

## Independent Citizens' Pension Committee Meeting Minutes

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Date: August 10, 2023  
Time: 10:30 am  
Location: County Administration Building, County Administrator's Conference Room  
Present: Committee Members - Tony Withington, Pete Vranich, Lilo Kangas, Bill Robotka, John Hadzess  
County Administrator's Office - Christel Querijero, Inez Almaras  
Sonoma County Employees' Retirement Association – Cristina Hess  
Absent: Sonoma County Employees' Retirement Association – Julie Wyne

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### **1. Call to Order:**

Meeting called to order at 10:30 am by Chair.

### **2. Chair Remarks:**

Chair called the roll and no members of the public present.

**3. Public Comment on Matters not on the agenda:** None

### **4. Approval of Agenda:**

The agenda was reviewed and approved as presented.

### **5. County Administrator's Office Updates**

- Christel provided staffing changes and updates re vacancies in key mid-level management roles (Climate and Communications Divisions)
- Committee members had questions about whether recruitments are open to the community or internal. Most are open, with one County department-promotional (applicants must be currently working in the department)
- Chair referenced law enforcement vacancies and noted burnout among staff at the Sheriff's Office due to the amount of mandatory overtime.
- Bill commented that the correctional officers have the highest overtime and the correlation to early retirements due to burnout.
- The Chair also mentioned significant impacts to mental health.
- John shared that the correctional deputies experience 56 hours/week of mandatory overtime, which is dangerous to mental health and detrimental to employees' personal lives.

### **6. Sonoma County Employees' Retirement Association (SCERA) Updates**

- Julie Wyne, CEO, not able to attend. Assistant CEO and SCERA chief legal counsel Cristina Hess present in her place.

- Cristina shared the SCERA Popular Annual Financial Report (PAFR) and pointed to Julie's letter on page 2 as a good summary of report contents.
- There were questions by committee members about how often SCERA trustees are appointed and turnover, when terms are expiring and whether appointments happen automatically. Cristina noted that this information is on the SCERA website, including the makeup of the Board, who are the elected members, and when each trustee's term expires.
- Peter asked whether crypto is allowed as an investment choice. Alternative investments are allowed, but not currently investing in alternatives. He wondered whether there is a guide to interest crediting.
- Cristina shared that there isn't, but suggested Pete attend the upcoming actuary meeting on the 24<sup>th</sup> where more details will be provided and there's an opportunity for Q&A.
- Peter asked about SCERA expenses and whether they were reasonable, comparable to benchmarks. Cristina shared that SCERA is far below the benchmarks on admin costs, far less than the allowable percentage.
- Peter also asked what assumptions can be made if we see growth in average retiree benefits. Cristina explained that higher benefits could be the result of a many factors, including that people are living longer. Assumptions are evaluated every 3 years. The actuary looks at trends, gives SCERA a roadmap. Next year is the next cycle for update on revised assumptions.
- Re average retirement benefits, Lilo asked whether benefits are affected by what's happening in the market. No, they are not, as the County has a defined benefit program.
- Bill noted that there is a lot of information available on the SCERA website that shows what the average benefits are for retirees, but averages are for benefits received for all retirees, not necessarily for retirees at different periods when benefits changed. He commented that the biggest change was when enhanced benefits (legacy) were put into effect. Averages changed significantly.
- Tony added that when the legacy plan was negotiated, top administrative employees were within a few years of retirement, and these were the people who negotiated plan.
- John asked Cristina for information on the median pension benefit, which might be distorted by law enforcement retirees and senior managers. Cristina agreed to send. The information is public information. TW recommended that she bring back that information for open discussions at next meeting.
- Bill requested a break out 3rd tier of pension beneficiaries – safety, legacy, pepra. Preceding legacy. Lower than legacy. 2% at 62? Wanted that to be accurately represented. Many misconceptions of the system
- LK – pensions unheard of in private
- TW – we will be subsidizing 401K plans with food stamps because not enough money in those plans to sustain living into later age. Do you have any information on the bonds and bond payment schedule? POB. Nick.
- Jh – last year, bonds were a good investment because of negative market. Strategic decision made at the board at that time and it turns out to be a good one
- Tw – bonds were a point of contention because county wasn't truthful about the bonds. Last payment 2029. One (last presentation page 14).
- Pete – was a good time to issue bonds.
- Tw- plan was in a lot better shaped.

- Pete – was that all discussed as part of the package?
- Lk – underfunded. Are there adjustments?
- JH – there’s a smoothing factor. 5 year smoothing. Same for losses.
- CQ – in order to have predictable county contributions
- BR – information available on SCERA reports on the website
- JH – longer horizon and investment period.
- CH – next issue is COLA conversation. Doc Julie provided. As we know, no COLA in pension. We administer do not approve benefits. Haven’t been able to recommend cola for years due to interest crediting, but SCERA exploring some policy changes. There’s an ad hoc committee will meet with the County in Oct or Sept.
- TW – issue with someone getting \$200K pension, when people getting \$30K. would it apply to all? It’s too bad that we have to pay for inflated pensions
- BR - Purchasing power exceptions.
- Peter – stratifying recipients. Legislation vs policy change options?
- CH – Travis and Bob Williamson on ad hoc with Coursey. Neil baker also on committee, historian, and legal advisor. Ad hocs report out. 8/24 is next SCERA meeting. Starts at 9.
- LK – can you see agenda ahead of time? Agenda is posted on website.
- Peter – we haven’t been able to recommend cola.... question. conditions need to be met re reserve, etc. Intent might be there but can’t because of policy. Under current structure. “excess earnings COLA” governed by legislation. County chose this option in early 2000s.?
- CH – contingency reserve. After you fill these buckets, 3% of plan assets as reserve, BEFORE can even get to option to recommend.
  - Option is to change 3 to 1% (1 is statutory minimum)
  - Also could be changes to how interests are credited every year. Currently applied to negative reserves
  - Precluded a cola because of the way interest is credit. Grown to insurmountable level.
- TW – reminder will be sent to 8/24 SCERA meeting on the 8/21. Send schedule and link.
- Peter – there hasn’t been a year that the investment.
- JH – does interest crediting to negative balance consistent with GAAP accounting? Across the board colas are almost unheard of at pension plans. Too expensive. Sometimes one-time payment. John left meeting TW acknowledged meeting can continue still have a quorum.
- PV – what’s the scope for that concept of applying the interest rate to a negative value.
- CH – board sets the rate. Board also sets the policy around crediting. Some plans don’t track a negative contingency. Ours does. Lots of policy decisions to be made, but still remain conservative. This is the most movement on change in a long time.
- TW – never was political will by BOS until recent years.
- CH – happy that county is willing to meet with the ad hoc. Invites group to join the 8/24 meeting.
- TW invited both CH & JW to join us at the next ICPC meeting. CQ asked CH about Cola history slide and breakdown on how many people are receiving pension.

Legislative update.

- Divestment bills don't apply to us. Meeting reforms. We have a rule of law policy. Fiduciary duty is to earn the most. In house we have a CIO and IO. AON Townsend investment consultants. They oversee investment managers.
- TW – eg. Apartheid exclusions. Money managers hated because they had to break it out.
- CH – several systems in NY. Divested of fossil fuels. Currently lawsuits filed almost immediately.

### **7. Committee Open session**

- LK – the way the meetings are separated in time, two months. What's the thought between them running that way. Would like to see them be monthly. Then have a longer time off.
- Tw – used to meet monthly, by-laws changed to meet quarterly. 1) takes up staff time. But also, not enough subject matter to do it more often. Mainly get SCERA reports and what's going on legislatively. If there becomes a need. If committee wants to meet more often, quarterly works.
- Peter – there's some boot up, before I get to the next meeting. Also, the cadence of the county and when SCERA takes them up.
- Peter – has the committee ever, one of the drivers of pension is # of employees.
- Employee's contributions returned at treasury interest rate if withdrawn.

### **8. Agenda Items for Next Meeting:**

- SCARE reports including pre-plan popouts
- SCERA Audit Cola Slide deck
- December 7 Meeting: Briefing on CAO SCERA annual report & timing for subcommittee preparation

### **9. Next meeting: December 7, 2023, 10:30 – 12:00 pm**

### **10: Adjournment**