

**MENDOCINO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION BOARD
OF DIRECTORS MINUTES OF THE REGULAR MEETING,
JUNE 16, 2010 AT 8:30 AM,
MENDOCINO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
CONFERENCE ROOM, 625B KINGS CT., UKIAH, CA 95482**

1. CALL TO ORDER

Chair Tim Pearce called the meeting to order at 8:30 am.

Roll call was conducted with the following members present: Randy Goodman, Caren Callahan, Lloyd Weer, Bob Mirata, Kendall Smith, Don Coursey, Dennis Huey and Tim Pearce. Absent by prior arrangement: Shari Schapmire

Also present: Jim Andersen, Retirement Administrator, Tim Knudsen, Alternate Retiree Trustee, Sue Thornhill, retirement staff, various retirees and members of the public.

2. APPROVAL OF MINUTES

Upon motion by Trustee Mirata, seconded by Trustee Smith, and carried unanimously; IT IS ORDERED that the minutes of the May 19, 2010, Board meeting are approved.

**3. DISCUSSION AND POSSIBLE ACTION REGARDING THE ASSET
ALLOCATION STUDY AND AMENDMENT OF INVESTMENT POLICY
CONTINUED FROM THE MAY 19, 2010 MEETING**

Presenter/s: Greg Ungerman and Jim Van Heuit

At the Boards request, Greg Ungerman and Jim Van Heuit returned today with a revised Asset-Liability Study showing the affect of using a compromise of mix, one half (1/2) way between proposed mixes 3 and 4 previously presented at the May 19, 2010 meeting.

Board Action: After a comprehensive report and lengthy discussion a motion was made by Mirata, seconded by Smith to adopt the 3.5 mix with a 7.8% return which is close to the actuarial discount rate. Motion carried unanimously.

Jim Van Heuit continued with a report of investment alternatives. For educational purposes he discussed Private Equity, Hedge Funds and Commodities and the affects they might have on the portfolio of the system.

The Callan representatives were thanked by Chair Pearce and left the meeting at 9:55.

4. DISCUSSION AND POSSIBLE ACTION REGARDING INTEREST CREDIT AND THE UNDISTRIBUTED EARNINGS POLICY CONTINUED FROM MAY 19, 2010 MEETING

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

- 1) The Board was advised that the draft policy had been reviewed with County Counsel and Bob Blum of Hanson Bridgett, IRS attorney, during a scheduled meeting May 26, 2010 in San Francisco. Review was done to decide where best to include the replenishment of the Contingency Fund in the policy and how best to eliminate \$9.6 million in Accrued Actuarial Unrecorded Earnings.

Board Action: After some discussion it was recommended to proceed with adoption of the Undistributed Earnings Policy, omitting item 3b. Staff was directed to address clearing \$9.6mm in compliance with Government Code Sections 31591 and 31592. Motion was made by Goodman, seconded by Callahan, to approve the Policy as amended.

5. RETIREMENT ADMINISTRATORS REPORT

Presenter/s: Jim Andersen referenced his written report distributed to the Board, and offered the following comments.

Financial

- 1) Staff participated in conference calls with BNY Mellon on April 25, 27, and June 3, 2010. While not all bonds and cash balances were reconciled, summary reports were received on June 4th that we believe to be very close to final reports that will allow for more efficient and timely financial reporting into the future.
- 2) An RFP for an audit of our actuary, Buck Consultants, was released on June 4th. Previously, letters were sent to all actuaries providing services to other 1937 Act retirement systems encouraging them to submit proposals. Key milestones include the submission of questions on the RFP (6/11/2010), responses to any questions on the RFP (6/18/2010), and submission of proposals (7/9/2010).
- 3) Update of our CAFR has begun but it will not be complete by the June meeting. It is anticipated the report will be presented to the Board in July. Mr. Andersen apologized for the delay, stating that much of the delay was related to expediting the retiree health care project, custodial bank transition difficulties, preliminary work on our IT Roadmap, revision of the excess earnings policy and analyses and preparation for public education and outreach.

Automation

- 1) Information Services Division (ISD) informed us that the pension tracking module of the MUNIS system will no longer be available to MCERA after June 30, 2010 unless we purchase the module for \$3,800, with an annual service cost of \$693. ISD suggested that they could develop a “home grown” application, however they are not certain the division has sufficient resources to support the project. Linea Solutions reviewed the module with ISD and Retirement staff and believes that the module’s use may be expandable to assist us in tracking service time for all employees from hire to separation.

By approving the Administrator’s report, we are asking the Board to also approve continuing use of the MUNIS module, paying the initiation and annual fees (\$3,800 and \$693) and exploring expanded uses. Any changes or increased costs in the use of the module would come back to the Board for discussion, action, and would be included in the final budget.

IRS Reauthorization

- 1) May 26, 2010, Jeanine Nadel, County Counsel, Retirement Staff, Bob Blum and Judith Boyette, Hanson Bridgett, met regarding IRS reauthorization. MCERA is making appropriate progress in preparation for the IRS reauthorization. The excess earnings policy was reviewed, as well as historical excess earnings policies and accounting practices. A date will be coordinated with County Counsel for providing a detailed progress report to the Board and development of a Voluntary Compliance Program (VCP).

Retiree Health Care

- 1) Staff has been working closely with Human Resources on outreach and education to retirees.

Miscellaneous

- 1) Improvements to our building that were agreed upon in our lease with the state are underway. All interior work has been completed. The contractors are still working on the ADA ramps. We are working closely with GSA to limit disruptions to business for our tenant and retirement system services.
- 2) I will be attending the CALAPRS Administrator’s roundtable in San Jose on June 18th.
- 3) I will be taking vacation time in late June and/or early July. I will inform the Board members of the specific dates, and will leave emergency contact information with the office.

Board Action: Motion by Goodman, seconded by Huey to discuss an off agenda item pertaining to the RFP. Motion carried unanimously.

Off Agenda Item

- 1) A potential proposer questioned whether we wanted a duplication of the Actuarial Study as well as Experience Study. After the Board discussed this question, it was agreed that we should get cost including Experience Study. County Counsel recommended that we extend the response time by 5 days.

Board Action: Motion by Huey, seconded by Smith to approve the Administrator's report as presented, including off agenda item.

6. INVESTMENTS/FINANCIALS

Presenter/s: Jim Andersen referenced written reports previously distributed to the Board, including the final financial report for February 2010 and the preliminary financial report for May 2010.

- 1) Staff reported that we should have final reports for March, April, and May after we balance with BONY. May 2010 showed a loss of \$20mm, but the year to date still shows a positive of \$33mm.

7. HEALTH INSURANCE

Presenter/s: Sue Thornhill presented the "Insurance Reserve Balance Report" which was distributed to the Board and the public at the beginning of the meeting.

The Board was advised that fund is currently on track, without the forthcoming changes.

8. MISCELLANEOUS

Presenter/s: Jim Andersen referenced the Grand Jury report on the Retirement Association and his list of current projects, including resource management for FY 2010/11.

- 1) The Grand Jury released a report on the Mendocino County Employees' Retirement Association on June 3, 2010. The Grand Jury is requiring responses from the Board for all findings as well as recommendations one (1) through seven (7). A summary response form supported by narratives must be submitted no later than sixty (60) days after initial receipt of the report, or August 3, 2010. The final response must be submitted by governing bodies (i.e., the Board of Retirement and Board of Supervisors), no later than ninety (90) days after initial receipt of the report, or September 3, 2010.

With the direction of the Board, a draft response should be completed for the July 2010 meeting. It was recommended that the Board discuss the Grand Jury's findings and recommendations during today's meeting. All errors need to be disputed and areas in need of further fiscal or legal research should be identified prior to discussion and final direction at the July meeting.

- 2) A Gantt chart was presented to the Board previously, providing a visual depiction of the projects, timelines, and an assessment of the demand on the Association's resources. Before this timeline was discussed, the Board was reminded that it is important to acknowledge that public pension plans are under intense scrutiny at this time.

Project prioritizing was discussed with highly time sensitive and/or demand high levels of resources projects listed as Tier I, milestones in the mid-term, may or may not require significant resources as Tier II, and start date six months into fiscal year and/or low resource demand on staff.

The Board recommended that the transition of accounting and fiscal responsibilities for retiree health care be added to the Gantt chart as a Tier II project.

9. PUBLIC COMMENT

- 1) John Sakowicz commented on the Board's discussions.

11:40 ENTERED INTO CLOSED SESSION

- a. Discussion and possible action on disability applications

12:00 OUT OF CLOSED SESSION

BOARD ACTION FROM CLOSED SESSION

- a. BROIN, LORI, filed 09/29/09 for Service Connected Disability
6/16/2010 Applicant referred for further evaluation.
- b. CANALE, MARK filed 5/25/10 for Service Connected Disability
6/16/2010 Application denied.
- c. HAMMER, LAWRENCE, filed 05/12/2008 for Service Connected Disability
No action taken
- d. KOSKINEN, KIM, filed 10/15/2008 for Service Connected Disability
No action taken
- e. VEST, DEBORAH, filed 05/05/10 for Service Connected Disability
No action taken
- f. WHITE, TAMMY (Brett), filed 11/09/2008 for Service Connected Disability
No action taken
- g. ZIMMERER, TIMOTHY, filed 8/27/09 for Service Connected Disability
No action taken

12:05 REPORT OUT FROM CLOSED SESSION

It was reported that the application of Lori Broin was referred for additional evaluation. The application of Mark Canale was denied for service connected disability.

There being no further business Chairman Pearce adjourned the meeting at 12:10 P.M.

Tim Pearce, Chair

Susan Thornhill, Retirement Coordinator