

MCERA RETIREMENT BOARD MEETING AGENDA
THURSDAY, March 14, 2019
MERCED COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
3199 M STREET, MERCED, CA 95348

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

CALL TO ORDER: 8:15 A.M.

- ROLL CALL.
- APPROVAL OF MINUTES – February 28, 2019.

PUBLIC COMMENT

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

CLOSED SESSION

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

(1) DISABILITY RETIREMENT APPLICATIONS: PERSONNEL EXCEPTION

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

1. Informal Hearing
 - a. None.
2. Formal Hearing
 - a. None.
3. Disability update and possible action:
 - a. Arroyo, Elizabeth
 - b. Barba, Alejandro
 - c. Burnett, Donald
 - d. Estep, Jason
 - e. Herrera, Yvonne
 - f. Ramirez, Linda A.
 - g. Plascencia, Ramon
 - h. Smith, Derrell
 - i. Valizan, Matthew
 - j. Winder, Trudy

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. Brewer, Michael	IS	19 Yrs. Svc. Eff. 03/01/2019
b. Hermosillo, Martha	First Five	31 Yrs. Svc. Eff. 03/01/2019
c. Spangler, Samuel	Sheriff	24 Yrs. Svc. Eff. 03/02/2019
d. Diaz, Linda	Health	13 Yrs. Svc. Eff. 03/01/2019
e. Esucdero, Debbie	H.S.A.	12 Yrs. Svc. Eff. 02/22/2019

YTD fiscal year 2018/2019 retirees: 057

YTD fiscal year 2017/2018 retirees: 082

YTD fiscal year 2016/2017 retirees: 065

REFUND OF SERVICE PURCHASE: None

DEATH BENEFIT: None

MONTHLY BUDGET REPORT: Submitted

REGULAR CALENDAR

BOARD ACTION¹/DISCUSSION

1. Discussion and possible action on Employer Declining Payroll and Termination Policy – Staff.
2. Discussion and adoption of new payment schedule for Merced Cemetery District due to no active members – Staff.
3. Discussion and possible action to approve the MCERA Board of Retirement elections for the following seats; Seat 7 (primary Safety Member), Seat 7A (Alternate Safety Member) and Seat 2 (General Member) to take place in August/September of 2019 by the Registrar of Voters – Staff.
4. Discussion and possible action to appoint a Trustee and/or the Plan Administrator as a delegated voter and alternate voter for the SACRS Spring Conference – Staff.
5. Discussion and possible action on Legislative Update – Staff.
6. REMINDER: Trustee Education Day will begin March 28th immediately after MCERA Investment Meeting (estimated start time 9:30AM) here at the MCERA Office located at

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.

3199 M Street, Merced, CA 95348. Continental Breakfast will be served. Time estimated for education day to end is 12:00PM. No lunch will be served.

7. Review calendar of any training sessions and authorize expenditures for Trustees and Plan Administrator. Pursuant to Govt. Code § 31522.8 and MCERA's Trustees Education and Training Policy requirements. Examples of upcoming training and educational sessions:
 - a. Advanced Principles of Pension Management for Trustees, March 27–29, 2019, Los Angeles, CA.
 - b. Pension Bridge Annual Conference, April 9-10, 2019, San Francisco, CA.
 - c. Meketa Conference, April 9, 2019, San Diego, CA.
 - d. SACRS Spring Conference, May 7-10, 2019, Squaw Valley, CA.
 - e. NCPERS Annual Conference & Exhibition, May 19-22, 2019, Austin, TX.
 - f. Principles of Pension Management for Trustees, August 26-29, 2019 Malibu, CA.
 - g. SACRS Fall Conference, November 12-15, 2019, Monterey, CA.

INFORMATION ONLY

MCERA Upcoming Board Meetings:

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

- March 28, 2019
- April 11, 2019
- April 25, 2019

ADJOURNMENT

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

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

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

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

**MCERA RETIREMENT BOARD MEETING MINUTES
THURSDAY, FEBRUARY 28, 2018
MERCED COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
3199 M STREET, MERCED, CA 95348**

ROLL CALL: 8:15 A.M.

Board Members Present: Darlene Ingersoll, Ryan Paskin, David Ness, Karen Adams, Al Peterson (arrived at 8:18 am), Jason Goins, Michael Rhodes, Janey Cabral, Samuel Spangler, Scott Silveira, Scott Johnston. **Counsel:** Forrest Hansen. **Staff:** Kristie Santos, Angelo Lamas, Mark Harman, Michelle Lee. **Other:** Mika Malone, Meketa Investment Group; Jaime Fiedler, Cliffwater.

Absent: None.

APPROVAL OF MINUTES: February 14, 2019.

Motion to approve the February 14, 2019 meeting minutes.

Silveira /Paskin U/A (8-0).

PUBLIC COMMENT

Chair Ingersoll welcomed new trustee Scott Johnston.

CLOSED SESSION

The meeting went into closed session.

RETURN TO OPEN SESSION

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

(Govt. Code § 54956.81)

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

The MCERA Board approved the following investments pending legal review of all documents:

- **\$3M commitment in the Spark Capital VI, L.P.,**
- **\$6M commitment in the Spark Capital Growth Fund III, L.P.,**

Adams/Paskin U/A (9-0).

Roll Call Vote:

Yes – Paskin, Ness, Silveira, Rhodes, Goins, Peterson, Adams, Cabral, Ingersoll.

REGULAR CALENDAR

BOARD ACTION¹/DISCUSSION

1. Presentation and possible action of Quarterly Investment Performance Report for alternative investments – Cliffwater.

No action taken.

2. Presentation and possible action of the Quarterly Investment Performance Report with possible board action on any funds – Meketa Investment Group.

No action taken.

3. Discussion and possible action on State Street Global Advisors Real Asset NL Fund (ZVBQ) – Meketa Investment Group.
Motion to reduce State Street Global Advisors (SSGA) Real Asset NL Fund (ZVBQ) from \$16M, of which \$6M to Wells Capital Berkeley Street Emerging Market Fund, and \$10M to Vanguard Short-Term Treasury Bond Index and retain \$16M in SSGA Fund.
Adams/Paskin U/A (9-0).

4. Discussion and possible action to amend MCERA FY 18/19 Budget to pay CPAS for accrued service and support hours – Staff.
Motion to amend current MCERA Technology Budget to pay CPAS for accrued service and support hours, subject to Plan Administrator’s discretion.
Ness/Cabral U/A (5-4).
Roll Call Vote:
Yes - Ness, Rhodes, Goins, Cabral, and Ingersoll.
Noes - Paskin, Silveira, Adams, Peterson.

5. Discussion and possible action on Resolution for Trustee Sam Spangler – Chair.
Motion to adopt Resolution for Sam Spangler for service on the MCERA Board of Retirement.
Adams/Goins U/A (9-0).

6. Discussion on timeline for SACRS Officer Elections – Staff.
No action taken.

7. Review calendar of any training sessions and authorize expenditures for Trustees and Plan Administrator. Pursuant to Govt. Code § 31522.8 and MCERA’s Trustees Education and Training Policy requirements. Examples of upcoming training and educational sessions:
 - a. Dimensional Fund Advisors Luncheon, February 28, 2019, San Francisco, CA.
 - b. CALAPRS General Assembly, March 2–5, 2019, Monterey, CA.
 - c. Advanced Principles of Pension Management for Trustees, March 27–29, 2019, Los Angeles, CA.
 - d. Pension Bridge Annual Conference, April 9-10, 2019, San Francisco, CA.
 - e. SACRS Spring Conference, May 7-10, 2019, Squaw Valley, CA.
 - f. NCPERS Annual Conference, May 19-22, 2019, Austin, TX.
 - g. Principles of Pension Management for Trustees, August 26-29, 2019 Malibu, CA.
 - h. SACRS Fall Conference, November 12-15, 2019, Monterey, CA.**Motion to approve Trustee Adams to attend the SACRS Fall Conference on November 12-15, 2019 in Monterey, CA.**
Peterson/Cabral U/A (9-0).

INFORMATION ONLY

ADJOURNMENT

The meeting adjourned at 10:11 a.m.

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.

Respectfully submitted,

Darlene Ingersoll, Chair

Al Peterson, Secretary

Date

Professional Service Budget	Adopted	Current Budget	Expended 02/2019	Expended YTD	Encumbrances	Bal Remaining	% Exp YTD
21800 · Professional & Special Services - Consultant and Management Fees	3,400,000.00	3,400,000.00	211,684.78	1,545,768.22	-	1,854,231.78	45%
11/30/2018 Copper Rock - 2018-Q3 Mgt Fees			48,098.40				
2/5/2019 Nossaman - 2018-12 - Winton Future Fund Related Legal			160.65				
2/5/2019 Nossaman - 2018-12 - ISO GIF II Related Legal			1,507.50				
2/5/2019 Nossaman - 2018-12 - Ardian IF V Related Legal			3,498.75				
2/5/2019 Nossaman - 2018-12 - BlackRock GE&P Infra Related Legal			2,149.20				
2/7/2019 DFA - 2018-Q4 Mgt Fees			15,205.88				
2/13/2019 Cliffwater - 2019-01 PE & HF Consulting			33,333.33				
2/19/2019 PanAgora - 2018-Q4 Mgt Fees			34,089.79				
2/20/2019 Mellon LC SIF - 2018-Q4 Mgt Fee			10,538.38				
2/20/2019 Mellon Dynamic - 2018-Q4 Mgt Fee			52,891.15				
2/20/2019 Mellon Int SIF - 2018-Q4 Mgt Fee			10,211.75				
Total 21800 · Professional & Special Services - Consultant and Management Fees			211,684.78				
21802 · Professional & Special Services - Actuarial Service	175,000.00	175,000.00	(12,738.51)	37,443.04	-	137,556.96	21%
2/19/2019 Deposit - Option 4 Calc			(367.50)				
2/20/2019 Abatement from County for 2017 and 2018 GASB 68 Actuarial Expenses			(11,607.38)				
2/21/2019 Abatement from Court for 2017 and 2018 GASB 68 Actuarial Expenses			(763.63)				
Total 21802 · Professional & Special Services - Actuarial Service			(12,738.51)				
21812 · Prof & Spec - Data Processing	120,000.00	120,000.00	5,295.05	36,345.61	-	83,654.39	30%
2/25/2019 2019-01 IS Billing			5,295.05				
Total 21812 · Prof & Spec - Data Processing			5,295.05				
21840 · Prof & Spec Sv - Administrative Serv	115,000.00	115,000.00	26,173.03	59,133.77	-	55,866.23	51%
2/5/2019 2018-11 NT STIF Income - Custodial Fee			970.80				
2/14/2019 Northern Trust - 2018-Q4 Custody Fees			25,125.00				
2/21/2019 Class Action - Custodial Fee			50.63				
2/21/2019 Class Action - Custodial Fee			26.60				
Total 21840 · Prof & Spec Sv - Administrative Serv			26,173.03				
22350 · Spec Dept Exp - Software	250,000.00	250,000.00	14,519.00	160,212.09	-	89,787.91	64%
2/13/2019 CPAS - 2019-03 Support			12,600.00				
2/13/2019 CPAS - 2019-03 Maint			1,919.00				
Total 22350 · Spec Dept Exp - Software			14,519.00				
Depreciation Expense	242,777.87	242,777.87					
Total Professional Service Budget	4,302,777.87	4,302,777.87	244,933.35	1,838,902.73	-	2,463,875.14	43%
Capital Asset Budget	Adopted	Current Budget	Expended 02/2019	Expended YTD	Encumbrances	Bal Remaining	% Exp YTD
84170 - Retirement Carpet	41,000.00	41,000.00	-	38,202.59	-	2,797.41	93%
Total 84170 - Retirement Carpet			-				
Total Capital Asset Budget Budget	41,000.00	41,000.00	-	38,202.59	-	2,797.41	93%
Administrative Service Budget	Adopted	Current Budget	Expended 02/2019	Expended YTD	Encumbrances	Bal Remaining	% Exp YTD
10110 · Salaries & Wages	1,178,153.89	1,178,153.89	76,954.24	635,858.56	-	542,295.33	54%
2/8/2019 Office Payroll 3			38,443.63				
2/22/2019 Office Payroll 4			38,505.37				
2/27/2019 2018-12 PARS			5.24				
Total 10110 · Salaries & Wages			76,954.24				
20600 · Communications	5,050.00	5,050.00	353.66	2,442.03	-	2,607.97	48%
2/5/2019 AT&T - 2019-01 Comm Chgs			135.16				
2/13/2019 2019-01 Comm Billing			218.50				
Total 20600 · Communications			353.66				
20900 · Household Expense	10,600.00	10,600.00	722.00	6,098.24	-	4,501.76	58%
2/5/2019 Geil - 2019-01 Janitorial			682.00				
2/13/2019 Bob's Pest Control - 2019-01 Svcs			40.00				
Total 20900 · Household Expense			722.00				

Administrative Service Budget (Cont'd)	Adopted	Current Budget	Expended 02/2019	Expended YTD	Encumbrances	Bal Remaining	% Exp YTD
21000 · Insurance - Other	85,000.00	85,000.00	-	79,292.00	-	5,708.00	93%
Total 21000 · Insurance - Other			-				
21001 · Insurance - General Liability	3,072.00	3,072.00	239.33	1,970.28	-	1,101.72	64%
2/8/2019 PP 3 - General Liability			119.50				
2/22/2019 PP 4 - General Liability			119.83				
Total 21001 · Insurance - General Liability			239.33				
21200 · Maintenance - Equipment	5,000.00	5,000.00	170.01	3,951.98	-	1,048.02	79%
2/5/2019 Spriggs - Bizhub Lease			170.01				
Total 21200 · Maintenance - Equipment			170.01				
21301 · Maintenance Structure Improvement	19,100.00	19,100.00	852.00	10,903.62	-	8,196.38	57%
2/5/2019 Yard Masters - 2019-01 Landscape Maint			300.00				
2/13/2019 AireServ - Tune Up/Replacement			552.00				
Total 21301 · Maintenance Structure Improvement			852.00				
21500 · Membership	6,500.00	6,500.00	-	5,860.00	-	640.00	90%
Total 21500 · Membership			-				
21700 · Office Expense - General	21,000.00	21,000.00	172.69	18,232.10	-	2,767.90	87%
2/5/2019 Reimburse Petty Cash			116.07				
2/13/2019 2019-01 Stores Billing			57.45				
2/13/2019 2019-01 Pacific Shredding			10.00				
2/21/2019 REMCO - Abatement for REMCO 2018-Q4 Newsletter Labels/Data			(45.00)				
2/28/2019 First Choice - 2019-01 Water Svc			27.17				
2/28/2019 First Choice - 2019-01 Cooler Rental			7.00				
Total 21700 · Office Expense - General			172.69				
21710 · Office Expense - Postage	15,750.00	15,750.00	3,267.26	9,844.04	-	5,905.96	63%
2/13/2019 2019-01 Mail Room Chgs			165.93				
2/25/2019 2019-01 IS Postage			3,101.33				
Total 21710 · Office Expense - Postage			3,267.26				
21805 · Prof & Spec Service - Audits	55,000.00	55,000.00	(10,000.00)	43,275.58	-	11,724.42	79%
2/20/2019 Abatement from County for 2017 and 2018 GASB 68 Audit Expenses			(9,382.57)				
2/21/2019 Abatement from Court for 2017 and 2018 GASB 68 Audit Expenses			(617.43)				
Total 21805 · Prof & Spec Service - Audits			(10,000.00)				
21808 · Prof & Spec - BD Membership	12,000.00	12,000.00	1,000.00	6,100.00	-	5,900.00	51%
2/5/2019 2019-01 Bd Mtgs			200.00				
2/5/2019 2019-01 Bd Mtgs			300.00				
2/5/2019 2019-01 Bd Mtgs			200.00				
2/5/2019 2019-01 Bd Mtgs			300.00				
Total 21808 · Prof & Spec - BD Membership Fee			1,000.00				
21811 · Prof & Spec - Court Reporters	2,000.00	2,000.00	-	-	-	2,000.00	0%
Total 21811 · Prof & Spec - Court Reporters			-				
21816 · Prof & Spec - Medical Services	80,000.00	80,000.00	-	3,730.80	-	76,269.20	5%
Total 21816 · Prof & Spec - Medical Services			-				

Administrative Service Budget (Cont'd)	Adopted	Current Budget	Expended 02/2019	Expended YTD	Encumbrances	Bal Remaining	% Exp YTD
21834 · Prof & Spec - Legal Services	300,000.00	300,000.00	11,977.39	122,521.69	-	177,478.31	41%
2/5/2019 Hansen Bridgett - Tax Comp/Determ Ltr			222.30				
2/5/2019 PPC - 2019-01 Legal Svcs			265.00				
2/13/2019 Ted Cabral - 2019-01 Disab Legal Svcs			37.00				
2/13/2019 Ted Cabral - 2019-01 Admin			333.00				
2/13/2019 Ted Cabral - 2019-01 Disab Legal Svcs			488.15				
2/13/2019 Ted Cabral - 2019-01 Disab Legal Svcs			2,644.64				
2/13/2019 Ted Cabral - 2019-01 Disab Legal Svcs			656.00				
2/13/2019 Ted Cabral - 2019-01 Disab Legal Svcs			6,228.50				
2/13/2019 Hansen Bridgett - Tax Comp/Determ Ltr			1,102.80				
Total 21834 · Prof & Spec - Legal Services			<u>11,977.39</u>				
21872 · Prof & Spec Sv - Investigations	1,000.00	1,000.00	-	-	-	1,000.00	0%
Total 21872 · Prof & Spec Sv - Investigations			<u>-</u>				
21900 · Publications & Legal Notices	4,500.00	4,500.00	94.43	2,494.43	-	2,005.57	55%
2/26/2019 Merced Sun-Star - 2019-20 Subscrip			94.43				
Total 21900 · Publications & Legal Notices			<u>94.43</u>				
22300 · Spec Dept Exp - Other	500.00	500.00	-	57.00	-	443.00	11%
Total 22300 · Spec Dept Exp - Other			<u>-</u>				
22310 · Spec Dept Exp - Election Expense	5,000.00	5,000.00	-	-	-	5,000.00	0%
Total 22310 · Spec Dept Exp - Election Expense			<u>-</u>				
22327 · Spec Dept Exp - Cost Allocation	151,282.00	151,282.00	12,606.83	100,854.64	-	50,427.36	67%
2/13/2019 2019-02 Cost Allocation			12,606.83				
Total 22327 · Spec Dept Exp - Cost Allocation			<u>12,606.83</u>				
22500 · Transportation & Travel	800.00	800.00	-	128.46	-	671.54	16%
Total 22500 · Transportation & Travel			<u>-</u>				
22505 · Trans & Travel - Staff Development	4,000.00	4,000.00	-	120.00	-	3,880.00	3%
Total 22505 · Trans & Travel - Staff Development			<u>-</u>				
22515 · Trans & Travel - In State	55,000.00	55,000.00	-	14,559.53	-	40,440.47	26%
Total 22515 · Trans & Travel - In State			<u>-</u>				
22516 · Trans & Travel - Out of State	9,000.00	9,000.00	1,329.59	1,879.59	-	7,120.41	21%
2/8/2019 NCPERS Travel			1,184.66				
2/13/2019 NCPERS 2019 - Travel Reimb			144.93				
Total 22516 · Trans & Travel - Out of State			<u>1,329.59</u>				
22527 · Trans & Travel - Car Allowance	14,000.00	14,000.00	923.10	7,615.57	-	6,384.43	54%
2/8/2019 PP 3 - Car Allowance			461.55				
2/22/2019 PP 4 - Car Allowance			461.55				
Total 22527 · Trans & Travel - Car Allowance			<u>923.10</u>				
22600 · Utilities	12,500.00	12,500.00	896.62	7,537.22	-	4,962.78	60%
2/5/2019 PG&E - 2019-01 Svcs			686.54				
2/7/2019 City of Merced - 2019-01 WS&G			210.08				
Total 22600 · Utilities			<u>896.62</u>				
Depreciation Expense	13,130.08	13,130.08	-	-	-	13,130.08	
Total Administrative Service Budget	2,068,937.97	2,068,937.97	101,559.15	1,085,327.36	-	983,610.61	52%
Total MCERA	6,412,715.84	6,412,715.84	346,492.50	2,962,432.68	-	3,450,283.16	46%

**MERCED COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
BOARD OF RETIREMENT POLICY
EMPLOYER DECLINING PAYROLL AND TERMINATION POLICY**

Purpose of Policy

Employers covered under the Merced County Employees Retirement Association (MCERA) may experience a material decline in payroll (assessed on a case by case basis) and/or cease to have any active employees, therefore a zero payroll. Employers may also cease to exist and terminate their participation in MCERA. This policy is intended to establish guidelines by which MCERA intends to hold an employer accountable for the actuarial unfunded liability (UAAL) attributable to the employer's active, retired and deferred employees and their beneficiaries.

Background

MCERA's current practice is to determine the employer's contribution rates through MCERA's actuary and apply those calculated employer rates to the employer's covered payroll. This methodology continues to work if the employer's payroll stays consistent or increases. MCERA's actuary has assumptions regarding the employer's payroll growth, which are incorporated into the experience of employers in the MCERA plan.

For employers who choose to terminate or their payroll is declining materially (active payroll may go to zero), the MCERA Board of Retirement has determined that a policy is needed to address this issue.

Objectives

- To determine an equitable and adequate funding of the UAAL in cases involving employers with declining or zero active payroll or for those employers that terminate their participation in MCERA's plan.
- Approve a different methodology for the MCERA actuary to use for determining the UAAL attributable to each employer and setting the amount and schedule of those contributions needed to fund the employer's UAAL.
- This policy does not change the methodology regarding contributions for 'normal cost' as determined for employers covered under MCERA, however, employers affected by this policy will generally not have a significant normal cost.

Policy**Inactive Employer**

Employers with a declining payroll will be assessed on a case by case basis in coordination with MCERA's Actuary. The financial viability of the employer will be considered prior to any determination or recommendation is brought to the Board of Retirement. Once the determination has been made, the Plan Administrator will bring to the Board of Retirement an agenda item that an MCERA employer has or is expected to have declining payroll and/or a payroll that has declined to zero. Only at that time will this policy be triggered. MCERA will calculate through its actuary the attributable assets and UAAL associated with that employer's liabilities. MCERA's actuary will continue this separate accounting for the employer until the agency's entire employer obligations are fully satisfied for retirees, beneficiaries and deferred status members.

MCERA's actuary will determine and certify to the Board of Retirement, the employer's funding obligation for its initial UAAL that will be based on the employer's actuarial accrued liability

including inactive employees. The actuary will provide a funding schedule as a level dollar payment over the average duration of the employer's liabilities (for all actives, retirees, beneficiaries and deferred members) not to exceed 10 years beginning July 1 of the calendar year immediately following notification to MCERA, or sooner. The payment schedule will include the same load for administrative expenses paid by the other employers in the Plan, as applicable.

MCERA's actuary will use the actuarial valuation performed immediately preceding MCERA's notification to determine the initial market value of assets (unsmoothed) allocated to the employer. The allocation will be determined separately for the assets and liabilities associated with General and Safety members (i.e. the employer will receive an allocation of the assets associated with the General members based on their share of the General member liabilities, and similarly for Safety, as applicable). The actuary will initially use a pro-rata allocation based on the employer's UAAL; however, later values will be determined by rolling forward the initial asset balance, adding contributions by the employer, deducting benefit payments made to the employer's members and their beneficiaries, and crediting earnings at the actual earnings rate on total MCERA assets.

Annually, after the initial determination of the employer's initial funding obligation as part of the regular actuarial valuation of the plan, MCERA's actuary will measure any change in the UAAL of the employer due to the actuarial experience (including investment gains/losses) or changes in the actuarial assumptions. In addition to any and all amortization payments for the employer's initial UAAL funding as determined by the actuary, the employer will contribute to MCERA any new UAAL determined by any subsequent valuations performed by the actuary and adopted by the Board of Retirement, based on the same amortization schedule indicated above.

MCERA will hold any negative UAAL (or surplus) and will apply it against any future UAAL of the employer. If any surplus remains after all the employer liabilities and obligations have been funded, the MCERA Board, with the certification of the Plan's actuary, will distribute the surplus according to applicable laws.

Termination of Employer from MCERA

If an employer notifies MCERA that they would like to cease participation in MCERA, or if the Board determines that the termination of an inactive employer would be in the best interest of the Plan, MCERA will notify its actuary and all benefits and calculations will be based on the benefit levels in effect on the date of termination (including any expected future Cost of Living Adjustments). MCERA's actuary will be directed to produce a termination valuation.

MCERA members credited with service from the employer who are not employed by another MCERA employer may elect to withdraw their contributions or leave them on deposit, regardless of the amount of service credit. Members who withdraw their contributions will not be entitled to any future benefits and shall not ever redeposit those contributions based on their employment with that employer.

The employer is responsible for sufficient funding to continue paying retirement and death benefits paid and for future benefits payable to members that left their service and contributions on deposit. The MCERA Board of Retirement may direct their actuary to use a liability load to insure funding of all benefits into the future, once an employer terminates with MCERA or direct MCERA's actuary to value liabilities for remaining retirees, beneficiaries or deferred members using an interest rate of a high grade corporate bond or the 10-year treasury rate, whichever is lower, to value all future

liabilities upon termination. A liability load may be used in lieu of valuing liabilities at a high-grade corporate bond or the 10-year treasury rate, if determined appropriate by the MCERA's actuary. The actuary may amortize the unfunded liability up to 10 years or the employer may make a lump sum payment. If the MCERA Board has concerns regarding the ongoing viability or continued existence of the employer, they may instruct the actuary to shorten the amortization period or only allow a lump sum. Once the employer has made the required payments, no further obligation will exist for the employer.

County Employees Retirement Law of 1937 (CERL) Statutes Considered

This policy was created with the referenced Government Section Codes which include but not limited to; §31564.2, 31580.1,31584, 31585.

This policy has been adopted by the Board of Retirement on March 14, 2019.

Darlene Ingersoll, Chair

Alfonse Peterson, Secretary

Kristen Santos, Plan Administrator

Historical Notes

Adopted:

***Via Electronic Mail***

March 7, 2019

Ms. Kristin Santos
 Plan Administrator
 Merced County Employees' Retirement Association
 3199 M Street
 Merced, CA 95348

Re: MCERA – Cemetery District Analysis

Dear Kristin:

The purpose of this letter is to present the allocation of the Unfunded Actuarial Liability as of June 30, 2018, and various amortization options for the Cemetery District members of the Merced County Employees' Retirement Association (MCERA).

These calculations are based on the four Cemetery District members (three retirees and one active as of June 30, 2018) provided to Cheiron. The following table shows the allocation of the Unfunded Actuarial Liability (UAL) for General members between Cemetery and Non-Cemetery members.

Allocation of the General June 30, 2018 Unfunded Actuarial Liability			
	General		Total
	Cemetery	Non-Cemetery	
1. Market Value of Assets			\$ 652,447,215
2. Total Actuarial Liability	1,395,787	1,026,957,710	1,028,353,497
3. Allocation of Assets	0.14%	99.86%	100.00%
4. Market Value of Assets (1 x 3)	885,568	651,561,647	652,447,215
5. Unfunded Actuarial Liability (UAL) (2 - 4)	\$ 510,219	\$ 375,396,063	\$ 375,906,282

The following table provides three alternative amortization amounts for the Fiscal Years Ending 2019 and 2020:

- Option 1: Allocated portion of the June 30, 2018 valuation amortization payment.
- Option 2: A level percent of payroll amount amortized over the approximate duration of the projected benefits of the Cemetery District members (nine years).
- Option 3: A level dollar amount amortized over the approximate duration of the projected benefits of the Cemetery District members (nine years).

Cemetery District Amortization Payment for FYE 2019 and FYE 2020*			
	Option 1	Option 2	Option 3
1. Unfunded Actuarial Liability (UAL)	\$ 510,219	\$ 510,219	\$ 510,219
2. UAL Amortization for FYE 2019	59,267	71,357	78,733
3. UAL Amortization for FYE 2020	60,897	73,320	78,733

* Includes a 3.02% load to account for the employer's share of administrative expenses

These amounts are all assumed to be contributed in the middle of the Fiscal Year, and include a load for the employer's share of the projected administrative expenses.

In preparing these results, we relied on information (some oral and some written) supplied by MCERA. This information includes, but is not limited to, the plan provisions, employee data, and financial information. We performed an informal examination of the obvious characteristics of the data for reasonableness and consistency in accordance with Actuarial Standard of Practice No. 23.

This letter and its contents have been prepared in accordance with generally recognized and accepted actuarial principles and practices and our understanding of the Code of Professional Conduct and applicable Actuarial Standards of Practice set out by the Actuarial Standards Board as well as applicable laws and regulations. Furthermore, as a credentialed actuary, I meet the Qualification Standards of the American Academy of Actuaries to render the opinion contained in this report. This report does not address any contractual or legal issues. I am not an attorney and our firm does not provide any legal services or advice.

Future results may differ significantly from the current results presented in this letter due to such factors as the following: plan experience differing from that anticipated by the assumptions; changes in assumptions; and, changes in plan provisions or applicable law.

This letter was prepared exclusively for MCERA for the purpose described herein. Other users of this letter are not intended users as defined in the Actuarial Standards of Practice, and Cheiron assumes no duty or liability to any other user.

Let me know if you have any questions about this request.

Sincerely,
Cheiron



Graham A. Schmidt, ASA, EA, MAAA
Consulting Actuary

cc: Angelo Lamas
Anne Harper
Jacqui King



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

DATE: March 14, 2019

TO: MCERA Board of Retirement

FROM: Kristie Santos

SUBJECT: Board Elections

ITEM NUMBER: 3

ITEM TYPE: Action

STAFF RECOMMENDATION:

1. To adopt recommendation of staff to hold elections for MCERA Retirement Board Seats 2 (General), 7 (Safety) and 7A (Alternate Safety) in August/September 2019 in coordination with the Registrar of Voters.

DISCUSSION:

The Merced County Employees' Retirement Association (MCERA) has three seats that will be up for re-election on December 31, 2019. Per MCERA Board Bylaws, The Board of Retirement will determine the procedure for how these elections will be conducted.

Staff are recommending that similar to prior elections, elections for Seat 2 (General), Seat 7 (Safety) and Seat 7A (Alternate Safety) be performed by the Registrar of Voters prior to November 2019. It is recommended that MCERA's elections be performed during the time period of August/September of 2019. This will facilitate County wide elections during the Fall and give MCERA staff ample time to onboard any new trustees.

MCERA Board of Retirement 2019 - Updated

Elections for 2019

Seat #	Seat Term Date	Incumbent Name	Population Elected By	Estimated Date of Election
2	12/31/2019	Darlene Ingersoll	Active General Membership	August/September 2019
7	12/31/2019	Jason Goins	Active Safety Membership	August/September 2019
7(A)	12/31/2019	Vacant	Active Safety Membership	August/September 2019

Appointments for 2019 by Board of Supervisors

Seat #	Seat Term Date	Incumbent Name	Appointed By	Estimated Date of Appointment
4	12/31/2019	Dave Ness	BOS	December 2019
6	12/31/2019	Ryan Paskin	BOS	December 2019

Elections for 2020

Seat #	Seat Term Date	Incumbent Name	Population Elected By	Estimated Date of Election
3	12/31/2020	Janey Cabral	Active General Membership	2020
8	12/31/2020	Mike Rhodes <small>(appointed 2/14/2019 by MCERA Board per CERL)</small>	Retired Membership	2020
8(A)	12/31/2020	Scott Johnston <small>(appointed 2/14/2019 by MCERA Board per CERL w/recommendation from REMCO)</small>	Retired Membership	2020



SACRS VOTING PROXY FORM

The following are authorized by the _____ County Retirement Board to vote on behalf of the County Retirement System at the upcoming SACRS Conference;

(if you have more than one alternate, please attach the list of alternates in priority order):

_____ Voting Delegate

_____ Alternate Voting Delegate

These delegates were approved by the Retirement Board on ____ / ____ / ____.

The person authorized to fill out this form on behalf of the Retirement Board:

Signature: _____

Print Name: _____

Position: _____

Date: _____

Please send your system's voting proxy by April 19, 2019 to Sulema H. Peterson, SACRS Administrator at Sulema@sacrs.org.

PUBLIC PENSION CONSULTANTS

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

Legislative Review of Proposed Legislation for 1937 Act Systems

February 25, 2019

State Legislation

AB 287, Voepel. Public employees' retirement: annual audits.

Re: Amends section 7512 of the Government Code.

Status: Referred to Com. on P.E. & R. on February 7, 2019.

Existing law creates state and local public pension and retirement systems that provide pension benefits based on age at retirement, service credit, and final compensation. Existing law requires each state and local public pension or retirement system, on and after the 90th day following the completion of the annual audit of the system, to provide a concise annual report on the investments and earnings of the system, as specified, to any member who makes a request and pays a fee, if required, for the costs incurred in preparation and dissemination of that report.

This bill would also require each state and local pension or retirement system to post a concise annual audit of the information described above on that system's internet website no later than the 90th day following the audit's completion.

AB 472, Voepel. Public employees' retirement.

Re: Amends section 7522.56 of the Government Code.

Status: Introduced February 11, 2019.

The bill would make non-substantive changes to this code section. Appears to be a placeholder.

AB 510, Cooley. Local government records: destruction of records.

Re: Amends sections 26202.6, 34090.6, and 53160 of the Government Code.

Status: Introduced February 13, 2019. Referred to Com. on L. Gov. on February 21, 2019.

This bill would exempt the head of a department of a county or city, or the head of a special district from these recording retention requirements if the county, city, or special

PUBLIC PENSION CONSULTANTS

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

district adopts a records retention policy governing recordings of routine video monitoring and recordings of telephone and radio communications.

AB 664, Cooper. County employees' retirement: permanent incapacity.

Re: Amends section 31720 of the Government Code.

Status: Introduced February 15, 2019.

This bill would require, for purposes of determining permanent incapacity of certain members employed as peace officers, that those members be evaluated by the retirement system to determine if they can perform all of the usual and customary duties of a peace officer, as specified. The bill would apply to members who file applications for disability on or after the effective date of the act, except for cases on appeal at that time. The bill also would make non-substantive changes to that provision.

CALIFORNIA LEGISLATIVE CALENDAR:

2019:

- Jan. 1 Statutes take effect
Jan. 7 Legislature reconvenes
Jan. 10 Budget must be submitted by Governor
Jan. 25 Last day to submit bill requests to the Office of Legislative Counsel
Feb. 22 Last day for bills to be introduced
Apr. 22 Spring Recess begins upon adjournment Apr. 1
Legislature reconvenes from Spring Recess
Apr. 26 Last day for policy committees to hear and report to fiscal committees fiscal bills introduced in their house
May 3 Last day for policy committees to hear and report to the Floor non-fiscal bills introduced in their house
May 10 Last day for policy committees to meet prior to June 3
May 17 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 28 – May 31 Floor session only. No committee may meet for any purpose except for Rules Committee and Conference Committees
May 31 Last day for each house to pass bills introduced in that house
June 15 Budget Bill must be passed by midnight
July 10 Last day for policy committees to hear and report fiscal bills to fiscal committees
July 12 Last day for policy committees to meet and report bills Summer Recess begins on adjournment, provided Budget Bill has been passed
Aug. 12 Legislature reconvenes from Summer Recess
Aug. 30 Last day for fiscal committees to meet and report bills
Sep. 3- 13 Floor session only. No committee may meet for any purpose except Rules Committee, and Conference Committees
Sep. 6 Last day to amend bills on the Floor
Sep. 13 Last day for each house to pass bills Final Recess begins on adjournment
Sept. 13 Last day for Governor to sign or veto bills passed by the Legislature before Sept. 13 and in the Governor's possession on or after Sept. 13 noon

2020:

- Jan. 1 Statutes take effect