	<u>\$ (111,858.97)</u>	-37.16%

Merced County Employees' Retirement Association
Capital Asset Expenditures Report (Preliminary)
For the Month Ended February 28, 2021

Capital Assets Expenditures	Adopted	Current Budget	Expended 02/2021	Expended YTD	Bal Remaining	% Exp YTD
86261 - Copier/Printer Lease Buyout	7,500.00	7,500.00		6,537.11	962.89	87%
Total 86261 - Copier/Printer Lease Buyout			_____	-		
No Acct# - HVAC Repair and Maintenance	50,000.00	50,000.00	-	-	50,000.00	0%
Total No Acct# - HVAC Repair and Maintenance			_____	-		
Total Capital Assets Expenditures	<u>57,500.00</u>	<u>57,500.00</u>	-	6,537.11	<u>50,962.89</u>	11%

Merced County Employees' Retirement Association
Administrative Expenditures Report (Preliminary)
For the Month Ended February 28, 2021

Administrative Budget		Adopted	Current Budget	Expended 02/2021	Expended YTD	Bal Remaining	% Exp YTD
10110 · Salaries & Wages		1,305,000.00	1,305,000.00	89,900.46	718,185.37	586,814.63	55%
02/05/2021	Office Payroll - 2021 PP 03			44,950.23			
02/19/2021	Office Payroll - 2021 PP 04			44,950.23			
Total 10110 · Salaries & Wages				89,900.46			
20600 · Communications		4,500.00	4,500.00	380.42	2,740.55	1,759.45	61%
02/05/2021	AT&T - 2021-01 Comm Chgs			147.40			
02/23/2021	2021-01 Comm Chg			233.02			
Total 20600 · Communications				380.42			
20900 · Household Expense		12,500.00	12,500.00	510.65	6,515.14	5,984.86	52%
02/04/2021	Bob's Pest Control - 2021-01 Svcs			40.00			
02/11/2021	Geil - 2021-01 Janitorial Svc			381.19			
02/23/2021	ADT - 2020-03 Security Svcs			89.46			
Total 20900 · Household Expense				510.65			
21000 · Insurance - Other		85,000.00	85,000.00	-	80,339.00	4,661.00	95%
Total 21000 · Insurance - Other				-			
21301 · Maintenance Structure Improvement		20,900.00	20,900.00	420.19	4,681.45	16,218.55	22%
02/16/2021	2020-12 DPW Charges			95.19			
02/23/2021	Yard Masters - 2021-02 Landscape Maint			325.00			
Total 21301 · Maintenance Structure Improvement				420.19			
21500 · Membership		7,500.00	7,500.00	-	4,570.00	2,930.00	61%
Total 21500 · Membership				-			
21700 · Office Expense - General		18,000.00	28,000.00	214.80	24,799.27	3,200.73	89%
02/05/2021	First Choice - 2021-01 Water Cooler Rental			7.00			
02/24/2021	2021-01 Pacific Shredding			10.00			
02/24/2021	2021-01 Office Depot Charges			197.80			
Total 21700 · Office Expense - General				214.80			

Merced County Employees' Retirement Association
Administrative Expenditures Report (Preliminary)
For the Month Ended February 28, 2021

Administrative Budget	Adopted	Current Budget	Expended 02/2021	Expended YTD	Bal Remaining	% Exp YTD
21710 · Office Expense - Postage	15,750.00	15,750.00	2,259.70	9,064.97	6,685.03	58%
02/23/2021 2021-01 IS Postage Chgs			2,100.05			
02/23/2021 2021-01 Mailroom Chgs			159.65			
Total 21710 · Office Expense - Postage			<u>2,259.70</u>			
21805 · Audits	60,000.00	60,000.00	7,052.65	54,134.07	5,865.93	90%
02/23/2021 Brown Armstrong - FY 19-20 Audit Progress Through 2021-01			7,052.65			
Total 21805 · Audits			<u>7,052.65</u>			
21808 · Board Membership	18,000.00	18,000.00	600.00	5,600.00	12,400.00	0%
02/10/2021 2020-12 Bd Mtgs			200.00			
02/10/2021 2020-12 Bd Mtgs			100.00			
02/10/2021 2020-12 Bd Mtgs			200.00			
02/10/2021 2020-12 Bd Mtgs			100.00			
Total 21808 · Board Membership			<u>600.00</u>			
21811 · Court Reporters	2,000.00	2,000.00	-	-	2,000.00	0%
Total 21811 · Court Reporters			<u>-</u>			
21816 · Medical Services	80,000.00	80,000.00	-	15.00	79,985.00	0%
Total 21816 · Medical Services			<u>-</u>			
21872 · Investigations	1,000.00	1,000.00	-	-	1,000.00	0%
Total 21872 · Investigations			<u>-</u>			
21900 · Publications & Legal Notices	4,500.00	4,500.00	-	3,321.25	1,178.75	74%
Total 21900 · Publications & Legal Notices			<u>-</u>			
22300 · Spec Dept Exp - Other	500.00	500.00	-	6.14	493.86	1%
Total 22300 · Spec Dept Exp - Other			<u>-</u>			

Merced County Employees' Retirement Association
Administrative Expenditures Report (Preliminary)
For the Month Ended February 28, 2021

Administrative Budget	Adopted	Current Budget	Expended 02/2021	Expended YTD	Bal Remaining	% Exp YTD
22310 · Election Expense	10,000.00	10,000.00	-	8,683.96	1,316.04	87%
Total 22310 · Election Expense			-			
22327 · Spec Dept Exp - Cost Allocation	43,005.00	43,005.00	3,002.17	24,181.36	18,823.64	56%
02/09/2021 2021-02 Cost Allocation			3,002.17			
Total 22327 · Spec Dept Exp - Cost Allocation			3,002.17			
22500 · Transportation & Travel	400.00	400.00	-	43.64	356.36	11%
Total 22500 · Transportation & Travel			-			
22505 · Trans & Travel - Staff Development	7,500.00	7,500.00	-	-	7,500.00	0%
Total 22505 · Trans & Travel - Staff Development			-			
22515 · Trans & Travel - In State	50,000.00	40,000.00	-	1,070.00	38,930.00	3%
Total 22515 · Trans & Travel - In State			-			
22516 · Trans & Travel - Out of State	10,000.00	10,000.00	-	-	10,000.00	0%
Total 22516 · Trans & Travel - Out of State			-			
22600 · Utilities	15,000.00	15,000.00	1,148.39	11,109.45	9,913.67	74%
02/05/2021 PG&E - 2021-01 Svcs			1,008.03			
02/23/2021 City of Merced - 2021-01 WS&G			140.36			
Total 22600 · Utilities			1,148.39			
Depreciation Expense	23,000.00	23,000.00	-	-	23,000.00	
Total Administrative Budget	1,794,055.00	1,794,055.00	105,489.43	959,060.62	834,994.38	53%

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

DATE: March 11, 2021**TO:** MercedCERA Board of Retirement**FROM:** Kristie Santos, Plan Administrator**SUBJECT:** Merced County Employees' Retirement Association (MercedCERA) Felony Forfeiture Procedures and Resolution adopting procedures.**ITEM NUMBER:** 1**ITEM TYPE:** Action**STAFF RECOMMENDATION:**

1. Approve the proposed Felony Forfeiture Procedures for MercedCERA and Resolution regarding the Felony Forfeiture Procedures

DISCUSSION:

Under the California Public Employees' Pension Reform Act of 2013 (PEPRA), members (also referred to as employees herein) who have been convicted on or after January 1, 2013, by a state or federal trial court of any felony under the law for conduct arising out of or in the performance of his or her official duties, must forfeit all accrued rights and benefits in any public retirement system in which they are a member at the time the felony is committed, retroactive to the first commission date of the crime, and shall not accrue further benefits in that public retirement system, effective on the date of the conviction. (Govt. Code sections 7522.72 and 7522.74.)

These statutes require the forfeiture after the conviction any felony crime for conduct:

- Arising out of or in the performance of his or her official duties, or
- In pursuit of the office or appointment, or
- In connection with obtaining salary, disability retirement, service retirement, or other benefits.

Elected public officers convicted of certain felonies may be subject to a felony forfeiture based on different conduct. The employee and the prosecuting agency are required by law to notify the employer within 60 days of the felony conviction. The employer is required by law to notify MercedCERA within 90 days of an employee's conviction.

Staff recommends approving the Resolution and Board of Retirement Felony Forfeiture Procedures, which provide for the review process that must occur before forfeiture is applied to a member's benefits.

MERCED COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

BOARD OF RETIREMENT PROCEDURE FOR FELONY FORFEITURES

I. PURPOSE

Under the California Public Employees' Pension Reform Act of 2013 (PEPRA), members (also referred to as employees herein) who have been convicted on or after January 1, 2013, by a state or federal trial court of any felony under the law for conduct arising out of or in the performance of his or her official duties, must forfeit all accrued rights and benefits in any public retirement system in which they are a member at the time the felony is committed, retroactive to the first commission date of the crime, and shall not accrue further benefits in that public retirement system, effective on the date of the conviction. (Govt. Code sections 7522.72 and 7522.74.) These statutes require the forfeiture after the conviction of any felony crime for conduct:

- Arising out of or in the performance of his or her official duties, or
- In pursuit of the office or appointment, or
- In connection with obtaining salary, disability retirement, service retirement, or other benefits.
- Elected public officers convicted of certain felonies may be subject to a felony forfeiture based on different conduct.

The employee and the prosecuting agency are required by law to notify the employer within 60 days of the felony conviction. The employer is required by law to notify MercedCERA within 90 days of an employee's conviction.

II. FELONY FORFEITURE PROCESS

A. Notifying MercedCERA of Felony Conviction and Providing Information.

The employer is required by law to notify MercedCERA within 90 days of an employee's conviction. (Govt. Code sections 7522.72(f) and 7522.74(f).) Upon notifying MercedCERA of the felony conviction, the employer will need to provide the following information, with a copy sent to the member:

1. Name of Member and Social Security number and/or employee ID.
2. Date of conviction which is the date that the member pleads guilty, or when the judge (or jury) decides the case.
3. Date of the earliest commission of the felony as reflected in the court proceeding.
4. Name of the court(s) in which the case was heard.

MERCED COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

5. Name and contact information for the prosecuting attorney.
6. Description of the felony charges for which the member was convicted.
7. Copy of court documents related to member's conviction/guilty plea.
8. Information relating to whether the felony offense for which the conviction was entered was committed during the conduct or performance of the member's job duties.

B. Review of Information.

Staff will review the charges and determine what additional information is needed from the employer, the member and or the prosecuting agency to make the required determinations. Staff is not limited to the criminal record in gathering the information it believes is appropriate. Staff may request the Board to exercise its subpoena power under Govt. Code section 31535.

C. Notice of Initial Determination.

After staff's initial review, staff will send a Notice of Initial Determination to the member and the employer as to the applicability of the felony forfeiture law to the facts. The Notice will include:

1. A copy of this Procedure.
2. A statement on applicability of the felony forfeiture law and, if applicable, a statement of the impact of the forfeiture on the member's benefits and the applicable proposed actions as set forth in below:
3. For those members who are retired:
 - (a) The Notice will state the amount of member contributions to be refunded to the member without interest. If there has been an overpayment, the contribution refund, without interest, will be an offset to the overpayment and the refund amount will only be those contributions that exceed the amount of the overpayment (see Govt. Code section 7522.72(d)(1).) For purposes of this Procedure, "overpayment" includes compounded interest on the principal amount of any such overpayment at MercedCERA's actuarial assumed rate(s) of interest in effect during the forfeiture period.
 - (b) Staff will review the member's account to determine the member's service credits and final average salary ("FAS") as if the

MERCED COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

member deferred as of the date of the first commission of the subject felony. Staff will then determine whether the member had sufficient service credit to retire as of the date of first commission of the subject felony.

- (i) If the member did not have sufficient service credit to retire as of the date of first commission of the subject felony, the Notice will state that the retirement will be rescinded, and the member placed into a deferred status until the member has sufficient eligible service to qualify for retirement.
- (ii) If the member did have sufficient eligible service credit to retire as of the date of first commission of the felony, the Notice will state the recalculated retirement allowance reflecting the changes to service credits, age factor and final average salary.

4. For those members who are active or deferred:

- (a) Staff will determine the amount of contributions paid, interest accrued on said contributions and service credit earned from the date of first commission of the subject felony to the date of conviction.
- (b) The Notice will list the amount of service credit and funds to be removed from the member's account and the amount of interest on those contributions to be forfeited.
- (c) The Notice will state that for non-forfeited funds remaining in the account, interest will continue to accrue.
- (d) The Notice will list the date that the member will be deemed to be a deferred member for all purposes, including but not limited to retirement eligibility. This date will be the date of first commission of the subject felony.

5. The Notice of Initial Determination shall list the deadline to respond which shall be no less than 21 days from the date of the Notice.

D. Response to Initial Determination

Prior to the deadline stated in the Notice of the Initial Determination, both the member and the employer may provide additional input regarding the applicability of the felony

MERCED COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

forfeiture provisions and/or the impact of the forfeiture as described in the Notice. Such additional information from the member or employer shall be shared by MercedCERA with the employer or member, as applicable. After the member and or employer have submitted any additional information or comments, staff's initial determination may be amended or not. Staff will notify the member and the employer if the Initial Determination will be amended or not. Any amended Initial Determination will be sent to the employee and employer for informational purposes only. The Initial Determination as may be amended and all supporting documents will be given to the Plan Administrator for review.

E. Plan Administrator Determination

After the review of the materials, the Plan Administrator or designee, will send a written decision to the member and the employer that will, among other items, state his or her determination on the following:

1. Whether or not the felony conviction arose out of or in the performance of official duties, or in pursuit of the office or appointment, or in connection with obtaining salary, disability retirement, service retirement, or other benefits, or was otherwise subject to forfeiture. If the determination is that the member's account is subject to forfeiture, the Notice will state:
2. The first date of commission of the felony and date of conviction.
3. The amount of service credit, contributions and interest to be forfeited by the active, retired or deferred member.
4. For a retired member, the amount of any overpayments, the monthly adjustment going forward and the manner and time in which MercedCERA will recover any overpaid benefits due from the member and the effective date of the changes.
5. Any additional proposed actions to be taken as set forth in Section C (3) and (4) above.
6. The member's ability to challenge the Plan Administrator's determination by bringing the matter to the Board of Retirement and the deadline to submit that written challenge.

F. Challenging the Plan Administrator's Determination

The member may challenge the Plan Administrator's decision by submitting a written challenge to the Merced County Employees' Retirement Association, attention to the Plan Administrator at 3199 M Street, Merced, CA 95348, no later than 30 days from the date of the Plan Administrator's Notice of Determination.

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1. If the Plan Administrator's decision is not timely challenged, it will be deemed final and binding.
2. A timely challenge will be heard by the Board of Retirement. Notice of the date and time of the hearing by the Board of Retirement will be provided to the member along with any instructions regarding the submission of documents and other evidence as necessary.
3. The matter will be placed on the Board of Retirement's regular public agenda for its review, findings and decision in writing (may be a formal Resolution, and or a formal letter signed by the Board Chair, and or a document prepared by legal counsel to reflect the Board's decision).

G. Appeal of the Action of the Board.

If the member is dissatisfied with the Board's action, the member may obtain judicial review by filing a petition for a writ of mandate in accordance with the Code of Civil Procedure within 90 days of the date of the written notice of the Board's action. If a petition for writ of mandate is not timely filed, the Board's action shall be deemed final and binding.

III. ACTIONS TAKEN AFTER A DECISION TO FORFEIT IS FINAL

MercedCERA will notify the Court and District Attorney at least three business days prior to the release of the forfeited funds to the member. (Govt. Code sections 7522.72(d)(2) and 7522.74(d)(2).)

The corresponding employer contributions will stay in the employer's advance reserve account and will be taken into consideration at the end of the fiscal year as part of the reconciliation process used for employer contributions.

If there is a reversal of the conviction by an appellate court decision, the member has the option to redeposit the contributions from the forfeited period. (Govt. Code sections 7522.72(h) and 7522.74(h).)

**BOARD OF RETIREMENT
MERCED COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
RESOLUTION NO. 2021 - __**

BOARD OF RETIREMENT FELONY FORFEITURE PROCEDURES

WHEREAS, under the California Public Employees' Pension Reform Act of 2013 (PEPRA), members of MercedCERA who have been convicted after January 1, 2013 of a felony for conduct related to their public employment, as described in Government Code sections 7522.72 and 7522.74, forfeit certain accrued rights and benefits in MercedCERA retroactive to the first commission date of the crime and shall not accrue further benefits; and

WHEREAS, this Board desires to adopt a procedure that provides the member with notice, a right to be heard and right to appeal staff level decisions prior to any forfeiture action; and

WHEREAS, this Board has read the attached "Board of Retirement Felony Forfeitures Procedures" and desires to adopt such procedure;

THEREFORE, BE IT RESOLVED THAT the Board of Retirement of the Merced County Employees' Retirement Association (MercedCERA) does hereby adopt the "Board of Retirement Felony Forfeiture Procedures" on March 11, 2021.

AYES:

NOES:

ABSENT:

Ryan Paskin, Board Chair

ATTEST:

Kristen Santos, Plan Administrator

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

DATE: March 11, 2021

TO: MercedCERA Board of Retirement

FROM: Kristie Santos, Plan Administrator

SUBJECT: New Consent Item Table for Rebalancing the Portfolio for the Merced County Employees' Retirement Association (MercedCERA).

ITEM NUMBER: 2

ITEM TYPE: Action

STAFF RECOMMENDATION:

1. Approve the new consent table for Rebalancing the Portfolio.

DISCUSSION:

The Delegation of Authority Policy passed by the Merced County Employees' Retirement Board in April of 2020 gives the Plan Administrator authorization to rebalance the portfolio, as recommended by the Investment Consultant for up to 2.5% of the portfolio without Board approval. The policy also states that such rebalancing will be communicated to the Chair and Vice Chair and then reported out at the next public Board meeting.

To keep all Board members up to date, including the Board's Investment Subcommittee, on the fund's rebalancing duties and transactions, a new procedure is being proposed;

- The Investment Consultant will send rebalancing recommendations to the Plan Administrator and staff,
- Staff will then send the recommendation to the Board's Investment Subcommittee. Any vetting and or questions by the subcommittee will be communicated to the Investment Consultant,
- Staff will then perform the rebalancing duties as required to maintain the fund's position(s) in Board approved targets and allocations (approved in the Board's Asset Allocation Study),
- Staff will report out rebalancing transactions that have occurred at the next public Board meeting on a consent table that is being proposed in this agenda item,
- Due to transaction(s) timing, staff will report out the transactions that are completed in the consent table. Any pending transactions will not be reported out until MercedCERA receives the cash or the transaction is complete.

Attached is a sample MercedCERA Board Agenda showing the format of the proposed consent table. This consent table may be included on an Administrative or Investment Agenda.

Staff recommends approving the new process and the consent table as displayed in the sample MercedCERA Agenda.

**MercedCERA RETIREMENT BOARD INVESTMENT MEETING AGENDA
THURSDAY, TBD, 2021
MERCED COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
TELEPHONE NUMBER: 1-310-372-7549, CONFERENCE CODE: 975839**

Important Notice Regarding SARS-COV-2

Based on guidance from the California Department of Public Health and the California Governor's Office, in order to minimize the spread of the SARS-COV-2 virus, MercedCERA's building will be closed to the public during MercedCERA Board meetings. Members of the MercedCERA Board will participate in this meeting offsite via conference call. Members of the public may listen to the meeting and offer public comment telephonically by calling into the telephone number provided above and entering the stated conference code. If you have any issues participating in the meeting telephonically or require reasonable accommodation for your participation, please contact MercedCERA staff at 209-726-2724.

Please turn your cell phone or other electronic device to non-audible mode.

CALL TO ORDER: 8:15 A.M.

- ROLL CALL.
- APPROVAL OF MINUTES – XXX, 2021

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.

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.

Portfolio Rebalancing Report for XXX 2021					
From			To		
Manager	Asset Class	Amount	Manager	Asset Class	Amount
Mellon Dynamic US Eq	US Equity	-\$15,000,000	Barrow Hanley	Fixed Income	\$15,000,000
Mellon Large Cap	US Equity	-\$20,000,000	SSgA Real Assets (proxy)	Real Assets	\$20,000,000
Champlain Small Cap	US Equity	-\$5,000,000	Vanguard REIT	Real Estate	\$15,000,000
Artisan Developing World	Emerging Markets	-\$25,000,000	Vanguard Total Bond Fund	Fixed Income	\$15,000,000
From Total:		-\$65,000,000	To Total:		\$65,000,000

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.

RETURN TO OPEN SESSION

Report on any action taken in closed session.

REGULAR CALENDAR

BOARD ACTION¹/DISCUSSION

Pursuant to Govt. Code § 31594 and MercedCERA's Investment Objectives & Policy Statement due diligence analysis requirement:

1. Discussion and possible action regarding XXX.
2. Review calendar of any training sessions and authorize expenditures for Trustees and Plan Administrator. Pursuant to Govt. Code § 31522.8 and MercedCERA's Trustees Education and Training Policy requirements. Examples of upcoming training and educational sessions:
 - XXX.
 - XXX.

INFORMATION ONLY

MercedCERA Upcoming Board Meetings:

Please note: The MercedCERA Board Meeting and/or Education Day times and dates may be changed in accordance with the Ralph M. Brown Act by the MercedCERA Board as required.

- April 8, 2021
- April 22, 2021

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.

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.

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

DATE: March 11, 2021

TO: MercedCERA Board of Retirement

FROM: Kristie Santos, Plan Administrator

SUBJECT: Merced County Employees' Retirement Association (MercedCERA) Future Plan with Four to Five Year Staffing Request

ITEM NUMBER: 3

ITEM TYPE: Action

STAFF RECOMMENDATION:

1. Authorize the Plan Administrator to begin working with County Human Resources for the creation of a Retirement Investment Officer I/II/III classification and approve staff request for two Staff Services Analysts I/II for Fiscal Year 21/22.
2. Approve the future staffing plan, which will be brought to the Board of Retirement for review prior to the appropriate budget year of each staffing request.

DISCUSSION:

The Plan Administrator has performed a very detailed analysis as to the current state of the Merced County Employees' Retirement Association (MercedCERA). This analysis is presented to the Board of Retirement for consideration regarding a future staffing plan (four to five-year plan) and potential technology projects, once MercedCERA is appropriately staffed. The Plan Administrator considered the following areas in the analysis:

- **Institutional Knowledge Base** – For several reasons, the Organization does not possess a deep knowledge base on various aspects regarding pension administration, most notably investments.
- **Staff Demographics** – The distribution of knowledge sits with a few staff. There has been no attention paid to succession planning in the MercedCERA organization.
- **Organizational Work Load** – MercedCERA as an organization is growing. Its retiree base is expected to double every 20 years and the portfolio is expected to double over the same time period. The Organization must set itself up today to meet this inevitable growth.
- **Investments and Complexity of Portfolio** – The traditional 65% equity 35% fixed income, “buy and hold portfolio” is a thing of the past. As the portfolio grows in size and sophistication, the role of governance in asset management becomes critical. MercedCERA must take greater control of this function and work to understand every aspect of our complex portfolio, which sits at roughly 1/3rd fixed income, 1/3rd public equity and 1/3rd alternatives.

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

- **Customer Self-Service Enhancements** – As the world goes “online”, as seen recently in the pandemic, so too is our MercedCERA membership. MercedCERA must have the tools in place to capture the work efficiencies that can be gained as our members move online.
- **Pension Software System** – The current data cleansing project that the Board approved in 2020 has assisted in pension software data clean up. However, MercedCERA’s pension software is at a point where a dedicated resource is needed to focus on the detailed and complex data clean up from our implementation back in 2014. The system cannot be enhanced to account for future desired functionality, nor can it perform some of its most basic functions without vetted, clean and corrected data. If MercedCERA is to keep up with the expected growth and move technologically into the 21st century, it must possess the pension software to do it.
- **Website Redesign** – Currently, MercedCERA is undergoing a website redesign. This is an opportunity to integrate with customer self-service enhancements of our pension software and make available our most basic forms and documents in a logical and easy to find manner.
- **New Headquarter Design and Build** – MercedCERA purchased a vacant lot located at 690 19th Street in Merced. As a result, the Board has been undecided on the size and design of the new building. This analysis is being provided to the Board regarding the projected growth and proposed priorities of MercedCERA. This analysis will assist the Board with long term planning in this area.

As a result of the detailed analysis, staff is requesting the following new positions for MercedCERA. Below is a proposed timeline of potential staffing requests with estimated costs at the time of this agenda item (More detail is provided for each area in the analysis document):

Priority	Working title	Estimated Classification	Estimated Classification Salary Bands	Estimated “fully loaded” Salary	Estimated Start Date	Priority Duties	Estimated Budget Fiscal Year	Classification Recruitment work will begin immediately
1	Retirement Investment Officer	New; Retirement Investment Officer (I/II/III)	\$65,000 – 138,000	\$256,469	July 1, 2022	•All things investments	FY 23/24	Yes. Classification work will begin with County HR.
1	Benefits Analyst	Staff Services Analyst (I/II)	\$50,815 – 76,690	\$152,726	July 1, 2021	•CPAS •Retirements •Disabilities •Processing •Payrolls	FY 22/23	Yes. Recruitment activities and position creation with County would begin.
1	Communications Analyst	Staff Services Analyst (I/II)	\$50,815 – 76,690	\$152,726	July 1, 2021	•Website content management •Contract management •Forms •Partial Benefits Analyst Duties	FY 22/23	Yes. Recruitment activities and position creation with County would begin.

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

2	Junior Processor	Office Assistant III	\$36,795 – 44,740	\$95,522	July 1, 2022	<ul style="list-style-type: none"> •Process deaths, refunds, service purchases 	FY23/24	No. Begin recruitment May 2022.
3	Accounting Technician	Accounting Technician	\$43,014 – 52,332	\$107,861	July 1, 2023	<ul style="list-style-type: none"> •Invoice processing •Reconciliations •CAFR •Audit 	FY 24/25	No. Begin recruitment May 2023.
4	Junior Processor	Office Assistant III	\$36,795 – 44,740	\$95,522	July 1, 2024	<ul style="list-style-type: none"> •Process deaths, refunds, service purchases 	FY 25/26	No. Begin recruitment May 2024.

- All position classifications (other than Retirement Investment Officer) will be appointed by County Human Resources based on duties, county policies and procedures.
- Retirement Investment Officer is a retirement position with authorization from the County Employees' Retirement Law of 1937 (CERL).
- All "fully loaded" salaries are estimates based on the County's prior year benefit calculator that includes salaries + benefits.
- All "fully loaded" salaries are budgeted at Step 5 of the classification for discussion purposes only.
- All timelines are estimated and presented for discussion purposes only.

MercedCERA's assets recently broke the ceiling of over \$1 billion. However, increased assets alone are not a reason to increase staffing. Yet, increased assets with projected growth of members (both actives and retired) and the opportunity to embrace technology, presents several opportunities for the Organization. The following analysis, if approved, represent a four to five-year plan of staffing as well as projects to meet projected growth.

Staff are recommending the following actions;

1. Authorize the Plan Administrator to begin working with County Human Resources for the creation of a Retirement Investment Officer I/II/III classification and approve staff request for two Staff Services Analysts I/II for Fiscal Year 21/22.
2. Approve the future staffing plan which will be brought to the Board of Retirement for review prior to the appropriate budget year of each staffing request.

Merced County Employees' Retirement Association

Executive Summary

For at least the last 5 years, the Merced County Employees' Retirement Association (MercedCERA) has administered its operations and delivered benefit services in a lean and efficient manner. These efficiencies were borne mostly out of a cost-conscious management, an uncomplicated asset allocation, experienced and dedicated staff, and a pension software system implemented in 2014. Customer service levels have been steady over this period, as evidenced by a nearly nonexistent number of customer complaints directed at MercedCERA. While these efficiencies have served the Organization well in the past, MercedCERA has now entered into a period where it must seek out and employ additional resources in order to maintain current efficiencies.

Analysis Format

The format of this agenda item describes several issues that the Organization must confront and deal with over the next 5 years. Each issue is described in the a corresponding 5-year plan. Some of the issues are described at a very high level, while others are laid out in much greater detail. In some ways, many of the issues overlap one another. For example, MercedCERA Staff Demographics and Organizational Work Load issues are closely related to each other, yet each deserves its own discussion, even though one particular solution may be common to both issues.

Also, the agenda item compares MercedCERA to other 1937 Act Systems in terms of budget size, staff size, benefits paid, etc. It also looks and compares the history of MercedCERA's annual budget as a percentage of other variables such as assets, liabilities and benefits paid.

Summary of Issues

The following is a summary of the issues discussed in the analysis, along with a short description:

- *Institutional Knowledge Base* – For several reasons, the Organization does not possess a deep knowledge base on various aspects regarding pension administration, most notably investments.
- *Staff Demographics* – The distribution of knowledge sits with a few staff. There has been no attention paid to succession planning in the MercedCERA organization.
- *Organizational Work Load* – MercedCERA as an organization is growing. Its retiree base is expected to double every 20 years and the portfolio is expected to double over the same time period. The Organization must set itself up today to meet this inevitable growth.

Merced County Employees' Retirement Association

- *Investments and Complexity of Portfolio* – The traditional 65% equity 35% fixed income, buy and hold portfolio, is a thing of the past. As the portfolio grows in size and sophistication, the role of governance in asset management becomes critical. MercedCERA must take greater control of this function and work to understand every aspect of our complex portfolio, which sits at roughly 1/3rd fixed income, 1/3rd public equity and 1/3rd alternatives.
- *Customer Self-Service Enhancements* – As the world goes “online”, as seen recently in the pandemic, so too is our MercedCERA membership. MercedCERA must have the tools in place to capture the work efficiencies that can be gained as our members move online.
- *Pension Software System* – The current data cleansing project that the Board approved in 2020 has assisted in pension software data clean up. However, MercedCERA's pension software is at a point where a dedicated resource is needed to focus on the detailed and complex data clean up from our implementation back in 2014. The system cannot be enhanced to account for future desired functionality, nor can it perform some of its most basic functions without vetted, clean and corrected data. If MercedCERA is to keep up with the expected growth and move technologically into the 21st century, it must possess the pension software to do it.
- *Website Redesign* – Currently, MercedCERA is undergoing a website redesign. This is an opportunity to integrate with customer self-service enhancements of our pension software and make available our most basic forms and documents in a logical and easy to find manner.
- *New Headquarter Design and Build* – MercedCERA purchased a vacant lot located at 690 19th Street in Merced. As a result, the Board to date has been undecided on the size and design of the new building. This has primarily been because staff have not provided details and analysis regarding the projected growth and priorities of MercedCERA. The Plan Administrator is hoping this analysis will assist the Board with long term planning in this area.

Summary

MercedCERA never fully embraced or invested the necessary resources to handle the amount of new work and processes resulting from the implementation of the CPAS system. Required output and productivity levels have increased, however the CPAS system requires much more attention and manual intervention to perform our most vital functions. Future system growth, investment complexity, technological deficiencies, and greater stakeholder awareness suggest that MercedCERA has stretched productivity gains to its limit.

Merced County Employees' Retirement Association

Perhaps most importantly, MercedCERA will need to become a more involved and aware player in the investment process and need to revamp its governance and oversight duties to coincide with our complex portfolio. MercedCERA has added approximately 45+ alternative funds to its portfolio since April of 2017.

The current CPAS cleansing Project has clearly shown that MercedCERA's pension software will need a "deeper dive" of the data that was converted at implementation. There will also need to be a strategic review of technology and system growth in the future (online portal for self-help, implementation of General Ledger modules for accounting purposes, etc.).

Many of the issues discussed in this analysis are directly related to investment oversight, our pension software, and succession planning. Knowing where MercedCERA is today and where it needs to be in 5+ years is perhaps the most important step in the Organization's ability to administer and deliver its services in the future.

The total 5 year Proposed Staffing Plan is requested to be the following (in total):

- Create and recruit a retirement investment officer classification and position,
- Recruit two Staff Services Analysts I/II; one for benefits and the other for operations/benefits,
- Recruit two junior processors for the benefits,
- Recruit one accounting assistant or accountant for fiscal operations.

These requests are covered under the various analysis sections of this document and each are discussed several times under various different issues. The table in the agenda item and at the end of this analysis has recommendations as to when the organization would add each position, if approved. The Plan Administrator recommends adding staff over a five year period and bringing projects and proposed staffing to the Board prior to the appropriate budget year, so the Board may revisit each request.

Issue 1: Institutional Knowledge Base

Over the years, administration at MercedCERA has grown increasingly complex. Litigation, multiple benefit structures and the implementation of a new pension system have been incorporated into the fabric of MercedCERA for over a decade. Investment oversight and governance are relatively new to MercedCERA; MercedCERA's portfolio has become more complex with the implementation of the alternatives program. As these aspects have unfolded, the need to retain experienced individuals to manage them has increased. MercedCERA has responded by engaging the services of consultants specializing in those areas, and while these consultants are necessary and

Merced County Employees' Retirement Association

a prudent move, their use inherently impedes the growth of a deep institutional knowledge base. Staff tends to defer complex and time consuming tasks to the consultants. While this certainly is under the domain of the contracted consultants, it represents a missed opportunity to strengthen our institutional knowledge base in essential areas and to mature as an Organization.

Institutional Knowledge Base; Future Plan

- Redirect a substantial portion of the responsibilities related to investment oversight to MercedCERA's staff so as to build institutional knowledge base.
- Create one investment staff classification/position for the organization (investments).
- Create two 'processing' positions to assist the organization with its core functions (benefits).
- Offer and encourage more technical professional development opportunities for staff.
- Create leadership opportunities for staff to grow and develop as strategic leaders, in turn creating a career path for future leaders of MercedCERA.

MercedCERA is currently facing serious succession planning issues. The Plan Administrator is within three years of retirement and several staff are looking outside the organization for promotional opportunities. Continuity of operations is essential for the organization, as pension management is a very specialized field that requires internal institutional knowledge. Also, in the future, MercedCERA should strive to gain knowledge of our alternative investments as much as possible. This could occur in areas such as mandated reporting of funds, learning required entry fund terms for public pension plans, and learning the "ins and outs" of investing in portfolio companies, just to name a few. Alternative funds, because of their constantly changing investment strategies and nuances, is an entire full-time position in the MercedCERA organization. There are immediate efficiencies and value that can be gained by hiring an experienced investment staff person. Not only will this enhance the Organization's knowledge base, but it will serve to strengthen staff's understanding of the investment process which will allow us to hold investment managers more accountable and fulfill fiduciary duties required by law.

Additionally, as MercedCERA hires and possibly replaces staff over the next several years, we should strive to hire experienced and talented individuals that understand contemporary pension principles and are most likely to succeed and add value in this environment. This may require reviewing current classifications and pay scales to insure MercedCERA is seen as a 'destination employer' which will be instrumental in hiring and retaining employees. Finally, MercedCERA should not only offer and

Merced County Employees' Retirement Association

encourage staff to undertake professional development training in technical and complex areas of pension administration but must also provide appropriate staffing levels to allow time for staff to focus on training and technical growth.

Issue 2: Staff Demographics

MercedCERA's leadership consists today of a Plan Administrator and two Fiscal Managers (one over the accounting function and the other over benefits). In the past, there was a greater focus placed on the benefits side of the Organization because of the implementation of the CPAS system. The Organization did not have the resources to finish/audit the implementation of CPAS and therefore the system truly hasn't been utilized effectively since 2014. As a result, there has been a heavy reliance and expectation on the CPAS organization to immediately respond when any question or issues are raised. Thus, an adversarial relationship was brewing. Through the current cleansing project and forming a working partnership with CPAS, staff now sees that data is our Organization's most fundamental 'bread and butter'. Staff has made great strides in recognizing the need for a system that works efficiently and a data record (either electronic or paper) that is complete and accurate. The staffing on the benefits side of the house consists of two staff analysts and a Fiscal manager. There are two clerical staff utilized for light processing, but that leaves other clerical duties (Board agendas, tracking of Board education hours, tracking required training and Form 700's as well as website maintenance) incomplete or completed by higher level staff, which is inefficient.

With the procurement of Cliffwater to build out MercedCERA's complex alternative portfolio, there is a greater knowledge gap and potentially more organizational risk exposure in the investment and financial side of the Organization. Currently, there is one staff accountant and a Fiscal Manager overseeing everything from development of the Certified Annual Financial Report (CAFR), all auditing functions, all IRS filings including 1099s, tracking and reconciling all MercedCERA investment manager's statements and the Organization's compliance with GASB and other financial principles. Currently, there is no staff person dedicated to the complexity and workload as prescribed by the alternative investment program/managers. Such work not currently assigned to a staff person consists of tracking most favored nation provisions of side letters by existing managers (this is a fund term that MercedCERA negotiates when entering a fund. It essentially means that if an investor gets a better entry term into a fund, usually due to investment size, MercedCERA will also be offered the same term once the fund closes). There are "push out elections" (elections by limited partners regarding the tax status and payments of other limited partners in the fund), financial and tax documents by funds that invest in foreign markets and/or investments, and countless other reviews, forms and documents. It is not uncommon for these

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documents to be 200+ pages which require a thorough reading and understanding of “market” fund terms. The workload is growing exponentially because of the number of funds now in MercedCERA’s portfolio.

Currently, MercedCERA’s size, which is usually measured by staffing numbers as a ratio to assets under management, and customer service business requirements present many staffing challenges. This was recently highlighted due to the COVID-19 pandemic. MercedCERA has an over reliance on Merced County for some of its most fundamental core processes, which left the Plan Administrator searching for third party alternatives should County employees experience the impacts of the COVID-19 crisis. Even in a non-pandemic environment, personal issues, family emergencies, vacation time and retirements can leave small organizations extremely vulnerable. MercedCERA staff demographics dictate that most employees need to be cross-trained across several functional areas within the Organization, however current workload does not allow for this.

MercedCERA has 8 full time employees (FTE) including the Plan Administrator. This figure dropped down to 3 FTE’s during the pandemic. On two occasions, MercedCERA activated its Emergency Plan, which consisted of MercedCERA locking its doors to the public and only our most essential core processes were completed, due to COVID-19. MercedCERA’s core processes included retiree and active payroll, retirement and disability counseling, retirement and disability requests, reconciling and posting employer and employee contributions, running the retiree monthly health premium deduction process and quarterly account reconciliations. These tasks cannot be put aside and are among the most important.

While it will always be prudent to maintain certain levels of redundancy, the Organization suffers from the idea that no one can really focus or become the “specialist” in any one area of pension administration. As staff’s capacity to administer pension benefits is diluted across the Organization, not enough time is spent within certain functional areas researching and acquiring contemporary knowledge and honing the practical knowledge needed to efficiently administer benefits.

Staff demographics also affect management’s ability to focus on their core responsibilities. Executive staff’s (Plan Administrator and Fiscal Managers) main focus should be the direction of the Organization and managing employee workload and expectations, not day to day production. The staffing vulnerabilities mentioned earlier prevent optimal use of management’s time. While this is perfectly natural from time to time in smaller organizations, chronic use of management’s time in this way is counter-productive, inefficient and extremely costly.

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Staff demographics such as these can and have produced challenging situations for MercedCERA. MercedCERA's particular demographic makeup has affected timely customer service delivery, required for knowledge and job focus to be held by any specific employee, and prohibited the ability to distribute workload evenly.

Staff Demographics; Future Plan - Benefits

- ✓ Enhanced training for current and new employees
- ✓ Recruit and hire 1 new benefits analyst (Staff Services Analyst I/II) (benefits)
- ✓ Recruit and hire 2 new processing junior analyst – (classification TBD) (benefits)
- ✓ Recruit and hire 1 communications/operations analyst (Staff Services Analyst I/II)
- ✓ Create a team structure so current analysts can receive vital experience in supervising 'junior staff' and foster knowledge transfer in the benefits area
- ✓ Utilize technology at greater levels for work effectiveness both in the office and remotely, if needed.
- ✓ Train and foster a deep understanding of pension management and the CPAS system

Part of the challenge to MercedCERA's demographic issue is creating a balance between the need to have employees performing day to day workload, having coverage if we experience staff attrition or leaves of absences, and having a benefit's analyst available and dedicated to our pension management system. The benefits side of the Organization is vulnerable, since timely customer service and benefit delivery is extremely important and requires a high level of human involvement.

MercedCERA should hire an additional benefits analyst to administer the pension programs and systems, apply disability laws and processes, and complete retirements, as well as other benefits functions. With 3 benefit analysts in total, the Organization will have the ability to cross train and retain 3 benefit analysts that can focus solely on the administration of service retirement and disability benefits. One of the analysts would be dedicated to take a lead role in cleaning the data and navigating our current CPAS system.

MercedCERA should hire 2 junior benefits analysts or processors (technicians). These staff will be dedicated to such tasks that require more step by step processing, which will alleviate work for the analysts and allow the analysts not only to build on succession planning, but to learn more legal and technical aspects of the pension administration program. As junior processing staff become more competent, there will be a clear career path for upward mobility and the ability to train on more complex processes.

MercedCERA should hire 1 communications/operations staff analyst dedicated to MercedCERA's new website design and content management, manage Board agendas

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and minutes, as well as manage contracts and other administrative functions. This position would also track and record educational hours for the Board, complete data analysis and public records requests and fulfill yearly benefits administrative functions, such as running year end statements batch processing, create a communication database of our members (both active and retired), as we currently do not have a way to communicate via email with our members directly, update forms, handbooks and other essential documents with new logo and updated language, etc. This analyst will be trained on benefits processes and functions and will be focusing on communications with our members and stakeholders.

Training is an important part of the solution. New employees must be quickly assimilated into MercedCERA's way of business and learn the basic principles of pension administration. This can be achieved through a formal "mentor" program where a benefit analyst will be responsible for the training and development of a new employee.

All employees must stay educated and informed on the contemporary issues facing pension systems. To the extent possible, the outlook will require all employees to attend CALAPRS roundtables and SACRS conferences throughout the year and other specialized trainings, which are not being attended by staff today due to workload constraints. These trainings provide MercedCERA employees a chance to network with employees from other 1937 act systems and discuss issues of the day. Employees will also receive semi-regular training on various office tools such as Excel and Access that will allow them to become more efficient at their jobs.

Staff Demographics; Future Plan - Fiscal & Investments

- ✓ Enhanced training for current and new employees
- ✓ Hire 1 investment analyst (classification to be created for MercedCERA)
- ✓ Hire 1 new accountant (or account assistant) to the Fiscal Division for accounting functions

Pension systems require specialized knowledge of pension management principles which includes litigation, complex regulations and the understanding of vested rights and fiduciary duties. It also requires knowledge of actuarial principles and the nexus with all facets of the organization. MercedCERA contracted with Cliffwater, LLC in April of 2017 to build out a well-defined program of alternative investments that provide the system with investment and vintage year diversification and logical and appropriate cash flows and budgets for these investments. Since April of 2017, MercedCERA has added 8 new hedge funds and 39 new private funds. MercedCERA began the process of investing in 9 additional funds, however required terms could not be met and

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MercedCERA ultimately did not invest in the 9 funds, but staff time was spent on the funds, nonetheless.

As MercedCERA enters into an investment relationship with each of its managers and funds, there are negotiations that must be conducted for both alternatives and public investments. Because MercedCERA is an institutional investor with the fiduciary requirement to always put members and beneficiaries first, great care is taken in every negotiation and side letters must protect MercedCERA well into the future. Most alternative investments are a 10 to 12+ year commitment with possible extensions. Hedge funds, which play an important role in MercedCERA's portfolio are nimbler with greater liquidity. MercedCERA also has some hybrid alternative investments which have characteristics of both hedge funds and private investments. All of MercedCERA's alternatives are complex investment vehicles, usually specializing in a specific sector or area of the markets. Because of this complexity, managers send countless communications to limited partners; around recent investments or potential investments, key staff turnover, elections on tax issues, requests for tax forms regarding international investments, most favored nation "sync ups", communications on natural disasters (most recently on COVID-19) and ongoing investor meeting or calls regarding strategies on how general partners have positioned the fund for greater success. General partners often write down or up investments and to date, no MercedCERA staff are researching or asking 'why'. Currently, MercedCERA relies on Cliffwater for communications and continued due diligence of a fund/manager in the alternative space. However other such elections and required attention is currently absorbed by the Plan Administrator. The Plan Administrator spends (on average) 75% of her time on alternative investments and relies heavily on investment counsel for complex issues involving MercedCERA's alternative managers. MercedCERA has also recently found itself selling equities or drawing down capital to respond to capital calls and other financial commitments. Although this is normal in a pension plan, attention should be dedicated to long term liabilities, cash flow analysis and asset planning to fund MercedCERA operations when employer contribution rates reduce due to the system becoming better funded. Asset and liability planning and forecasting includes cash flow analysis, investing in strategies that allow for frequent and projected cash distributions to match MercedCERA's cash flow needs five to seven years out into the future.

The additional accountant/accounting assistant would focus cross training and succession planning in the fiscal area. In October 2020, MercedCERA signed a contract with MGO to replace the Fiscal Manager (in the short term) should that position become vacant or the staff person become unavailable with little notice. Ideally, the fiscal manager would train the 2 accounting staff to learn MercedCERA's fiscal core processes and important deadlines so that we would have sufficient coverage if any of fiscal positions become vacant. Part of MGO's scope is to assist with policies and

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procedures in the fiscal area and provide a footprint for training materials which do not exist today.

Issue 3: Organizational Work Load

Overall work load is expected to increase. Benefit payouts, assets under management and member counts are all expected to increase (referred to as plan variables). Most pension plan's variables tend to double every 12-15 years. However, MercedCERA's plan variables are expected to double every 20 years. This is because Merced County is growing their workforce slower than expected (the active member count for Merced County is growing at an average rate of .89% per year). MercedCERA staffing has grown 60% over the last 20 years and the retiree count(s) have grown by over 90%. Because of this, MercedCERA has been able to meet the organizational workload in past years. However, MercedCERA is at a 'crossroads' and to maximize the benefits of the pension system technology (CPAS), and to keep staffing levels 'lean' in the future, positions will need to be added and additional technology should be utilized. As a result, tasks such as benefit delivery, asset/investment management and technology are directly correlated by member counts, which will be impacted.

Year	MercedCERA Full Time Employee Count
2000	5
2005	6
2010	6
2015	7
2020	8

Benefit Delivery Services

In most public pension systems, customer service is a core competency. Over the years, MercedCERA has prided itself on the timely and thorough delivery of benefit services and has strived to be very "customer centric". Benefit delivery services are MercedCERA's end product. They consume a considerable amount of the benefit's staff time. Benefit delivery services include things such as individual counseling, processing retiree benefit payments, the actual retirement process, maintenance of member records, and member and stakeholder communication. These services are described in more detail in the following paragraphs.

Members start the process of retirement usually by requesting several retirement estimates with multiple dates. Once a member makes the decision to retire, the applicant is then invited to the MercedCERA office for a face to face counseling session (currently being done telephonically during the pandemic) to ensure that the member fully

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understands the options that are available to them. The applicant then completes and submits an application packet. Applications are not tracked through a formal process to ensure that they move through each step of the process timely. Staff work each of these retirements in a 'case management' fashion, meaning that the Plan Administrator cannot review any spreadsheet or system and view who is in the process or where they are in the process on any given day. If a member establishes reciprocity, then the reciprocal salary information is requested from other Systems. This can be a time consuming and complex process. Also, converted legacy data is manually reviewed, including all prior timecards and service for each and every member to insure the retirement calculation is correct. Benefits are calculated, and paperwork is prepared for the retiring member to select their option.

One of the cornerstones of MercedCERA's customer service has been one-on-one member counseling sessions. These sessions provide members the opportunity to meet with a MercedCERA staff member, multiple times, to discuss issues such as service retirement, disability retirement, service buybacks and potential divorce proceedings impacting the members benefit. The two benefits staff (analysts) spend 33% of their time on counseling and corresponding with members, with another 33% of their time is spent on processing. The other 33% of their time are spent in meetings and on more ministerial activities (front desk, answering the office phone, mail runs, etc.) and on more technical duties such as active and retiree payroll. As of today, the benefits manager is processing retirements, attending to member's needs and performing the other technical duties, as a third analyst, which is an inefficient use of the manager's time and the organizations resources. This significantly impacts the benefits manager's ability to create essential written policies and procedures and prevents the manager from focusing on other managerial responsibilities.

Currently, MercedCERA processes approximately 2,450 retiree benefit payments a month. Although the majority of the process is automated, several manual processes remain. Upon retirement, each member needs to be set up in the pension payroll system. Tax withholding options, direct deposit and beneficiary information must be manually entered. All existing retiree demographic/data changes received each month need to be manually entered before benefit payments can be processed. Monthly retiree health deductions must be confirmed, as well.

Retiree electronic and paper files need to be kept current. When a retiree reports a change of address or change in beneficiary information, it is manually entered into the system and the paper documentation is filed in the retiree file. Changes such as death or divorce require the submission of additional paperwork and review, additional calculations and adjustment of benefits. These types of changes can also create overpayments that need to be collected from a surviving spouse or the retiree's estate.

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Overpayment information is maintained in a member's file (paper documentation), which is then used to make manual adjustments during the 1099-R process.

Active employee payroll data is uploaded to the pension software system bi-weekly through a payroll import process for all employers. New employee data must be reviewed by MercedCERA staff and any errors in the payroll process must be corrected. Some employers require more manual intervention than others because of system limitations and knowledge transfer within the employer itself. Reciprocity must be established for members coming and going from reciprocal systems. Members returning from leave of absence often inquire of buy-back options. Changes to a member's name or marital status are revealed through exception reports, which are compiled and reviewed manually. These changes require follow up with the member, often multiple times, to provide copies of necessary documents, including but not limited to, divorce documents and proof that the member has changed their name with the Social Security office.

Member and stakeholder communications include all written, electronic and verbal forms of communication. Members and stakeholders include active and retired members, plan sponsors, professional consultants, vendors, investment managers, the custodial bank and inquiries into MercedCERA's business from the general public. Most MercedCERA staff spend a considerable amount of time communicating in one form or another with members and stakeholders. Some of these types of communications also require other tasks such as data gathering, research, and the creation, processing and mailing of numerous documents throughout the year.

The amount of resources needed to deliver all the above benefit services are directly related to MercedCERA's member counts. Since retiree counts are expected to increase by 90% over the next 20 years, demand on staff time should increase proportionately as well. However, management does not feel the solution lies only in hiring additional staff. As described in other sections of this report, current processes and technology are in need of attention and can also add efficiencies.

Asset Management

Today, MercedCERA is just beginning to experience a structural shortfall (benefits paid less sponsor contributions) as a percentage of total assets. In depth analysis should be conducted as to the projected shortfalls and needed cash flows in order to put the fund in the best possible position. Because of current workload in the fiscal area, such analysis is not possible. MercedCERA recently broke the major milestone of having fund assets of over \$1 billion dollars (first reported in December 2020 performance by Meketa Group). An increasing asset base over time does not necessarily translate into additional necessary resources (proportionally), items such as due diligence, shareholder litigation, investment costs and fees and transparency in reporting on

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alternative investments are also increasing the amount of time needed to effectively and efficiently manage MercedCERA's assets.

Information Technology

MercedCERA relies on the Merced County for all information technology responsibilities. There is currently no position that is the "expert" for the pension software system or anyone that stays current with enterprise standards that impact MercedCERA. County Information Systems deals with networking issues, as well as multiple stand-alone software products; such as Windows and Adobe. Currently, MercedCERA's pension software requires focused attention as we transition to cloud based servers and other functions. Basic functions such as retirement estimates often do not work properly; data originally converted into the CPAS system from County Legacy Systems were never cleaned up or even accounted for properly in the CPAS Database; enhancements or process improvements await attention from programmers at very high costs because basic functionality is either not working or was broken in a new programming update; accounting modules that dovetail the benefits and fiscal side together do not work and were never implemented; members in the same tier have different benefit levels and are therefore being valued incorrectly in annual valuations (overvalued). In order to serve our membership and deliver one of our most basic core competencies of paying out correct benefits, more resources and time must be dedicated to our existing pension system. Data must be thoroughly cleaned up in the CPAS system should MercedCERA ever decide to implement a new pension system, as data would be converted from CPAS into any new pension management system.

Organizational Work Load; Future Plan

While certainly adding more positions to the Organization could solve most of the organizational work load issues, it is not a viable or efficient long-term solution. The solution discussed here weighs more heavily towards process improvements, automation and technological improvements. Staff size is addressed more appropriately in other areas of this analysis.

The Retirement Process

- ✓ Integrate online customer service enhancements within the pension software via MercedCERA's new website
- ✓ Develop online capabilities that allow members to view personal data
- ✓ Develop online capabilities that allow members to complete and submit applications or data change requests online
- ✓ Develop processes and software that allow benefit estimates to be done without human intervention.

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- ✓ Image all files and have them available online and stored in the cloud
- ✓ Mentor junior analyst staff to perform more processing, which would free up analytical staff for more complex issues and analysis
- ✓ Potentially upgrade functionality of pension system once data is cleaned

As the technological capabilities and sophistication of our membership evolves over time, so too will their willingness and ability to access, understand and change information electronically. MercedCERA will need to capitalize on this natural evolution to improve upon its own efficiencies.

Other than a final audit of salary information used to calculate a member's final benefit, there should be only minor differences between a routine benefit estimate and a final one. This capability would allow our members to receive a reasonably accurate estimate of their benefit at any time without having to wait and without the necessity of a MercedCERA staff member having to produce one manually. Currently reviewing salary information is very time intensive.

Finally, many processes at MercedCERA require manually opening and chronologically documenting a "member case". For instance, when a member inquires about retirement, a case for that member is opened and any action is manually recorded, documented and stored until some resolution is reached. It gives staff the ability to follow up with members on certain unresolved issues of an open case before some resolution (benefit payout for example) can be reached. Currently, this process is not accounted for at MercedCERA.

The benefit delivery process at MercedCERA is an area where technological and process changes can significantly improve overall efficiency. Many of the processes are manual simply because the technology is non-existent and/or not maintainable, or never worked properly to begin with. As a result, human intervention and time is required for tasks that could be accomplished using today's technology. The manual processes that still exist introduce a greater likelihood of error and prevent staff from moving beyond the performance of routine tasks to developing more analytical skill sets. MercedCERA should strive to implement as many of the above changes and processes as possible.

Individual Counseling

- ✓ Use potential new benefit staff to handle increased processing and assist with individual counseling load
- ✓ Increase use of group counseling sessions and look to digital solutions to foster group and frequent retirement counseling

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- ✓ Use of web-based training videos and educational material on MercedCERA's new website

While it is certain that counseling demands on staff time will increase, as the primary solution, management proposes a combination of additional staff and potentially shorter session times, with materials developed and placed online (written and digital videos. As a secondary solution, staff is looking into ways to educate our members in more efficient ways, so members become more accountable and take a more proactive role in the understanding of their benefits. As a result, staff is planning on using group counseling sessions throughout the year. It is anticipated that the new communications position would be managing this work.

Data Management and Recordkeeping

- ✓ Development and purchase of an electronic document management system

Currently, when documentation that needs to be recorded and stored is received by MercedCERA, an employee has to set up a physical folder to store that information and make an arbitrary decision regarding how and where to electronically save it (if applicable). While this process has worked adequately for MercedCERA in the past, it is labor intensive and is prone to information being misplaced or even lost resulting in time spent trying to locate the documentation. As a result, paper copies are put into member files and MercedCERA's dependence on paper continues. Additionally, as our Organization grows, physical storage of this documentation will become cumbersome and demand greater space resources. Currently, MercedCERA is out of file and document storage. An electronic document management system (EDM) will allow MercedCERA to manage its information with greater efficiency.

An EDM system is much more than archiving paper electronically. An EDM system supports data management compliance with rules for how the data is indexed, stored, managed and retrieved. By indexing data embedded in a document, an EDM allows a user to search for a document using simple words or phrases. This eliminates the need for a user to know where data is stored or what the name of the document is that contains the desired information. An EDM provides automated back-up and archiving procedures, a history log and audit trail of user actions, automated workflow capabilities, and template forms that conform to specific submission rules. An EDM system can also help keep confidential information protected. However, there are hundreds of thousands of documents to be imaged and organized.

Communications

- ✓ Hire 1 new Communications/operations analyst

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Currently, all MercedCERA staff have some verbal form of contact or communication with most MercedCERA stakeholders. In addition, nearly all MercedCERA staff has been called upon from time to time to produce documents meant for general distribution to most MercedCERA stakeholders. As the Organization moves towards a more functional and robust structure, the area of communications is a natural one for specialization.

As our Organization grows, we need to ensure that we have adequate staff, with specific skills sets, to keep all MercedCERA members, retirees and plan sponsors informed. This position will be responsible for developing strategic communication plans and processes utilizing a broad range of mediums to communicate information to diverse audiences. Some of the essential functions of this position will be maintaining the material presented on the MercedCERA web site (including Board agendas, minutes and other financial documents), producing newsletters, designing the CAFR, member handbooks (retirement and disability) and informational pamphlets. This position would also be responsible for creating and assisting in presenting retirement training seminars and placing them online.

Currently MercedCERA has no staff person dedicated to operations. Such tasks as managing contracts (and working with legal on new/expiring contracts) and general administrative duties that do not fall under any one position today should have a dedicated staff person. MercedCERA is also considering a new building and the amount of potential planning and liaising with professionals, attorneys, city officials and the Board is needed. Although the Plan Administrator is currently the person overseeing this project, much coordination and communication is needed with staff, employers and stakeholders. This position would be working closely with the Plan administrator, fiscal managers and other stakeholders on this project.

Asset Management

- ✓ Use additional investment staff to handle increased work load

In the past, given the size of the portfolio and MercedCERA staff size, the value of performing certain forms of diligence have been non-existent at best. However, we are now at a point where there are diligence tasks that should seriously be considered, enhanced or augmented for a portfolio the size of MercedCERA's. Investment transactions and execution costs, manager compliance, shareholder litigation issues and transparency in alternative investment accounting and reporting are areas that require more attention, understanding and monitoring. As a result, the goal will be to use investment and accounting staff to perform and add value in these areas. Cash flow and other analysis should be performed on a regular basis since the fund is now in a negative cash flow position.

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Information Technology

- ✓ Dedicate 1 Benefits Analyst to CPAS maintenance and clean up

To create continuity and prevent potentially critical work stoppages, the Organization should dedicate a benefits analyst to implementing a new pension system project.

The CPAS software system is very complex. Vendor staff and MercedCERA staff work very closely together. These meetings are very complex in nature and require a lot of time. Having the benefits analyst position hired, filled and trained would greatly enhance MercedCERA's ability to continue operations should there be an unforeseen break in staff continuity. Additionally, having this new position filled would allow the person to learn the CPAS, in depth. It is envisioned that all benefits staff would be involved in the pension system at certain times, but one staff would be dedicated to the system.

Implementation of an entirely new pension system, under a best-case scenario, is a multi-year project, requiring a great deal of planning, organization and testing. It is unlikely that MercedCERA can successfully implement a new pension software system with current staffing and the current condition of data in the existing database. While this is something for the future, it should be on everyone's radar.

Issue 4: Investment Portfolio and Complexity – Oversight and Governance

In this agenda item, investment governance is defined as any function related to the investment process at MercedCERA. This can include things such as due diligence, performance reporting, performance monitoring, manager disposition, cash flow analysis, asset reconciliation, negotiating terms of new funds (both private and public) and manager relations. While MercedCERA's investment consultants have typically handled some of these functions in the past, there are some functions that have not been addressed and where MercedCERA staff cannot solely rely on consultants to perform the required fiduciary duties.

As transparency in investments and the investment process has become a much greater issue in today's pension world, so too has the demand for resources dedicated to these functions. In the past, the traditional pension asset model of 65% equity, 35% fixed income, and a buy and hold strategy, required little oversight. Today's contemporary pension asset model is much more complex as funds look to non-traditional asset types to enhance returns. There is a need to have dedicated staff on hand that can devote their entire time to the principles of investment governance. The Organization should strive to create more accountability and responsibility from within and give MercedCERA, the Board and our stakeholders a greater sense of control, confidence and understanding regarding the investment process.

Investment Portfolio and Complexity – Oversight and Governance; *Future Plan*

- ✓ Hire one experienced Investment Analyst (recruiting, classification and salary will be key recommend modeling after Stanislaus County Retirement Officer I/II/III classification)

The solution to the investment governance issue is grounded in the idea of taking more responsibility, control and accountability for the process itself. It should be understood that investment governance in this context does not mean actively managing (buying and selling) our own investments. It is critical that the Organization understand every aspect of the investment process, which in turn, should enhance our overall comfort level. While the Board always has ultimate control over the decision-making process, there are pension management tools and oversight issues that have never been addressed or fully vetted. It is only natural that those most intimate with the Organization and most accountable should play the greatest role in the decision-making process. MercedCERA should develop core competencies in the following areas:

- Deep understanding of the asset allocation process
- Manager relations
- Cash disposition and allocation
- Performance data gathering, understanding, reporting, and monitoring
- Manager disposition
- Advisor to the Board (for data and other facts)
- Alternative Investment oversight and understanding
- Manager Policy Compliance
- Negotiating going 'market' terms when investing in new funds/managers/general partners

Even though MercedCERA would never completely eliminate the use of outside investment consultants, if the Board chooses to hire an investment analyst, the above tasks would remain under the domain of the consultant and staffs' role would be considered more as a "second set of eyes" for the Board. Additionally, the investment consultants have access to, and years of, relationship building with managers that MercedCERA may want to consider in the future. The investment consultant could also be used to add an additional, independent element in the due diligence process.

The investment process at MercedCERA touches nearly every part of the Organization. Accounting and finance have not been "investment centric". As such, MercedCERA will need an experienced Investment Analyst. According to the County Employees' Retirement Law of 1937 (CERL), the retirement Board has authority to appoint key personnel including administrative, technical and clerical which are required to accomplish necessary work of the board. Employees shall be county employees unless

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a system chooses to separate from the County. According to the CERL, boards have full authority over the [Plan] administrator, deputy administrator and [Chief] investment officers (Sections 301522.1, 31522.2, 31522.3). Because of this authority, the Board has flexibility in the creation of a meaningful classification. The Board should consider the use of a recruitment professional and offer a competitive salary (market rate) to recruit an experienced investment analyst. These elements will be key to look beyond existing civil service classifications which were designed by the County for their own purpose and use. To date, these classifications have been utilized by the Organization because of ease and convenience. However, the MercedCERA organization should be looking beyond the County classifications and current salary structures to recruit and hire an experienced and qualified individual who will add value to the organization immediately.

The requirements of an Investment Analyst will be at a very technical level and would be dedicated almost completely to the governance process itself. Among other things, the Investment analyst will be required to perform the following primary duties:

- Working with consultants in setting and reporting forward looking capital market expectations on a semi-regular basis
- Pension risk monitoring, including semi-regular reporting on funding level risk and plan sponsor contribution risk
- Value added reporting by manager
- Monitoring trade execution costs
- Monitoring manager fees
- Monitoring investment legal fees
- Cash management
- Shareholder governance
- Transparency in reporting
- Manager relations
- Manager Policy Compliance
- Gathering, assimilating and analyzing investment data
- Investment data entry
- Cash flow monitoring and projection
- Investment account reconciliations
- Report production
- Working closely with the Custodial Bank
- Working close with consultants
- Working closely with accounting staff
- Network and work closely with other investment professionals from other 1937 act systems

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The Stanislaus County Retirement Officer I/II/III classification is included in an appendix, as a potential model or useful reference, as to how MercedCERA should approach such a classification in the future.

Issue 5: Customer Self-Service Enhancements

As shown in the Organizational Workload section of this agenda item, there are many processes at MercedCERA that currently require significant amounts of staff time, and as the system grows, so will these demands. While it is entirely possible to continue to employ more staff to handle this growth, it is not efficient and cost effective to rely on staffing numbers alone.

As today's world goes more "online", so too will our MercedCERA members. Currently, MercedCERA does not offer any tools to allow members to perform basic functions that should require little or no human intervention. Submitting a retirement application online, accessing personal retirement data, requesting changes to personal data, and online education are all candidates for self-service. At some point in the future, MercedCERA membership will most likely be demanding these types of capabilities.

Customer Self-Service Enhancements; Future Plan

- ✓ Use web-based training videos as a member educational tool
- ✓ Integrate web-based customer service functionality within the pension software
- ✓ Provide updated and better online materials for members regarding required documentation and 'what to expect' upon retirement, death of a member or dissolution of marriage

Part of the solution for the increasing workload over time will be grounded in the idea of customer self-service. Many processes that are manual today and involve a significant amount of staff time (organizational work load) are candidates for self-service enhancements.

Giving our members the tools to calculate their own benefit, educate themselves on the retirement process, fill out and submit forms online and to access personal data will save the Organization time and add efficiencies to our work processes. We do, however believe members will always need in-person counseling since all retirement options decisions are irrevocable.

Web-based training videos

Currently, staff devotes a considerable amount of time to member education. The idea behind web-based training videos would include a series of educational videos meant to inform members on various aspects of the retirement process. The use of these types of educational videos has been shown to be popular among age groups 35 to 55.

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These short videos are relatively inexpensive to produce and store and have been successfully used on various websites where customer service and education are important.

Web-based self-service functionality

Should the Board ultimately approve funding for this strategy, our pension system should include integration capabilities with our new website that would allow a member to go online, fill out and submit forms, view and make change requests to personal data and to procure a reliable estimate of their retirement benefit. This is not currently included in MercedCERA's website design project.

This functionality should be used to produce benefit estimates, accept and store change request forms and viewing personal information.

Issue 6: Pension Software System

The most important factor regarding MercedCERA's ability to keep up with growing work product requirements in the future, lies in its pension software. The Organization will need robust pension software capabilities to efficiently deal with the inevitable growth in workload. Currently, there are many areas within the Organization that could and should be produced with little or no human intervention. Unfortunately, the data in our current system does not and will not have the ability to accommodate these needs or processes in the future. Our current system is only as good as our data – which means that we are unable to keep up with the future needs of the Organization. Below are some of the needs of our pension software system that staff identified as necessary to efficiently manage future business growth:

- Extensive web-based employer, member and retiree self-service through Internet browser-based access
- A more comprehensive audit trail of all transactions
- Ease to interface with multiple benefit providers (employers and third party vendors)
- More robust reporting and querying capabilities
- Interface with electronic document management system
- Integrate workflow and business process management elements with electronic storage of member files
- Production capabilities for member statements that is more robust regarding information that can be reported and transmitted
- Online access to documents, forms, letters and other vital communication

Pension Software System; Future Plan

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- ✓ Create a plan that begins with documenting current processes and procedures
- ✓ Dedicate a staff person to do data clean up and process improvements within the pension software system.
- ✓ Implement an upgraded system software (CPAS) or discuss and analyze a new pension system program once underlying data is cleaned

CPAS has stated they will continue to maintain and upgrade the pension system. However, MercedCERA does not have enough resources to continuously address fixing current data problems already listed in the system, to correct new problems faced by staff when CPAS corrects one issue a new issue arises, clean up data, and test functionality enhancements needed for process improvements. Staff now have the unique opportunity to fully prepare for the next pension system; develop a deep understanding of the current pension system, understand what works and determine what is needed to complete complex calculations and required inputs.

MercedCERA needs to continue to partner with our current pension software provider, who has shown commitment to support the Organization. The CPAS system continues to improve and enhance their product line for new and existing clients who require different functionality or have additional requirements to meet the growing demand of their Boards and membership. Before entertaining the idea of a new pension system, MercedCERA should further dedicate the resources needed to improve our current system and its underlying data. As stated before, this will place MercedCERA in a better position, should the Board choose a new pension system, in the future.

Issue 7: Website Redesign

In today's web-centric world, a website tends to be the first point of outside contact for virtually any modern, public-facing organization. The quality of a website can easily increase positive public perception and act as a vehicle for effective member relations. That said, the MercedCERA new website design project is essential for expanding self-service capabilities.

How the information is managed on a website is just as critical as the design. In order to prevent further overhead in staff processes, and benefit from the new website project, an easy and effective system of website content management is required.

Website Redesign; Future Plan

- ✓ Hire a communications analyst to be dedicated to managing and updating MercedCERA's website for it to remain effective, relevant and useful
- ✓ Integrate electronic interface capabilities into MercedCERA's pension system for self-service capabilities
- ✓ Develop meaningful content for the website

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Managing information and content on the website should not fall to the Plan Administrator. MercedCERA should have a dedicated resource to keep the new website relevant. One of the main focuses of the new website would be to make MercedCERA's forms, documents, policies, more accessible to members, staff and stakeholders.

Issue 8: New Headquarter Design and Build

The MercedCERA Board purchased a vacant lot located at 690 19th Street in Merced, CA in 2019. This purchase was intended as an investment and a potential site for the new MercedCERA headquarter building. To date, two sets of plans have been contemplated by the Board; a one story building approximately 7,100 square feet (current MercedCERA office building is estimated at 3,400 square feet) and a two story building of approximately 12,200 square feet. Some of the discussions around the merits of both sets of floor plans has been on the growth of MercedCERA and at what rate would the Organization grow into either floor plan. With this analysis, and mathematically showing that in 20 years, MercedCERA is on track, with 99% confidence (r^2), to double in size in terms of assets managed and retired members served. The discussion remains with the Board of Retirement if the building plans being considered are for the near future of 7 to 10 years (one story floor plan) or for long term planning of 15 to 20 years (two story floor plan) when the system is due to double in size. The ad hoc building subcommittee will be considering the two sets of plans in the near future and will come back to the full Board of Retirement with a recommendation. Once a recommendation is acted upon and adopted by the full Board, the process for building plan refinement and construction bidding will begin.

System Comparison – How does MercedCERA Compare?

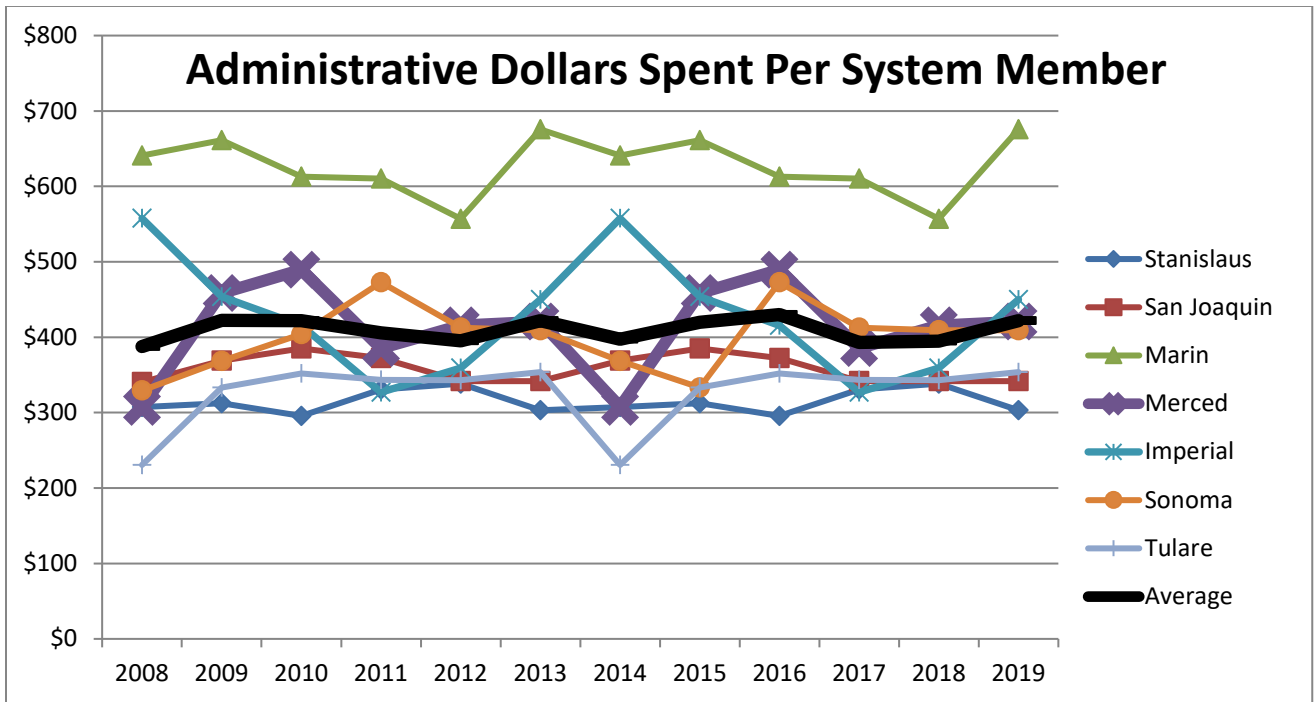
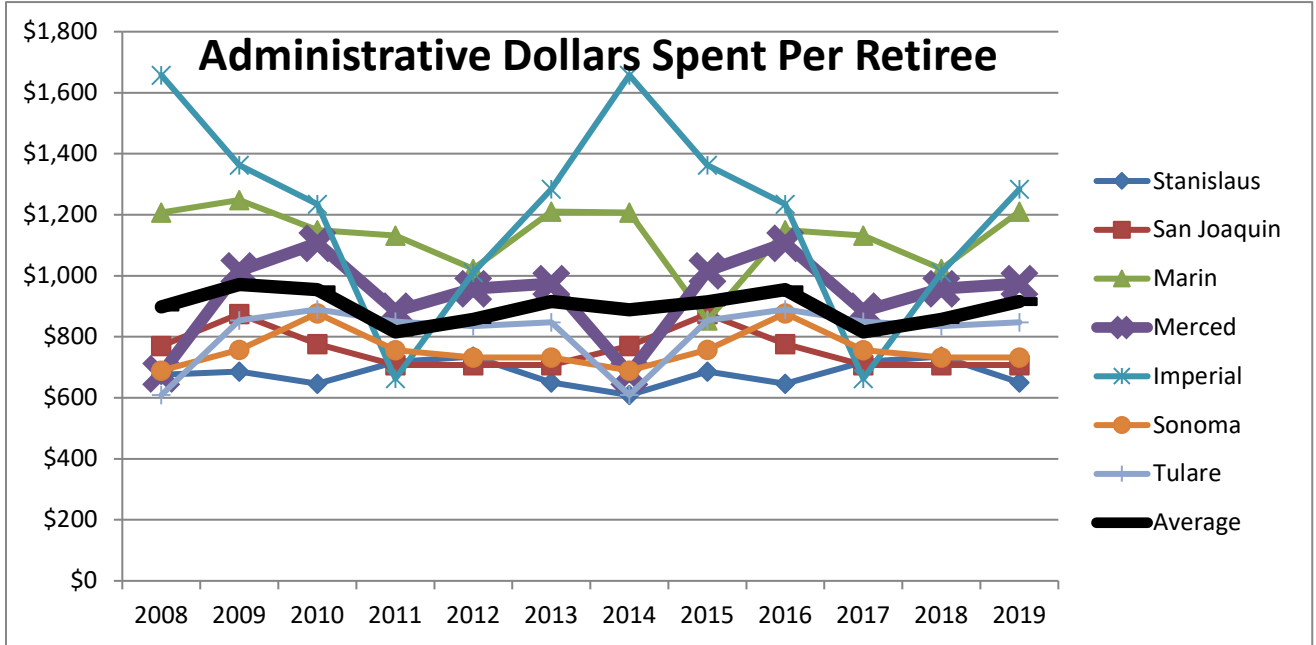
It is worthwhile to compare MercedCERA with other 1937 Act Systems in terms of current budgeting and staff. The following exhibits display administrative statistics across Systems that can be used for comparison¹:

<u>System</u>	<u>Assets</u>	<u>Retirees</u>	<u>Benefits</u>	<u>Budget</u>	<u>Staff</u>
Imperial	\$876,015,092	1,232	\$42,553,359	\$1,582,158	10
Marin	\$2,592,385,584	3,394	\$147,990,797	\$4,109,428	18
Merced	\$866,503,284	2,331	\$74,238,692	\$2,271,779	8
San Joaquin	\$2,879,288,631	5,821	\$202,408,260	\$4,118,578	20
Sonoma	\$2,916,890,000	5,250	\$170,370,000	\$3,732,000	13
Stanislaus	\$2,208,241,432	3,931	\$129,100,668	\$2,557,391	14
Tulare	\$1,646,171,000	3,312	\$82,083,000	\$2,806,000	14

Merced County Employees' Retirement Association

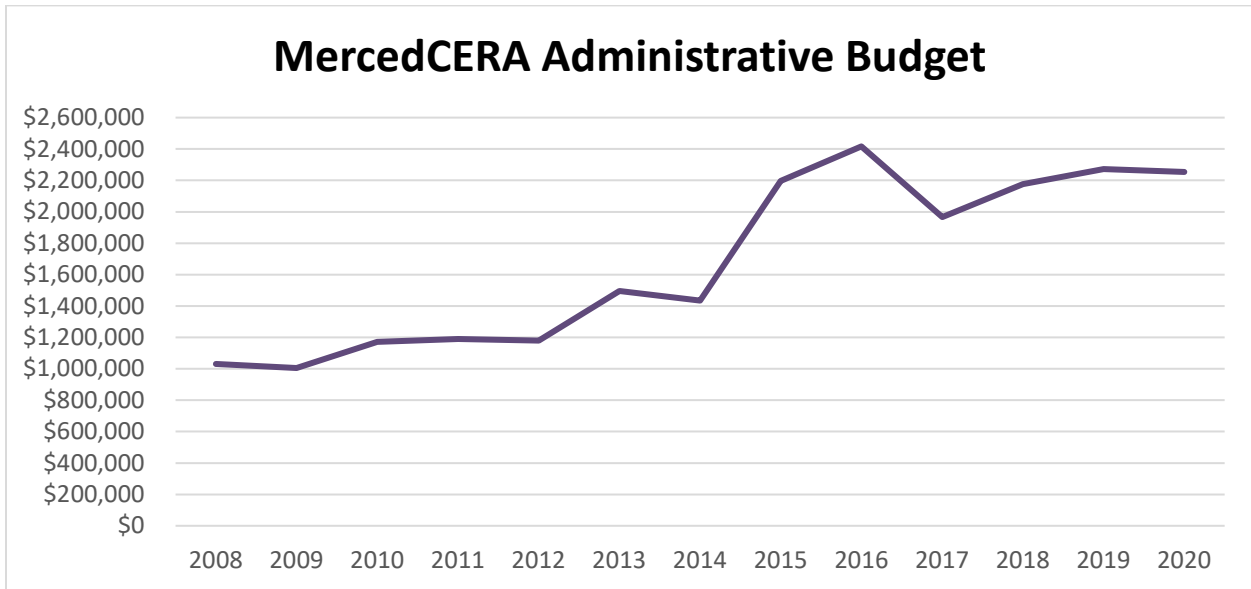
Average	\$1,997,927,860	3,611	\$121,271,111	\$3,025,333	14
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¹All information taken from Systems' CAFR



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MercedCERA is below the average in terms of assets managed, retirees served and benefits delivered and it is below average in terms of annual budget. It is also below the average staff size of other 1937 Act Systems.



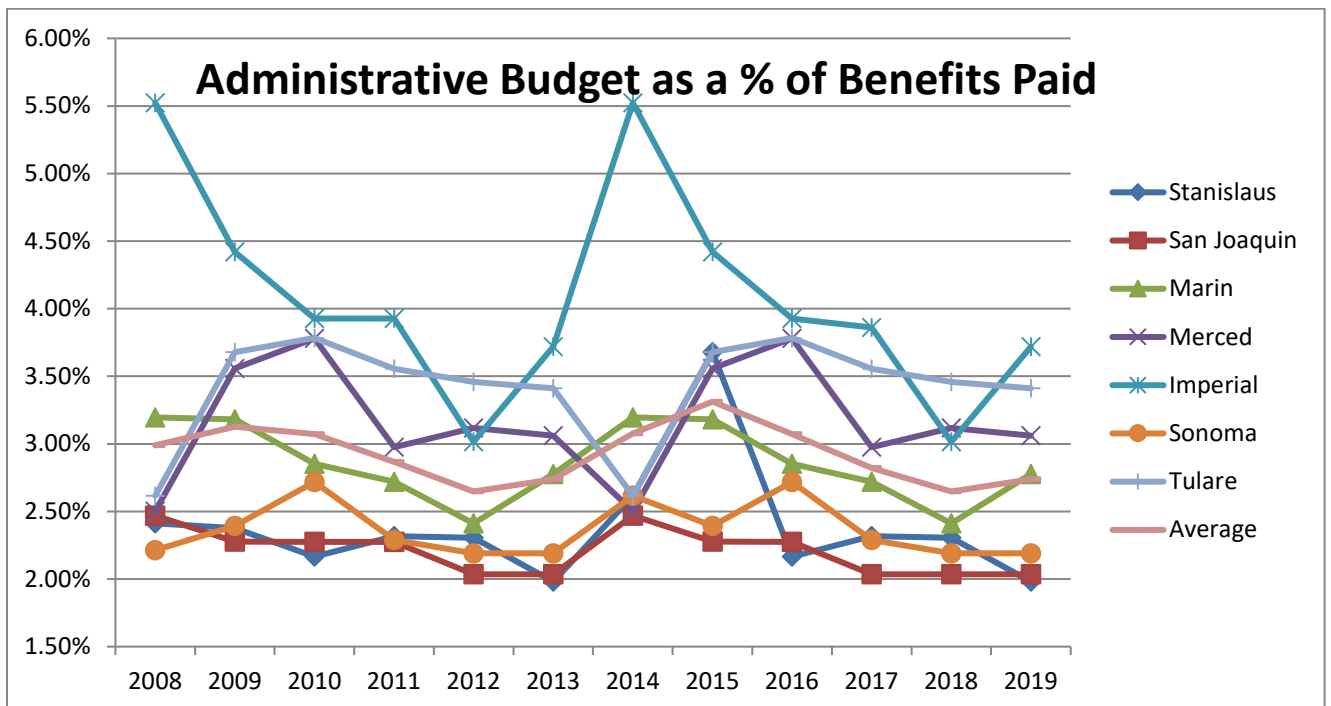
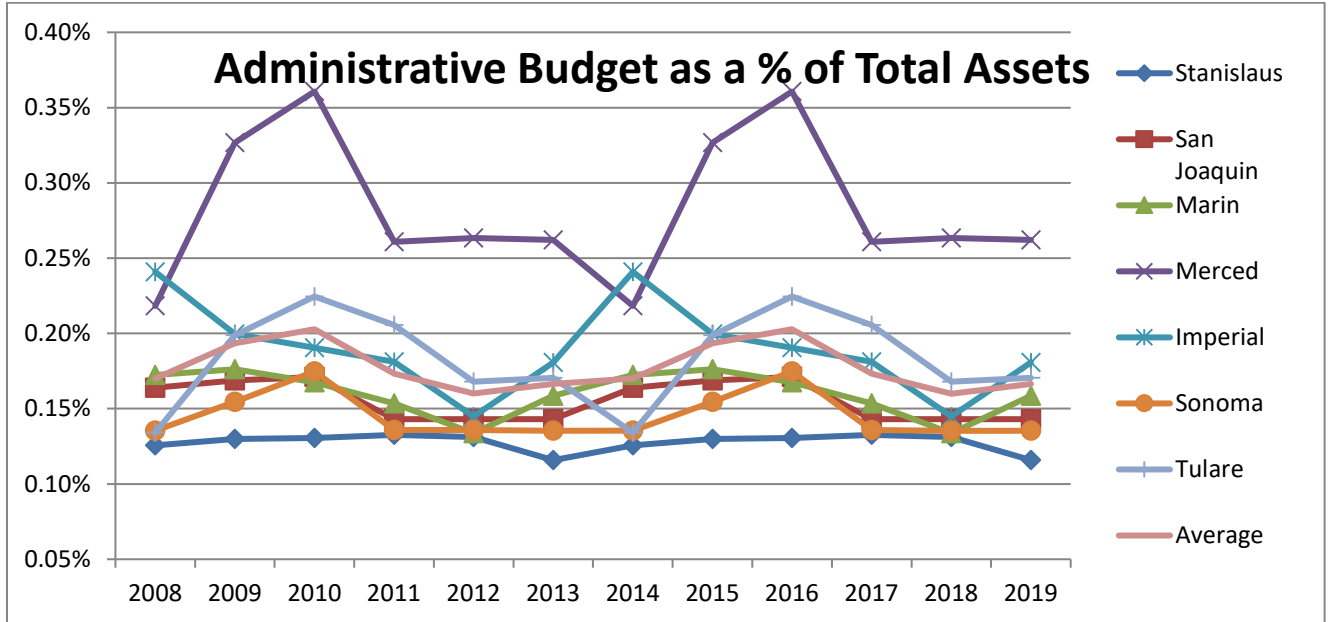
Since 2008, the administrative budget at MercedCERA has fluctuated mostly due to reporting non-administrative items in the administrative budget. In addition, staff size today has increased by 1 FTEs since 2008. The following is a history of MercedCERA's administrative budget since fiscal year ending 2008:

<u>Fiscal Year Ending</u>	<u>Administrative Budget</u>
2008	\$1,030,000
2009	\$1,005,000
2010	\$1,171,000
2011	\$1,189,000
2012	\$1,180,000
2013	\$1,496,000
2014	\$1,434,671
2015	\$2,197,281
2016	\$2,416,563
2017	\$1,966,898
2018	\$2,177,186
2019	\$2,271,779
2020	\$2,253,113

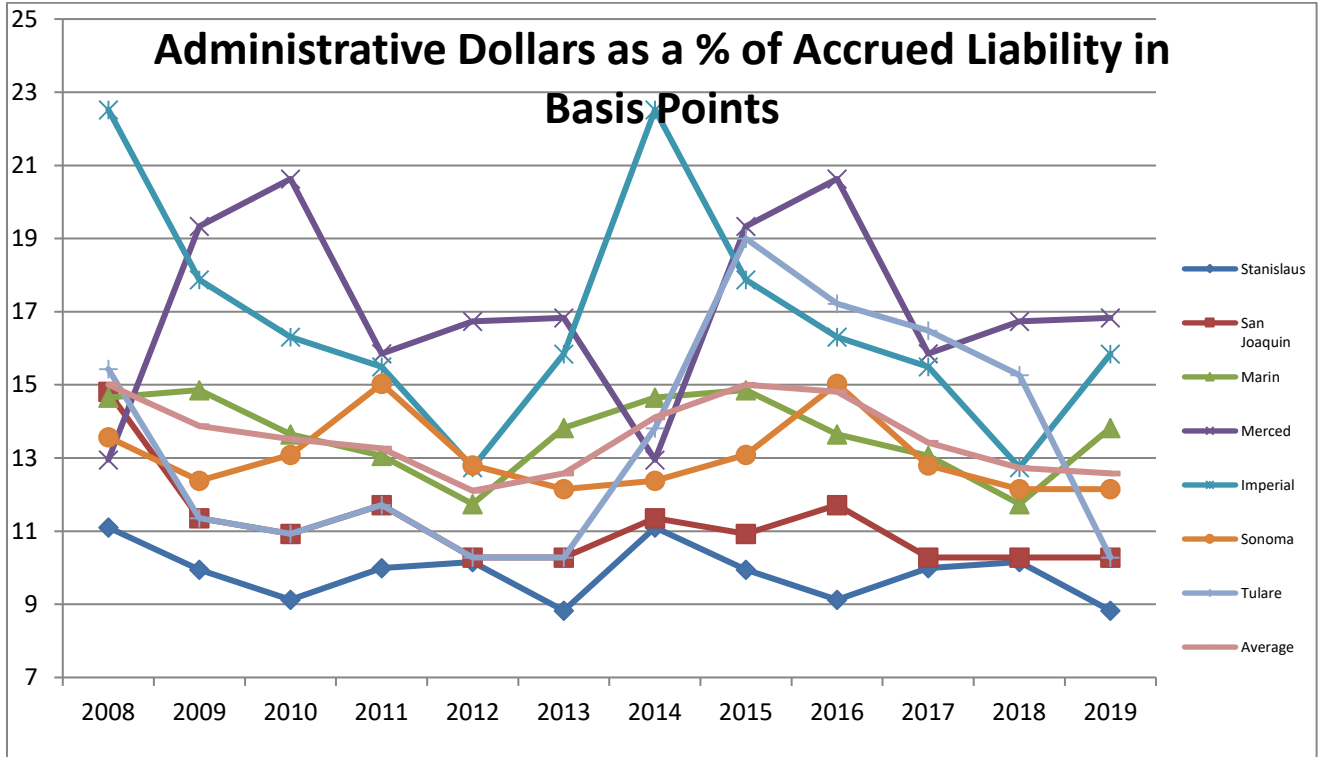
It is also useful to take a look at the evolution over time of the annual administrative budget (as represented in the CAFR) as a percentage of certain economic and

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demographic variables. With this type of analysis, one can observe important trends in each of the Systems' budget compared to each other and to the group's average. The following graphs portray this information for the same seven 1937 Act Systems analyzed above:



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Reviewing these graph's, MercedCERA is at or above average if assets under management is the only indicator. However, the type of work and duties performed across systems are similar if not the same. Therefore, it is not feasible to only look at one indicator or variable when comparing MercedCERA to its peers. These graphs also imply that Organizational productivity must have increased beyond 2008, since benefit delivery and asset management demands have increased. On the other hand, barring further technological or process advances or increased staff levels, these trends cannot persist into the future.

Lastly, staff also looked at one 1937 Act System that currently has \$2 billion in assets. MercedCERA is projected to have approximately \$2 billion in assets 20 years from today. The following table compares MercedCERA's proposed allocation of staff resources, across functional area, to this \$2 billion system:

<u>Functional Area</u>	<u>\$2 Billion System Today</u>	<u>MercedCERA Proposed</u>
Investments Staff	1	+1
Information Technology Staff	1	0
Accounting Staff	3	+1 (for total of 3)
Benefit Delivery Services Staff	6	+3 (for total of 6)
Operations Staff	2	+1

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To summarize, it appears that MercedCERA is approaching its limit in terms of productivity gains and output as compared to other similar size systems. By recommending more staffing for MercedCERA, technological gains and workload demands can be met today with knowledge transfer and succession planning taking place before key staff turnover. Additionally, MercedCERA’s future organizational structure proposes to allocate human resources across functional areas in ways similar to other Systems of like size.

MercedCERA’s Proposed Organization Structure - Summary

The following table displays requested new positions and their estimated proposed fill dates:

Priority	Working title	Estimated Classification	Estimated Classification Salary Bands	Estimated “fully loaded” Salary	Estimated Start Date	Priority Duties	Estimated Budget Fiscal Year	Classification Recruitment work will begin immediately
1	Retirement Investment Officer	New; Retirement Investment Officer (I/II/III)	\$65,000 – 138,000	\$256,469	July 1, 2022	•All things investments	FY 23/24	Yes. Classification work will begin with County HR.
1	Benefits Analyst	Staff Services Analyst (I/II)	\$50,815 – 76,690	\$152,726	July 1, 2021	•CPAS •Retirements •Disabilities •Processing •Payrolls	FY 22/23	Yes. Recruitment activities and position creation with County would begin.
1	Communications Analyst	Staff Services Analyst (I/II)	\$50,815 – 76,690	\$152,726	July 1, 2021	•Website content management •Contract management •Forms •Partial Benefits Analyst Duties	FY 22/23	Yes. Recruitment activities and position creation with County would begin.
2	Junior Processor	Office Assistant III	\$36,795 – 44,740	\$95,522	July 1, 2022	•Process deaths, refunds, service purchases	FY23/24	No. Begin recruitment May 2022.
3	Accounting Technician	Accounting Technician	\$43,014 – 52,332	\$107,861	July 1, 2023	•Invoice processing •Reconciliations •CAFR •Audit	FY 24/25	No. Begin recruitment May 2023.
4	Junior Processor	Office Assistant III	\$36,795 – 44,740	\$95,522	July 1, 2024	•Process deaths, •refunds, service purchases	FY 25/26	No. Begin recruitment May 2024.

- All position classifications (other than Retirement Investment Officer) will be appointed by County Human Resources based on duties, county policies and procedures.
- Retirement Investment Officer is a retirement position with authorization from the County Employees’ Retirement Law of 1937 (CERL).
- All “fully loaded” salaries are estimates based on the County’s prior year benefit calculator that includes salaries + benefits.
- All “fully loaded” salaries are budgeted at Step 5 of the classification for discussion purposes only.
- All timelines are estimated and presented for discussion purposes only.

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The Investment Analyst and Communications Analyst positions represent areas of the Organization that currently have no staff member dedicated to these duties. The communications position would coincide with the approximate time of commencement of the implementation of the website (website go live will be estimated in April, however it is anticipated that staff will need to dedicate hours to populate the website as desired). The other 4 new positions' fill dates coincide with natural anticipated growth of the organization with an acknowledgment of classification creation and recruitments.

The next exhibit displays the proposed Organizational Structure for MercedCERA. Note that all figures that are rectangular in shape represent a body/employee. The ovals in the structure represent functional areas across the Organization. Rectangular positions in green represent new positions.

Proposed MercedCERA Organization Plan

