

◆MENDOCINO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION◆
BOARD OF RETIREMENT MEETING MINUTES
◆APRIL 20, 2011 AT 8:30 A.M.◆

1) CALL TO ORDER

Bob Mirata, Board Chairman, called the meeting to order at 8:30 A.M.

Roll call was conducted with the following members present: Shari Schapmire, Randy Goodman, Don Coursey, Ted Stephens, Lloyd Weer, Bob Mirata, Kendall Smith, and Craig Walker. Also present: Jim Andersen, Retirement Administrator and Judy Zeller, Clerk to the Board. Absent: Dennis Huey and Tim Knudsen.

2) APPROVAL OF MINUTES

Upon motion by Trustee Smith, seconded by Trustee Weer; IT IS ORDERED that the minutes of the March 16, 2011 Board meeting are approved. The motion carried unanimously.

3) PUBLIC COMMENT: John Sakowicz thanked the Board for all of its hard work.

4) DISCUSSION AND POSSIBLE ACTION REGARDING RETIREMENT ADMINISTRATOR'S REPORT

- a) Withdrawal of Contributions by Terminating Employees.
- b) Billings for Fees and Services.
- c) Presentation of Administrator's Report.

Presenter/s: Judy Zeller reported withdrawals of contributions, new retirees, and retiree deaths. Jim Andersen referenced written reports previously distributed to the Board.

Financial

1) The June 30, 2010 actuarial report and rates, along with findings and recommendations from the EFI actuarial audit were presented to the Board of Supervisors on March 22nd. The Board of Supervisors approved the rates, and expressed interest in a joint meeting with the Board of Retirement as we approach the 2009-11 experience study and June 30, 2011 valuation report.

2) Jim Sligh, CPA, was asked about realized gains, losses, dividends and interest that are considered income to MCERA, but are automatically reinvested into the respective funds during our most recent audit. Mr. Sligh recommended that we begin recognizing all realized income, whether reinvested or received as cash, reflect it in MCERA's financial statements, and consider that income when posting to reserves. The March 2011 statement reflects reinvested income from the current fiscal year and so will each month going forward.

3) The RFP for a financial auditor was released on April 1, 2011. Potential proposers have until May 6th to submit a proposal.

Outreach

1) The R.V. Kuhns report was shared and discussed. The complete report can be viewed on our website www.co.mendocino.ca.us/retirement. See Public Fund Universe Analysis as of December 31, 2010.

2) A second meeting including the Retirement Administrator, Supervisor Smith, the CEO, County Counsel, and Human Resources was held regarding retirement issues. The primary discussion was the need to review historical documents to determine, where required under the 1937 Act, if authorization was received and documented to support current benefits and practices of the retirement system. County Counsel will take the lead on this issue.

Retiree Health Care

1) The remaining balance of the Retiree Health Insurance reserve is \$658,654.00. This amount will be requested by HR and used to offset County contributions to retiree health care in early July 2011.

Miscellaneous

1) Christie O'Ferrall has been selected for the position of Retirement Specialist I (trainee) and will begin in May.

Board Action: Motion was made by Trustee Schapmire, to approve the Administrator's report. Trustee Goodman seconded the motion and it was approved unanimously. The Board directed staff to proceed with the scheduling of a joint meeting at the most valuable time.

5) INVESTMENTS/FINANCIALS

Presenter/s: Jim Andersen referenced written reports distributed to the Board, including the preliminary and final March 2011 financial reports. Our total market value of all assets for March was \$353 million.

6) DISCUSSION AND POSSIBLE ACTION REGARDING THE PROPOSED BUDGET FOR FISCAL YEAR 2011/12

Presenter/s: Jim Andersen referenced written reports previously distributed to the Board.

Board Action: Motion was made by Trustee Coursey, to accept the Proposed Budget for 2011/12 with the exception of the Linea contract and automation cost to be deleted from the budget. Trustee Walker seconded the motion and it was approved unanimously.

7) DISCUSSION AND POSSIBLE ACTION REGARDING A LETTER OF ENGAGEMENT WITH HANSON BRIDGETT FOR LEGAL COUNSEL ON TAX RELATED ISSUES

Presenter/s: Jim Andersen referenced written reports previously distributed to the Board.

Board Action: Motion was made by Trustee Walker, to approve the letter of engagement with Hanson Bridgett for Legal Counsel on tax related issues. Trustee Coursey seconded the motion and it was approved unanimously.

8) DISCUSSION AND POSSIBLE ACTION REGARDING AN AGREEMENT WITH LINEA SOLUTIONS, INC., FOR PROJECT MANAGEMENT AND PROFESSIONAL SUPPORT IN IMPLEMENTING THE PRIMARY INITIATIVES OF THE INFORMATION TECHNOLOGY ROADMAP

Presenter/s: Jim Andersen referenced written reports distributed to the Board.

Board Action: The Board requested that this item be tabled to next month's meeting.

9) INTRODUCTION AND POSSIBLE DIRECTION REGARDING FUTURE EXPENDITURES AND LIMITATIONS ON SPENDING PRIOR TO NOTIFICATION OF THE PLAN SPONSORS, PRIMARILY THE COUNTY (TRUSTEE STEPHENS)

Presenter/s: Jim Andersen referenced written reports previously distributed to the Board including survey results of other 37 Act Retirement Systems regarding possible practices or policies in place that would require expenditure notification to their Board of Supervisors.

Board Action: The board requested that this item be tabled to next month's meeting after staff has obtained County Counsel opinion.

9:50 A.M.) Jeff Berk, Legal Counsel, entered the meeting.

10) CLOSED SESSION (Timed Item at 10:00 A.M.)

a) Potential initiation of litigation (Buck Consultants) pursuant to Government Code Section 54956.9(c) - 1 case

b) Pending disability applications

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| 1) CANALE, MARK | (05/25/10) GENERAL SERVICES SCD |
| 2) HUDSON, GARY | (09/07/10) SHERIFF SCD |
| 3) KOSKINEN, KIM | (10/15/08) HHSA (SOC SERV) SCD |
| 4) ZIMMERER, TIMOTHY | (08/27/09) SHERIFF SCD |

10:45 A.M.) Jeff Berk, Legal Counsel, left the meeting.

11) REPORT OUT FROM CLOSED SESSION (10:57 a.m.)

Board Action: The Board provided direction to staff and counsel on closed session item (a) Potential Litigation. No Action was taken on item (b) Pending disability applications.

12:15 P.M.) ADJOURN TO LUNCH RECESS. Trustee Weer left for the rest of the day.

1:15 P.M.) RECONVENE. Greg De Forrest, Callan Associates, entered the meeting.

12) DISCUSSION AND POSSIBLE ACTION REGARDING REAL ESTATE MANAGER SEARCH (CALLAN ASSOCIATES)

Presenter/s: Greg De Forrest, Callan Associates, reference written reports previously distributed to the Board. (See U.S. Core Open-End Real Estate Commingled Fund, April 2011, at www.co.mendocino.ca.us/retirement.)

Board Action: Motion was made by Trustee Walker, to schedule interviews of Real Estate managers during the May meeting. Trustee Stephens seconded the motion and it was approved unanimously.

13) INTERVIEWS AND POSSIBLE ACTION REGARDING SMALL CAP VALUE INVESTMENT MANAGERS (CALLAN ASSOCIATES)

Presenter/s: Greg De Forrest, Callan Associates, reference written reports previously distributed to the Board. (See Small Cap Value Manager Search, April 20, 2011, at www.co.mendocino.ca.us/retirement.)

1:30 P.M) Don Frank, Director Institutional Sales, and Gary Miller, CIO Small Cap Value of Victory Capital, gave a presentation and were interviewed by the Board members. Mr. Frank and Mr. Miller left the meeting at 2:00 pm.

2:15 P.M) Pat Carter, Institutional Sales, of American Beacon Advisors, gave a presentation and was interviewed by the Board members. Mr. Carter left the meeting at 2:45 pm.

2:45 P.M.) Trustee Coursey left the meeting.

3:00 P.M) Matt Hunter and Todd Kerin, of Prudential Investments, gave a presentation and were interviewed by the Board members. Mr. Hunter and Mr. Kerin left the meeting at 3:30 pm.

Board Action: Motion was made by Trustee Stephens, to select Prudential Investments as our new Small Cap Value Investment Manager. Trustee Walker seconded the motion and it was approved unanimously.

There being no further business Chairman Mirata adjourned the meeting at 4:07 pm.