

**MercedCERA ADMINISTRATIVE RETIREMENT BOARD AGENDA
THURSDAY, JUNE 10, 2021 – 8:15 A.M.**

**MERCED COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
TELEPHONE NUMBER: 1-310-372-7549, CONFERENCE CODE: 975839**

**ALTERNATE CONFERENCE CALL NUMBER (FOR USE ONLY IF PRIMARY NUMBER
MALFUNCTIONS): 669-900-6833, Meeting ID: 930 3019 5748, Passcode: 095484**

CALL TO ORDER - 8:15 A.M.

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.

ROLL CALL

APPROVAL OF MINUTES – May 27, 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) CONFERENCE WITH LEGAL COUNSEL - EXISTING LITIGATION

(Govt. Code § 54956.9(d)(1))

Name of Case: CCC Deputy Sheriffs Assoc. v. CCCERA, et al, Case No. MSN12-1870 (AFSCME v. MercedCERA)

(2) DISABILITY RETIREMENT APPLICATIONS: PERSONNEL EXCEPTION

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

1. Informal Hearing

- a. Elias, Robert
- b. Parras, Stacy

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. Daniel, Autumn
 - h. Herrera, Yvonne
 - i. Jenkins, Robert L.
 - j. Kayser, Esther
 - k. Kirn, Mary Kay
 - l. Leyro, Domingo
 - m. Moua, Keo
 - n. Weatherly, Lana

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. Vang, Sue	H.S.A.	30 Yrs. Svc.	Eff: 05/22/2021
b. Powell, Donald	Sheriff	5 Yrs. Svc.	Eff: 05/31/2021
c. Gaillard, Juanita	R & R	11 Yrs. Svc.	Eff: 06/01/2021
d. Lopez, Debbie	H.S.A.	18 Yrs. Svc.	Eff: 06/01/2021
e. Lewis, Kevin	H.S.A.	33 Yrs. Svc.	Eff: 06/05/2021
f. Lopez, Susan	H.S.A.	20 Yrs. Svc.	Eff: 05/29/2021
g. Dinuzzo, Robert	DPW	20 Yrs. Svc.	Eff: 05/22/2021

YTD fiscal year 2020/2021 retirees: 83

YTD fiscal year 2019/2020 retirees: 104

YTD fiscal year 2018/2019 retirees: 103

MONTHLY BUDGET REPORT: Submitted

BOARD ACTION/DISCUSSION

1. Discussion on Trustee Fiduciary Roles and Responsibilities – Ashley Dunning, Nossaman LLC.

2. Discussion and possible action to approve the MercedCERA annual budget for FYE 2022 – Staff.
3. Discussion on proposed investment officer classification – Staff.
4. Discussion and possible action to adopt pay code CAP as non-pensionable for the Superior Courts of Merced County – Staff.
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:
 - 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.

- June 24, 2021
- July 8, 2021

ADJOURNMENT

The Agenda and supporting documentation, including any material that was submitted to the Merced County Employees’ Retirement Association Board after the distribution of the Agenda, are available online at www.co.merced.ca.us/retirement.

All supporting documentation for Agenda items, including any material that was submitted to the retirement board after the distribution of the Agenda, is also available for public inspection Monday through Friday from 8:00 a.m. to 5:00 p.m. at the administrative office for the Merced County Employees’ Retirement Association located at 3199 M Street, Merced, California 95348.

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.

Persons who require accommodation for any audio, visual or other disability or Spanish or Hmong interpretation 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. Please address your written request 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.

Spanish and Hmong interpreters are available.

Interpretes de espanol y hmong estan disponibles.

Peb muaj tug paab txhais lug Mev hab Hmoob.

**MercedCERA INVESTMENT RETIREMENT BOARD AGENDA MINUTES
THURSDAY, MAY 27, 2021 – 8:15 A.M.**

**MERCED COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
TELEPHONE NUMBER: 1-310-372-7549, CONFERENCE CODE: 975839**

**ALTERNATE CONFERENCE CALL NUMBER (FOR USE ONLY IF PRIMARY NUMBER
MALFUNCTIONS): 669-900-6833, Meeting ID: 930 3019 5748, Passcode: 095484**

CALL TO ORDER: 8:15 A.M.

ROLL CALL

Board Members Present: Ryan Paskin, Scott Johnston, Al Peterson, Janey Cabral, Karen Adams, Aaron Rosenberg, Scott Silveira, David Ness, and Wendy Alvares. **Absent:** Michael Harris. **Counsel:** Jeff Grant. **Staff:** Kristen Santos, Martha Sanchez, Alexis Curry, Michelle Lee, Ninebra Maryoonani, Brenda Mojica, Sheri Villagrana and Mark Harman.

APPROVAL OF MINUTES – May 13, 2021

The MercedCERA Board voted unanimously via roll call vote to approve the May 13, 2021 minutes.

Johnston/Silveira U/A (9-0)

PUBLIC COMMENT

No comments.

BOARD ACTION/DISCUSSION

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

1. Discussion and possible action regarding April monthly and quarterly performance reporting as of March 31, 2021 - Meketa Group.
No action.
2. Discussion on The Role of the Fed: Pre and Post Pandemic Role of the Department of US Treasury, Discussion on Inflation and Interest Rates – Orray Taft, Meketa Group.
No action.
3. Discussion on information regarding a retirement system going independent from its county – Staff.
The Board gave direction to staff to not proceed further by providing more detailed information on a retirement system going independent.

The MercedCERA Board requested to review the draft classification as proposed by Merced County on the Investment Officer position at the next board meeting on June 10, 2021.

Public Comment: Marci Barerra, Merced County Assistant County Executive Officer, spoke on behalf of Merced County.

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:
 - CALAPRS Trustee Roundtable, May 28, 2021 (virtual conference).

- CALAPRS Advanced Principles of Pension Governance for Trustees, June 7, 9, 11, 2021.
- SACRS/UC Berkeley Public Pension Investment Management Program, July 13-22, 2021 (virtual conference).
- SACRS Fall Conference, November 9-12, 2021, Hollywood, CA.

No action. Trustee Silveira asked when they would need to notify if trustees wanted to attend the SACRS Fall Conference. Plan Administrator clarified the date was unknown.

INFORMATION ONLY

- Trustee Silveira shared concern with the new building costs and where the costs may end up due to drastically increased costs for construction industry.
- Trustee Adams shared Trustee Silveira's concerns. Wished all a good day.
- Trustee Peterson wished all a great day.
- Plan Administrator informed trustees the board agendas were being modified and reviewed by legal counsel. She commented some of the changes included the time of meeting, the legal language at the bottom of the agenda and the retirement items which have never been reported on the Administrative Agenda.

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.

- June 10, 2021
- June 24, 2021

ADJOURNMENT

The meeting adjourned at 10:21 A.M.

Non-Administrative Expenses	Original Projection	Current Projection	Expended 05/2021	Expended YTD	Bal Remaining	% Exp YTD
21800 · Investment Expenses	3,500,000.00	3,500,000.00	151,118.88	1,996,106.82	1,503,893.18	57%
5/6/2021 Cliffwater - 2021-04 PE & HF Consulting			33,333.33			
5/6/2021 KKR GII II - 2021-Q1 Mgt Fees			22,264.00			
5/6/2021 Nossaman - 2021-03 Genstar Capital Partners X			10,000.00			
5/6/2021 Nossaman - 2021-03 Caxton Hedge Fund			20,652.30			
5/6/2021 Nossaman - 2021-03 Starwood DOF XII			2,544.75			
5/6/2021 Nossaman - 2021-03 Thoma Bravo Discover Fund III			450.00			
5/6/2021 Nossaman - 2021-03 Taconic CRE DOF III			913.50			
5/18/2021 GSO EOF - Leverage Rebalancing			173.00			
5/18/2021 GSO EOF - Credit Facility Paydown			48,789.00			
5/28/2021 GSO EOF - Credit Facility Paydown			11,999.00			
Total 21800 · Investment Expenses			151,118.88			
21802 · Actuarial Services	150,000.00	150,000.00	(367.50)	91,140.75	58,859.25	61%
5/4/2021 Option 4 Calc Down Payment			(367.50)			
Total 21802 · Actuarial Services			(367.50)			
21812 · Data Processing	90,000.00	90,000.00	5,359.55	46,857.90	43,142.10	52%
5/19/2021 Comcast - 2021-05 WiFi Chgs			251.44			
5/21/2021 2021-04 Cradlepoint Data Chgs			264.00			
5/21/2021 2021-04 IS Billing			4,844.11			
Total 21812 · Data Processing			5,359.55			
21834 · Legal Services	325,000.00	325,000.00	14,355.26	284,217.26	40,782.74	87%
5/6/2021 Ted Cabral - 2021-04 Disab Legal Svcs			1,620.00			
5/6/2021 Ted Cabral - 2021-04 Disab Legal Svcs			55.50			
5/6/2021 Ted Cabral - 2021-04 Disab Legal Svcs			1,875.00			
5/6/2021 Ted Cabral - 2021-04 Disab Legal Svcs			20.00			
5/6/2021 Ted Cabral - 2021-04 Disab Legal Svcs			45.25			
5/6/2021 Ted Cabral - 2021-04 Disab Legal Svcs			18.50			
5/6/2021 Ted Cabral - 2021-04 Disab Legal Svcs			309.00			
5/6/2021 Ted Cabral - 2021-04 Disab Legal Svcs			70.00			
5/6/2021 Ted Cabral - 2021-04 Disab Legal Svcs			271.76			
5/6/2021 Ted Cabral - 2021-04 Disab Legal Svcs			496.80			
5/6/2021 Ted Cabral - 2021-04 Disab Legal Svcs			30.00			
5/6/2021 Ted Cabral - 2021-04 Disab Legal Svcs			30.00			
5/6/2021 Ted Cabral - 2021-04 Administrative Matters			1,702.00			
5/6/2021 Ted Cabral - 2021-04 Disab Legal Svcs			20.00			
5/7/2021 2021-04 Cost Allocation - County Counsel			7,703.25			
5/21/2021 Hanson Bridgett - 2021-04 Legal Svcs			88.20			
Total 21834 · Legal Services			14,355.26			

Merced County Employees' Retirement Association
Non-Administrative Expenditures Report (Preliminary)
For the Month Ended May 31, 2021

Non-Administrative Expenses	Original Projection	Current Projection	Expended 04/2021	Expended YTD	Bal Remaining	% Exp YTD
21840 · Custodial Banking Services	135,000.00	135,000.00	759.10	86,073.06	48,926.94	64%
5/5/2021 2021-04 NT STIF Income - Custodial Fee			594.10			
5/7/2021 2021-04 Wire Fees			165.00			
Total 21840 · Custodial Banking Services			<u>759.10</u>			
22350 · Software and Technology	505,000.00	505,000.00	7,617.60	373,305.10	131,694.90	74%
5/6/2021 Digital Deployment - 2021-05 Website SLA			900.00			
5/7/2021 LexisNexis - 2021-05 Chgs			272.70			
5/19/2021 CPAS - 2021-06 Hosting			6,107.00			
5/21/2021 Domain.com - New Website Domain Registration			337.90			
Total 22350 · Software and Technology			<u>7,617.60</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>178,842.89</u>	<u>2,882,420.31</u>	<u>2,072,579.69</u>	<u>58%</u>

Merced County Employees' Retirement Association
Non-Administrative Expenses Prev Year Comparison (Preliminary)
05/31/2021

Expense	<u>May 21</u>	<u>May 20</u>	<u>\$ Change</u>	<u>% Change</u>
62025 · Non-Administrative Expenses				
21800 · Investment Expenses	\$ 151,118.88	\$ 209,483.02	\$ (58,364.14)	-27.86%
21802 · Actuarial Services	(367.50)	85,000.00	(85,367.50)	-100.43%
21812 · Data Processing	5,359.55	4,131.82	1,227.73	29.71%
21834 · Legal Services	14,355.26	26,492.88	(12,137.62)	-45.82%
21840 · Custodial Banking Services	759.10	1,836.54	(1,077.44)	-58.67%
22350 · Software and Technology	7,617.60	17,832.71	(10,215.11)	-57.28%
Total 62025 · Non-Administrative Expenses	<u>\$ 178,842.89</u>	<u>\$ 344,776.97</u>	<u>\$ (165,934.08)</u>	-48.13%

Merced County Employees' Retirement Association
 Capital Asset Expenditures Report (Preliminary)
 For the Month Ended May 31, 2021

Capital Assets Expenditures	Adopted	Current Budget	Expended 05/2021	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			-			
86337 - HVAC Repair and Maintenance	50,000.00	50,000.00	-	19,760.00	30,240.00	40%
Total No Acct# - HVAC Repair and Maintenance			-			
Total Capital Assets Expenditures	57,500.00	57,500.00	-	26,297.11	31,202.89	46%

Merced County Employees' Retirement Association
Administrative Expenditures Report (Preliminary)
For the Month Ended May 31, 2021

Administrative Budget	Adopted	Current Budget	Expended 05/2021	Expended YTD	Bal Remaining	% Exp YTD
10110 · Salaries & Wages	1,305,000.00	1,305,000.00	92,044.89	1,035,845.40	269,154.60	79%
5/14/2021 Office Payroll - 2021 PP 10			45,921.03			
5/28/2021 Office Payroll - 2021 PP 11			46,123.86			
Total 10110 · Salaries & Wages			92,044.89			
20600 · Communications	4,500.00	4,500.00	466.35	4,320.65	179.35	96%
5/6/2021 AT&T - 2021-04 Comm Chgs			147.55			
5/21/2021 2021-04 Cell Phone Chgs			230.80			
5/21/2021 2021-04 Comm Chgs			88.00			
Total 20600 · Communications			466.35			
20900 · Household Expense	12,500.00	12,500.00	2,831.38	9,760.36	2,739.64	78%
5/7/2021 Geil - Feb-Apr 2021 Janitorial Svc			1,898.00			
5/7/2021 Bob's Pest Control - 2021-03 Svcs			40.00			
5/19/2021 ADT- Service Call Chg			25.00			
5/19/2021 ADT- 2021-05 Security Svcs			94.38			
5/20/2021 Geil - 2021-05 Janitorial Svc			774.00			
Total 20900 · Household Expense			2,831.38			
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	4,944.89	11,716.47	9,183.53	56%
5/6/2021 ARMS AC & Heating - Roof Repair & Maintenance			3,455.29			
5/7/2021 Yard Masters - 19th & N Lot Clean-up			850.00			
5/24/2021 2021-04 DPW Charges			299.60			
5/25/2021 Yard Masters - 2021-05 Landscape Maint			340.00			
Total 21301 · Maintenance Structure Improvement			4,944.89			
21500 · Membership	7,500.00	7,500.00	-	5,870.00	1,630.00	78%
Total 21500 · Membership			-			
21700 · Office Expense - General	18,000.00	28,000.00	320.04	26,269.62	1,730.38	94%
5/6/2021 First Choice - 2021-04 Water Cooler Rental			7.00			
5/6/2021 Allied West Printing - Envelopes			59.48			
5/21/2021 2021-04 Stores Billing			253.56			
Total 21700 · Office Expense - General			320.04			

Merced County Employees' Retirement Association
 Administrative Expenditures Report (Preliminary)
 For the Month Ended May 31, 2021

Administrative Budget	Adopted	Current Budget	Expended 05/2021	Expended YTD	Bal Remaining	% Exp YTD
21710 · Office Expense - Postage	15,750.00	15,750.00	1,204.25	14,056.22	1,693.78	89%
5/21/2021 2021-04 IS Postage Chgs			1,018.88			
5/25/2021 2021-04 Mailroom Chgs			185.37			
Total 21710 · Office Expense - Postage			<u>1,204.25</u>			
21805 · Audits	60,000.00	60,000.00	-	57,041.07	2,958.93	95%
Total 21805 · Audits			<u>-</u>			
21808 · Board Membership	18,000.00	18,000.00	100.00	8,100.00	9,900.00	0%
5/6/2021 2021-02 Staffing Subcommittee Mtg			100.00			
Total 21808 · Board Membership			<u>100.00</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	69,000.00	-	15.00	68,985.00	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 May 31, 2021

Administrative Budget	Adopted	Current Budget	Expended 05/2021	Expended YTD	Bal Remaining	% Exp YTD
22310 · Election Expense	10,000.00	21,000.00	-	20,938.65	61.35	100%
Total 22310 · Election Expense			-			
22327 · Spec Dept Exp - Cost Allocation	43,005.00	43,005.00	3,002.17	33,187.87	9,817.13	77%
5/7/2021 2021-05 Cost Allocation			3,002.17			
Total 22327 · Spec Dept Exp - Cost Allocation			3,002.17			
22500 · Transportation & Travel	400.00	400.00	31.08	92.75	307.25	23%
5/6/2021 2021-03 - 2021-04 Mail Runs			31.08			
Total 22500 · Transportation & Travel			31.08			
22505 · Trans & Travel - Staff Development	7,500.00	7,500.00	-	80.00	7,420.00	1%
Total 22505 · Trans & Travel - Staff Development			-			
22515 · Trans & Travel - In State	50,000.00	40,000.00	356.60	2,343.92	37,656.08	6%
5/6/2021 CALAPRS - Virtual Trustees' Round Table			50.00			
5/6/2021 CALAPRS - Virtual Trustees' Round Table			50.00			
5/17/2021 CitiBank Card - Hotel Room Chgs for Notary Exam			256.60			
Total 22515 · Trans & Travel - In State			356.60			
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	1,282.91	14,759.91	240.09	98%
5/6/2021 PG&E - 2021-04 Svcs			663.03			
5/6/2021 City of Merced - 2021-04 WS&G			619.88			
Total 22600 · Utilities			1,282.91			
Depreciation Expense	23,000.00	23,000.00	-	-	23,000.00	
Total Administrative Budget	1,794,055.00	1,794,055.00	106,584.56	1,328,064.28	465,990.72	74%

Trustee Training: Rules That Govern – and the Roles of – Board Members of 1937 Act Systems

Presented to:

Board of Retirement, Merced County Employees' Retirement Association

Prepared by:

Ashley K. Dunning

Partner, Co-Chair of the Nossaman Public Pensions and
Investments Practice Group

June 10, 2021

Overview of Topics

Board Member “Roles”:

- Trustee/Fiduciary
- Public Official
 - Member of Board with “plenary” authority over administration and investment of funds of public retirement system; responsible for oversight and monitoring
 - Decision-maker with quasi-judicial authority as to other matters within retirement system jurisdiction (e.g., disability retirement benefits)
 - Policy-maker with some quasi-legislative and other authority over governance of the retirement system within statutory bounds (e.g., actuarial and compensation earnable determinations)

Overview of Topics

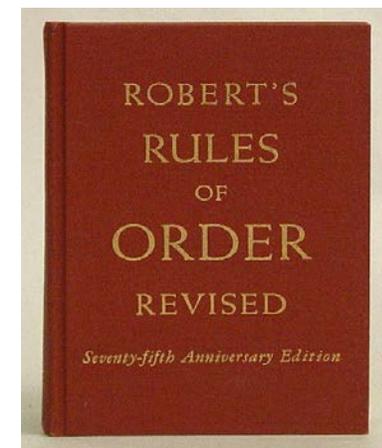
- **Laws/Rules that Govern the Board and Thus Provide for the Board's Various "Roles":**
 - California Constitution -- Fiduciary Responsibilities & "Prop. 162"
 - The Retirement "Plan": Applicable County Employees' Retirement Law of 1937 ("CERL" or "1937 Act") and Public Employees' Pension Reform Act of 2013 ("PEPRA") provisions
 - Miscellaneous additional rules applicable to local public retirement systems at Gov. Code secs. 7500, et seq.
 - Political Reform Act of 1974 and Gov. Code sec. 1090 (conflict of interest rules))

Overview of Topics

- **Additional Laws/Rules that Govern the Board**
 - The Brown Act (open meetings law)
 - Public Records Act
 - Robert's Rules of Order (usually by Board adoption)



**California Public
Records Act
Sections 6250-6270**



Board Fiduciary Duties and Responsibilities

- Board is vested with “plenary” and “sole and exclusive” authority over the “administration” and “investments” of the retirement system
- Board must carry out responsibilities consistent with its fiduciary duties:
 - Act in good faith as a prudent expert
 - Act in the overall best interest of MCERA’s members and beneficiaries
- Cal. Const., art. XVI, sec. 17

Fiduciary Duty of Care

- **Attend Board Meetings:**

- “[N]o one should become a director without being reasonably certain that he or she will actively participate in the board’s work”
(A.A. Sommer Jr., ABA Journal, June 1992).

- **Homework:**

- Read and seek to understand the information that is reasonably available.

- **Be Prepared and Ask Questions:**

- Reliance on management, staff and consultants should be actively considered, reasonable and fact-based.

Fiduciary Duty of Care (cont.)

- **Action:**

- When the board members have been put on notice about an issue, they should be persistent in obtaining accurate and complete information.

- **New board members should take reasonable steps to learn about the organization they are being asked to serve:**

- Attend trainings
 - Ask questions
 - Educate self on industry, trends

Fiduciary Duty of Care (cont.)

- **Primary Duty Rule:**

- Act loyally for overall best interest of your retirement system's members and beneficiaries
- Duty not to acquire a material benefit from a third party in connection with your or other California retirement systems' transactions
- Duty not to use or communicate confidential information for own purposes or those of a third party
- Similar and parallel to the statutory and common law conflict of interest prohibitions.

Expectations of Trustees and Vulnerabilities

- **Trustees' Loyalty is to the Overall Best Interest of the Retirement Systems' Members and Beneficiaries – Not to Appointing Authority or to Contingent of Membership that Elected the Board Member:**
 - Under general trust law, a Board member does not sit on the board as representative of the group that elected or appointed him or her
 - Under CERL, Board members do not serve at the appointing authority's pleasure
 - Proposition 162 (commonly referred to as "Prop. 162"), passed by the voters in 1992, made retirement board independence from plan sponsors even clearer.

The Retirement “Plan”

- The retirement “plan” for CERL systems is contained in provisions in the California Government Code that permit or require retirement and related benefits to be paid from the retirement trust funds the Board administers, as well as ordinances, resolutions and policies that have been adopted to implement those statutes.

The Retirement “Plan”: CERL and PEPRA

- CERL sets the parameters for benefits that local public employees who join a CERL system may provide.
- Many CERL provisions are mandatory, others are “optional” to counties, or in some cases, special districts. Once adopted, however, some of those “optional” provisions may only be terminated as to first-time retirement system members. Thus, many systems have numerous “tiers” of benefits provided to members depending upon their membership date with the plan.
- Districts may withdraw from the Plan as provided by CERL. Counties may not.

The Retirement “Plan”: CERL and PEPRA (cont.)

- Effective January 1, 2013, PEPRA changed some CERL rules, primarily as they apply to “new” members, now referred to commonly as “PEPRA members.”
- As a result of PEPRA, CERL Boards will now administer some retirement benefits differently for “PEPRA members” and others, who are commonly referred to either as “Classic” or “Legacy” members.
- Many, though not necessarily all, provisions of CERL that PEPRA trumps for PEPRA members are now cross-referenced in CERL.

The Retirement “Plan”: Other Provisions

- **Other Government Code sections, beginning at 7500, also set rules regarding the administration of public retirement systems and may be deemed part of the “plan”, such as:**
 - Financial reporting and actuarial valuation requirements
 - Must prepare annual reports in accordance with generally accepted accounting principles
 - Must secure the services of an “enrolled actuary” and conduct actuarial cost projections in connection with proposed benefit changes.

The Retirement “Plan”: Other Provisions

- **Government Code sections 7500, et seq. (cont.):**
 - Additional conflict of interest prohibitions
 - Placement agent disclosure policy provisions
 - May purchase fiduciary insurance for board and system as long as retirement board member pays for recourse coverage

Conflicts of Interest

- In addition to Gov. Code sections 7500, et seq., two other Government Code provisions govern the determinations of whether conflicts of interest arise for public officials and how to address any such conflicts:
 - California Political Reform Act of 1974
 - Government Code sections 1090, et seq.

General Conflicts of Interest Principles

- A Board member may not participate regarding a retirement system matter that impacts his or her own finances in a manner that is different from how it impacts retirement system membership generally.
- A Board member also may also not participate in a matter if it is expected to impact his or her own employment or personal finances (other than public employee salary and benefits in the same manner as other similarly situated members of the retirement system).
- Rules differ depending upon whether the retirement board action involves a “contract” or not.
 - If the matter involves a contract, stricter rules may apply to prevent the retirement board itself from acting so long as the board includes the conflicted member.

Disclosure and/or Recusal Resulting From Potential Conflicts?

- A Board member may need to disclose certain financial or potentially other personal interests in a matter and recuse him or herself from participating in the matter:
 - “Disclosure” means providing specifics of the real or potential conflict publicly such that the disclosure is reflected in the meeting minutes.
 - “Recusal” means leaving the room and no efforts to influence.
- Note: Recusal may also be warranted if a member has personal experience with a person who is requesting a benefit or other relief from the Board and the Board member concludes that such personal experience renders him or her biased in favor of, or prejudiced against, this individual. This topic implicates members’ right to “due process,” typically in connection with quasi-judicial proceedings of the Board.

The Ralph M. Brown Act (“Brown Act” Open Meetings Law)

- **Purpose: When a body sits down to develop its consensus, there needs to be a seat at the table reserved for the public:**
 - The Legislature has provided the public with the ability to monitor and participate in the decision-making process
 - Some efficiency is sacrificed for the benefits of greater public participation in government

The Brown Act - Overview

- **All Board meetings must be open and public:**
 - The Board must provide a notice and agenda to the public for all meetings, and usually 72 hours in advance
 - The Board must conduct its meetings and make its decisions in public
 - The Board must allow all persons to attend and participate in its meetings through public comment

Brown Act – Who Has to Comply?

- **The Board**
- **Subsidiary Bodies, if:**
 - Created by the Board, and
 - Composed of a quorum of the Board (five or more Board members).
- **Standing Committees:**
 - Composed of fewer than a quorum of the Board.
 - Has continuing jurisdiction over a topic, or its committee's meeting schedule is fixed by charter, ordinance, resolution or other formal action of the legislative body that created it.

Brown Act – Who Does Not Have to Comply?

- **Limited Term Ad Hoc Committees:**
 - Composed of fewer than a quorum of the Board; and
 - Charged with accomplishing a specific task in a short period of time.

Brown Act – What Is A *Meeting*?

- Any communication among a quorum
- On a topic within jurisdiction of the Board (or committee)
- Discuss, debate or deliberate, or
- Receive, process and discuss information
 - “Study Sessions” not allowed.
 - “Pre-meeting briefings” at which staff seeks to achieve consensus among board members not allowed.
 - Can accomplish some limited staff communication and comply with the Brown Act by using staff report, which must also be made available to the public, or by staff advising of his/her view but not seeking board member agreement

Types of Board Communications That Lead to a “Meeting”

- Clarification of an issue within Board’s jurisdiction
- Agreement or compromise
- Advance the resolution of an issue
- Any aspect of deliberative process

Serial Meetings

- What the Board cannot do as a group, it also cannot do through a series of communications by a majority of the members
- Several contacts between Board members
- Each contact involves less than a majority, but when all contacts are added up, involves a majority
- Typically telephone conversations and e-mails
- Can also be:
 - One-on-one meetings (lunch, coffee, dinner)
 - Individual meetings with staff (including with attorneys)

Q&A

- One day before Board meeting, Board member asks staff for one-on-one briefing on agenda item. Problem?
- Board member calls General Counsel to ask about status of proposed real estate deal. Problem?
 - Asks for GC's thoughts on negotiating points. Problem?
 - Asks whether other Board members support. Problem?
 - GC polls other members. Problem?

Teleconference and Videoconference Meetings (pre-pandemic Executive Orders)

- Allowed, as long as each site is accessible to the public, ADA-compliant, and public can hear.
- All sites must be noticed and at least one member of the Board must be at each location.
- Agenda must be provided and public allowed to speak from each location.
- At least a quorum of Board members must participate from locations that are within the boundaries over which the body exercises jurisdiction.
- Votes by roll call.
- NOTE: all of these rules, other than the required roll call vote, were suspended by Executive Orders issued as a result of the COVID-19 pandemic

What is Not A Meeting?

- **Individual Contacts Between a Board Member and the Public (Lobbying):**
 - Could raise due process issues for quasi-judicial matters
 - If a person lobbies a majority of the Board, could resemble a serial meeting if person obtains concurrence on issue (remember that deliberations should occur in public)
 - One-way transmission of background materials from a member of the public and later review by each Board member should not be in violation
- **One-way Transmission of Information From Plan Administrator, General Counsel, Other Staff, Consultant**

What is Not A Meeting? (cont.)

– Majority of members at a(n):

- Conference open to the public and of general interest to persons in a given field
- Local public meeting
- Open meeting of another body
- Social gatherings or ceremonial event

– **BUT – no shop talk!**

Cannot discuss Board matters at these events

Agenda

- Brief general description (less than 20 words) of each item to be discussed or transacted.
- Includes both open and closed session items (discussed below).
- Must provide enough information so that public can decide whether to participate.
- Board may not discuss or act on matters not included in the agenda.
- New issues (raised by board, staff or public during the meeting) may be included in next agenda.

Additions to Agenda

- **After agenda is posted, new items may be added to the agenda only where:**
 - Board concludes the topic qualifies for an emergency meeting, or
 - There is a need for immediate action and the need for action came to the attention of the agency after the agenda was mailed
 - At the meeting, Board must make this finding before taking action on the item
 - Action on the item requires a two-thirds vote of the Board, or unanimous vote if fewer than two-thirds of the members are present

Special Meetings

– Can Be Called With 24-Hour Notice by the Chair or by a Majority of the Members:

- So long as substantive consideration of agenda items does not occur, a majority may meet without providing notice to the public in order to call the meeting and prepare the agenda.
- Notice of Special Meeting must be posted at least 24 hours prior thereto and in a location freely accessible to the public and shall state time, place, and business to be transacted at meeting.
- No other business may be considered at the Special Meeting.
- Notice is required even if meeting is conducted in closed session.
- Public comment period must be provided and identified on agenda.

Staff Reports and Background Materials (for Agenda Items)

- Must be made available to the public upon request (no delay) unless exempt from disclosure under the Public Records Act
- Must be available for public inspection at the meeting
- Documents submitted by public must be available for public inspection after the meeting
- Reasonable copying charge

Meetings Are Open and Public

- Can provide a voluntary sign-in sheet, as long as the sheet clearly notes that it is voluntary, and that persons may attend and speak whether they sign or not
- If attendees are required to sign into a guard station when entering the building, guards cannot provide list to Board members
- Public has the right to record and broadcast an open and public meeting unless it would cause persistent disruption of meeting

Public Comment

- **The Board must take public comments on agenda items:**
 - Before or during board discussion of each agenda item
 - Must allow critical comments
 - Time allowed
 - Reasonable regulations may be adopted
 - Per speaker
 - Overall time allowed
- **The Board must also accept general public comments on issues under Board's jurisdiction**
 - Usually at beginning or end of meeting
 - Delay of meeting vs. board members leaving

Board Discussions of Items Not on Agenda

– Response to Public Comment on Items Not on Agenda:

- May make a brief response to statements or questions permitted, but no discussion or action
- May ask questions for clarification
- May refer the matter to staff:
 - For information
 - With a request to report back
 - With direction to place matter on a future agenda

– May briefly announce or report on member's own activities

Closed Session

- **Closed sessions may be held only for specified matters that are expressly authorized by explicit statutory provisions, such as:**
 - Personnel Issues
 - Pending Litigation
 - Real Property Negotiations
 - Labor Negotiations
 - Purchase or sale of particular, specific retirement system investment :
 - If this provision is invoked, maintain a record of the closed session in a closed session “minute book” as provided by statute.
- **Each of these provisions has specific statutory provisions regarding when it may be invoked and what may, and may not, be discussed.**

California Public Records Act

- Most paper and electronic records maintained by the retirement system constitute public records, unless an exception to the CPRA's disclosure obligation applies.
- Consistent with state constitutional mandate, courts interpret the CPRA's transparency obligations broadly and its exceptions narrowly.

Robert's Rules of Order – Principles Of Parliamentary Procedure

- **All non conflicted members have equal rights, privileges, and obligations:**
- Majority vote decides.
- Full and free discussion of every proposition presented for decision is an established right of members.
- Every member has the right to know the meaning of the question before the assembly and what its effect will be.
- All meetings must be characterized by fairness and by good faith.

Rules of Conduct for Effective Meetings:

Quorum

– **Quorum:**

- A quorum is the minimum number of voting members who must be present at a properly called meeting in order to transact business:
 - A quorum is typically defined in system bylaws as a majority of the authorized number of voting members, which for a CERL retirement board such as MCERA, is five of nine.
 - A quorum also is a majority of a standing committee as to the topics within the jurisdiction of that committee.
- Without a quorum, no business may be conducted in the name of the organization, except to recess, adjourn or determine when to adjourn.
- Should a quorum be lost during the meeting by the departure of members, no more business may be transacted.

Rules of Conduct for Effective Meetings: *The Chairperson as Presiding Officer*

■ The Chairperson:

- A quorum is the minimum number of voting members who must be present at a properly called meeting in order to transact business:
 - Tracks who has spoken
 - Recognizes members with different viewpoints
 - Monitors time allotted for discussion until members close debate or otherwise dispose of the motion

Rules of Conduct for Effective Meetings: The Chairperson (cont.)

- The Chairperson also:
 - Calls the meeting to order, announces items on the agenda and reads motions at meetings so that they may be properly understood and debated.
 - When the Board is ready to vote, the Chair submits the motion for the final decision and, after the vote, announces whether or not the motion has carried.

Rules of Conduct for Effective Meetings: Voting

- **Voting:**

- Once debate has ceased on an issue, the Chair of the meeting will conduct a vote on the motion under consideration.

There are several ways to vote at a meeting:

- by voice
- by show of hands

- **Routine business normally requires only a simple majority of those present to be approved, unless Board rules provide otherwise.**

Rules of Conduct for Effective Meetings: *Minutes*

- **Minutes are kept at meetings to accurately record the proceedings:**
 - They are not a verbatim account of debates, but may include summaries of major points made
 - Inaccuracies in the record are noted and the appropriate corrections made

Board Roles

■ Key Function – Oversight

- Through selection, monitoring and compensation of Plan Administrator and other executive staff, if any
- Through use of Board committees to maximize productivity and provide oversight. Possible standing committees include, and are not limited to:
 - Investment
 - Finance & Risk Management
 - Governance
- Through ad hoc committees appointed by Board Chair to address discrete topics of limited duration
- Through policy development and monitoring

Board Oversight: Executive Staff

- **Selection of Executive Staff:**

- Define roles and responsibilities.
- Identify credentials of executive staff selected

- **Monitoring:**

- Direct report to Board or Committees by Plan Administrator/CEO and General Counsel and other advisors, as appropriate.
- Plan Administrator/CEO accountable to Board regarding executive staff and consultants and reports to Board regarding any significant matters.
- Annual evaluation of Plan Administrator by Board

Board Oversight: Investments

- **Role of MercedCERA Investment Committee:**
 - Assists the Board with:
 - Managing Investment Policy Statement and Guidelines
 - Monitoring investments and investment advisors

Additional MercedCERA Information Online

- MercedCERA website: [Retirement | Merced County, CA - Official Website](#)
 - Board members
 - By-laws and policies
 - Agendas
 - CERL
 - Actuarial valuations, experience studies, financial statements, investment information
 - And much more

Thank You



Ashley K. Dunning

Co-Chair Public Pensions & Investment Group

Nossaman LLP

50 California Street, 34th Floor, San Francisco, CA 94111

415.398.3600

adunning@nossaman.com

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

DATE: June 10, 2021

TO: MercedCERA Board of Retirement

FROM: Mark Harman, Fiscal Manager

SUBJECT: Proposed Administrative Budget, Non-Administrative Cost Projection, and Capital Budget for Fiscal Year 2021-2022.

ITEM NUMBER: 2

ITEM TYPE: Action

STAFF RECOMMENDATION:

1. Adopt the proposed Administrative Budget recommendation for MercedCERA for Fiscal Year 2021-2022.
2. Approve the Non-Administrative Projection and Capital Budget recommendations for MercedCERA for Fiscal Year 2021-2022.

DISCUSSION:

In preparation of the proposed budget, staff compared the current year budget (with the current year expenditures) to projected expenditures and projects for Fiscal Year 2021-2022 (FY21-22). Prior year budget numbers, as well as the proposed budget and projection request for FY21-22, are reflected in the budget and projection spreadsheets (attached). In FY20-21 the total expenditures to date of \$4,236,782 (as of May 31, 2021) are estimated to fall below the final Administrative Budget, Non-Administrative Projection, and Capital Budget approved by the Board of Retirement for FY20-21.

Government Code Section 31580.2 within the County Employees' Retirement Law of 1937 (CERL) allows for expenditures of administrative services (costs other than computer software, computer hardware, computer technology consulting services, investment, legal, and actuarial costs) to be the greater of 21 basis points (0.21%) of the actuarial accrued liability (AAL) of MercedCERA or a flat dollar amount of \$2,000,000, adjusted yearly by a specified cost of living adjustment (\$2,715,760 as of this year, as adjusted). The AAL of MercedCERA as of the June 30, 2020 actuarial valuation was \$1.413B, of which 21 basis points (0.21%) is \$2,967,051. As this is the greater of the two methods for determining the cap, MercedCERA's FY21-22 administrative budget cannot exceed \$2,967,051 under the CERL.

Budgeting, Projection, and Reporting Methodology

MercedCERA Fiscal Staff utilize a three-pronged approach when approaching its annual budget and projection:

- The first, requires recognizing that certain expenses are classified and budgeted as administrative by §31580.2 of the CERL. These expenses are formally budgeted for and fall under a cap as defined by the CERL as previously mentioned.

Staff relies on historical actual expenses, trends, projected cost-of-living

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RETIREMENT BOARD AGENDA ITEM

adjustments, known costs, known planned spending, and contracted amounts to create the Administrative Budget. Administrative Budget reporting provides comparisons of actual expenses against the budget.

- The second, requires recognizing non-administrative costs separate from the administrative budget. These costs include software and technology costs (§31580.2(b)); investment-related costs (§31596.1); and non-investment-related legal costs (§31529.9). Non-administrative costs are also not required to be budgeted under the CERL. In the interest of transparency and fiscal prudence, MercedCERA staff provides a separate Non-Administrative Projection and reports these expenses on a monthly and quarterly basis at MercedCERA public administrative board meetings. Additionally, MercedCERA staff provides a quarterly and monthly year-over-year comparison to provide greater accountability and transparency for these non-budgeted items.

The Non-Administrative Projection relies on multiple variables, including contracted amounts, historical actual expenses, investment fee rates, current market conditions, and comparison of prior years' activities. Because of the highly fluid nature of many of these costs, budgeting is completely insufficient in and of itself. Therefore, we rely on projecting costs, which can be adjusted periodically as needed. This provides the board with an idea of the potential spending without the staff experiencing the burden of budgeting costs that are impossible to budget.

- The third, requires recognizing planned capital items, which are also subject to future depreciation expense, if necessary. MercedCERA provides a separate Capital Assets Budget for this purpose when this occurs. Resultant depreciation expenses are classified as either administrative or non-administrative depending on the nature of the asset itself. Capitalized software and technology assets are, for example, depreciated as a non-administrative expense.

Administrative Budget:

Fiscal Year 2020/2021 Proposed Budget Request

A total of \$2,096,500 is requested for administrative expenses in FY21-22. Below are the budget items that had the largest changes compared to last fiscal year. The largest budget increases are related to salaries and benefits and audit expense. The largest budget decreases are related the medical services, the County Cost Allocation Plan, staff development, and travel. There were nominal increases in other budget line items resulting from expected cost inflation and industry wage increases.

Salaries & Benefits

Total proposed budget for Salaries and Benefits is \$1,650,000, an increase of \$345,000 over the prior year. Salaries include eight full-time staff and two pending Staff Services Analyst I/II full-time positions. Last year, our budget included eight full-time staff and an extra help office assistant.

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

Support Services and Insurance

MercedCERA is supported by Merced County for operational, administrative, and maintenance services. The amount for operational and administrative services is either paid for through a cost allocation plan or the services are directly billed to MercedCERA. MercedCERA will realize a \$16,005 decrease in the cost allocation plan during FY21-22.

Insurance will increase by \$5,000 for FY21-22 due to an increase in fiduciary liability coverage premiums.

Disability Medical Review Services

Through MercedCERA's disability attorney, MercedCERA is supported by various vendors for the purpose of administering our disability approval process. As a result, the amount budgeted for these services will be \$25,000, a reduction of \$55,000 from the prior fiscal year. However, these costs shifted to the non-administrative legal line item for the disability attorney.

Audits

The amount budgeted for Audits has been increased by \$30,000 due to ongoing consulting work performed by MGO. The budget for Brown Armstrong, MercedCERA's outside auditor, remains unchanged.

Fiduciary Education, Training, & Travel

Staff, trustees, and service providers to MercedCERA have a fiduciary responsibility to the fund. As such, it is imperative that continuous education be provided and is required for Trustees in the CERL. Access to publications and professional educational conferences are required. The costs of all professional memberships and publications are budgeted at a combined amount of \$11,500.

Due to the impact of COVID-19, staff development budget has been reduced to \$4,000, a \$3,500 decrease from FY20-21.

Attendance of conferences and trainings continue to provide high quality education and access to pension and investment information to Trustees and staff. Staff anticipates continued reduced travel due to the ongoing situation with COVID-19. Remote meetings have resulted in greatly reduced costs during this time. Trustee and staff attendance and travel to professional and educational conferences is budgeted at \$35,000 for in-state and \$7,500 for out-of-state, a combined reduction of \$17,500 from FY20-21. Additionally, the staff development budget is decreasing from \$7,500 to \$4,000 in FY21-22.

Building Maintenance and Office Expenses

Building maintenance expenses have been tracking lower than expected and this will be reflected in this budget by a reduction of \$1,900.

Office expenses will remain budgeted at \$18,000. The costs during FY21-22 are anticipated to be largely driven by MercedCERA's ongoing rebranding efforts.

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

Elections

Elections budgeted at \$20,000, a \$10,000 increase, due to three MercedCERA board positions expected to have an election.

MercedCERA's Administrative Budget per the CERL

In FY20-21, staff continues to exercise prudence in budgeting for administrative expenses by submitting a budget that is only 15 basis points (0.15%) of MercedCERA's AAL and 6 basis points below the allotted legal amount of 21 basis points of MercedCERA's accrued actuarial liability, per the CERL. The proposed administrative budget is \$2,096,500 versus \$1,794,055 for FY20-21, a net increase of \$302,445.

Non-Administrative Projection:

Investment Expenses

Section 31596.1 of the CERL states: "the following expenses shall not be considered a cost of administration to the retirement system, but shall be considered as a reduction in earnings from those investments or a charge against the assets of the retirement system as determined by the Board." These expenses are reported in the Audited Financial Statements presented to the Board of Retirement in the Annual Comprehensive Financial Report.

Investment Manager, Consultant, Staff, and Attorney Fees

During FY19-20, MercedCERA had many changes to its portfolio that resulted in management fees being included in the net asset value of a number of new managers versus being directly expensed, which impact was realized more fully during FY20-21. As such, staff sees it expedient to reduce its FY21-22 projection for fees by \$512,000 year-over-year.

Investment Consultant Fees will experience a nominal increase of \$5,000 to account for contracted fee increases.

MercedCERA is planning on adding one staff member dedicated to investments sometime during FY21-22, at projected all-in cost of \$285,000. Staff costs related to investments are not subject to the administrative cap.

The investment legal fee projection of \$324,000 is remaining the same despite remaining below the projection in FY20-21. As these costs are highly variable and driven by investment due diligence activity, maintaining this projection at this time seems reasonable in the opinion of staff.

MercedCERA includes an amount in its projection related to fee fluctuations and staff due diligence costs. For FY21-22, this is projected at \$118,000, reduced from \$146,000 in FY20-21.

Merced County Employees' Retirement Association (MercedCERA)
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Actuarial Fees

MercedCERA projects no changes in actuarial costs for FY21-22. The projection includes a buffer for additional costs that are unforeseen due to any impact from changes in legislation and/or potential litigation.

Custodial Bank Fees

MercedCERA projects no changes in custodial bank fees and related costs for FY21-22.

Non-Investment Legal Counsel & Services

Section 31529.9 (b) of the CERL states: "the board shall pay, from system assets, reasonable compensation for the legal services." The MercedCERA Board of Retirement adopted §31529.9 of the CERL in May 2019 to remove the non-investment legal costs from the administrative budget and its cap.

MercedCERA contracts with multiple specialized firms for legal counsel based on authority from the CERL in §31732. The estimated cost for Professional and Special Services - Legal Services of \$325,000 is projected for the next fiscal year, inclusive of a \$25,000 increase from FY19-20.

County Counsel expense comes from Merced County's Cost Allocation Plan and is categorized as a non-administrative expense under Section 31529.9. \$63,240 is included in the projection this year. This is a reduction of \$29,199 from the prior year due to decreased reliance on County Counsel during the FY19-20 Cost Plan Year.

Technology

Section 31580.2 (b) of the CERL, states, "Expenditures for computer software, computer hardware, and computer technology consulting services in support of these computer products shall not be considered a cost of administration of the retirement system for the purposes of this section," meaning §31580.2. Therefore, all technology-related expenses are excluded from the Administrative Budget.

The Professional and Special Services – Data Processing projection of \$90,000 remains the same as the prior fiscal year's projection.

\$425,000 is projected for expenses related to Software and technology. These expenses include ongoing support and maintenance costs for CPAS; CPAS Oracle Cloud Hosting; CPAS Data Cleanup and Training; COGNOS licensing; and MercedCERA's new website project as major items. The projected amount represents an \$80,000 decrease from the prior year's projection. This decrease is due to project expenses and partial project realization that spanned fiscal years. Unrealized file digitization costs originally projected in FY20-21 will be revisited in a future year past FY21-22.

Depreciation for capitalized Software and Technology will be projected at \$250,000.00 for FY21-22. The bulk of this expense, approximately \$241,000 per year, is for CPAS. There

Merced County Employees' Retirement Association (MercedCERA)
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is no expected change to this expense.

Capital Assets Budget:

Additional staff are projected to be added in the coming fiscal year (two analysts and one investment analyst). As MercedCERA is still several years away from possibly moving to a new site, additional cubicle space is sought out to reconfigure existing space and accommodate new staff in its current building. Staff is requesting a budget of \$18,500 for cubicle expansion in FY21-22. Cubicle hardware can be moved to a new building once it is completed.

**Merced County Employees' Retirement Association
Administrative Budget, Fiscal Year 2021-2022**

Acct#	Account Name and Description	Adopted 2020/2021	Expended as of 5/31/2021	% Expended As of 5/31/2021	Balance	Proposed Budget FY2021/2022	Line Item Changes from 2020/2021	% Change From Last Year	
10110	SALARIES/BENEFITS -- Staff compensation and benefits	\$ 1,305,000.00	\$ 1,035,845.40	79%	\$ 269,154.60	\$ 1,650,000.00	\$ 345,000.00	26%	A1
20600	COMMUNICATIONS -- AT&T, IS Communication Charges	4,500.00	4,320.65	96%	179.35	7,100.00	2,600.00	58%	A2
20900	HOUSEHOLD EXPENSE -- Bobs Community Pest Control, Geil Enterprises, ADT Security	12,500.00	9,760.36	78%	2,739.64	13,500.00	1,000.00	8%	A3
21000	INSURANCE -- Fiduciary/Building (The Hartford, Alliant Ins. Svc., C\$AC Excess Ins.)	85,000.00	80,339.00	95%	4,661.00	90,000.00	5,000.00	6%	A4
21301	MAINT STRUCT IMPROVEMENT & GROUNDS -- Yard Masters, DPW, & HVAC Routine Maint.	20,900.00	11,716.47	56%	9,183.53	19,000.00	(1,900.00)	-9%	A5
21500	MEMBERSHIP -- SACRS, CALAPRS, NCPERS, & GFOA	7,500.00	5,870.00	78%	1,630.00	7,500.00	-	0%	A6
21700	OFFICE EXPENSE - GENERAL -- Office Depot, First Choice water, Petty cash, Supplies	18,000.00	26,269.62	146%	(8,269.62)	18,000.00	-	0%	A7
21710	OFFICE EXPENSE - POSTAGE -- FedEx, Mail Room Charges	15,750.00	14,056.22	89%	1,693.78	16,500.00	750.00	5%	A8
21805	AUDITS -- Outside Auditor (Brown Armstrong), Retirees Verification (LifeStatus360), Consultant (MGO)	60,000.00	57,041.07	95%	2,958.93	90,000.00	30,000.00	50%	A9
21808	BOARD MEMBERSHIP -- Board Members	18,000.00	8,100.00	45%	9,900.00	18,000.00	-	0%	
21811	COURT REPORTERS -- Associated Reporters	2,000.00	-	0%	2,000.00	2,000.00	-	0%	
21816	MEDICAL SERVICES -- Disability Medical Advisors and Medical Exams	80,000.00	15.00	0%	79,985.00	25,000.00	(55,000.00)	-69%	A10
21872	INVESTIGATIONS -- Sub-rosa	1,000.00	-	0%	1,000.00	1,000.00	-	0%	
21900	PUBLICATIONS & LEGAL NOTICES -- Merced Sun Star, Alliance, WSJ, GASB Updates	4,500.00	3,321.25	74%	1,178.75	4,500.00	-	0%	
22300	SPEC DEPT EXPENSE -- OTHER	500.00	6.14	1%	493.86	500.00	-	0%	
22310	SPEC DEPT EXPENSE -- ELECTION EXPENSE	10,000.00	20,938.65	209%	(10,938.65)	20,000.00	10,000.00	100%	A11
22327	SPEC DEPT EXP -- COST ALLOCATION PLAN -- Use of County Departments	43,005.00	33,187.87	77%	9,817.13	27,000.00	(16,005.00)	-37%	A12
22500	TRANSPORTATION & TRAVEL -- Mail run (Staff mileage reimbursement)	400.00	92.75	23%	307.25	400.00	-	0%	
22505	STAFF DEVELOPMENT -- Staff training and education	7,500.00	80.00	0%	7,420.00	4,000.00	(3,500.00)	-47%	A13
22515	TRANS & TRAVEL - INSTATE OVERNIGHT -- SACRS Conf., CALAPRS Various Roundtables	50,000.00	2,343.92	5%	47,656.08	35,000.00	(15,000.00)	-30%	A14
22516	TRANS & TRAVEL - OUT OF STATE	10,000.00	-	0%	10,000.00	7,500.00	(2,500.00)	-25%	A15
22600	UTILITIES -- P G & E and City of Merced	15,000.00	14,759.91	98%	240.09	17,000.00	2,000.00	13%	A16
	ADMINISTRATIVE DEPRECIATION EXPENSE	23,000.00	-	0%	23,000.00	23,000.00	-	0%	
	Total MercedCERA Administrative Budget	\$ 1,794,055.00	\$ 1,328,064.28	74%	\$ 465,990.72	\$ 2,096,500.00	\$ 302,445.00	17%	

Notes to Administrative Budget:

Account	Note
A1 10110	Increase due to two projected additional FT Staff Service Analyst positions, salary increases, and benefit cost increases (+\$345.0K).
A2 20600	Increase due to new emergency cell phones, as well as increased passthrough and phone system support costs (+\$2.6K).
A3 20900	Budgeted increases for housekeeping - minimum wage impact increase of 7% (rounded) factored in (+\$1.7K).
A4 21000	Increased due to known increases in cost year-over-year (+\$5.0K).
A5 21301	Reduced to reflect historical trend before adding in minimum wage impact increase of 7% (rounded) factored in (+\$1.8K).
A6 21500	Decreased due to cost trend staying relatively flat (-\$0.5k).
A7 21700	Budgeted amount remaining the same despite going over budget in current fiscal year. Current FY overage was due to temporarily hiring security guard to guard building during building repairs.
A8 21710	Budgeted increase due to projected increase in mail output (+\$0.75K).
A9 21805	Increased for MGO Consulting contract work (+\$30k).
A10 21816	Reduced to adjust for lower historical actual costs (-\$55.0K).
A11 22310	Budgeted increase due to potential for election of three board seats.
A12 22327	Budgeted decrease due to decreased reliance on certain county services year-over-year.
A13 22505	Reduced to adjust for lower historical costs and continued impact of COVID-19 on ability to have in-person training. (-\$2.5K).
A14 22515	Decreased due to continued potential impact of COVID-19 on travel (-\$10.0k).
A15 22516	Decreased due to continued potential impact of COVID-19 on travel (-\$5.0k).
A16 22600	Increased due to potential increases in utilities costs (+2.0K).

Administrative Budget Cap Information	
AAL	\$ 1,412,881,000
Admin Cap %	0.21%
Administrative Cap	\$ 2,967,051
FY 21-22 Administrative Budget	\$ 2,096,500
% of FY 21-22 Budget to Cap	70.66%
% of FY 21-22 Budget to AAL	0.1484%

Administrative Budget Governance Notes:

- AB 609 amended §31580.2 and repealed §31580.3 of the California Government Code, relating to county employees' retirement. Approved September 30, 2010. This Bill prohibits expenses for the costs of administration of the retirement system incurred in any year from exceeding the greater of 21/100 of 1% of the accrued actuarial liability (AAL) of the retirement system or \$2,000,000, as adjusted annually by a specified annual cost-of-living adjustment.
- MercedCERA's accrued actuarial liability (AAL) of the retirement system per the most recent valuation of June 30, 2020 is \$1.413 Billion.
- Based on the figure in Note B, the cap for FY-19-20 budget would be \$2,967,051. (\$1,412,881,000 * .0021)
- Under the method of using a base of \$2,000,000 multiplied by aggregate COLA increases from a base year of 2010, the cap would be \$2,715,760, thereby triggering use of the cap based on the AAL.
- At \$2,106,000, MercedCERA's 2020/2021 administrative budget is at approximately 15/100 of 1% of the MercedCERA's AAL and is within the limit as set forth above.
- The Administrative Budget is governed by §31580.2 of the Government Code.

Changes to methodology and presentation from Prior Year's Budget:

- Added alternative administrative cap calculation as Administrative Budget Governance Note D for purposes of transparency and accountability. This demonstrates our due diligence in following the CERL.
- Minor formatting improvements throughout.

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

DATE: June 10, 2021

TO: MercedCERA Board of Retirement

FROM: Kristie Santos, Plan Administrator

SUBJECT: Information on Investment Officer Classification

ITEM NUMBER: 3

ITEM TYPE: Discussion

DISCUSSION:

The County of Merced has proposed the following draft classification and pay scale for the Investment Officer position for the Merced County Employees' Retirement Association (MercedCERA). Because this is a county position, the County has taken the MercedCERA Board's request for a new Investment Officer and proposed the following classification and pay structure with a tentative timeline to go before the Merced County Board of Supervisors in either July or August of 2021.

Staff is prepared to move forward with this classification and pay scale as proposed by Merced County.

Retirement Investment Officer

Class Code:
XXXX

Bargaining Unit: "B" Level
Unrepresented Management

MERCED COUNTY
Established Date:
Revision Date:

SALARY RANGE

\$56.69 - \$68.99 Hourly
\$4,535.20 - \$5,519.20 Biweekly
\$9,826.27 - \$11,958.27 Monthly
\$117,915.20- \$143,499.20 Annually

DESCRIPTION:

Under general direction of the Plan Administrator or MercedCERA's Investment Consultants assists with the implementation and administration of the Investment Program of the Merced County Employees' Retirement Association (MercedCERA); monitors and analyzes investment performance; evaluates the performance of investment service providers; and assists in the planning and development of investment strategies and may coordinate the work of staff and the MercedCERA Investment Consultant. Acts on behalf of the Retirement Plan Administrator in his or her absence; and perform related duties as required. .

This class is a senior level investment position characterized by the responsibility to assist and provide direction in the management and implementation of the MercedCERA investment strategy and policies and to monitor and analyze fund investments and maintain and discharge discretionary authority and responsibility over some aspects of the Program.

This is an at-will class under the direction of and serves at the pleasure of the Retirement Board Administrator.

EXAMPLES OF DUTIES:

- Assist in developing objectives and guidelines for the MercedCERA investment program and policies; assist in the formulation of investment strategies and tactics;
- Acts for the Retirement Plan Administrator in his/her absence.

- Research and analyze pension fund trends and new product developments in the institutional investment industry; analyze economic and financial markets on a global basis;
- Prepare special analysis of the investment portfolio; develop investment improvement recommendations; conduct research and screen investment opportunities and oversee the general investment process;
- Prepare and present written and oral reports to and conduct workshops for the MercedCERA Board, County Board of Supervisors, retirees, employees, and other groups as directed;
- Provide primary support to Investment Manager Searches, Watch Status and Terminations;
- Oversee investment contract processes with knowledge of current market terms; prepare Request for Proposals; assist in benchmarking investment services providers performance; meet with investment managers to evaluate products and firms; assist in the review, negotiation and administration of contracts for services;
- Attend Board meetings; develop and present the results of analytical projects to the Board; study and make recommendations to the Retirement Board based on internal research and/or advice received from outside consultants; properly maintain the asset allocation plan approved by the Retirement Board;
- Participate in evaluating the investment performance of investment managers and MercedCERA's portfolio; evaluate trade cost analysis of MercedCERA's investment managers; act as primary liaison to investment managers in monthly and quarterly reporting and monitors their compliance with Board established reporting deadlines and report formats; monitor and assist in ensuring compliance of the Retirement System's investment managers with the Board's investment policies and guidelines;
- Coordinate portfolio rebalancing; monitor allocation mix of short-term investment funds; recommend changes to the MercedCERA Investment Policy Statement;
- Perform compliance audits of investment managers; verify and track fees for investment managers and consultants.
- Calculate, analyze and reconcile alternative investment account fee structures, expenses and performance measures;
- Review investment training opportunities with the Board and Staff; attend Client and Investment Conferences; meet with banking, financial and investment organizations to discuss investments, financial markets and economic trends;
- Apply statistical principles and methodologies to data sets. Principles and methodologies may include such things as linear regression, multiple linear regression, regime switching return models, mean reversion models, auto regressive/moving average models, asset liability modeling, confidence intervals, hypothesis testing and tests for collinearity;
- Provide peer review and technical direction and guidance to staff;
- Coordinate with fiscal staff and benefits staff as needed
- Perform special projects as assigned; and
- Perform related duties as assigned.

MINIMUM QUALIFICATIONS –

Education/Experience

- Possession of a Bachelor's degree from an accredited college or university with a major in Finance, Statistics, Actuarial Science, Mathematics, Applied Mathematics, Economics, or a closely related field.

AND

- Four (4) years of investment experience in a public agency or financial institution which involved investment portfolio management, formulating, recommending and implementing investment strategies, economic analysis, and/or investment reporting or performance measurement;

OR

- A Master's degree, or equivalent, with an emphasis in any of the above listed areas and three years of experience in the above listed areas.

Desirable:

Experience in retirement benefits administration and pursuit or possession of the Chartered Financial Analyst (CFA) designation or a Chartered Alternative Investment Analyst (CAIA).

SKILLS, ABILITIES AND KNOWLEDGE:

ESSENTIAL FUNCTIONS:

- Think strategically related to the management of a public pension system investment portfolio;
- Analyze and communicate the strategies related to complex financial investments;
- Perform complex financial and statistical analysis;
- Prepare and write reports or presentations;
- Establish and maintain effective working relationships with all MercedCERA stakeholders;
- Effectively communicate verbally and in writing;
- Make presentations to Boards and management groups;
- Develop complex plans and reports;
- Utilize personal computers, and various MercedCERA applications and data sources to generate investment management analyses; and
- Exercise appropriate judgment in answering questions and releasing information.

Knowledge of:

- The principals and practices of institutional investing;
- Financial analysis;
- The principals of pension administration and retirement benefits administration;
- Risk monitoring, economic and market trends and conditions;
- Applicable investment laws, rules and regulations;
- Benchmarking;
- Administrative analysis; and
- Statistics and actuarial analysis.

Ability to:

- Prepare and negotiate contracts as requested by Retirement Board.
- Analyze, develop, and modify financial policy, practices, procedures and record keeping.
- Prepare reports, statements, and correspondence.
- Set up, maintain and verify complex, automated, financial, accounting systems.
- Make sound judgements on the application of accounting principles, statutes, policy and procedure.
- Direct and participate in the preparation of complex financial, accounting and budget reports, statements and related correspondence.

ADDITIONAL INFORMATION:

FLSA: Exempt

Probationary Period: At-Will

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

DATE: June 10, 2021**TO:** MercedCERA Board of Retirement**FROM:** Martha Sanchez, Fiscal Manager of Benefits and Administration**SUBJECT:** Adoption of Non-Pensionable Pay Code for Superior Courts of Merced County**ITEM NUMBER:** 4**ITEM TYPE:** Action**STAFF RECOMMENDATION:**

1. Adoption of pay code CAP (Cross-Assignment Pay) as non-pensionable pay code for the Superior Courts of Merced County.

DISCUSSION:

In response to new information provided by the interpreters' union, California Federation of Interpreters/Newspaper Guild-Communications Workers of America, Local 39000, the Superior Courts of Merced County is requesting the CAP (Cross-Assignment Pay) pay code.

The Court's Interpreter Pro-Tempores routinely work for other courts and receive negotiated wages for the cross-assignments to other courts. In the past, the wages were distributed to the pro-tempore employees by the Judicial Branch of California Courts. However, as a new best practice, the Superior Court will be processing earnings through the Court's payroll system and thus need a new pay code to identify the specific wages. The new pay code would be non-pensionable.

Staff recommends the following:

1. Adoption of pay code CAP (Cross-Assignment Pay) as non-pensionable pay code for the Superior Courts of Merced County.