



ITEM 6

Executive Staff

Richard Stensrud
Chief Executive Officer

Steve Davis
Chief Investment Officer

Robert L. Gaumer
General Counsel

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Chief Operations Officer

John W. Gobel, Sr.
Chief Benefits Officer

For Agenda of:
November 7, 2016

November 3, 2016

TO: President and Members
Board of Retirement

FROM: Richard Stensrud
Chief Executive Officer

SUBJECT: 2016 SACRS Fall Conference Voting Items

Recommendation:

1. That your Board endorse the positions recommended by the SACRS Legislative Committee with respect to proposed legislation.
2. That your Board support the receipt and filing of the SACRS financial statements and the minutes from the last SACRS Conference.
3. That your Board designate the Chief Executive Officer as the party authorized to vote on behalf of SCERS on matters presented for a vote of the SACRS membership and consider the appointment of an alternate voting delegate.
4. That your Board authorize the designated SCERS voting delegate(s) to: (a) Vote in accordance with the positions adopted by your Board; (b) Vote on any matters that have not been specifically addressed by your Board in a manner consistent with positions previously expressed by your Board; and (c) Abstain from voting on any matters your Board has not previously addressed and upon which your Board has not shown a strong consensus.

Background:

Attached for your review and consideration is information pertaining to matters that will be submitted for a vote of the membership at the upcoming Fall Conference of the State Association of County Retirement Systems (SACRS).

The substantive action items include two proposals that have been submitted for consideration as SACRS-sponsored legislation for the 2017 legislative session. The SACRS financial statements and the Minutes from the last SACRS Business Meeting will also be presented as 'receive and file' items.

The final attachment is the proposed Voting Proxy form for the SACRS Conference. As you will recall, your Board must select a Voting Delegate and an Alternate Voting Delegate to cast votes on behalf of SCERS at the Conference. Given that it has been the regular practice of your Board to select the Chief Executive Officer to be SCERS' Voting Delegate, the proposed Voting Proxy form contemplates that your Board will wish to do so again for this Conference. If it is your pleasure to appoint someone else as the voting delegate, the form will be modified to reflect that choice. While it is not necessary to select an Alternate Voting Delegate, your Board can do so if you desire. If you choose not to do so, the Alternate will be left blank.

Discussion:

As noted above, two proposals have been submitted for consideration as SACRS-sponsored legislation. As explained below, the SACRS Legislative Committee is recommending that neither proposal be brought forward as SACRS-sponsored legislation.

The first is a proposal submitted by Merced CERA to expand the voting authority of the Alternate Retiree Trustee. Merced's stated rationale for the proposal centers on problems in obtaining a quorum of Trustees eligible to vote, and hence an inability to act. You may recall that last year Merced submitted a legislative request along similar lines. Since the topic of expanding Trustee voting authority had triggered opposition in the past, the Legislative Committee recommended that it not be SACRS-sponsored legislation unless/until it could be confirmed that there was a genuine problem that needed to be solved, and the sources of potential opposition consulted. Before any decisions on those matters had been reached, the state retiree association (CRCEA) stepped forward to sponsor the proposal, and at CRCEA's request it was included in AB 2376.

AB 2376 was ultimately passed by the legislature and signed by the Governor, so ostensibly the problem was solved. Merced contends, however, that the changes made by AB 2376 will not fully address their problems, and hence are requesting that SACRS sponsor a follow-up bill on the topic.

The SACRS Legislative Committee does not support SACRS-sponsorship of the proposal for the following reasons: (1) It is unclear in what way the changes made by AB 2376 are insufficient; (2) It does not appear that other systems with a comparable Board structure to Merced have similar problems. One of the historic criteria for SACRS sponsorship is that the proposal addresses a systems-wide issue or issues. If it is a Merced-only problem then Merced should sponsor the legislation; and (3) If the changes made in AB 2376 were not sufficient, then those concerns should have been addressed when AB 2376 was being considered by the legislature. Legislative leaders do not look kindly on having to take up legislation the next year to fix something that should have been addressed the first time around. Even though SACRS did not sponsor AB 2376, SACRS will become the target of any such unhappiness if it sponsors the 'do over' legislation, which can erode SACRS' limited political capital.

In sum, it appears that Merced's problem essentially boils down to problems getting a quorum, which truly is a Merced-only problem, and not something that generates much sympathy in the Capitol.

The second proposal is submitted by Ventura CERA and seeks to address a problem they have been having in implementing the expanded operating authority they obtained legislatively in 2015.

The Ventura operating authority bill made Ventura CERA the employer of certain specific retirement system positions. When operating authority changes were previously made for the Orange, San Bernardino and Contra Costa retirement systems, there had been no problems in changing the impacted former county employees to retirement system employees. However, Ventura County has not been very cooperative with Ventura CERA in this regard, with one example being the county's intransigence on transferring leave balances for the employees who are shifting employers. The Ventura CERA proposal sought to address this problem by adding it to the list of conversion matters addressed in AB 1853, the systems-wide operating authority bill sponsored last year by SACRS.

Unfortunately, however, as your Board will recall, AB 1853 was vetoed by the Governor, and hence did not become law. Accordingly, the proposal no longer has systems-wide application and rather, has become a Ventura-only proposal. While the Legislative Committee is sympathetic to Ventura CERA's frustrations, consistent with one of the reasons noted above with respect to the Merced proposal, the Legislative Committee believes it is not appropriate for SACRS sponsorship because it does not have systems-wide impact.

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I hope this information is helpful. I will be happy to answer any questions you might have.

Respectfully,

Richard Stensrud
Chief Executive Officer

From: Lina Bernal [<mailto:lbernal@calstrat.com>]
Sent: Monday, September 19, 2016 11:28 AM
Subject: Legislative Proposals for SACRS Sponsorship

Good Morning, SACRS Administrators:

The SACRS Legislative Committee received two proposals for sponsorship of legislation in 2017. The Committee's recommendations and background materials are outlined below and attached. The Committee's recommendations will be on the SACRS Business Meeting agenda on November 11th.

SACRS Legislative Committee Recommendations

Merced #1 – Alternate Retiree Voting. This measure would modify alternate retiree trustee voting rights allowing for the absence of 2 board members at a meeting to provide voting rights to the Alternate Retiree.

Recommendation: The Committee **declined** to recommend this proposal for SACRS sponsorship. The Committee found the proposal would impact a single system, and thus did not meet the criteria for SACRS legislative proposals to have multi-systems benefits or impacts.

Ventura #1 – Transfers of Leave Balances during Implementation of Independent Operating Authority. This proposal would clarify that the leave balances may be transferred for any retirement system employees who shift to BOR employment from county employment during implementation of independent operating authority.

Recommendation: Conditionally Approved. This proposal was approved for sponsorship **IF** the Governor signs AB 1853, which is the current 2016 SACRS-sponsored measure that provides system operating authority. AB 1853 is now pending on the Governor's desk. If the Governor does not sign AB 1853, the Committee's recommendation will be for Ventura to pursue clarification legislation as a single-system effort. The Governor has until September 30th to act upon all 2016 legislation.

Please feel free to contact Jim Lites, SACRS Legislative Consultant, or Richard Stensrud, SACRS Legislative Committee Chairman if you have any questions at all.

Thank you.

Lina

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YEAR 2017 SACRS LEGISLATIVE PLATFORM WORKSHEET

PLEASE COMPLETE AND RETURN BY SEPTEMBER 7, 2016

Title of Issue: Voting Rights of Alternate Retirement Member

Association: Merced County Employees Retirement Association (MCERA)

Contact Person: Angelo Lamas

Phone #: (209) 725-2724

Email #: ALamas@co.merced.ca.us

Please answer the following questions as fully as possible:

1. Description of issue. The passage of AB 1853 added certain voting responsibilities for the Retired Alternate Trustee. However, in the absence of the Alternate Safety Member, these voting responsibilities do not come into play unless two other elected board members are absent as well. Currently Merced CERA does not have an Alternate Safety Board member which caused one meeting to be cancelled due to lack of a quorum.
2. Recommended solution. With the proposed legislative language, the Alternate Retiree Board member would be allowed to vote if the Alternate Safety Member and one other elected board member are absent from a board meeting. With this language, if the Alternate Safety Member were present, that member would have priority over the Alternate Retiree Member and vote for any absent elected board member other than the Retiree Member. If two elected members were absent, both the Alternate Safety and Alternate Retiree Members would be able to vote on board agenda items.
3. Specific language that you would like changed in, or added to, '37 Act Law, and suggested code section numbers. **See underlined and bold amendments to the code below.**

GOVERNMENT CODE - GOV

TITLE 3. GOVERNMENT OF COUNTIES [23000 - 33205]

(Title 3 added by Stats. 1947, Ch. 424.)

DIVISION 4. EMPLOYEES [31000 - 33017]

(Division 4 added by Stats. 1947, Ch. 424.)

PART 3. RETIREMENT SYSTEMS [31200 - 33017]

(Part 3 added by Stats. 1947, Ch. 424.)

CHAPTER 3. County Employees Retirement Law of 1937 [31450 - 31898]

(Chapter 3 added by Stats. 1947, Ch. 424.)

ARTICLE 3. Retirement Board [31520 - 31543]

(Article 3 added by Stats. 1947, Ch. 424.)

31520.5.

(a) Notwithstanding Section 31520.1, in any county subject to Articles 6.8 (commencing with Section 31639) and 7.5 (commencing with Section 31662), the board of retirement may, by majority vote, appoint, from a list of nominees submitted by a recognized retiree organization, an alternate retired member to the office of the eighth member, who shall serve until the expiration of the current term of the current eighth member. Thereafter, the alternate retired member shall be elected separately by the retired members of the association in the same manner and at the same time as the eighth member is elected.

(b) The term of office of the alternate retired member shall run concurrently with the term of office of the eighth member. The alternate retired member shall vote as a member of the board only in the event the **second, third, seventh or eighth member is absent from a board meeting for any cause and if the alternate seventh board member is absent from said meeting. In the event that both alternate seventh safety member and alternate retired member are present at the board meeting and if the second, third, or seventh member is absent, the alternate seventh member shall vote for the absent board member. In the vent that both the alternate safety member and alternate retired member are present at a board meeting and if two or more of the second, third, seventh, or eighth members are absent from a board meeting, both alternate safety member and alternate retired member shall be able to vote for the absent board members.** If there is a vacancy with respect to the eighth member, the alternate retired member shall fill that vacancy for the remainder of the eighth member's term of office.

4. Why should the proposed legislation be sponsored by SACRS rather than by your individual retirement association? With twenty CERL county retirement systems, several other counties have Alternate Retired Board Trustee's. The proposed legislation would give all Alternate Retiree Trustee's enhanced voting rights and more of an active role in the actions taken by the retirement board.
5. Do you anticipate that the proposed legislation would create any major problems, such as conflicting with Proposition 162 or create a problem with any of the other 19 SACRS retirement associations? **NO**
6. Who will support or oppose this proposed change in the law? **CERL Counties Support; No known opposition.**
7. Who will be available from your association to testify before the Legislature? **Scott Johnson**

E-mail or mail your legislative proposals to:

YEAR 2017 SACRS LEGISLATIVE PLATFORM WORKSHEET

PLEASE COMPLETE AND RETURN BY SEPTEMBER 7, 2016

Title of Issue: **Transfer of accrued leave balances**

Association: **Ventura County Employees' Retirement Association (VCERA)**

Contact Person: **Tracy Towner, Board Chair**

Phone #: **805-947-7967**

Fax #:

Please answer the following questions as fully as possible:

1. Description of issue. **See attached #1**
2. Recommended solution. **Amend the 1937 Act to provide clear authorization.**
3. Specific language that you would like changed in, or added to, '37 Act Law, and suggested code section numbers. **See attached #2**
4. Why should the proposed legislation be sponsored by SACRS rather than by your individual retirement association? **To provide clear authority.**
5. Do you anticipate that the proposed legislation would create any major problems, such as conflicting with Proposition 162 or create a problem with any of the other 19 SACRS retirement associations? **No**
6. Who will support or oppose this proposed change in the law? **See attached #3**
7. Who will be available from your association to testify before the Legislature? **Tracy Towner or Art Goulet**

E-mail or mail your legislative proposals to:

Jim Lites
California Strategies & Advocacy, LLC
980 9th Street, Suite 2000
Sacramento, CA 95814
Phone (916) 266-4575
E-mail: jlites@calstrat.com

Attachment to VCERA Legislative Platform

- #1.** When VCERA attempted to implement the provisions of AB 1291 (Williams) and employ certain county employees, the county argued that the transfer of those employees to VCERA constituted a termination of county employment and the county was obligated to pay the employees the cash value of any leave accruals, as required by sec. 227.3 of the Labor Code. VCERA desired to have leave accruals transferred, but the county would not cooperate, citing risk.
- #2.** Assuming AB 1853 is passed and signed into law, amend Government Code sec. 31522.75 (g)(3) by designating the current text as subdivision (A), and adding a new subdivision (B) to read:
- (B) All leave balances accrued by County employees appointed by a board of retirement as retirement system employees under any provision of this Act shall be transferred from the county to the retirement system, including full payment to the retirement system on those balances to the extent not already a financial obligation of the retirement system, and such employees shall not be deemed to have terminated employment under Labor Code section 227.3.
This subdivision is declaratory of existing law.*
- #3.** Supporters: VCERA and any other system exercising the provisions of AB 1853.
Labor Unions.
Opponents (likely): CSAC



SACRS VOTING PROXY FORM

The following are authorized by the Sacramento 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*):

Richard Stensrud _____ Voting Delegate

_____ Alternate Voting Delegate

These delegates were approved by the Retirement Board on November 7, 2016.

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

Signature: _____

Print Name: Richard B. Fowler _____

Position: President _____

Date: November 7, 2016 _____

Please send your system's voting proxy to:

SACRS
Attn: Sulema H. Peterson, SACRS Administrator
1415 L Street, Suite 1000
Sacramento, CA 95814

E-mail: sacrs@sacrs.org