

EXECUTIVE COMMITTEE MEETING

January 16, 2019 at 12:00 P.M.
MPA Office, 1911 San Miguel Drive, Suite 200, Walnut Creek

MINUTES

Attendees:

Tracy Robinson, *City of Lafayette, President, Executive Committee*
Mike Chandler, *City of Martinez, Member-at-Large, Executive Committee*
Brad Farmer, *City of Pittsburg, Member-at-Large, Executive Committee*
Linda Cox, *MPA Chief Administrative Officer**
Frank Williamson, *MPA Finance Manager**
Erwin Chang, *MPA General Liability Claims Manager**
Victoria Thomas, *MPA Administrative Services Supervisor**
Jasmin Intravaia, *MPA Administrative Assistant**
Karol McCarty, *Member of the Public**

(*Non-voting attendee)

All members present will be recorded in the minutes.

I. President, Tracy Robinson called the meeting to order at 12:00pm.

II. INTRODUCTIONS

Introductions were conducted.

III. APPROVAL OF THE AGENDA AS POSTED

Motion made by Mike Chandler to approve Agenda as posted. Seconded by Brad Farmer. Unanimous vote of all members present and represented herein. (3-0).

IV. TIME RESERVED FOR MEMBER OF THE PUBLIC

Ms. McCarty stated that she was in attendance to hear about an informational item on the agenda regarding her CalPERS retirement service credit.

V. APPROVAL OF THE CONSENT CALENDAR

Motion made by Brad Farmer to approve the Consent Calendar as posted. Seconded by Mike Chandler. Approved by unanimous vote of all members present and represented herein. (3-0).

VI. ACTION ITEM

1. Executive Committee Elections

Cox reported that the notification of the upcoming election was given at the December 2018 Board of Directors meeting. Mike Chandler and Reina Schwartz expressed an interest in continuing their positions on the Executive Committee.

Nominations from the floor will also be taken at the upcoming Board meeting. Robinson asked that Staff send Members another notification prior to the meeting.

Motion made by Brad Farmer to approve and move forward to the Board of Directors for election and approval. Seconded by Tracy Robinson. Approved by unanimous vote of all members present and represented herein. (3-0).

2. Investment Policy

Staff has PFM review the policy annually to ensure that it is still in line with regulations and requirements. Due to Assembly Bill No. 1770 (AB 1770), effective January 1, 2019, revising the California Government Code Section 53601(o), a language change in MPA's policy was required. The language change in the policy, page 7, 16 – Asset Back Securities, gives clarification on specific definition for investments.

Motion made by Mike Chandler to approve and move forward to the Board of Directors for approval. Seconded by Tracy Robinson. Approved by unanimous vote of all members present and represented herein. (3-0).

3. Mid-Year Budget Review

Williamson provided detailed information on the Budget, Target Equity Ratios, General Liability Program Dividend Distribution Consideration, and Estimated Costs for MPA's 1, 3 and 5 Year Goals. Direction was given to change verbiage on the budget and target equity ratios.

Williamson reported that last year MPA received a \$540,000 dividend from ERMA and a \$512,000 dividend from CARMA. Robinson suggested that the money be earmarked to pay for the CalPERS retirement issue. Cox added that it was reported at the January CARMA workshop that there will be another dividend distribution forth coming.

Chandler asked if the dividend distribution topic could be brought back to the April/May Board meetings to allow for further discussion on the total amount of dividends received and potential grant programs created for Members.

As directed by the Board, Staff placed an estimated cost on each goal for: technology, website, human resources, operational, building. Farmer and Robinson both suggested that a sinking fund be created and monies placed in to it each fiscal year to allow for Staff to pull from when there is a high cost for a goal.

Motion made by Tracy Robinson to approve and move forward to the Board of Directors for approval. Seconded by Mike Chandler. Approved by unanimous vote of all members present and represented herein. (3-0).

4. Proposed Changes to MPA's Governing Documents

Staff and coverage counsel reviewed MPA's Bylaws, JPA Agreement and the Memorandum of Coverages.

The proposed changes to the language in each document is primarily cleanup along with a recommendation to change the definition of a claim in the JPA Agreement.

After a lengthy discussion on the verbiage '2/3 vote of the Board' and the 'majority of the full Board' in the JPA Agreement, Staff was asked to get better clarification from coverage counsel and provide it at the next Board of Directors meeting.

Chandler asked for process clarification when changing the JPA Agreement. Cox explained the process: 1) Board of Directors approve Staff's proposed changes, 2) Members take the proposed changes to their city to seek approval from their counsel, 3) Members notify MPA of their approval or suggested edits by May 31st, 4) Staff adds to the June Board meetings agenda to allow for further discussion if necessary and approval.

Motion made by Tracy Robinson to approve the proposed changes to MPA's governing documents and move forward to the Board of Directors for approval. Seconded by Mike Chandler. Approved by unanimous vote of all members present and represented herein. (3-0).

5. Board of Directors Regular Meeting Teleconference

At the direction of the Board, Staff presented options to allow Members to teleconference in to a Board of Directors meeting. Cox read the restrictions: teleconference attendance is to be limited to a specified number of times per year, teleconference attendance must take place at the Member's City location and cannot be at an alternate location, exceptions to teleconference attendance will be allowed to ensure a quorum. The Executive Committee limited the number of times a Member can participate via teleconference to two times per year. Cox said the important meetings that should require attendance in person are the meetings held in January and April.

Motion made by Mike Chandler to approve teleconferencing with the limit restriction and move forward to the Board of Directors for approval. Seconded by Brad Farmer. Approved by unanimous vote of all members present and represented herein. (3-0).

6. Proposed CalPERS Supplemental Income 457 Plan Implementation

CalPERS offers a 457 Plan. MPA would like to implement this plan to allow employees with another investment option. Williamson said that there would be no additional cost to MPA.

Motion made by Brad Farmer to approve the implementation of the 457 Plan and move forward to the Board of Directors for approval. Seconded by Mike Chandler. Approved by unanimous vote of all members present and represented herein. (3-0).

VII. INFORMATIONAL ITEMS

7. Preliminary General Liability and Workers' Compensation Experience Rating Modifications Reports for Fiscal Year 2019-20

Cox discussed the Members' payroll spreadsheet (page 163 of the agenda), pointing out the 10% difference between Fiscal Year 2017-18 to Fiscal Year 2018-19. The inflated payroll numbers affect the premium allocations.

Robinson asked for clarification on what is reported. Williamson said that the DE9 is taxable pay. Workers' Compensation pay is their base salary plus the straight time pay for overtime and certain additional monies such as: standby pay, shift differential and/or on-call are paid on an employee's behalf. The reportable payroll is also based on filled positions not vacant positions. When reporting payroll for premium purposes, it is

important to not include a vacant position if the position will remain vacant for the entire year. Cox added, by doing this it will unnecessarily inflate the Member's premium.

Cox said that she is going to work with Members that have payroll of 5% or higher to assist them with what they should be reporting as payroll to MPA.

8. Municipal Pooling Authority CalPERS Retirement Discussion

Cox reported that in 2009 CalPERS discovered that the City of Pleasant Hill (City) inadvertently allowed Municipal Pooling Authority's (MPA) employees to be members of the City's CalPERS retirement plan, even though the employees were not common law employees of the City.

CalPERS contacted both the City and MPA informing them that the MPA employees could not be a part of the City's retirement plan because they did not meet the common law test for employees and that MPA was in fact a separate public entity. To correct this reporting error, in 2010 CalPERS worked with MPA and the City to separate MPA from the City and enter into a separate retirement agreement with CalPERS.

In October of 2017, Staff was contacted by Andy Nguyen, Assistant Division Chief, Pension Contract Management Services of CalPERS, who informed them that the retirement pension for MPA had been implemented incorrectly in 2010. Mr. Nguyen informed Staff that MPA was an independent entity since inception in 1977 and the employee service credits should have carried over when the MPA retirement program was set up in 2010. Staff requested CalPERS provide any documentation and correspondence that took place during that time. CalPERS provided e-mails and copies of actuarial reports that transpired in 2009 and 2010 between MPA's former Chief Administrative Officer, the City, and a representative from CalPERS.

On November 27, 2018, CalPERS gave Staff all the correspondences and the actuarial valuation report for both MPA and the City that indicated the changes in liability for MPA and the City.

Staff contacted Ms. Isabel Safie of Best, Best & Krieger to seek guidance with the existing employee retirement plan and to determine whether MPA had any recourse regarding the implementation. Ms. Safie indicated that due to the CalPERS definition of employer, MPA should have been treated as a separate entity when formed in 1977 and should not have ever been under the umbrella of the City of Pleasant Hill; therefore, MPA may not have any recourse.

To rectify this situation and avoid any interruption in benefits of MPA employees, MPA needs to amend its retirement contract to include 100% prior service; and execute a Reallocation Agreement with the City.

Doing so will grant CalPERS the authority to transfer all of the assets and liabilities associated to the accrued services for the MPA employees currently misreported under the City.

Cox referred to the chart on page 165 of the agenda packet, wherein it shows the estimated unfunded accrued liability of \$2,085,847, making the funded ratio in June 30, 2017 at 86.1% to July 1, 2019 at 76.4%. Cox stated that if the Authority does nothing to rectify this, it will impact the retirement of its retired employees.

Staff presented to the Executive Committee Resolution No. 2019-01 between the City of Pleasant Hill, MPA and CalPERS to reallocate assets and liabilities within CalPERS retirement plan.

Farmer asked why CalPERS is amortizing the money owed over 20 years instead of 30 years. Past practice was that money owed was amortized over 30 years. Williamson replied that CalPERS is treating this as a new entity and the amortization policy for new entities is 20 years.

After a lengthy discussion, the options on how to pay the unfunded liability are as follows: put \$1M in savings and make payments to CalPERS with the earned interest from the savings or payoff the amount in full to prevent the high interest charges, or create a Section 115 Trust where the money put in the plan only pays towards what it was initially allocated for.

Staff was directed to ask Ms. Safie of Best, Best & Krieger to contact CalPERS and request that MPA not be treated as a new entity and allow for a 30 year amortization.

The Executive Committee directed Staff to bring this back to the April/May Board meetings for further discussion on funding/payment options.

9. Board Conference Attendance and Available Funds

There was no discussion.

10. General Liability and Workers' Compensation Executive Dashboard

There was no discussion.

VIII. MANAGERS' REPORTS

11. General Liability Department – Chang reported that the General Liability Department was able to negotiate a claim settlement and recovered \$195,500 payable to MPA. Staff is also in negotiations with PG&E in the amount of \$20,000.

IX. MEMBERS COMMENTS - None

X. ADJOURNMENT – Meeting was adjourned at 1:37pm