
Profile

John

First Name

Sakowicz

Last Name

Full/Legal Name (if different than name provided above)

Email Address

Street Address

Suite or Apt

City

State

Postal Code

Mailing Address (if Applicable)

Voter Registration Address (if different than street address or mailing address)

Home:

Primary Phone

Mobile:

Alternate Phone

Which Boards would you like to apply for?

Mendocino County Employees' Retirement Association Board: Submitted

BOS-appointed public trustee

Which position, seat, or representational category would you prefer?

Availability to Attend Meetings

- ☒ Night Meetings
☒ Day Meetings

Availability to Attend Meetings (Other)

Interests & Experiences

Special Expertise, Experience, or Interest in This Area?

I am seeking reappointment to the Retirement Board of the Mendocino County Employee Retirement Association (MCERA), for a third term. My relevant experience would necessary include my service on our Retirement Board during the last five years. I have attended and actively participated in every monthly meeting for the last five years. I have not missed a single meeting in five years. In addition to monthly Board meeting, I have been appointed to several committees of the Board. Currently, I serve on the Budget and Audit Committee. In the past, I have served on the Search Committee for MCERA's Pension Administrator, and I have served on the Compensation and Evaluation Committee for the Pension Administrator. See attached for 6/2/17 updated application.

[FINRA_file.pdf](#)

Upload a Resume

[New_Developements_Re_Public_Pensions_-
-Op-Ed_articles.pdf](#)

Upload Additional Supporting Documents

[DOC062017-003.pdf](#)

Upload Additional Supporting Documents

Upload Additional Supporting Documents

Describe your experience as an executive financial manager in a public agency or private enterprise.

A "snapshot" of my FINRA file (attached) demonstrated that I started a career in financial services in 1979 at the country's oldest investment bank, Alex Brown & Sons, upon graduation from the Johns Hopkins University in Baltimore, MD, where I earned my MA and BA degrees. My FINRA file documents the following securities licenses issued by the SEC: Series 7, Series 3, Series 66, and Series 63. As a whole, this is a very comprehensive collection of licenses in the financial services industry. Also, in a 25-year career, I have a clean record -- no sanctions. After leaving Alex Brown, I worked on the floors of the NYMEX and COMEX for Merrill Lynch. I subsequently worked on the floor of the NYSE for Spear Leeds Kellogg, now a division of Goldman Sachs. In 1984, I was recruited to be the vice president and national sales manager for two product areas of Dean Witter Reynolds -- managed futures and precious metals. The legendary Ken Tropin was my boss. In 1988, I co-founded an Elizabethan trust fund in the Cayman Islands. I left in 2000 as a working partner but remained on the Board until 2004. From 2004 to 2006, I worked at the Swiss bank, UBS. All of the above is detailed in the FINRA file. Additionally, I have a working knowledge of shariah-compliant, e-trading platforms for Islamic finance. I also have an interest in digital currency technologies, especially digital watermarks, "blind" watermark algorithms, watermark encryption, and other anti-counterfeiting technologies. . At MCERA, I have earned California Association of Public Retirement Systems (CALAPRS) training certificates earned at the following: Stanford Law School, UC Berkeley's Haas School of Business, and UCLA's Anderson Graduate School of Management. Those certificates are attached. I have also attached proof of AB 134 Ethics in Public Service Training. Finally, I have attached op-eds and scholarly articles I have written about public pension systems.

Describe your expertise in developing, planning, and implementing investment and money strategies.

As noted above, I have 25 years in private sector in developing, planning, and implementing investment and money management strategies, and another five years in the public sector at MCERA. A key interest of mine at MCERA has been exploring the possibility of "pooling" or creating a Joint Powers Authority (JPA), which would enable Mendocino County to join together with other counties that are members of SACRS, so that we could participate in alternative investments that would not otherwise be appropriate because MCERA is such a small system. I am interested in pooling because it is a way for MCERA to both increase returns and reduce its cost structure. In this regard, former MCERA Pension Administrator, Rich White, and I have invited Doug Rose, past- President of SACRS, to speak to our Retirement Board at our December 18 2013 meeting. Mr. Rose is an advocate for pooling. He is also a trustee of the San Diego County Employees Retirement System, where he was also Board Chair. My second investment interest, as noted above, is in the area of alternative investments, especially bank loans, private lending, and mortgages. I am interested in alternative investments, in general, because MCERA's investment coefficient, or alpha, is not ideal. When you plot the efficient frontier of our portfolio, we are not at the "sweet spot". We are not at the sweet spot, because, as the smallest system in the SACRS universe, we are too small to make alternative investments in products like hedge funds, private, equity funds (buyout funds and distressed securities funds), long-short funds, venture capital funds, commodity funds, and other natural resources funds. MCERA is what is called a "long-long system". We are long stocks. We are long bonds. Investing in international stock and bonds funds can mitigate some of that risk, but not all of it. This makes MCERA extremely vulnerable to corrections in global financial markets, like we saw in the 2007--2008 financial crash when our portfolio lost 20-25% of its value. Alternatives help us diversify and manage this risk. Pooling with other counties would help get us into those alternative investments. Finally, I have an an interest in diversifying the MCERA portfolio by making a very limited allocation (1-2% of the total portfolio) in a "community wealth fund" -- investing in Mendocino County itself, i.e. farmland, timberland, water rights, infrastructure, and economic development.

Describe your expertise in the interpretation of executive level financial reports and correspondence.

I am very familiar with financial reports and correspondence as they relate to MCERA. This includes investment reports from Callan Associates, accounting and audit reports from Gallina Public Accountants, legal reports from Hanson Bridgett LLP, and actuarial reports and experience studies from Siegel Actuarial Consulting. I also regularly read reports from the State Association of County Retirement Systems (SACRS). SACRS is an association of 20 California county retirement systems, enacted under the County Employees Retirement Law of 1937. This law chapter, beginning with Section 31450 of the California Government Code, sets forth the policies and regulations governing the actions of these county retirement systems.

Describe your expertise in the human resources and employee benefits arena.

On the Retirement Board, I have served on two personnel committees, as previously noted -- the Search Committee for MCERA's Pension Administrator, and the Compensation and Evaluation Committee which reviewed MCERA's current pension administrator. Also, as a trustee on the Retirement Board, I regularly hear disability retirement applications in closed session. Concerning other human resources and employee benefits experience, in the late-1980s to early-1990s, for personal reasons, I took leaves of absence from my career on Wall Street to serve as executive director of two large AIDS services agencies -- AIDS Project Worcester and the Cape Cod AIDS Council. My job duties routinely involved a wide spectrum of human resources issues. In 1990, I was awarded commendations by the Massachusetts Senate and House of Representatives for "leadership in fighting the AIDS epidemic." I am particularly sensitive to the needs of people with disabilities. I am sensitive to the needs of all county workers and retirees.

Describe how your commitment and willingness to spend the necessary time to work as a Board member has been demonstrated in other experiences.

Public service is what I do. I have served on the Oversight Board of the Successor Agency of the Mendocino County Redevelopment Authority. I was the Board's Vice Chair. I have served three different terms on the Mendocino County Civil Grand Jury. I currently serve on the Board of Directors of Mendocino Environmental Center and KMEC Radio, where I host and produce a radio show with Sid Cooperrider. Guests on our show have included the following: Nobel Laureates in economics; Nobel Peace Prize recipients, Pulitzer Prize recipients in political and financial news reporting; members of Congress and senior staff from Congressional committees; C-level executives from financial services, technology, and telecom; top Wall Street traders, hedge fund managers, and other institutional money managers; retired military leaders, retired intelligence officers and others in the national security industry; leading authors, university professors, and researchers; and leading progressives and activists. Our show's Youtube channel has more than 41,000 subscribers, and we have been supported in part by matching contributions from the Harry Frank Guggenheim Foundation. We have twice been a finalist for fellowships at the Norman Mailer Institute. Additionally, I have taught at the School of Developing Virtue and Instilling Goodness at the City of Ten Thousand Buddhas. I taught AP-level history at both the boys' high school and girls' high school, and I did not accept a salary. Finally, in the past I have served as a court-appointed guardian for indigent people with AIDS. In 2012, I took the civil service exam for the county's deputy public guardian/public administrator. I ranked second in the entire pool of applicants. In conclusion, except for serving on the Board of Superiors, I can think of no greater responsibility than serving on the Retirement Board. We are very close to achieving benchmark returns for our \$444.43 million portfolio. Just as important as managing our assets is the job of managing our Net Pension Liability of \$205.7 million and the Plan's Fiduciary Net Position (as a percentage of the Total Pension Liability) of 67.5%. . As the Mendocino County Board of Supervisors is aware, the Government Accounting Standards Board (GASB) has required all public pension systems to restate its liabilities (GASB Statements No. 67 and 68). That calculation caused MCERA to re-state our unfunded liability upwards from \$166.2 million. The difference from \$205.7 million is significant. While GASB 67 and 68 are only reporting requirements, not funding requirements, the message is clear: The accounting and financial reporting of pensions by states, counties, and cities must become more accurate in reporting the true costs and obligations of public pensions. The changes are designed to improve decision-usefulness, and to increase transparency, consistency, and comparability of pension information across governments.

Certification

Please read the following statements and indicate your acceptance thereof.

I hereby certify that I am a registered voter in the State of California, County of Mendocino, a citizen of the United States, and will be at least 18 years of age at the time of the next election. I am not imprisoned or on parole for the conviction of a felony. I certify under penalty of perjury, under the laws of the State of California, that the information on this application is true and correct. I understand that assuming this public responsibility could result in public knowledge of my background and/or qualifications, including financial interests. Applications will be kept on file for one year.

☒ I Agree *



Financial Industry Regulatory Authority

May 19, 2009

Dear JOHN SAKOWICZ:

Attached is the Snapshot Report that you requested on May 19, 2009. Please disregard the numbering on the pages; it is for internal use only. If you are planning to forward this report, please retain a copy for your records.

For future requests, please complete and submit the Snapshot Report Request Form available on the FINRA Web Site at <http://www.finra.org/snapshot>. A copy of the form is attached for your convenience.

If you need additional assistance, you may contact the Gateway Call Center at 301.590.6500.

Sincerely,

A handwritten signature in black ink, appearing to read "Paraskevoulia Hays". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Paraskevoulia Hays
Associate Director, Registration Management
Registration and Disclosure Department

Notice

CRD® or IARD(SM) Information: This report contains information from the CRD (Central Registration Depository) system, or the IARD system (Investment Advisers Registration Depository), which are operated by FINRA, a national securities association registered under the Securities Exchange Act of 1934. The CRD system primarily contains information submitted on uniform broker-dealer and agent registration forms and certain other information related to registration and licensing. The IARD system primarily contains information submitted on uniform investment adviser and agent registration forms and certain other information related to registration and licensing. The information on Uniform Forms filed with the CRD or IARD is deemed to have been filed with each regulator with which the applicant seeks to be registered or licensed and shall be the joint property of the applicant and such regulators. The compilation constituting the CRD database as a whole is the property of FINRA. Neither FINRA nor a participating regulator warrants or guarantees the accuracy or the completeness of the CRD or IARD information. CRD information consists of reportable and non-reportable information.

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FINRA operates the IARD system as a vendor pursuant to a contract with the Securities and Exchange Commission and undertakings with NASAA and participating state regulators.

Reportable Information: Information that is required to be reported on the current version of the uniform registration forms.

Non-Reportable Information: Information that is not currently reportable on a uniform registration form. Information typically is not reportable because it is out-of-date; it was reported in error; or some change occurred either in the disposition of the underlying event after it was reported or in the question on the form that elicited the information. Although not currently reportable, this information was once reported on a uniform form and, consequently, may have become a state record. Users of this information should recognize that filers have no obligation to update non-reportable data; accordingly, it may not reflect changes that have occurred since it was reported.

Details for Request#: 6017901
Report: Snapshot - Individual
Requested By: MZ

<u>Parameter Name</u>	<u>Value</u>
Request by CRD # or SSN:	CRD #
Individual CRD # or SSN	871589
Include Personal Information?	No
Include All Registrations with Employments:	Both Current and Previous Employments
Include All Registrations for Current and/or Previous Employments with:	All Regulators
Include Professional Designations?	Yes
Include Employment History?	Yes
Include Other Business	Yes
Include Exam Information?	Yes
Include Continuing Education Information? (CRD Only)	Yes
Include Filing History? (CRD Only)	Yes
Include Current Reportable Disclosure Information?	Yes
Include Regulator Archive and Z Record Information? (CRD Only)	No
Is this a Pre-Registration Report Request? (CRD Only)	No

Individual 871589 - SAKOWICZ JR, JOHN JOSEPH

Administrative Information**Composite Information**

Full Legal Name SAKOWICZ JR, JOHN JOSEPH

Year of Birth 1952

State of Residence CA

Active Employments <<No Current Active Employments found for this Individual.>>

Reportable Disclosures? The specified individual has no disclosure that qualifies for reporting under this section (i.e., disclosure required to be reported on Form U-4 or Form U-5). Regulatory and Broker/Dealer Users: Please note that there are three types of disclosure in Web CRD: Reportable, Legacy and Archive disclosure. An individual with no reportable disclosure may or may not have Legacy or Archive disclosure. Investment Adviser Users: Please note that IARD does not include Legacy disclosure. Information reported on previous form filings through IARD is available under Filing History.

Statutory Disqualification? BLNK

Registered With Multiple Firms? No

Material Difference in Disclosure? No

Registrations with Current Employer(s)

<<No Registrations with Current Employer(s) found for this Individual.>>

Registrations with Previous Employer(s)

From 12/27/2004 To 03/31/2006 UBS FINANCIAL SERVICES INC.(8174)

Reason for Termination Other

Termination Comment REGISTRATION NO LONGER REQUIRED. EMPLOYEE ON LEAVE OF ABSENCE.

Regulator	Registration Category	Status Date	Registration Status	Approval Date
AMEX	GS	03/31/2006	T_NOREG	
ARCA	GS	03/31/2006	T_NOREG	
CA	AG	03/31/2006	T_NOREG	
CA	RA	03/31/2006	T_NOREG	
CBOE	GS	03/31/2006	T_NOREG	
FINRA	GS	03/31/2006	T_NOREG	
NJ	AG	03/31/2006	T_NOREG	
NYSE	GS	03/31/2006	T_NOREG	
PHLX	GS	03/31/2006	T_NOREG	

Professional Designations

<<No Professional Designations found for this Individual.>>

CRD® or IARD(SM) System Current As Of: 05/18/2009

Snapshot - Individual

CRD® or IARD(SM) System Report provided to: FINRA

Request Submitted: 5/19/2009 10:44:26 AM

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Individual 871589 - SAKOWICZ JR, JOHN JOSEPH

Administrative Information

Employment History

From	12/2004	To	Present	Name	UBS FINANCIAL SERVICES INC	Location		Investment Related	Yes
From	01/2000	To	08/2004	Name		Location		Position	
From	06/1988	To	07/2004	Name	BATTLE MOUNTAIN RESEARCH GROUP	Location	GRAND CAYMAN, CAYMAN ISLANDS	Position	PARTNER
				Investment Related	Yes				

Office of Employment History

From 12/2004 To 03/2006
Name UBS FINANCIAL SERVICES INC.(8174)

Independent Contractor

Office of Employment Address

CRD Branch#	NYSE Branch Code#	Firm Billing Code	Registered Location?	Private Residence?	Address Start Date	Address End Date	Type of Office
		2004K	No	No	12/27/2004	03/31/2006	Located At
Address	6570 OAKMONT DRIVE SANTA ROSA, CA 95409 USA						

Other Business

<<No Other Business found for this Individual.>>

Examination Information

Exam	Status	Status Date	Exam Date	Grade	Score	Window Dates
S3	EXPIRED	4/15/1986			0	-
S66	EXPIRED	7/1/2005				3/2/2005-6/30/2005
S63	OFFICIAL_RESULT	11/16/1979	11/16/1979	PASSED	90	-
S7	OFFICIAL_RESULT	9/15/1979	9/15/1979	PASSED	220	-
S7	EXPIRED	7/1/2005				3/2/2005-6/30/2005

CRD® or IARD(SM) System Current As Of: 05/18/2009

Snapshot - Individual

CRD® or IARD(SM) System Report provided to: FINRA

Request Submitted: 5/19/2009 10:44:26 AM

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Individual 871589 - SAKOWICZ JR, JOHN JOSEPH

Reportable Events

<<No Reportable Events found for this Individual.>>

CERTIFICATE OF APPOINTMENT AND OATH OF OFFICE

FILED

JAN 30 2012

SUSAN M. RANOGAJAK
MENDOCINO COUNTY CLERK
Deputy

STATE OF CALIFORNIA)
)
County of Mendocino)

ss.

I, Carmel J. Angelo, Clerk of the Board of Supervisors of said County of Mendocino, hereby certify that at a regular meeting of said Board of Supervisors, held in Ukiah, of said County, on the 23rd day of January, 2012, JOHN SAKOWICZ was appointed to the Retirement Board as the 4th Member- term to expire 1/2015, as appears in the records of said Board of Supervisors now in my custody.

IN WITNESS WHEREOF, I hereunto affix my hand and Seal of said Board of Supervisors, this 26th day of January, 2012.

Carmel J. Angelo, Clerk

By

Deputy

STATE OF CALIFORNIA)
)
County of Mendocino)

ss.

I, John Sakowicz, solemnly swear (or affirm) that I will support and defend the Constitution of the United States and the Constitution of the State of California against all enemies, foreign and domestic; that I will bear true faith and allegiance to the Constitution of the United States and Constitution of the State of California; that I take this obligation freely, without any mental reservation or purpose of evasion; and that I will well and faithfully discharge the duties upon which I am about to enter.

Appointee Signature

Subscribed and sworn to before me, this 30th day of JANUARY, 2012, by JOHN SAKOWICZ, proved to me on the basis of satisfactory evidence to be the person who appeared before me.

CARMEL J. ANGELO
Clerk of the Board of Supervisors

By: Kristine Lander (Seal)
Deputy

CERTIFICATE OF APPOINTMENT AND OATH OF OFFICE

FILED

APR 11 2012

STATE OF CALIFORNIA)

ss.

County of Mendocino)

SUSAN M. RANOGAJAK
MENDOCINO COUNTY CLERK
By: [Signature] Deputy

I, Carmel J. Angelo, Clerk of the Board of Supervisors of said County of Mendocino, hereby certify that at a regular meeting of said Board of Supervisors, held in Ukiah, of said County, on the 10th day of April, 2012, JOHN SAKOWICZ was appointed to the Oversight Board of the Mendocino County Redevelopment Successor Agency as a Public Appointee (Category No. 6) - term to expire, as appears in the records of said Board of Supervisors now in my custody.

IN WITNESS WHEREOF, I hereunto affix my hand and Seal of said Board of Supervisors, this 11th day of April, 2012.

Carmel J. Angelo, Clerk

By: [Signature]

Deputy

STATE OF CALIFORNIA)

ss.

County of Mendocino)

I, John Sakowicz, solemnly swear (or affirm) that I will support and defend the Constitution of the United States and the Constitution of the State of California against all enemies, foreign and domestic; that I will bear true faith and allegiance to the Constitution of the United States and Constitution of the State of California; that I take this obligation freely, without any mental reservation or purpose of evasion; and that I will well and faithfully discharge the duties upon which I am about to enter.

[Signature]
Appointee Signature

Subscribed and sworn to before me, this 11th day of April, 2012, by John Sakowicz, proved to me on the basis of satisfactory evidence to be the person who appeared before me.

CARMEL J. ANGELO
Clerk of the Board of Supervisors

By: [Signature] (Seal)
Deputy

Judy Zeller - Fwd: scanning documents

From: Judy Zeller
Subject: Fwd: scanning documents

IS PENSION REFORM LEGAL? CA SUPREME COURT TAKES UP THE ISSUE.

November 29, 2016

On November 22, 2016, the California Supreme Court unanimously granted the petition for review of the Court of Appeal decision in *Marin Ass'n of Public Employees v. Marin County Employees' Retirement Association* (Case No. S237460)

The recent decision by the California Supreme Court to hear the Marin County pension reform case will finally and conclusively decide whether future public employee pension benefits by current government workers across California can be cut.

In August, the California's 1st District Court of Appeal in San Francisco ruled that the California Legislature can indeed trim public employee retirement benefits for workers who are still on the job.

The appellate court's decision this summer was unanimous, and it was sweeping in its implications for meaningful pension reform. It rejected the widely held assumption that benefits cannot be reduced once employees start working. That constraint has hindered attempts statewide, and in charter cities such as in San Jose, to meaningfully stem soaring taxpayer costs for pensions.

The three-justice appellate court panel concluded, "So long as the Legislature's modifications do not deprive the employee of a 'reasonable' pension, there is no constitutional violation" of government workers' rights."

Union lawyers disagreed and appealed to the Supreme Court, and so, here we are today. The Supreme Court took the case.

Here's some background.

The appellate court decision came in a Marin County case pertaining to pension spiking, the inflation of workers' final salaries on which the retirement payment calculations are based. The case stems from 2012 legislation passed to correct a gaping loophole that was exposed in Gov. Jerry Brown's proposed pension plan.

The appellate court decision affects similar spiking lawsuits in Contra Costa, Alameda and Merced counties. But, much more significantly, the decision might allow alteration of underlying pension formulas statewide.

Understanding these complex formulas is difficult. Critics allege that benefits formulas and actuarial calculations are deliberately designed to be incomprehensible, so as to thwart pension reform. Pensions are barely understood by legislators, much less the average citizen.

The bottom line?

The cost of the extra benefits and the failure to properly set aside funds to later pay the benefits has left California taxpayers with hundreds of billions of dollars of debt — what the appellate court called "the alarming state of unfunded public pension liabilities."

So, why not roll back to the old formula for employees' future years of work? Because it would be unfair to cut benefits for the work employees have already put in. Hence, the issue before the California Supreme Court will be whether pension accruals for future labor could be reduced to

more affordable levels.

But the state Supreme Court ruled more than two decades ago that future accruals are promises that government cannot impair without violating the contract clauses of the state and federal constitutions. Essentially, workers' pension formulas can be increased during their working years but never decreased.

It has been dubbed the "California Rule," what University of Minnesota law professor Amy Monahan calls "one of the most protective legal approaches for public employee pension benefits of any state in the country."

Some experts have questioned the legal foundation of the California Rule and suggested the state Supreme Court should revisit it. The Court of Appeal in the Marin case just teed up that issue.

"While a public employee does have a 'vested right' to a pension, that right is only to a 'reasonable' pension — not an immutable entitlement to the most optimal formula of calculating the pension," wrote Associate Justice James Richman.

The decision upholds pension-law changes passed on the last day of the legislative session in 2012. At the time, Gov. was pressing to control pension costs.

But details of his plan were kept secret until the last moment. On the eve of the vote, it was reported that Brown's package had a loophole that would increase pension-spiking opportunities.

A last-minute scramble for corrective legislation produced AB 197, authored by then-Assemblywoman Joan Buchanan, D-Alamo. The bill, affecting 20 county-level pension systems across California, limited the pay items that could be counted as compensation when calculating public employees' pensions.

The Marin Association of Public Employees sued, claiming that, under the California Rule, historical pension spiking could not be stopped unless employees' losses were offset by comparable new compensation.

The appellate court disagreed. "Short of actual abolition, a radical reduction of benefits, or a fiscally unjustifiable increase in employee contributions," changes can be made up until the time the worker retires.

If appellate decision is upheld, it would dramatically improve the chances for significant pension reform in California.

Who are the plaintiffs? The plaintiffs — the Marin Association of Public Employees; the Marin County Management Employees Association ; Service Employees International Union 1021; and the Marin County Fire Department Firefighters' Association.

"If the Supreme Court were to uphold the rationale of the Court of Appeal, I think it would be a significant break in what everybody has understood the vested right law to be," said Gregg Adam, one of the plaintiffs' attorneys back in August.

On the other hand, Jody Morales of Lucas Valley, founder of Marin's Citizens for Sustainable Pension Plans, said, "The ultimate decision could be among the most important decisions made by the court this decade or even for this generation given the mind-boggling expansion of pension debt."

The Marin County Employees' Retirement Association has an unfunded pension liability of \$402.8 million; the county of Marin's share amounts to \$243.6 million. The appellate court noted in its decision that in May 2011 the Congressional Budget Office estimated California's unfunded liabilities at between \$2 trillion and \$3 trillion.

Per new, more easily understood, government accounting standards -- GASB 67 and 68 -- Mendocino County's own unfunded liability is now pegged at \$205.7 million, up from the pre-GASB 67 calculation of \$182.2 million.

See my op-ed dated November 3, which is found below.

John Sakowicz
Ukiah, CA

Disclaimer: Although I am a member of the Retirement Board, I do not speak on their behalf. The opinions expressed in this article are mine alone. I speak as a private citizen only.

PENSION FACTS

November 3, 2016

At the Wednesday, November 2, meeting of Mendocino County's Retirement Board, the issue of GASB 67 loomed large. Generally, GASB 67 and 68 are a subject of considerable "fear and loathing" in the public pension world, because they "true up" our liabilities. The old standards hid the truth about our pension liabilities. They allowed us to kick the can down the road.

But before we dispel the myths and misinformation, along with all the fear-mongering surrounding GASB 67 and 68, let's look at key takeaways from Wednesday's meeting with our actuary at the Mendocino County Employee Retirement Association (MCERA) -- Segal Consulting.

The two key components of the Net Pension Liability of MCERA were reported by Segal to be as follows:

- The Association's Net Pension Liability (NPL) as a result of GASB 67 jumps to \$205.7 million in 2016 from \$166.2 million in 2015.
- The Plan's Fiduciary Net Position as a percentage of the Total Pension Liability as a result of GASB 67 drops to 67.5% in 2016 from 72.8% in 2015.

Additionally, in a separate report by Segal called the "Valuation Report", MCERA's unfunded actuarial accrued liability (UAAL) as of June 30, 2015, was \$182.2 million. In this year's valuation, the UAAL has increased to \$185.3 million. That's not good.

Think about it. \$205.7 million is a lot of money to owe our pension plan..Think about the 67.5% funding status, too. The glass is only two thirds full.

What is GASB?

Governmental Accounting Standards Board (GASB) is an independent, non-profit, non-governmental regulatory body charged with setting authoritative standards of accounting and financial reporting for state and local governments, including school employers. GASB accounting standards are the primary source of Generally Accepted Accounting Principles for state and local governments, including the Mendocino County Employee Retirement Association (MCERA).

What are GASB 67 and 68 and why are they important?

Statements No. 67 and 68 may be the most significant change to pension accounting standards in about 20 years. Statement No. 67 replaces the requirements of GASB Statement No. 25 and specifically affects pension plans like the Mendocino County Employee Retirement Association (MCERA). Statement No. 68 replaces GASB Statement No. 27 and applies to employers who participate in pension plans, as well as entities that make contributions to pension plans, but are not actually employers.

The most significant impact of GASB 67 and 68 is that they change the way the liability for pensions is calculated and require employers like Mendocino County to recognize a portion of the liability in their financial statements. Under the new standards, the Net Pension Liability

recognized by employers could be very significant, affecting their credit ratings and ability to issue debt. For a small county like Mendocino with a credit rating that is recovering from near junk bond status, GASB 67 and 68's impact is significant.

Do GASB 67 and 68 establish requirements for how governments should fund their pensions?

No, the new reporting standards break the link between actuarial funding and financial accounting for pensions. Previous GASB standards required pension plans to calculate the annual required contribution (ARC) and report payments toward the ARC. This measured the plan's funding of the pension obligation. The new standards consider only how plans and employers account for and report pension costs.

How is the pension liability calculated differently under GASB 67 and 68 as compared to the previous standards?

The Unfunded Actuarial Accrued Liability (UUAL) was the pension liability calculated under the old standards. The UAAL was disclosed in the notes to MCERA financial statements, but it was not recorded in the MCERA statement of net position. The UAAL was similar to the Unfunded Actuarial Obligation in MCERA funding actuarial valuations. The Net Pension Liability (NPL) is the pension liability calculated under the new standards. The NPL is calculated for MCERA's plan as a whole.

GASB 67 and 68 (new standards)	GASB 25 and 27 (old standards)
Total Pension Liability (TPL) Less: Fiduciary Net Position	Actuarial Accrued Liability (AAL) Less: Actuarial Value of Assets (AVA)
Net Pension Liability (NPL)	Unfunded Actuarial Accrued Liability (UAAL)

One significant change is that the new standards require the use of a 20-year municipal bond rate to discount future benefit payments past the point where our net assets are exhausted. Discounting future cash flows to their present value is a widely used practice in the actuarial field, accounting, and finance that accounts for the time value of money and allows the measurement of future cash flows in today's dollars. The rate used to discount future cash flows to their present value is called the discount rate. There is an inverse relationship between the discount rate and the liability. In other words, the higher the discount rate used, the smaller the liability.

Under the previous standards the discount rate was equal to the assumed rate of future investment returns. Under the new standards, the assumed rate of return on investments can only be used up to the point in the future where MCERA has assets to pay benefits. After the point at which net assets are exhausted, a 20-year municipal bond rate must be used to discount future benefit payments. The 20-year municipal bond rate may be much lower than the assumed investment rate of return. For example, MCERA's assumed investment rate of return for the plan was 7.25 per cent as of June 30, 2014. However, the 20-year Bond Municipal General Obligation Index from the benchmark -- Bondbuyer.com -- a yield of 4.29 per cent at the same date.

The single discount rate that combines the assumed investment rate of return with the 20-year municipal bond rate is referred to as a blended discount rate. If the 20-year municipal bond rate is lower than the assumed investment rate of return and a blended discount rate is required, then the blended discount rate will be lower than the assumed investment rate of return. Benefit payments are projected more than 30 years into the future, so small changes in the discount rate can have a large impact on the pension liability.

In addition to the change in the guidance on the discount rate, the calculation of the NPL uses the market value of assets instead of the actuarial value of assets. The actuarial value of assets smoothed investment gains and losses over three years, whereas the investment gains and losses are recognized immediately in the market values of assets. The market value of assets is more volatile than the smoothed actuarial value of assets; therefore, it makes the NPL more volatile than the UAAL.

What does all this mean?

It simple. The county and its workers must increase their contributions to MCERA.

The Retirement Board can force this by dropping its target rate of return from 7.25 per cent. But dropping it too much would bankrupt the county. The drop must be incremental. It must happen slowly over time. And it must be a prudent decision informed by our actuaries, auditors, investment consultant, and legal counsel. Killing the goose that lays the golden egg -- bankrupting the county -- is not in the best interests of the county, its workers, retirees, or taxpayers.

To that end, the Retirement Board directed MCERA staff at the Wednesday meeting to prepare an informational report about the impact of dropping the target rate by 25 basis point increments up to 100 basis points -- in other words, a full 1 per cent. We did not ask for a recommendation from staff. We asked only for an informational report. As fiduciaries, the Retirement Board would require an "experience study" from Segal for any recommendation regarding target rates on which we might act.

What could impact of our future experience on contribution rates? Would would be contained in an experience study by Segal?

Future contribution requirements may differ from those determined in the valuation because of the following:

- difference between actual experience and anticipated experience;
- changes in actuarial assumptions or methods;
- changes in statutory provisions; and
- difference between the contribution rates determined by the valuation and those adopted by the Retirement Board.

Finally, there's something else. It's important. Very important.

We know that the county probably cannot afford both salary raises for workers *and* increased contributions to the retirement system. One, yes. But not both. We just don't have the money. County tax revenues are flat. Meanwhile, health and retirement costs for county workers are escalating sharply.

For all of the reasons discussed above, when entering into labor negotiations in the upcoming year, the county and its workers must decide which they prefer -- an increasingly expensive defined benefits pension plan or higher wages.

We can afford one. But not both. We've hit the wall.

John Sakowicz
Ukiah, CA

Disclaimer: Although I am a member of the Retirement Board, I do not speak on their behalf. The opinions expressed in this article are mine alone. I speak as a private citizen only.

Mendocino County Boards & Commissions

COUNTY OF MENDOCINO
BOARD OF SUPERVISORS

Profile

2017 JUN 2 PM 4 04

John

First Name

Sakowicz

Last Name

EXECUTIVE OFFICE

PER _____

UKIAH, CALIFORNIA

Full/Legal Name (if different than name provided above)

Email Address

Street Address

Suite or Apt

City

State

Postal Code

Mailing Address (if Applicable)

Voter Registration Address (if different than street address or mailing address)

Primary Phone

Alternate Phone

Which Boards would you like to apply for?

Retirement Board - 6th

Which position, seat, or representational category would you prefer?

Availability to Attend Meetings

- ☒ Night Meetings
☒ Day Meetings
☐ Ukiah Only
☐ Other (Please Specify Below)

Please read the following statements and indicate your acceptance thereof.

I hereby certify that I am a registered voter in the State of California, County of Mendocino, a citizen of the United States, and will be at least 18 years of age at the time of the next election. I am not imprisoned or on parole for the conviction of a felony. I certify under penalty of perjury, under the laws of the State of California, that the information on this application is true and correct. I understand that assuming this public responsibility could result in public knowledge of my background and/or qualifications, including financial interests. Applications will be kept on file for one year.

☒ I Agree *

Describe your expertise in developing, planning, and implementing investment and money strategies. *

Served 5 years on Retirement Board without an absence. Served on Audit ~~and~~ and Budget Committee, Compensation Committee

Question applies to Mendocino County Employees' Retirement Association Board.

Describe your expertise in the interpretation of executive level financial reports and correspondence. *

level of expertise on public pension system is "expert", fully trained by CAAPRS up to and including advanced workshops.

Question applies to Mendocino County Employees' Retirement Association Board.

Describe your expertise in the human resources and employee benefits arena. *

advanced training - see attachments

Question applies to Mendocino County Employees' Retirement Association Board.

Describe how your commitment and willingness to spend the necessary time to work as a Board member has been demonstrated in other experiences. *

completely committed as a fiduciary to ~~the~~ MCERA for the sole benefit of beneficiaries as proscribed by law.

Certification see attachments

Please read the following statements and indicate your acceptance thereof. *

☒ I Agree *

Withdraw (/boards/forms/69/apply/428197?code=615cf14c-a449-469e-a20a-0e5eda1f84ab) Submit

View as PDF/Print (/boards/forms/69/apply/428197.pdf?code=615cf14c-a449-469e-a20a-0e5eda1f84ab&no_redaction=true)

Save for later (/boards/apply/428197/save_for_later)

Was recommended for reappointment to the Retirement Board in February, 2017 by Retirement Board chair (past) Randy Goodman.

PROCLAMATION

OF THE

MENDOCINO COUNTY BOARD OF RETIREMENT

HONORING JOHN SAKOWICZ FOR HIS SERVICE TO THE MENDOCINO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

WHEREAS, John has been a distinguished member of the Retirement Board since his appointment to the board by the Board of Supervisors on January 23, 2012; and

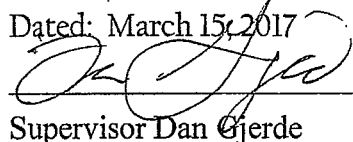
WHEREAS, John has served as a dedicated and valuable trustee with a strong commitment to education and training, completing the Principles of Pension Management for Trustees held at the Stanford University Law School, the Public Pension Investment Management Program held at the UC Berkeley Haas School of Business, and the Advanced Principles of Pension Management for Trustees held at the UCLA Anderson School of Management; and

WHEREAS, John has helped the Retirement Board make many important decisions regarding operational and financial issues facing the Retirement Association, while focusing on being a prudent fiduciary; and

WHEREAS, John's contributions include serving on the Audit and Budget Committee, successful implementation of a pension automaton system, imaging system, and member self-service website, implementation of the Strategic Plan including policy development, review, and adoption, and successful completion of an Internal Revenue Service Voluntary Correction Plan with subsequent favorable determination letters for 2014 and 2016.

NOW, THEREFORE, BE IT RESOLVED, that the Mendocino County Board of Retirement recognizes and honors John Sakowicz for his years of service, and expresses sincere appreciation for his dedication and commitment to the Mendocino County Employees' Retirement Association and its Board of Retirement. John is wished all the best in his next endeavor.

Dated: March 15, 2017



Supervisor Dan Gjerde

Board of Retirement Chairman

UNIVERSITY OF CALIFORNIA, LOS ANGELES
THE JOHN E. ANDERSON GRADUATE SCHOOL OF MANAGEMENT

HEREBY AWARDS THIS CERTIFICATE TO

John Sakowicz

FOR COMPLETION OF THE

*Advanced Principles of
Pension Management for Trustees*

January 28 - 30, 2015

He Oswald

Professor Alfred E. Osborne, Jr.
Faculty Director
UCLA Anderson School of Management

Ken Glavin

Senior Partner
Administrator
CALAPRS

CALAPRS
EDUCATION • COMMUNICATION • NETWORKING
FOR LEADERS IN CALIFORNIA AND THE WORLD

UCLAAnderson
EXECUTIVE EDUCATION



UNIVERSITY OF CALIFORNIA BERKELEY
Center for Executive Education

This is to confirm that

John Sakowicz

has successfully completed



Public Pension Investment Management Program

July 28-31, 2013

certificate of completion

center for
UC Berkeley
executive education

University of California
Berkeley
Haas School of Business

A handwritten signature in dark ink, appearing to read "Derek Dean".

Derek Dean, CEO
UC Berkeley Center for Executive Education
Haas School of Business

CALAPRS

EDUCATION • COMMUNICATION • NETWORKING
California Association of Public Retirement Systems

RECOGNIZES

John Sakowicz

Mendocino County Employees' Retirement Association

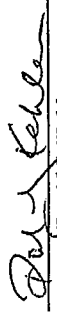
UPON COMPLETION OF THE COURSE IN

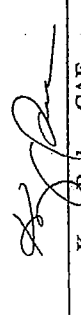
PRINCIPLES OF PENSION MANAGEMENT FOR TRUSTEES

HELD AT

STANFORD LAW SCHOOL

PRESENTED ON MARCH 30, 2012


David J. Kehler
Course Dean


Kerry Parker, CAE
Administrator

JANUARY 1995

THE NEW YEAR HOLDS MANY

EXCITING CHALLENGES
FOR TEAM. WE'LL BE
STRENGTHENING EXISTING
PROJECTS AND EXPANDING
INTO SOME NEW AREAS.
NEW FACES AND NEW IDEAS
WILL BRING RENEWED
ENERGY AND ENTHUSIASM
TO TEAM AS VOLUNTEERS
AND STAFF WORK TO REALIZE
SOME AMBITIOUS GOALS.

John Sakowicz

"I am done with great things
and big plans, great institutions
and big success. I am for those
tiny, invisible loving human forces
that work from individual to
individual, creeping through the
crannies of the world like
many rootlets, or like the
capillary oozing of water, which,
if given time, will rend the
hardest monuments of pride."

—William James

NEW TEAM DIRECTOR COMES ABOARD IN 1995



JOHN SAKOWICZ

After an extensive national search, TEAM Fort Collins begins 1995 with a new director. He is John Sakowicz of Colorado Springs. John will provide leadership and direction to TEAM's Executive Committee, Leadership Council, staff and volunteers, and is responsible for the overall management of TEAM, including the administration of current grants and contracts, the development of new funding sources, the creation of new collaborative partnerships, marketing and promotional efforts, and the generation of corporate sponsorships and in-kind gifts.

John's leadership and management skills have been demonstrated in both the private and non-profit sectors. John is a former national sales manager of precious metals and managed futures at Dean Witter Reynolds. He has also worked in floor operations on both the New York Stock Exchange and the New York Commodities Exchange. In 1986, he left Wall Street when a friend died of AIDS, and co-founded and directed a residential program for people with AIDS in Massachusetts. He later directed AIDS Project Worcester, the second largest AIDS services agency in New England, for which he was awarded commendations from both the Massachusetts Senate and House of Representatives.

Most recently, John has consulted as a grant writer for a variety of non-profits, and as a political fund-raiser. He is also a director of Battle Mountain Research Group which is contracting to be a broker of intellectual properties for the Russian Academies of Science. John is joined in this venture with a number of prominent politicians and investment bankers. John is a graduate of the Johns Hopkins University. He and his wife have four daughters.

John begins as TEAM Director with a strong belief that non-profits and the diverse communities that they serve must work together. "I have seen too many turf wars that have resulted in lose-lose situations," he says.

"I see my job as growing the funding pie for everyone. I have a long track record of getting projects funded as a grant writer. What projects were too discretionary or innovative to be funded by grants or contracts. I got funded by soliciting major gifts. My Rolodex is thick with government, foundation, corporate and personal contacts from many years of relationship building. That Rolodex now belongs to Fort Collins.

"I want to work not just for TEAM and the United Way, but for all of our partners."