

◆MENDOCINO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION◆
BOARD OF RETIREMENT MEETING MINUTES
◆JUNE 15, 2016 AT 8:30 A.M.◆

CALL TO ORDER

Randy Goodman, Board Chair, called the meeting to order at 8:30 a.m.

ROLL CALL AND PLEDGE OF ALLEGIANCE

Roll call was conducted with the following members present: Kathryn Cavness, Supervisor Dan Gjerde, Jerilyn Harris, Ted Stephens, Tim Knudsen, and Randy Goodman. Also present: James Wilbanks, Retirement Administrator, Jeff Berk, Legal Counsel, Stan Conwell, Financial Investment Officer, Judy Zeller, Administrative Assistant, Greg DeForrest, Greg Ungerman, John Pirone, and Alina Vartanyan of Callan Associates. Absent: Craig Walker, Shari Schapmire and Richard Shoemaker. John Sakowicz participated by conference call.

PUBLIC COMMENT: None

1) MINUTES OF THE BOARD MEETINGS HELD MAY 18, 2016

Presenter/s: Chair Goodman referenced the May 20, 2016 minutes which were approved by unanimous consent.

2) CONSENT AGENDA

A. May 2016 Retirement Report

Presenter/s: Chair Goodman referenced the Consent Agenda which was approved by unanimous consent.

3) DISCUSSION AND POSSIBLE ACTION REGARDING ANY CONSENT AGENDA ITEM NEEDING SEPARATE ACTION

None

4) DISCUSSION AND POSSIBLE ACTION REGARDING QUARTERLY INVESTMENT REPORT

- **Quarterly Investment Performance Report, Callan Associates**
- **2016 Asset/Liability Study Discussion, Callan Associates**
- **Monthly Investment Report**
- **Investment Manager Status Update: Royce Total Return, Morgan Stanley**

Presenter/s: Greg DeForrest, Greg Ungerman, and John Pirone of Callan Associates referenced the 2016 Asset/Liability Study. Discussion regarding the quarterly report was deferred.

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Mr. DeForrest explained that this study is based on long term expectations. Other considerations include discussions regarding multi asset class, private equity, and the board's direction to research private equity. This study looks at mixes with and without private equity in order to make two decisions; is private equity a good fit and with how much risk is the Board comfortable. Mr. Pirone explained the current allocation.

Discussion included volatility, diversification, default risk, and the most efficient mixes for MCERA at different levels of risk. Mr. Stephens suggested comparing private equity to fixed income, increasing expected volatility without adding private equity. Mr. DeForrest encouraged looking at the total portfolio not just one investment.

Mr. Pirone explained assumptions and that the modeling is over a long time horizon. Discussion followed regarding the indexes used for benefits and for the cost of living increase. Mr. DeForrest explained the process of hiring a separate firm to handle private equity as a discretionary manager, the commitment, the fees, and the funding. Mr. Stephens referenced mix four (4) on page 28 without private equity. Mr. DeForrest and Dr. Wilbanks provided their recommendations.

Mr. Stephens moved to adopt asset allocation mix four (4) on page 28 with no allocation to private equity and reducing the fixed income allocation. Ms. Harris seconded the motion.

Discussion concluded with clarification that this direction would be in line with our investment consultant's recommendation. There was interest in discussing real estate and Mr. DeForrest plans to provide that information at a later date. The next steps are reallocation of the portfolio, creating a strategy, and updating the investment policy statement.

Board Action: Motion was made by Mr. Stephens to change our target allocation to mix four (4) on page 28 of the Callan Asset Allocation Study report with no allocation to private equity. Ms. Harris seconded the motion and it was approved by the following vote: Ayes: Supervisor Gjerde, Mr. Stephens, Ms. Harris, and Mr. Goodman. Noes: Ms. Cavness, Mr. Sakowicz, Mr. Knudsen. Abstain: 0. Absent: Ms. Schapmire and Mr. Walker.

Dr. Wilbanks referenced the Monthly Investment Report. There was nothing to report on the investment manager status item. The board asked for a report on our custodial bank next meeting.

Public Comment: John Dickerson addressed the board.

5) MONTHLY FINANCIAL REPORT

Presenter/s: Dr. Wilbanks referenced the Monthly Financial Report.

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6) DISCUSSION AND POSSIBLE ACTION REGARDING AGREEMENT WITH HANSON BRIDGETT FOR LEGAL TAX COUNSEL

Presenter/s: Dr. Wilbanks referenced an agreement with Hanson Bridgett for legal tax counsel.

Mr. Stephens questioned the need to have \$15,000.00 in the budget for Hanson Bridgett this period. Dr. Wilbanks explained that this was due to the determination letter filing that has not come to completion which is a prudent action and is budgeted less than the \$30,000 last year. This is also in line with the budget recommended by the Audit and Budget Committee.

Board Action: Motion was made by Ms. Harris to approve the agreement with Hanson Bridgett for fiscal year 2017 as presented. Ms. Cavness seconded the motion and it was approved by the following vote: Ayes: Ms. Cavness, Mr. Sakowicz, Supervisor Gjerde, Mr. Knudsen, Ms. Harris, and Mr. Goodman. Noes: Mr. Stephens. Abstain: 0. Absent: Ms. Schapmire and Mr. Walker.

7) DISCUSSION AND POSSIBLE ACTION REGARDING AUDIT AND BUDGET COMMITTEE REPORT

- **Recommendations regarding Proposed Fiscal Year 2017 Budget**

Presenter/s: Mr. Goodman announced that Mr. Stephens had resigned as the committee chair and Mr. Knudsen is now the chair. Mr. Knudsen provided a report on the committee's recommendations regarding the Proposed Fiscal Year 2017 Budget. A reduction in the budgeted amount for the Board's fiduciary counsel, Nossaman, from \$15,000.00 to \$7,500.00 was approved by committee. As there were no other changes to the proposed budget, the committee voted to recommend approval of the amended budget. The committee moves to approve this budget as presented.

Public Comment: Stan Andersen addressed the board.

Mr. Knudsen explained that increases in investment and property management are two items that must be done. If you subtract these two items there is very little difference in the budget compared to the prior year. Supervisor Gjerde stated that the board will work throughout the year on not spending to cap. Dr. Wilbanks stated that there is no incentive to spend more than needed and that we are striving to be effective and efficient.

Mr. Knudsen called the motion.

Board Action: Motion was made by Mr. Knudsen to move the question. Ms. Harris seconded the motion and it was approved by the following vote: Ayes: Ms. Cavness, Mr.

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Sakowicz, Supervisor Gjerde, Mr. Knudsen, Ms. Harris, and Mr. Goodman. Noes: Mr. Stephens. Abstain: 0. Absent: Ms. Schapmire and Mr. Walker.

Board Action: Motion was made by The Audit and Budget Committee to approve the Proposed Fiscal Year 2017 Budget as presented. A second motion was not required and the motion was approved by the following vote: Ayes: Ms. Cavness, Mr. Sakowicz, Supervisor Gjerde, Mr. Knudsen, Ms. Harris, and Mr. Goodman. Noes: Mr. Stephens. Abstain: 0. Absent: Ms. Schapmire and Mr. Walker.

8) CLOSED SESSION

- **Public Employee Performance Evaluation - Retirement Administrator - Pursuant to Government Code Section 54957**

REPORT OUT FROM CLOSED SESSION

There was nothing to report out from closed session.

9) GENERAL BOARD MEMBER DISCUSSION

Ms. Harris requested a future discussion regarding planning for the end of Unfunded Liability (UL). Dr. Wilbanks suggested including education on how rates are determined and what can be done to adjust them.

Dr. Wilbanks stated that the request for board training on reciprocity is planned for next month.

ADJOURNMENT 11:53 a.m.

NOTICE OF NEXT RETIREMENT BOARD MEETING

- **The next regularly scheduled Board of Retirement meeting will be held Wednesday July 20, 2016 at 8:30 a.m. in the Mendocino County Employees' Association Conference Room.**