

**MercedCERA ADMINISTRATIVE & INVESTMENT RETIREMENT BOARD AGENDA
THURSDAY, OCTOBER 8, 2020
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 –September 24, 2020.

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 to invest in one Fund/Manager – Cliffwater.

2. DISABILITY RETIREMENT APPLICATIONS: PERSONNEL EXCEPTION

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

1. Informal Hearing
 - a. None
2. Formal Hearing
 - a. None
3. Disability update and possible action:

- a. Aceves, Martin
- b. Arroyo, Elizabeth
- c. Banda, Gregory
- d. Castillo, Araceli
- e. Cureton, Michael
- f. Elias Jr. Robert C.
- g. Herrera, Yvonne
- h. Jenkins, Robert
- i. Kirn, Mary Kay
- j. Leyro, Domingo
- k. Parras, Stacy
- l. Salgado, Jose

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. De La Cerda, Charles	Beh. Health	1 Yrs. Svc. Eff. 09/16/2020
b. Robertson, Zachary	Probation	23 Yrs. Svc. Eff. 09/25/2020
c. Daniel, Autumn	Courts	17 Yrs. Svc. Eff. 09/11/2020
d. Porrás, Reyes	DPW	5 Yrs. Svc. Eff. 07/31/2020

YTD fiscal year 2019/2020 retirees: 22

YTD fiscal year 2018/2019 retirees: 101

YTD fiscal year 2017/2018 retirees: 082

REFUND OF SERVICE PURCHASE: None

DEATH BENEFIT: None

MONTHLY BUDGET REPORT: Submitted.

BOARD ACTION¹/DISCUSSION

1. Discussion and action to approve Emergency Preparedness Contract with Macias Gini & O’Connell (MGO) for Process, Procedures and Personnel Services – Staff.
2. Discussion and possible action on Legislative Report (this is the last legislative report due to retirement of the consultant) – Staff.
3. 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:

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.

- a. CALAPRS Administrators Institute September 25, 2020 (Plan Administrator only - virtual conference).
- b. CALAPRS Trustee Round Table October 23, 2020 (virtual meeting).
- c. SACRS Fall Conference, November 10 - 14, 20, 20 (virtual conference).

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.

- October 22, 2020
- November 19, 2020 (Administrative and Investment Meeting)
- December 10, 2020 (Administrative and Investment Meeting)

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.

**MercedCERA INVESTMENT RETIREMENT BOARD MINUTES
THURSDAY, SEPTEMBER 24, 2020
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, David Ness, Scott Silveira, Kalisa Rochester, Michael Rhodes, Karen Adams, Janey Cabral and Al Peterson. **Counsel:** Jeff Grant. **Staff:** Kristen Santos, Martha Sanchez, Mark Harman and Ninebra Maryoonani. **Absent:** Jason Goins.

Trustee Rochester (left at 9:45AM) will be voting in place of Trustee Goins. Trustee Johnston will be voting in place of Vacant Seat 2 beginning with Item #6.

APPROVAL OF MINUTES – September 10, 2020.

Motion to approve the September 10, 2020 meeting minutes.

Adams/Cabral U/A (8-0)

PUBLIC COMMENT

No Comments.

REPORT OUT FROM CLOSED SESSION

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

The MercedCERA board voted unanimously via roll call vote to invest in GTCR XIII for \$8 mm pending legal review of all fund documents.

Silveira/Cabral U/A (7-0) (Trustee Rochester abstained)

BOARD ACTION¹/DISCUSSION

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

1. Discussion and possible action on performance update on alternative funds with possible action on any funds or managers – Cliffwater.
No Action Taken.
2. Discussion on Government Code Section 7514.7 Alternate Fee Reporting for MercedCERA – Cliffwater.
No Action Taken.
3. Discussion and possible action on performance update for August of 2020 with possible action on any funds or managers – Meketa Group.
No Action Taken.
4. Discussion and possible action to approve the recommendations from the Meketa and the MercedCERA Investment Subcommittee – Meketa Group.
 - a. Terminate DFA Small Cap Core Strategy and PanAgora Small Cap Core Stock Selector,
 - b. Fund Champlain Small Cap Core at an allocation equal to 10 percent of the total domestic equity portfolio,
 - c. Allocate any remaining monies to Mellon Capital Dynamic U.S. Equity Strategy.

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.

The MercedCERA board voted unanimously via roll call vote to approve the recommendations from Meketa with an adjustment to recommendation (C). Instead splitting evenly any residual between Barrow Hanley and Vanguard Bond Fund. Cabral/Silveira U/A (8-0)

5. Discussion and possible action to amend MercedCERA fiscal year budget for FY 2020-2021 to include contract for building security (after hours) – Staff.

No Action Taken.

6. Discussion and possible action to select and approve new MercedCERA logo as recommended by the Website Redesign Subcommittee and possible replacement of Trustee Ingersoll to join the subcommittee for the remainder of the project – Staff.

Trustee Janey Cabral volunteered and was appointed by Chair to the website subcommittee.

The MercedCERA board voted via roll call vote to approve the blue on blue logo. Johnston/Silveira (8-1) (Trustee Adams voted no).

7. Discussion and possible action to approve class specification change for Plan Administrator position per County changes to all department head classification – Staff.

The MercedCERA board voted unanimously via roll call vote to approve the class specification change for Plan Administrator position per County proposed changes. Adams/Cabral U/A (8-0)

8. 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:

a. Nossaman Fiduciary Forum September 30 – October 2, 2020 (virtual conference).

b. SACRS Fall Conference, November 10 - 14, 2020 (virtual conference).

The MercedCERA board voted unanimously via roll call vote to approve Trustee Adams attendance to the SACRS Fall Conference.

Johnston/ Silveira U/A (8-0)

INFORMATION ONLY

Trustee Michael Rhodes let the board know his last board meeting will be December 10, 2020 as he is not re-running for Seat 8.

ADJOURNMENT

The meeting adjourned at 10:02 A.M

Respectfully submitted,

Ryan Paskin, Chair

Al Peterson, Secretary

Date

Non-Administrative Expenses	Original Projection	Current Projection	Expended 09/2020	Expended YTD	Bal Remaining	% Exp YTD
21800 · Investment Expenses	3,500,000.00	3,500,000.00	37,508.88	249,515.15	3,250,484.85	7%
09/02/2020 Cliffwater - 2020-08 PE & HF Consulting			33,333.33			
09/22/2020 Nossaman - 2020-08 - General PE & Investment Advice			303.75			
09/22/2020 Nossaman - 2020-08 - MercedCERA New Building			144.45			
09/22/2020 Nossaman - 2020-08 - Sculptor CODP			165.60			
09/22/2020 Nossaman - 2020-08 - Taconic MDF III			82.80			
09/22/2020 Nossaman - 2020-08 - Starwood DOF XII			2,700.45			
09/22/2020 Nossaman - 2020-08 - ISQ GIF III			778.50			
Total 21800 · Investment Expenses			37,508.88			
21802 · Actuarial Services	150,000.00	150,000.00	-	(367.50)	150,367.50	0%
Total 21802 · Actuarial Services			-			
21812 · Data Processing	90,000.00	90,000.00	4,316.09	10,893.72	79,106.28	12%
09/17/2020 Dropbox license Renewal Fee			240.00			
09/17/2020 2020-08 Cradlepoint Data Chgs			264.00			
09/17/2020 2020-08 IS Billing			3,500.25			
09/23/2020 Comcast - 2020-09 Wifi Chgs			311.84			
Total 21812 · Data Processing			4,316.09			
21834 · Legal Services	325,000.00	325,000.00	35,846.12	63,290.53	261,709.47	19%
09/04/2020 PPC - 2020-08 Legal Svcs			265.00			
09/09/2020 Ted Cabral - 2020-08 Disab Legal Svcs			1,406.00			
09/09/2020 Ted Cabral - 2020-08 Disab Legal Svcs			376.60			
09/09/2020 Ted Cabral - 2020-08 Disab Legal Svcs			4,599.00			
09/09/2020 Ted Cabral - 2020-08 Disab Legal Svcs			12,865.60			
09/09/2020 Ted Cabral - 2020-08 Disab Legal Svcs			2,190.00			
09/09/2020 Ted Cabral - 2020-08 Disab Legal Svcs			999.00			
09/09/2020 Ted Cabral - 2020-08 Disab Legal Svcs			1,986.00			
09/09/2020 Ted Cabral - 2020-08 Disab Legal Svcs			677.37			
09/17/2020 2020-08 Cost Allocation - County Counsel			7,703.25			
09/23/2020 Hanson Bridgett - 2020-08 Tax Compliance / Determination letter			2,778.30			
Total 21834 · Legal Services			35,846.12			

Merced County Employees' Retirement Association
 Non-Administrative Expenditures Report (Preliminary)
 For the Month Ended September 30, 2020

Non-Administrative Expenses	Original Projection	Current Projection	Expended 09/2020	Expended YTD	Bal Remaining	% Exp YTD
21840 · Custodial Banking Services	135,000.00	135,000.00	1,034.50	2,433.40	132,566.60	2%
09/03/2020 2020-08 NT STIF Income - Custodial Fee			934.50			
09/08/2020 2020-08 Wire Fees			100.00			
Total 21840 · Custodial Banking Services			<u>1,034.50</u>			
22350 · Software and Technology	505,000.00	505,000.00	29,876.70	211,459.35	293,540.65	42%
09/02/2020 CPAS - 2020-09 Hosting			6,107.00			
09/09/2020 LexisNexis - 2020-08 Chgs			272.70			
09/18/2020 CPAS - 2020-10 Hosting			6,107.00			
09/29/2020 Digital Deployment - Website Development Svcs - 3rd Payment			17,390.00			
Total 22350 · Software and Technology			<u>29,876.70</u>			
Depreciation Expense	250,000.00	250,000.00	-	4,719.42	245,280.58	
Total Non-Administrative Items	<u>4,955,000.00</u>	<u>4,955,000.00</u>	<u>108,582.29</u>	<u>541,944.07</u>	<u>4,413,055.93</u>	11%

Merced County Employees' Retirement Association
Non-Administrative Expenses Prev Year Comparison (Preliminary)
9/30/2020

Expense	<u>September 20</u>	<u>September 19</u>	<u>\$ Change</u>	<u>% Change</u>
62025 · Non-Administrative Expenses				
21800 · Investment Expenses	\$ 37,508.88	\$ 48,514.53	\$ (11,005.65)	-22.69%
21802 · Actuarial Services	-	-	-	0.00%
21812 · Data Processing	4,316.09	5,904.22	(1,588.13)	-26.90%
21834 · Legal Services	35,846.12	29,387.80	6,458.32	21.98%
21840 · Custodial Banking Services	1,034.50	1,547.02	(512.52)	-33.13%
22350 · Software and Technology	29,876.70	1,368.09	28,508.61	2083.83%
Total 62025 · Non-Administrative Expenses	<u>\$ 108,582.29</u>	<u>\$ 86,721.66</u>	<u>\$ 21,860.63</u>	25.21%

Merced County Employees' Retirement Association
Capital Asset Expenditures Report (Preliminary)
For the Month Ended September 30, 2020

Capital Assets Expenditures	Adopted	Current Budget	Expended 09/2020	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>	-	<u>6,537.11</u>	<u>50,962.89</u>	11%

Merced County Employees' Retirement Association
Administrative Expenditures Report (Preliminary)
For the Month Ended September 30, 2020

Administrative Budget		Adopted	Current Budget	Expended 09/2020	Expended YTD	Bal Remaining	% Exp YTD
10110 · Salaries & Wages		1,305,000.00	1,305,000.00	87,017.62	226,706.23	1,078,293.77	17%
09/04/2020	Office Payroll PP 18			43,497.22			
09/10/2020	PARS - 2020-06			6.89			
09/11/2020	PARS - 2020-03			2.78			
09/18/2020	Office Payroll PP 19			43,501.20			
09/21/2020	PARS - 2020-05			9.53			
Total 10110 · Salaries & Wages				87,017.62			
20600 · Communications		4,500.00	4,500.00	384.31	764.65	3,735.35	17%
09/09/2020	AT&T - 2020-08 Comm Chgs			142.01			
09/17/2020	2020-08 Communications Chg			242.30			
Total 20600 · Communications				384.31			
20900 · Household Expense		12,500.00	12,500.00	851.99	2,988.81	9,511.19	24%
09/09/2020	Bob's Pest Control - 2020-08 Svcs			40.00			
09/18/2020	Geil - 2020-09 Janitorial			725.00			
09/22/2020	ADT - 2020-09 Security Svcs			86.99			
Total 20900 · Household Expense				851.99			
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	325.00	975.00	19,925.00	5%
09/29/2020	Yard Masters - 2020-09 Landscape Maint			325.00			
Total 21301 · Maintenance Structure Improvement				325.00			
21500 · Membership		7,500.00	7,500.00	-	4,000.00	3,500.00	53%
Total 21500 · Membership				-			
21700 · Office Expense - General		18,000.00	18,000.00	417.11	986.47	17,013.53	5%
09/02/2020	First Choice - 2020-08 Cooler Rental			7.00			
09/03/2020	Vast Conference - Upgrade to Professional			219.01			
09/09/2020	First Choice - 2020-08 Water Svc			15.93			
09/17/2020	2020-08 Office Depot Charges			165.17			
09/17/2020	2020-08 Pacific Shredding			10.00			
Total 21700 · Office Expense - General				417.11			

Merced County Employees' Retirement Association
Administrative Expenditures Report (Preliminary)
For the Month Ended September 30, 2020

Administrative Budget	Adopted	Current Budget	Expended 09/2020	Expended YTD	Bal Remaining	% Exp YTD
21710 · Office Expense - Postage	15,750.00	15,750.00	1,062.16	2,091.44	13,658.56	13%
09/17/2020 2020-08 IS Postage			985.31			
09/17/2020 2020-08 Mailroom Chgs			76.85			
Total 21710 · Office Expense - Postage			<u>1,062.16</u>			
21805 · Audits	60,000.00	60,000.00	2,400.00	7,699.70	52,300.30	13%
09/18/2020 Brown Armstrong - FY 19-20 Audit Progress Through 2020-08			2,400.00			
Total 21805 · Audits			<u>2,400.00</u>			
21808 · Board Membership	18,000.00	18,000.00	-	1,000.00	18,000.00	0%
Total 21808 · Board Membership			<u>-</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	-	-	500.00	0%
Total 22300 · Spec Dept Exp - Other			<u>-</u>			

Merced County Employees' Retirement Association
Administrative Expenditures Report (Preliminary)
For the Month Ended September 30, 2020

Administrative Budget	Adopted	Current Budget	Expended 09/2020	Expended YTD	Bal Remaining	% Exp YTD
22310 · Election Expense	10,000.00	10,000.00	-	-	10,000.00	0%
Total 22310 · Election Expense			-			
22327 · Spec Dept Exp - Cost Allocation	43,005.00	43,005.00	3,043.17	9,129.51	33,875.49	21%
09/17/2020 2020-08 Cost Allocation			3,043.17			
Total 22327 · Spec Dept Exp - Cost Allocation			3,043.17			
22500 · Transportation & Travel	400.00	400.00	-	-	400.00	0%
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	50,000.00	120.00	670.00	49,330.00	1%
09/29/2020 SACRS - Fall 2020 Conference			120.00			
Total 22515 · Trans & Travel - In State			120.00			
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	2,081.72	3,736.18	11,263.82	25%
09/09/2020 PG&E - 2020-08 Svcs			1,582.42			
09/09/2020 City of Merced - 2020-08 WS&G			499.30			
Total 22600 · Utilities			2,081.72			
Depreciation Expense	23,000.00	23,000.00	-	-	23,000.00	
Total Administrative Budget	1,794,055.00	1,794,055.00	97,703.08	344,423.24	1,449,631.76	19%

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

DATE: October 8, 2020

TO: MCERA Board of Retirement

FROM: Kristie Santos, Plan Administrator

SUBJECT: Emergency Preparedness Contract with Macias Gini & O'Connell (MGO) for Process, Procedures and Personnel Services.

ITEM NUMBER: 1

ITEM TYPE: Action

STAFF RECOMMENDATION:

1. Approve the proposed contract and scope of work with Macias Gini & O'Connell (MGO).

DISCUSSION:

The Merced County Employees' Retirement Association (MercedCERA) has historically been considered one of the smallest (in terms of assets under management and staff) of all the 1937 Act County Retirement systems. Currently, MercedCERA is just shy of \$1 billion dollars with assets hovering around \$975 billion dollars (assets under management change daily based on market values of investments). Ordinarily, a thorough analysis would be completed comparing MercedCERA staffing numbers to other systems. However due to COVID, that analysis could not be completed. It is known that MercedCERA is in need on an investment professional with knowledge of alternative investments and an additional benefits analyst to assist with data cleaning and processing. An analysis has been started to identify future staffing plans based on growth and workload. Such an analysis on long term staffing needs will not be discussed for the purposes of this agenda item.

An immediate staffing need for MercedCERA became clear during the current pandemic. As with many employers, MercedCERA was heavily impacted by the COVID pandemic. Because of this, MercedCERA quickly enacted our Emergency Preparedness Plan which included (but not limited to) measures to limit the number of staff in the office at any one time while still serving our customers and processing retirements and benefits.

A "SWOT" (Strengths, Weaknesses, Opportunities, Threats) analysis was performed to insure our most vital processes were completed and our members did not experience a lapse in service (service levels were impacted but services were completed). One of MercedCERA's biggest weaknesses and threats is identified as the lack of knowledge "redundancy" in the Fiscal and Investments area, specifically with the Fiscal Manager over Finance and Investments position. MercedCERA has had turnover in the fiscal/investment area and therefore knowledge transfer has happened but has been slow. The Fiscal Manager over Finance and Investments is responsible for MercedCERA's audit and many other vital regulatory and statutorily required reporting. This Fiscal Manager is responsible for such items as the creation of the Comprehensive

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

Annual Financial Report (CAFR), generating 1099's, primary liaison for our annual audit, data analysis and tax reporting, among many other duties. Due to the complexity of the required duties for this position, and the lack of tenured staff in this area, it became clear that MercedCERA was "at risk" if the Fiscal Manager had a "life event" – related to the pandemic or not and was unable to perform his/her duties for any given reason.

In reaching out to other 1937 Act Systems, several systems have utilized professional accounting firms to fulfill similar needs or gaps. After a lengthy conversation with our auditing firm Brown Armstrong, Macias Gini & O'Connell (MGO) was recommended as a potential professional firm to assist MercedCERA with filling the identified gap(s).

After numerous conversations with MGO, a methodology was agreed upon to assist MercedCERA. The potential work is identified and broken up into four Phases. These four Phases will allow MercedCERA to mitigate any potential risks in the future and ultimately facilitate knowledge transfer for succession planning. The proposed scope of work is as follows;

- Phase 1 is to assist with the identification of missing processes and procedures needed to insure there is never a lapse in needed duties or regulatory reporting in this area. This phase is essential to document flow charts, accounting policies and procedures, timelines and deadlines and potential gaps that could place MercedCERA 'at risk' if MercedCERA were to lose the Fiscal Manager position either short and/or long term. This Phase will create a foundation for future knowledge transfer and training to/for other MercedCERA staff and potentially an interim accounting professional, if ever needed.
- Phase 2 is to take the gaps identified in Phase 1 and assist MercedCERA with policy and procedure creation and/or revisions while ranking and prioritizing the gaps for effective risk mitigation in the most efficient manner.
- Phase 3 could be executed at any time; this is a potential personnel services contract with MGO to fill the Fiscal Manager over Finance and Investments on an interim basis if a "life event" should occur and the Fiscal Manager is not available to perform his/her duties. This Phase or contract could be up to one year, if needed. Up to one year is suggested because of documented cycles in the County's hiring process such as list expiration dates and schedules to create new hiring lists.
- Phase 4 could also be executed to assist MercedCERA with potential auditing liaison activities, if needed.

Pricing for each phase is included in the attached proposal and summarized below;

Description	Estimated Costs	Dependencies to Other Phases
Phase 1 – Assessment of MercedCERA processes and procedures with rankings for "risk	\$25,000 to \$35,000.	

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

mitigation” purposes.		
Phase 2 – With gaps identified in Phase 1, create/revise policies and procedures and assist with the implementation of such policies/procedures within the MercedCERA organization.	Dependent on the amount of work identified in Phase 1.	Phase 1
Phase 3 – Fiscal Manager outsourced accounting services as needed on an interim basis (up to one year).	\$18,000 per month (based on a 20 hour work week), if more hours are needed, the hourly rate would be at a blended rate of \$225 per hour.	Phase 1 & 2
Phase 4 – Audit liaison and compliance advisory services (if needed).	If these services are needed, estimated costs would be estimated and given to MercedCERA management for approval prior to services rendered.	

The attached proposal is based on the accounting professionals at MGO, pertinent MercedCERA duty statement(s) and MercedCERA’s emergency preparedness plan and other analyses. This scope or body work would prepare MercedCERA for success and knowledge transfer (with existing and/or new staff). It would assist with training, tracking of duties and workload associated with the Fiscal and Investments area. Based on the discussed scope of work and an immediate (and high risk) need(s), staff recommends the Board approve this contract with MGO for the work outlined in the attached proposal.



PROPOSAL FOR ADVISORY SERVICES

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MERCED COUNTY EMPLOYEE'S RETIREMENT SYSTEM

PREPARED FOR YOU BY
Macias Gini & O'Connell
Linda Hurley, CPA, Partner



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MERCED COUNTY EMPLOYEE'S
RETIREMENT SYSTEM

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Overview

One of the fastest growing professional services firms in the U.S., MGO combines deep industry expertise with proven accounting and advisory solutions to deliver tangible results. MGO is a nationwide certified public accounting and advisory firm with 17 offices located throughout the nation, including Sacramento. Our practice includes over 450 professionals, including 125 dedicated governmental audit and advisory staff. Drawing from our 30 plus years of experience, MGO has a thorough understanding of federal grant requirements.

One reason our clients choose our firm is our shared hands-on, service-oriented business philosophy coupled with our commitment to quality, reliability, and responsiveness to client needs. Our professional culture, distinctive style, and our values set us apart from the ordinary. Together, we combine the skills, personality, attentiveness, and caring of a local firm with the breadth of services you expect from a national and international firm.



Qualifications

MGO has extensive experience with public employees' retirement systems including providing:

1. Assurance services to the largest and most complex public employees' retirement systems in the country, including the California Public Employees' Retirement System (CalPERS), the California State Teachers' Retirement System (CalSTRS), and the Oregon Public Employees Retirement System (Oregon PERS).
2. Assurance services to numerous 1937 Act public employees' retirement systems, including Merced County public employees' Retirement Association (MercedCERA), Stanislaus County Public Employees' Retirement Association (StanCERA), Sacramento County Public Employees' Retirement System (SCERS), and Orange County Public Employees' Retirement System (OCERS).
3. Advisory services for Public Employees' Retirement Systems with objectives to determine whether all inherent risks associated with operational, compliance, accounting and reporting functions are documented and controls are designed to mitigate such risks and operating in accordance with established policies, guidelines, and procedures.

Methodology

Based on our understanding of MercedCERA's advisory needs as related to accounting policies and procedures, our project methodology will include a phased approach with objectives as follows:

- **Phase 1:** Obtain an understanding of the current design of accounting policies and procedures including compliance with applicable rules and regulations, and identify gaps by risk rating.
- **Phase 2:** Assist in the preparation and/ or revisions of policy and procedure documents for high and medium risk gaps identified in Phase 1. As requested, assist with implementation.
- **Phase 3:** Provide outsource accounting services as related to the roles and responsibilities of the Fiscal Manager, as requested.
- **Phase 4:** Provide audit liaison and/ or compliance advisory services, as requested.

Detailed Approach

Our scope and approach will include the following phases:

Phase 1: Rapid Assessment

Major Work Steps:

1. Prepare a preliminary data request based on review of the current drafted accounting policy and procedure documents, process narratives and/ or flow charts.
2. Perform inquiries with key management personnel to identify current procedures or processes followed but not documented and/ or inconsistencies from documented procedures or processes.
3. Based on our understanding of the accounting requirements related to public employees' retirement systems and US Generally Accepted Accounting Principles, identify any gaps in policies, procedures, process narratives and/ or flow charts.
4. Determine a risk rating (high, medium, low) for each gap noted based on the risk of misstatement whether due to error or theft, and/ or the potential for loss.

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Major Work Steps:

1. Policy/ Procedure Revisions: For those gaps identified as high and medium risk, assist in revision or preparation of policy and procedures, process narratives and or/flow charts.
2. Implementation Assistance: Assist management personnel with the implementation of revised policy and procedures, process narratives and or/ flow charts as requested.

Phase 3: Fiscal Manager Outsourced Accounting Services

Major Work Steps:

1. Gain an understanding of the roles and responsibilities of the Fiscal Manager by performing walk-throughs of identified accounting processes and procedures, including but not limited to:
 - Accounting and reporting of investments
 - Processing, accounting, and reporting of capital calls and distributions
 - Processing, accounting, and reporting of benefit payments
 - Processing, accounting, and reporting of contributions
 - Preparation of the annual budget
 - Preparation and submission of IRS and EDD reporting
 - Preparation and submission of the financial statements
 - Oversight of accounting staff
 - General business activities
 - Use of information technology systems
2. As changes in processes, procedures, and or roles and responsibilities occur perform walk-throughs to gain an understanding of the respective changes.
3. As requested by MercedCERA, perform the roles and responsibilities of the Fiscal Manager as coordinated with MercedCERA's management.

Phase 4: Audit Liaison and/ or Compliance Advisory**Major Work Steps:**

1. Audit Liaison: Serve as an audit liaison of MercedCERA to provide year-end financial statement information and reconciliations as requested by the external auditor, addressing auditor questions, assisting with documentation requests, preparation of process/ procedure documents, and/ or technical accounting memos as requested by the auditor.
2. Compliance Advisory: Based on our understanding of the regulations as related to MercedCERA, assess compliance, identify gaps, and assist in the preparation and/ or revision of policy and procedure documents. As new regulatory guidance is issued, assist in the evaluation and revision of policy and procedure documents as related to resulting changes, if any.

Should MercedCERA's needs additional services, such as staff training or targeted support we will work with management to define those needs and customize an approach to meet objectives. The scope of additional services will be subject to approval by management prior to execution.

Project Management

Effective listening and regular, proactive two-way communication throughout the engagement is an essential cornerstone of MGO's engagement quality and superior client service. This focus on communication allows the MGO team to gather information necessary to perform the engagement and keep MercedCERA up to date on the status of services in order for MercedCERA to provide timely input and evaluate whether MGO's services meet expectations.

MGO has a standard practice of presenting weekly status reports to keep our project sponsors updated. We provide a listing of work conducted to-date, work to be conducted in the next two weeks, and any issues that require management attention. In addition to this regular communication, MGO will discuss any issues that require management attention when they occur rather than waiting for the weekly status report.

Our seasoned accounting professionals work with you to deliver our services and our approach allows management to focus on core competencies with access to the expertise required to improve the effectiveness and efficiency of the accounting business function. The deployment of industry best practices and technology helps reduce your manual and labor intensive processes, thus increasing the quality and reducing the cost of related services.

MGO recognizes the importance of timely completion of engagement services. The timing of our procedures will be coordinated with MercedCERA to ensure we provide the services noted herein on a timely basis.

Proposed Rates

Given the nature of the engagement, our services will be billed on the time required by the individuals assigned to the engagement at the following rates:

Classification	Rate
Partner	\$345
Director	\$316
Senior Manager	\$240
Manager	\$227
Senior Associate	\$160
Experienced Associate	\$120
Administrative Support	\$80

Based on the estimated time required and the scope of work, we estimate our fees for Phase 1 to be approximately \$25,000 - \$35,000, and approximately \$18,000 a month (based on 20 hours a week) for Phase 3. At the completion of Phase 1, an estimate of fees will be provided to management and subject to approval prior to execution of Phase 2.

Due to the nature of the services to be provided for Phase 4 an estimate of fees will be provided to management and subject to approval prior to execution, based on the scope of services defined by MercedCERA and the associated level of effort.

In addition, direct out-of-pocket expenses (such as mileage, parking, tolls, ground transportation, airfare, lodging, per diem for travel, copy services) and administrative charges are billed at cost.

Questions?

Linda Hurley, CPA
Partner
+1 (949) 296-4340
LHurley@mgocpa.com

mgocpa.com

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Legislative Review of Proposed Legislation for 1937 Act Systems

2019-2020 Session

September 26, 2020

State Legislation

AB 992, Mullin. Relating to local government.

Re: Repeals and adds section 54952.2 of the Government Code.

Status: Approved by the Governor on September 18, 2020 and Chaptered.

The Ralph M. Brown Act generally requires that the meetings of legislative bodies of local agencies be conducted openly. That act defines “meeting” for purposes of the act and Prohibits a majority of members of a legislative body, outside a meeting authorized by the act, from using a series of communications of any kind to discuss, or take action on any item of business that is within the subject matter jurisdiction of the legislative body.

This bill would provide that, until January 1, 2026, the prohibition described above does not prevent a member from engaging in separate conversations or communications outside of a meeting authorized by this act with any other person using an internet-based social media platform, as defined, to answer questions, provide information to the public, or to solicit information from the public regarding a matter that is within the subject matter jurisdiction of the legislative body, provided that a majority of the members do not use the internet-based social media platform to discuss among themselves, as defined, business of a specific nature that is within the subject matter jurisdiction of the legislative body, and that a member shall not respond directly to any communication on an internet-based social media platform regarding a matter that is within the subject matter jurisdiction of the legislative body that is made, posted, or shared by any other member of the legislative body.

Existing constitutional provisions require that a statute that limits the right of access to the meetings of public bodies or the writings of public officials and agencies be adopted with findings demonstrating the interest protected by the limitation and the need for protecting that interest. This bill would make legislative findings to that effect.

AB 1945, Salas. Emergency services: first responders.

Re: Adds section 8562 to the Government Code.

Status: Approved by the Governor on September 11, 2020 and Chaptered.

Under existing law, the *California Emergency Services Act*, the Governor is authorized to proclaim a state of emergency, as defined, under specified circumstances. The California Emergency Services Act also authorizes the governing body of a city, county, city and county, or an official designated by ordinance adopted by that governing body, to proclaim a local emergency, as defined.

This bill would, for purposes of the *California Emergency Services Act*, define “first responder” as an employee of the state or a local public agency who provides emergency response services, including a peace officer, firefighter, paramedic, emergency medical technician, public safety dispatcher, or public safety telecommunicator. The bill would provide that the definition of first responder described above does not confer a right to, or entitlement upon, an employee or prospective employee to obtain a retirement benefit formula for an employment classification that is not included in, or is expressly excluded from, that formula, as specified. The bill would prohibit an employer from offering, or indicating an ability to offer to an employee or prospective employee a retirement benefit formula for an employment classification that is not included in, or is expressly excluded from, that formula because of the definition of “first responder.”

AB 2226, Voepel and Brough. Personal income taxes: exclusion: retirement pay.

Re: Ads and repeal section 17132.9 of the Revenue and Taxation Code.

Status: In Com. on REV. & Tax. Hearing postponed by Committee on March 16, 2020.

The Personal Income Tax Law imposes a tax on individual taxpayers measured by the taxpayer’s taxable income for the taxable year, but excludes certain items of income from the computation of tax, including an exclusion for combat-related special compensation.

This bill, for taxable years beginning on or after January 1, 2021, and before January 1, 2031, would exclude from gross income specified amounts of retirement pay received by a taxpayer from the federal government for service performed in the uniformed services, as defined, during the taxable year.

SB 749, Durazo. California Public Records Act.

Re: Adds section 6254.34 to the Government Code.

Status: In Assembly, notice of intent to remove from inactive file by Assembly Member Gonzalez.

The California Public Records Act requires state and local agencies to make their records available for public inspection, unless an exemption from disclosure applies. Existing law provides that nothing in the act requires the disclosure of corporate proprietary information including trade secrets, among other things.

This bill would provide specified records of private industry employer that are prepared, owned, used, or retained by a public agency are not trade secrets and are public records, including certain records relating to employment terms and conditions of employees working for a private industry employer pursuant to a contract with a public agency, records of compliance with local, state, or federal domestic content requirements, and records of a private industry employer's compliance with job creation, job quality, or job retention obligations contained in a contract or agreement with a state or local agency.

SB 783, Committee on Labor. County Employees' Retirement Law of 1937.

Re: Amends section 31465, 31627.1, 31627.2, and 31631.5 of the Government Code.

Status: In Assembly. Referred to Com. on P.E. & R. on May 16, 2019.

This is a SACRS sponsored bill that would correct several erroneous or obsolete cross-references within the CERL.

SB 931, Wieckowski. Local government meetings: agenda and documents.

Re: Amends section 54954.1 of the Government Code.

Status: Amended March 2, 2020. Re-referred to Com. on GOV. & F.

The California Existing law, the Ralph M. Brown Act, requires meetings of the legislative body of a local agency to be open and public and also requires regular and special meetings of the legislative body to be held within the boundaries of the territory over which the local agency exercises jurisdiction, with specified exceptions. Existing law authorizes a person to request that a copy of an agenda, or a copy of all the documents constituting the agenda packet, of any meeting of a legislative body be mailed to that person.

PUBLIC PENSION CONSULTANTS

6510 A South Academy Blvd., #283 Colorado Springs, CO 80906
Tel: (719) 999-5941 E-mail: Lance@kjeldgaard-ppc.com

This bill would require, if the local agency has an internet website, a legislative body or its designee to email a copy of, or website link to, the agenda or a copy of all the documents constituting the agenda packet if the person requests that the items be delivered by email. The bill would require, where the local agency determines it is technologically infeasible to send a copy of all documents constituting the agenda packet or a website link containing the documents by electronic mail or by other electronic means, the legislative body or its designee to send by electronic mail a copy of the agenda or a website link to the agenda and mail a copy of all other documents constituting the agenda packet in accordance with the mailing requirements. By requiring local agencies to comply with these provisions, this bill would impose a state-mandated local program.

CALIFORNIA LEGISLATIVE CALENDAR:

2020:

- Jan. 1 Statutes take effect
Jan. 6 Legislature reconvenes
Jan. 10 Budget must be submitted by Governor
Jan. 24 Last day to submit bill requests to the Office of Legislative Counsel
Feb. 21 Last day for bills to be introduced
Apr. 2 Spring Recess begins upon adjournment Apr. 1
Legislature reconvenes from Spring Recess
Apr. 24 Last day for policy committees to hear and report to fiscal committees fiscal bills introduced in their house
May 1 Last day for policy committees to hear and report to the Floor non-fiscal bills introduced in their house
May 8 Last day for policy committees to meet prior to June 1
May 15 Last day for fiscal committees to hear and report to the Floor bills introduced in their house. Last day for fiscal committees to meet prior to June 3
May 26 – May 29 Floor session only. No committee may meet for any purpose except for Rules Committee and Conference Committees
May 29 Last day for each house to pass bills introduced in that house
Jun. 15 Budget Bill must be passed by midnight
Jun. 26 Last day for policy committees to hear and report fiscal bills to fiscal committees
Jul. 2 Last day for policy committees to meet and report bills Summer Recess begins on adjournment, provided Budget Bill has been passed
Aug. 3 Legislature reconvenes from Summer Recess
Aug. 14 Last day for fiscal committees to meet and report bills
Aug. 17- 31 Floor session only. No committee may meet for any purpose except Rules Committee, and Conference Committees
Aug. 21 Last day to amend bills on the Floor
Aug. 31 Last day for each house to pass bills Final Recess begins on adjournment
Sep. 30 Last day for Governor to sign or veto bills passed by the Legislature before Sept. 1 and in the Governor's possession on or after Sept. 1 noon

2021:

- Jan. 1 Statutes take effect