BOB MIRATA
CHAIRMAN
B.O.S. APPOINTEE

SHARI SCHAPMIRE
VICE-CHAIRMAN
TREASURER TAX COLLECTOR

TIM KNUDSEN
SECRETARY
ELECTED RETIRED MEMBER

SUPERVISOR KENDALL SMITH
B.O.S. APPOINTEE

JOHN SAKOWICZ
B.O.S. APPOINTEE

TED STEPHENS
B.O.S. APPOINTEE

LLOYD WEER
ELECTED
GENERAL MEMBER

RANDY GOODMAN
ELECTED GENERAL
MEMBER

CRAIG WALKER
ELECTED SAFETY
MEMBER

RICHARD SHOEMAKER
ELECTED RETIRED
ALTERNATE MEMBER

RICH WHITE
RETIREMENT
ADMINISTRATOR

JEFF BERK
LEGAL COUNSEL

MENDOCINO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION BOARD MEETING AGENDA JUNE 20, 2012 – 8:30 A.M.

1) ROLL CALL (8:30 A.M.) (WELCOME TO RICH WHITE, OUR NEW RETIREMENT ADMINISTRATOR)

2) PUBLIC COMMENT (Estimated Time 5 min.)

Members of the public are welcome to address the board on subjects within the jurisdiction of the Board of Retirement regarding items both on and off the agenda. The board is prohibited by law from taking action on matters not on the agenda, but may ask questions to clarify the speaker's comment and/or briefly answer questions. The board limits testimony on matters not on the agenda to 5 minutes per person and not more than 10 minutes for a particular subject at the discretion of the Chair of the Board. To best facilitate public expression please complete the speaker form available at the entrance to the boardroom and present to the Clerk to the Board. If you wish to submit written comments please provide 13 copies to the Clerk to the Board prior to the start of the meeting. Public speakers are reminded to announce their names before they address the board.

3) APPROVAL OF THE MINUTES OF THE BOARD MEETING HELD MAY 16, 2012 (Estimated Time 5 min.)

4) DISCUSSION AND POSSIBLE ACTION REGARDING AUTHORIZED SIGNATURE RESOLUTION 12-0620 (Estimated Time 5 min.)

5) DISCUSSION AND POSSIBLE ACTION REGARDING THE JUNE 30, 2011 AND 2010 COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR) (Estimated Time 10 min.)

6) DISCUSSION AND POSSIBLE ACTION REGARDING AMENDMENT TO AGREEMENT WITH JIM ANDERSEN FOR TRANSITIONAL SERVICES (Estimated Time 5 min.)

♦RETIREMENT BOARD MEETING AGENDA♦
♦JUNE 20, 2012 - 8:30 A.M.♦

7) DISCUSSION AND POSSIBLE ACTION REGARDING AMENDMENT TO THE MEMORANDUM OF UNDERSTANDING BETWEEN THE COUNTY ASSESSOR/CLERK RECORDER AND MCERA (Estimated time 15 min.)

8) DISCUSSION AND POSSIBLE ACTION REGARDING THE 2012/2013 BUDGET (Estimated Time 1 hour)
   a) Reorganization to create a fiscal position
   b) Schedule of Administrative and Investment expenses
   c) Cash Management Plan
   d) Strategic Workshop Meeting

BREAK (Approximately 10:15 A.M.) (Estimated time 10 min.)

9) INVESTMENTS/FINANCIALS (Estimated Time 5 min.)
   a) Presentation of financial statements
   b) Action may be taken to terminate or hire investment managers at any meeting

10) PRESENTATION OF RETIREMENT ADMINISTRATOR'S REPORT (Estimated Time 10 min.)
   a) Withdrawal of contributions by terminating employees
   b) Billings for fees and services
   c) Administrator's report

11) CLOSED SESSION (Approximately 10:50A.M.) (Estimated Time 1 hour)
   a) Pending disability applications:
      1) Hudson, Gary (09/07/10) Sheriff SCD
      2) Goss, Tim (05/10/12) Sheriff SCD
      3) Yee, Peggy (06/05/12) Social Services SCD
      4) Mounts, Paul (6/8/12) General Services SCD
      5) Wilson, Rebecca (6/8/12) Social Services SCD

12) REPORT OUT FROM CLOSED SESSION (Approximately 11:50A.M.) (Estimated Time 5 min.)

ADJORNMENT (Approximate Time 11:55A.M.)

(Pursuant to Government Code Section 54954, this agenda was posted 72 hours prior to the meeting.)

♦MENDOCINO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION♦
BOARD OF RETIREMENT MEETING MINUTES
♦MAY 16, 2012 AT 8:30 A.M.♦

1) CALL TO ORDER

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

Roll call was conducted with the following members present: Shari Schapmire, Randy Goodman, Lloyd Weer, John Sakowicz, Ted Stephens, Craig Walker, Bob Mirata, Tim Knudsen and Richard Shoemaker. Members absent: Supervisor Kendall Smith. Also present: Jim Andersen, Interim Retirement Administrator, and Judy Zeller, Clerk to the Board.

2) PUBLIC COMMENT: None

3) APPROVAL OF THE MINUTES OF BOARD MEETINGS HELD APRIL 18, 2012

Board Direction: Amend the minutes by adding a sentence to agenda item 8 as follows: Board Member Shoemaker was not present for items 7b and 7c.

Upon motion by Board member Goodman, seconded by Board member Sakowicz; IT IS ORDERED that the minutes of the April 18, 2012 Board meeting are approved as amended.

4) DISCUSSION AND POSSIBLE ACTION REGARDING QUARTERLY PERFORMANCE REPORT (CALLAN ASSOCIATES) (See the Investment Measurement Services Quarterly Review dated March 31, 2012 at www.co.mendocino.ca.us/retirement.

Presenter/s: Greg DeForrest of Callan Associates referenced information previously distributed to the Board.

Supervisor Kendall Smith entered the meeting at 8:53 am.

5) DISCUSSION AND POSSIBLE ACTION REGARDING AN EMPLOYMENT AGREEMENT WITH RICHARD A. WHITE FOR THE POSITION OF RETIREMENT ADMINISTRATOR

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

Board Direction: Schedule a special Board Meeting in July to establish organizational goals and directives.

Board Action: Motion was made by Board member Supervisor Smith to approve the employment agreement with Richard A. White for the position of Retirement Administrator as presented. Board member Schapmire seconded the motion and it was approved unanimously. Board member Sakowicz left the meeting at 9:47 and did not vote on agenda item 5.

6) DISCUSSION AND POSSIBLE ACTION REGARDING AMENDED AGREEMENT WITH JIM ANDERSEN FOR INTERIM ADMINISTRATIVE AND TRANSITIONAL ASSISTANCE SERVICES

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

Board Action: Motion was made by Board member Goodman to approve the amended agreement with Jim Andersen for interim administrative and transitional assistance services. Board member Knudsen seconded the motion and it was approved unanimously.

7) PRESENTATION AND DIRECTION REGARDING THE 2012/2013 DRAFT BUDGET

- **a) Reorganization to create a fiscal position**
- **b) Schedule of Administrative and Investment expenses**
- **c) Cash Management Plan**

Board member Goodman recused himself and left the meeting during discussion of agenda items 7a and 7b because he had prepared and may benefit from the proposed budget/reorganization.

Board Direction: Include basis point information in the proposed budget for total administrative expenses using June 30 of prior fiscal year as point in time for the market value of assets. Present the minor reorganization to the CEO and discuss the future of our organization at a Special Board meeting in July. Evaluate imputed rent and how it should be reflected in budget reports. Share cash management plan with Callan in order to provide additional information to the Board.

8) DISCUSSION AND POSSIBLE ACTION REGARDING THE JUNE 30, 2011 AND 2010 COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR)

Board Direction: Items posted to the website which require board approval should be posted as draft documents until approved. Correctly footnote pages 29 and 49 to address the difference in contribution rates. Bring the CAFR back for approval in June.

9) PRESENTATION OF 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: Jim Andersen addressed the Board.

Automation

John Keeler of Linea Solutions was present May 15 and 16, 2012 to develop a document inventory and lookup strategy (Taxonomy) with staff, refine the timeline for project, meet with Information Services regarding utilization of existing system documents, confidentiality, use, and training of staff. If activity can be condensed the project may be complete by January 2013.

Contribution Project

1) Information Services is compiling data from Peter Stalder in a format to submit to the County and to the Courts so they will have the data to address under and overpayments. Hanson Bridgett will provide legal support and their billing will be paid out of the settlement.
2) Hanson Bridgett has provided a draft opinion regarding the FICA issue and its significance.

10) INVESTMENTS/FINANCIALS

a) **Presentation of financial statements**
b) **Action may be taken to terminate or hire investment managers at any meeting**

Presenter/s: Randy Goodman referenced the preliminary April 30, 2012 financial statement and the April 30, 2012 cash flow analysis.

11) CLOSED SESSION (None)

12) REPORT OUT FROM CLOSED SESSION (None)

13) DISCUSSION AND POSSIBLE ACTION REGARDING APPROVAL OF REIMBURSEMENT OF TRAVEL EXPENSE FOR ATTORNEY CONTINUING EDUCATION AND TRAINING

Board Action: Motion was made by Board Member Stephens to pay for half of the costs for Jeff Berk, MCERA Counsel, to attend the National Association of Public Pension Attorney's (NAPPA) Conference. Board member Goodman seconded the motion was approved unanimously.

14) REPORT FROM BOARD MEMBERS ATTENDING SACRS SPRING CONFERENCE MAY 8-MAY 12, 2012

Presenter/s: Bob Mirata, Supervisor Kendall Smith, Shari Schapmire, and Randy Goodman reported on their attendance at the conference.

Board Direction: To include SACRS legislative positions on Board agendas periodically.

There being no further business Bob Mirata, Chair, adjourned the meeting at 12:30 P.M.

Resolution of the Mendocino County Board of Retirement
Stating Authorized Signature, No. 12-0620

By resolutions duly and regularly adopted and still in effect, the fullest authority at all times has been invested in:

Name	Title		Signature
Richard A. White, Jr.,	Retirement Administrator		_____
		Or	
Bob Mirata,	Board Chairman		_____
		Or	
Shari Schapmire,	Board Vice-Chairman		_____

with respect to any transaction deemed to be proper in connection with said account, including (but without limitation thereto) authority to give written or oral instructions to you as brokers with respect to such transactions, and generally to do and take all action necessary in connection with the account or considered desirable by said officer or agent with respect thereto. You, as broker, are authorized thereunder and hereby to deal with any and all persons by the said resolution empowered or through dealing with the Mendocino County Employees' Retirement Association itself.

The Mendocino County Employees' Retirement Association is required to certify to you promptly, when and as made, any change in the officers or powers of persons hereby authorized and such modifications when received by you shall be adequate both to terminate the powers of the persons theretofore authorized and to empower the persons thereby substituted.

Pursuant to the aforesaid and hereunder, the powers and authority granted shall continue fully effective until receipt by you of written notice of change or rescission thereof.

The foregoing resolution introduced by Board Member _____, seconded by Board member _____, and carried this 20th day of June, 2012, by the following vote:

ayes:
noes:
absent:

WHEREUPON, The Chair declared said Resolution adopted, and SO ORDERED.

_____
Bob Mirata, Chairman
Mendocino County Board of Retirement

Attest: _____
Judy Zeller, Clerk to the Board
Mendocino County Board of Retirement

Richard A. White, Jr.
Retirement Administrator

Telephone: (707) 463-4328
(707) 467-6473
Fax: (707) 467-6472

MENDOCINO COUNTY
EMPLOYEES' RETIREMENT ASSOCIATION
625-B KINGS COURT
UKIAH, CALIFORNIA 95482-5027

Date: June 20, 2012
To: Board of Retirement
From: Richard White, Retirement Administrator
Subject: Comprehensive Annual Financial Report (CAFR) for Fiscal Years Ended June 30, 2011 and 2010

Recommended Motion/Action

Approve the Comprehensive Annual Financial Report (CAFR) for Fiscal Years Ended June 30, 2011and 2010.

Discussion

The Comprehensive Annual Financial Report (CAFR) is a critical annual report which details important information about the Mendocino County Employees' Retirement Association for our members, plan sponsors and other stakeholders in our community. The Comprehensive Annual Financial Report is divided into five sections:

- The Introductory Section describes the organization and structure of MCERA, including this transmittal letter and a list of professional consultants.
- The Financial Section presents the basic financial statements, report of the independent auditor, management discussion and analysis and supplemental schedules and notes to the financial statements.
- The Investment Section reports on investment activity, investment policy, asset allocation and diversification and historical investment performance.
- The Actuarial Section communicates the Plan's funding status and presents related actuarial information. It also contains the actuarial certification, actuarial assumptions and statistics and general plan information.
- The Statistical Section presents information pertaining to MCERA's operations on a multi-year basis.

At the May 16, 2012 meeting, the Board of Retirement directed staff to incorporate language into certain notes of the CAFR which have been completed. Staff is recommending that the Board of Retirement approve the Comprehensive Annual Financial Report (CAFR) for Fiscal Years Ended June 30, 2011 and 2010.

RAW
Attachment

Richard A. White
Retirement Administrator

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(707) 467-6473
Fax: (707) 467-6472

MENDOCINO COUNTY
EMPLOYEES' RETIREMENT ASSOCIATION
625-B KINGS COURT
UKIAH, CALIFORNIA 95482-5027

Date: June 20, 2012
To: Board of Retirement
From: Rich White, Retirement Administrator
Subject: Discussion and Possible Action Regarding Amended Agreement between MCERA and James Andersen for Transitional Assistance Services

Discussion

The Board has previously approved an agreement with James Andersen for Interim Retirement Administrator and Transitional Assistance Services to assist MCERA in assuring uninterrupted operations and administrative oversight during the period of the hiring process and start date for the new Administrator. The scope of services called for the Chair, in consultation with Mr. Andersen as the contractor, to determine what services would be necessary prior to the new Retirement Administrator assuming their duties.

Furthermore, the scope of service called for the new administrator, in consultation with Mr. Andersen as the contractor, to determine what transitional assistance is necessary after they begin employment. These consultations have identified a desire to continue the contract with Mr. Andersen in order to allow for a timely and relevant conclusion of open projects and matters remaining during the transition of Retirement Administrators. As an example, the Board is aware that the completion of the Contribution Rate Project is very close to completion and it makes sense to allow for the completion of this project by Mr. Andersen who has been spearheading the project from the beginning.

Recommended Motion/Action

Approve the agreement between MCERA and James M. Andersen for and transitional assistance for the newly hired Retirement Administrator, for a term not to exceed July 1, 2012 through August 30, 2012 and for an amount not to exceed twenty-five thousand dollars ($25,000).

Fiscal Impact

Not to exceed twenty-five thousand dollars ($25,000) for three (2) months billed at a rate of sixty dollars per hours ($60/hr).

RAW
Attachment

SECOND AMENDMENT TO
MENDOCINO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
STANDARD SERVICES AGREEMENT
WITH JAMES M. ANDERSEN

This Agreement amendment, dated as of _____, 2012, is by and between the MENDOCINO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION, hereinafter referred to as the "MCERA", and JAMES M. ANDERSEN, hereinafter referred to as the "CONTRACTOR".

WITNESSETH

WHEREAS, MCERA may retain independent contractors to perform special services to or for MCERA; and

WHEREAS, MCERA desires to continue to obtain transitional support services ("Services"); and

WHEREAS, CONTRACTOR is professionally qualified to provide such Services and is currently engaged by an agreement (March 21, 2012) and first amendment (May 16, 2012) with MCERA to provide same Services;

NOW, THEREFORE, MCERA and CONTRACTOR agree to the following amendments to the existing agreement and first amendment (March 21 and May 16, 2012) to provide the Services, with all other General Terms and Conditions specified in the Agreement, and Additional Provisions attached and incorporated thereto, and all exhibits which are incorporated the current Agreement remaining intact and enforceable:

The term of the Agreement shall be through August 30, 2012 (WITNESSETH and EXHIBIT A).

The compensation payable to CONTRACTOR hereunder shall not exceed Twenty-Five Thousand Dollars ($25,000) for the term of this Agreement.

Term 20, TERMINATION, shall allow for payment to CONTRACTOR that does not exceed $25,000 for services provided under the agreement and the first amendment to the agreement upon the suspension, termination or abandonment of the agreement by either party.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

MENDOCINO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

By:_____
Bob Mirata
Board of Retirement Chairman

CONTRACTOR/COMPANY NAME

By:_____
Signature
Title: Independent Consultant

NAME AND ADDRESS OF CONTRACTOR:
James M. Andersen
494 Luce Avenue
Ukiah, CA 95482

ATTEST:

By:_____
Judy Zeller, Clerk to the Board

APPROVED AS TO FORM:

By:_____
Jeff Berk, MCERA Legal Counsel

INSURANCE REQUIREMENTS:

KRISTIN McMENOMEY, Director
General Services Agency

By: (see agreement dated 3/21/12)
Risk Manager

By signing above, signatory warrants and represents that he/she executed this Agreement in his/her authorized capacity and that by his/her signature on this Agreement, he/she or the entity upon behalf of which he/she acted, executed this Agreement

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

MENDOCINO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

By:_____
Bob Mirata
Board of Retirement Chairman

CONTRACTOR/COMPANY NAME

By:_____
Signature
Title: Independent Consultant

NAME AND ADDRESS OF CONTRACTOR:
James M. Andersen
494 Luce Avenue
Ukiah, CA 95482

ATTEST:

By:_____
Judy Zeller, Clerk to the Board

APPROVED AS TO FORM:

By:_____
Jeff Berk, MCERA Legal Counsel

INSURANCE REQUIREMENTS:

KRISTIN McMENOMEY, Director
General Services Agency

By: (see agreement dated 3/21/12)
Risk Manager

By signing above, signatory warrants and represents that he/she executed this Agreement in his/her authorized capacity and that by his/her signature on this Agreement, he/she or the entity upon behalf of which he/she acted, executed this Agreement

Richard A. White
Retirement Administrator

Telephone: (707) 463-4328
(707) 467-6473
Fax: (707) 467-6472

MENDOCINO COUNTY
EMPLOYEES' RETIREMENT ASSOCIATION
625-B KINGS COURT
UKIAH, CALIFORNIA 95482-5027

Date: June 20, 2012
To: Board of Retirement
From: Rich White, Retirement Administrator
Subject: Discussion and Possible Action Regarding Extension of Memorandum of Understanding (MOU) with the Assessor/Clerk/Recorder for Fiscal and Accounting Resources

Recommended Motion/Action

Approve the extension of the memorandum of understanding between MCERA and the Assessor/Clerk/Recorder.

Discussion

The Board has previously approved an MOU that created a job sharing arrangement between MCERA and the Assessor whereby both the association and the department would receive 0.5 FTE service from an Auditor-Appraiser, Randy Goodman. The MOU outlined the schedule, financing, reporting, evaluation, and supervision of the employee. In addition, the MOU acknowledged that this is a trial job-sharing arrangement intended to meet the business and budgetary objectives of both parties, and, as such, contains an exit clause and a review period. The MOU agreement is due to expire at the end of June, 2012.

The Board is being asked to approve an extension of an MOU with the Assessor's Office through September 30, 2012 while MCERA conducts a minor reorganization and recruitment of a full-time fiscal officer which was previously approved by the Board. The estimated cost of the MOU extension is $2,500 to $3,000. All parties to the MOU are aware of the request for extension.

Alternatives to recommended action

1. Do not approve the MOU in favor of an alternative means of securing fiscal and accounting resources; or
2. Do not approve the MOU with the understanding that projects will need to be reviewed to determine what can reasonably be accomplished with existing staff.

RAW
Attachment

First Addendum to the Memorandum of Understanding

between
Mendocino County Assessor/Clerk/Recorder
and
Mendocino County Employees' Retirement Association

Whereas, the Mendocino County Employees' Retirement Association (hereafter MCERA) is in need of fiscal and accounting resources to properly conduct the fiduciary duties of the Association; and

Whereas, the Mendocino County Assessor/Clerk/Recorder (hereafter ASSESSOR) employs Auditor-Appraisers (hereafter employee) with the knowledge and skills included in their job descriptions to perform the necessary fiscal and accounting functions needed by MCERA; and

Whereas, both MCERA and ASSESSOR have previously agreed through a Memorandum of Understanding (MOU) to share resources in an effort to accomplish critical job functions of the association and department in a fiscally prudent fashion; and

Whereas, term five (5) of the MOU required both parties to review the success of the job sharing relationship set forth in that document no later than April 1, 2012; and

Whereas, both parties have reviewed the success of the job sharing relationship and agree that continuation of the terms of the MOU are not in their respective best interests, or in the best interest of the shared employee; and

Whereas, both parties wish to facilitate an orderly transition of services provided under the MOU.

Now therefore, MCERA and ASSESSOR agree as follows:

1. ASSESSOR will provide availability of employee to MCERA through September 30, 2012, to prepare monthly financial statements. Employee will work at MCERA's office location up to twenty (20) hours the first week of each month to prepare monthly financial statements.

2. ASSESSOR will also provide availability of employee to MCERA through September 30, 2012, to conduct the 2011/12 fiscal year-end closing and prepare and coordinate data requested by the external auditor and actuary for an independent audit and valuation study, respectively, for the period ending June 30, 2012. Employee will work at MCERA's office location as available, and as agreed upon by ASSESSOR and MCERA, to conduct closing activities for the 2011/12 fiscal year and to prepare and coordinate data requests from the independent auditor and actuary.

3. Employee will continue to be allocated to ASSESSOR's budget unit(s), and ASSESSOR will be responsible for evaluation of employee, as well as maintenance of all Human Resource and payroll records. MCERA will supervise employee when work is being conducted for MCERA, and will provide ASSESSOR input for consideration in evaluating employee, discipline, or any personnel actions in connection with duties performed for MCERA.

4. MCERA will reimburse ASSESSOR each pay period, by journal entry, for salary and benefit costs of actual hours worked by employee for MCERA.

5. The parties may mutually agree, by a subsequent amendment to this MOU, to extend the duration of the MOU or amend any other terms.

6. The MOU shall be effective from the first pay period in fiscal year 2012/13 through the final full pay period September 2012.

Sue Ranochak
Assessor/Clerk/Recorder

Richard A. White
Retirement Administrator

Carmel Angelo
County Executive Officer

Bob Mirata
Chair, MCERA

Doug Losak
Chief Dep. County Counsel

Richard A. White, Jr.
Retirement Administrator

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MENDOCINO COUNTY
EMPLOYEES' RETIREMENT ASSOCIATION
625-B KINGS COURT
UKIAH, CALIFORNIA 95482-5027

Date: June 20, 2012
To: Board of Retirement
From: Richard White, Retirement Administrator
Subject: Discussion and possible action regarding the proposed 2012/2013 Budget

Recommended action

Approve the Fiscal Year 2012/2013 Budget and direct staff to include (a) cost of the Board of Retirement Strategic Workshop; the (b) cost of transitional services agreement contract with Jim Andersen; and (c) cost of three months of fiscal services under a Memorandum of Understanding (MOU) with the Assessor's Office.

Alternative action(s):

Approve the Fiscal Year 2012/2013 MCERA Budget.

Discussion

The Board must adopt an annual budget per Government Code Section 31580.2 and set administrative costs of the Association subject to the limits set forth in the section. The Board initially received a presentation of the draft budget for Fiscal Year 2012/2013 at the May 16, 2012 meeting in order to allow the Board to direct changes to the budget prior to final adoption. Staff has incorporated the changes as directed by the Board at its May meeting and is requesting that the Board include three additions to the 2012/2013 Budget that were not included in the agenda item in May.

The Board will recall that discussion at the May meeting included addressing the transition of Retirement Administrator which began with my appointment on June 3, 2012.

(1) The Board directed staff to explore the idea of a facilitated strategic workshop for the Board and new Retirement Administrator with the purpose of defining goals, objectives and priorities for MCERA. The Board will recall that it suggested the use of a well-known and highly respected local resident for the strategic workshop. Staff has since learned that this resource is not available to MCERA for this purpose. Staff has been able to identify a number of well respected professional firms that could be used to facilitate the Board workshop. All potential service providers will require a fee for their services based upon the components and resources used. Staff will interview all of the potential facilitators and define the scope of services subsequent to your adoption of the

budget. In addition, MCERA may incur a cost for the use of a facility other than the MCERA office if one is identified that meets the needs of the workshop over the MCERA board room. In anticipation of this workshop, staff is requesting that the Board approve in advance a maximum budget of $7,500.00 for the strategic planning workshop, all of which will be subject to final negotiation with the professional facilitator and location incidental charges, if any, which MCERA may incur.

(2) The Board is being asked to approve an additional agreement between MCERA and James Andersen for transitional assistance services and the contract amount should be included in the 2012/2013 budget. Expenses associated with the contract are not to exceed $25,000 in 2012/13. It should be noted that the Board approved the hiring of an additional 1.0 FTE fiscal position and this position is included in the budget. Depending upon the timing of the hiring of this fiscal position the system would see an off-set to this contract during the time when the position is not filled. The soonest I would anticipate hiring an individual to fill this position is October 1, 2012, creating a savings in salaries and benefits of roughly $23,500. Staff is requesting that the Board include the cost of the professional services agreement with James Andersen in the 2012/2013 budget.

(3) The Board is being asked to approve an extension of an MOU with the Assessor's Office through September 30, 2012 while conducting a minor reorganization and recruitment of a full-time fiscal officer. The estimated cost of the MOU extension is $2,500 to $3,000. Staff is requesting that the Board include the cost of extended fiscal services through an MOU with the Assessor in the 2012/13 budget.

The Board directed staff to report on the amount of MCERA administrative expenses as they relate to statutory limits imposed by the Government Code on the operation of 1937 Act systems and other metrics. These directives are incorporated into the proposed budget under consideration for adoption by the Board. Specifically, the Government Code imposes an administrative cap of 21/100 of 1% of AAL OR $ 2 Million whichever is greater (see footnote 12). MCERA uses the $2 Million administrative cap figure and the proposed budget for Fiscal Year 2012/2013 is $1,094,828.

It should be noted that this budget figure includes the first phase cost of an automation project, approved by the Board, which would have been excluded from the historical statutory calculation of 18/100^{ths} of 1% of the market value of assets to determine the administrative cap figure.

Strictly for historical comparison purposes, the administrative costs proposed for the 2012/13 fiscal year, less the automation costs (automation and extra-help expenses), equates to just under 22/100ths of 1% of the market value of assets as of June 30, 2011. MCERA would also be able to re-allocate some salary costs to the investment budget component and further reduce the administrative cost cap figure.

Additionally, the cash flow analysis has been modified since the May meeting to incorporate the actual increase in retiree benefit payroll experienced by MCERA in the current fiscal year and to budget in the statutory maximum COLA (subject to Board approval) that would fall in the final quarter of this budget cycle. The annual increase in the redemption of invested assets is approximately $1 million.

RAW
Attachments

PROPOSED BUDGET 2012/13
6/13/2012

ACCOUNT #	ACCOUNT	2011/12 BUDGET	2012/13 PROPOSED	INCR/ DECR	FOR CAP CALC
1920-1011	GROSS REG SALARIES (1)	283,877	319,616	35,740	319,616
1920-1012	EXTRA HELP (2)	2,000	15,000	13,000	15,000
1920-1021	RETIREMENT (3)	51,201	75,162	23,961	75,162
1920-1022	SOCIAL SECURITY	15,737	17,629	1,891	17,629
1920-1023	SOCIAL SECURITY B	3,957	4,390	433	4,390
1920-1024	RETIREMENT COLA (3)	22,838	27,957	5,119	27,957
1920-1030	HEALTH INSURANCE (4)	48,689	51,030	2,341	51,030
1920-1031	UNEMPLOYMENT INSURANCE	2,951	3,215	264	3,215
1920-1035	WORKERS COMP	1,498	1,711	213	1,711
TOTAL 1920		**432,748**	**515,710**	**82,962**	**515,710**
2410	COMMUNICATIONS	2,450	2,450	0	2,450
2410	GENERAL INSURANCE	1,328	1,328	0	1,328
2410	MEMBERSHIP	6,000	6,000	0	6,000
2410	OFFICE EXPENSE	11,550	13,000	1,450	13,000
2410	LEGAL EXPENSE (5)	50,000	60,000	10,000	60,000
2410	CONTRACTS	9,750	9,750	0	9,750
2410	TRAVEL IN-COUNTY	300	300	0	300
2410	TRAVEL OUT OF COUNTY			0	0
2410	BOARD EDUCATION (7)	15,000	15,000	0	15,000
2410	STAFF MEETINGS/ED	5,000	5,000	0	5,000
SUBTOTAL		**101,378**	**112,828**	**11,450**	**112,828**
TOTAL		**534,126**	**628,538**	**94,412**	**628,538**
2410	DISABILITY DUE DILIGENCE (8)	50,000	50,000	0	50,000
2410	DISABILITY HEARINGS (8)	20,000	20,000	0	20,000
2410	MEDICAL REVIEWS (8)	15,000	15,000	0	15,000
2410	AUTOMATION (9)	210,118	300,090	89,972	300,090
2410	AUDIT (10)	20,000	30,000	10,000	30,000
	SUBTOTAL ADMIN EXPENDITURES	**849,244**	**1,043,628**	**194,384**	**1,043,628**
	IMPUTED RENT (6)	0	51,200	51,200	51,200
	TOTAL ADMIN EXPENDITURES	**849,244**	**1,094,828**	**245,584**	**1,094,828**
	ADMINSTRATIVE CAP (12)	**2,000,000**			**2,000,000**
	BALANCE UNDER CAP	**1,150,756**			**905,172**
	NOT SUBJECT TO ADMIN CAP				
2410	ALLIANCE BERNSTEIN FEES	35,000	39,000	4,000	
2410	INVESTMENT CONSULTANTS	140,000	140,000	0	
MUTUAL FUND	MONDRIAN FEES	0	105,000	105,000	
MUTUAL FUND	CORNERSTONE FEES	0	110,000	110,000	
2410	BUILDING EXPENSES	17,500	25,000	7,500	
2410	ACTUARY SERVICES (11)	90,000	70,000	-20,000	
2410	FIDUCIARY INSURANCE	35,000	35,000	0	
TOTAL NON CAP		**317,500**	**524,000**	**206,500**	
TOTAL EXP		**1,166,744**	**1,567,628**	**400,884**	

TOTAL ADMINISTRATIVE EXPENSES AS PERCENT OF MARKET VALUE OF INVESTMENTS:

	6/30/2010	6/30/2011	DIFF
MARKET VALUE OF INVESTMENTS (INCL CASH)	299,861,611	354,754,811	54,893,200
PERCENT OF ADMINISTRATIVE EXPENSES	**0.2832%**	**0.3086%**	**0.0254%**

NOTES:

(1) INCLUDES 1.0 FTE FISCAL OFFICER
(2) EXTRA HELP FOR AUTOMATION PROJECT
(3) RETIREMENT RATE INCREASES.
(4) HEALTH INSURANCE ADDED DEPENDENTS.
(5) CONTINUANCE OF ATTORNEY SERVICES WITH SONOMA COUNTY ($35K), HANSON BRIDGETT ($25K).
(6) BUDGET IMPUTED RENT FOR ADMINISTRATIVE CAP CALCULATION
(7) BASED UPON UTILIZATION, STILL BELIEVED TO BE SUFFICIENT FOR BOR TRAINING.
(8) SAME AS LAST YEAR PENDING REVIEW OF DISABILITY PROCESS
(9) LINEA CONTRACT/AUTOMATION COSTS, INCLUDES 2011/12 & 2012/13 COSTS
(10) FEES AGREED WITH GALLINA: AUDIT $20K/ADDITIONAL PROJECTS $10K
(11) FEES AGREED TO WITH THE SEGAL COMPANY: VALUATION $50K/ADDITIONAL PROJECTS $20K
(12) GREATER OF $2,000,000 OR 21/100TH OF 1% OF AAL ($472,644,283 X .21% = $992,553)

Loc	Dept	Emp	Name	Unit	Regular	Premium	Subtotal	Fica	Medicare	Retirement	Retirement Cola	Healthcare	Total
1920	RETIR	1668	ANDERSEN, JAMES	DEPAI	120,512.60	7,831.20	128,343.80	6,621.60	1,816.06	29,190.71	13,824.40	9,388.17	189,184.74
1920	RETIR	2791	O'FERRALL, CHRISTIE	CONFI	31,925.70	1,596.62	33,522.32	1,748.43	408.91	7,922.10	3,751.86	16,126.75	63,480.37
1920	RETIR	1190	RICHARDSON, KATY	CONFI	45,817.25	2,291.11	48,108.36	2,790.64	652.65	11,369.91	5,384.87	9,388.17	77,694.60
1920	RETIR	2388	ZELLER, JUDITH	CONFI	42,515.20	2,126.80	44,642.00	2,437.85	570.14	10,549.68	4,996.21	16,126.75	79,322.63
1920 Total					240,770.75	13,845.73	254,616.48	13,598.52	3,447.76	59,032.40	27,957.34	51,029.84	409,682.34
			FISCAL POSITION (1.0 FTE)		65,000.00	-	65,000.00	4,030.00	942.50	16,129.22	7,638.70	-	93,740.42
					305,770.75	**13,845.73**	**319,616.48**	**17,628.52**	**4,390.26**	**75,161.62**	**35,596.04**	**51,029.84**	**503,422.76**

MENDOCINO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
CASH FLOW ANALYSIS

	JULY 2012 (PROJECTED)	AUGUST 2012 (PROJECTED)	SEPTEMBER 2012 (PROJECTED)	OCTOBER 2012 (PROJECTED)	NOVEMBER 2012 (PROJECTED)	DECEMBER 2012 (PROJECTED)	JANUARY 2013 (PROJECTED)	FEBRUARY 2013 (PROJECTED)	MARCH 2013 (PROJECTED)	APRIL 2013 (PROJECTED)	MAY 2013 (PROJECTED)	JUNE 2013 (PROJECTED)	TOTAL
BEGINNING CASH BALANCE	**3,022,208.06**	**2,232,198.06**	**1,478,138.06**	**1,159,078.06**	**3,869,068.06**	**3,722,508.06**	**3,493,448.06**	**2,703,438.06**	**1,949,378.06**	**1,625,318.06**	**775,308.06**	**3,461,248.06**	**3,022,208.06**
ADDITIONS													
CONTRIBUTIONS													
EMPLOYER	910,000.00	910,000.00	910,000.00	910,000.00	1,365,000.00	910,000.00	910,000.00	910,000.00	910,000.00	910,000.00	910,000.00	1,365,000.00	11,830,000.00
PLAN MEMBERS	365,000.00	365,000.00	365,000.00	365,000.00	547,500.00	365,000.00	365,000.00	365,000.00	365,000.00	365,000.00	365,000.00	547,500.00	4,745,000.00
TOTAL CONTRIBUTIONS	**1,275,000.00**	**1,275,000.00**	**1,275,000.00**	**1,275,000.00**	**1,912,500.00**	**1,275,000.00**	**1,275,000.00**	**1,275,000.00**	**1,275,000.00**	**1,275,000.00**	**1,275,000.00**	**1,912,500.00**	**16,575,000.00**
INVESTMENT INCOME													
RENTAL INCOME, NET OF EXPENSES	4,200.00	4,200.00	4,200.00	4,200.00	4,200.00	4,200.00	4,200.00	4,200.00	4,200.00	4,200.00	4,200.00	4,200.00	50,400.00
INTEREST	3,800.00	-	-	3,800.00	-	-	3,800.00	-	-	3,800.00	-	-	15,200.00
DIVIDENDS (PIMCO/DODGE&COX)	120,000.00	120,000.00	550,000.00	120,000.00	120,000.00	690,000.00	120,000.00	120,000.00	550,000.00	120,000.00	120,000.00	550,000.00	3,300,000.00
CAPITAL GAIN	-	-	-	-	-	-	-	-	-	-	-	-	-
LESS INVESTMENT EXPENSE (1)	(98,500.00)	(5,000.00)	-	(98,500.00)	(35,000.00)	(50,000.00)	(98,500.00)	(5,000.00)	(5,000.00)	(98,500.00)	(5,000.00)	-	(499,000.00)
TOTAL INVESTMENT INCOME	**29,500.00**	**119,200.00**	**554,200.00**	**29,500.00**	**89,200.00**	**644,200.00**	**29,500.00**	**119,200.00**	**549,200.00**	**29,500.00**	**119,200.00**	**554,200.00**	**2,866,600.00**
TOTAL ADDITIONS	**1,304,500.00**	**1,394,200.00**	**1,829,200.00**	**1,304,500.00**	**2,001,700.00**	**1,919,200.00**	**1,304,500.00**	**1,394,200.00**	**1,824,200.00**	**1,304,500.00**	**1,394,200.00**	**2,466,700.00**	**19,441,600.00**
DEDUCTIONS													
BENEFIT PAYMENTS AND SUBSIDIES	(2,000,000.00)	(2,000,000.00)	(2,000,000.00)	(2,000,000.00)	(2,000,000.00)	(2,000,000.00)	(2,000,000.00)	(2,000,000.00)	(2,000,000.00)	(2,060,000.00)	(2,060,000.00)	(2,060,000.00)	(24,180,000.00)
REFUNDS OF CONTRIBUTIONS	(100,000.00)	(100,000.00)	(100,000.00)	(100,000.00)	(100,000.00)	(100,000.00)	(100,000.00)	(100,000.00)	(100,000.00)	(100,000.00)	(100,000.00)	(100,000.00)	(1,200,000.00)
ADMINISTRATIVE EXPENSES (2)	(48,260.00)	(48,260.00)	(48,260.00)	(48,260.00)	(48,260.00)	(48,260.00)	(48,260.00)	(48,260.00)	(48,260.00)	(48,260.00)	(48,260.00)	(563,970.00)	(1,094,830.00)
TOTAL DEDUCTIONS	**(2,148,260.00)**	**(2,148,260.00)**	**(2,148,260.00)**	**(2,148,260.00)**	**(2,148,260.00)**	**(2,148,260.00)**	**(2,148,260.00)**	**(2,148,260.00)**	**(2,148,260.00)**	**(2,208,260.00)**	**(2,208,260.00)**	**(2,723,970.00)**	**(26,474,830.00)**
OTHER INCREASES/DECREASES													
ACCOUNTS RECEIVABLE	-	-	-	-	-	-	-	-	-	-	-	-	-
ACCOUNTS PAYABLE	-	-	-	-	-	-	-	-	-	-	-	-	-
SALE OF INVESTMENTS (3)	53,750.00	-	-	3,553,750.00	-	-	53,750.00	-	-	53,750.00	3,500,000.00	-	7,215,000.00
TOTAL OTHER INCREASES/DECREASES	**53,750.00**	**-**	**-**	**3,553,750.00**	**-**	**-**	**53,750.00**	**-**	**-**	**53,750.00**	**3,500,000.00**	**-**	**7,215,000.00**
INCREASE (DECREASE) IN CASH	**(790,010.00)**	**(754,060.00)**	**(319,060.00)**	**2,709,990.00**	**(146,560.00)**	**(229,060.00)**	**(790,010.00)**	**(754,060.00)**	**(324,060.00)**	**(850,010.00)**	**2,685,940.00**	**(257,270.00)**	**181,770.00**
ENDING CASH BALANCE	**2,232,198.06**	**1,478,138.06**	**1,159,078.06**	**3,869,068.06**	**3,722,508.06**	**3,493,448.06**	**2,703,438.06**	**1,949,378.06**	**1,625,318.06**	**775,308.06**	**3,461,248.06**	**3,203,978.06**	**3,203,978.06**

(1) INVESTMENT EXPENSES FOR ALLIANCE BERNSTEIN, CALLAN, MONDRIAN, CORNERSTONE, SEGAL, & FIDUCIARY INSURANCE. TOTAL EXPENSES TIE TO BUDGET
(2) ADMINISTRATIVE EXPENSES TIE TO BUDGET.
(3) SALE OF MONDRIAN/CORNERSTONE SHARES TO PAY MANAGEMENT FEES AND SALE OF SHARES FOR CASHFLOW.

UNAUDITED - FOR INTERNAL USE ONLY.

Richard A. White, Jr.
Retirement Administrator

Telephone: (707) 463-4328
(707) 467-6473
Fax: (707) 467-6472

MENDOCINO COUNTY
EMPLOYEES' RETIREMENT ASSOCIATION
625-B KINGS COURT
UKIAH, CALIFORNIA 95482-5027

Date: June 20, 2012
To: Board of Retirement
From: Richard White, Retirement Administrator
Subject: Investment and Financial Report

Included in the item are the most recent Financial and Investment Reports through the end of May, 2012. A couple of noteworthy items included in these reports are:

1. MCERA had an ending cash balance of $5,193,358.34 which includes $5 million in proceeds from the sale of RREEF America REIT II. This amount will be split with one-half remaining in our cash account and the other half being transferred to the RREEF Real Estate commingled fund June 1, 2012.
2. There was no change in the Buck Settlement reserve in May.
3. The investment report indicates the month of May experienced difficulty in the capital markets. All investment accounts are within acceptable ranges of the target allocation.

RAW
Attachments

MENDOCINO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
STATEMENT OF CHANGES IN PLAN NET ASSETS
FOR THE TEN MONTHS ENDED APRIL 30, 2012
(FINAL)

	CURRENT MONTH	YEAR TO DATE
ADDITIONS		
CONTRIBUTIONS		
EMPLOYER	$ 883,884.33	$ 9,394,765.86
PLAN MEMBERS	349,364.56	4,460,604.66
TOTAL CONTRIBUTIONS	**1,233,248.89**	**13,855,370.52**
INVESTMENT INCOME		
RENTAL INCOME, NET OF EXPENSES	(8,681.35)	26,343.23
INTEREST	5,508.29	(491,750.50)
DIVIDENDS	359,261.02	6,241,984.92
CAPITAL GAINS	0.00	7,206,590.66
LESS INVESTMENT EXPENSE	(36,500.00)	(175,255.15)
TOTAL INVESTMENT INCOME	**319,587.96**	**12,807,913.16**
TOTAL ADDITIONS	**1,552,836.85**	**26,663,283.68**
DEDUCTIONS		
BENEFIT PAYMENTS, SUBSIDIES, & REFUNDS	(2,149,111.22)	(19,740,476.90)
ADMINISTRATIVE EXPENSES	(5,423.71)	(101,566.50)
TOTAL DEDUCTIONS	**2,154,534.93**	**19,842,043.40**
INCREASE (DECREASE) IN NET ASSETS	**(601,698.08)**	**6,821,240.28**
NET ASSETS		
BEGINNING OF YEAR	**314,820,120.53**	**307,397,182.17**
END OF YEAR	**$ 314,218,422.45**	**$ 314,218,422.45**

UNAUDITED - FOR INTERNAL USE ONLY

MENDOCINO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
STATEMENT OF PLAN NET ASSETS
APRIL 30, 2012
(FINAL)

ASSETS			
CASH AND EQUIVALENTS			
GENERAL CASH	$ 1,007,446.99		
TOTAL CASH AND EQUIVALENTS			**1,007,446.99**
CURRENT ASSETS			
RECOUPMENTS	2,894.71		
TOTAL CURRENT ASSETS			**2,894.71**
PROPERTY AND EQUIPMENT			
EQUIPMENT	3,786.40		
TOTAL PROPERTY AND EQUIPMENT			**3,786.40**
INVESTMENTS, AT COST			
BONDS	87,511,500.33		
INTERNATIONAL EQUITIES	77,636,760.80		
SMALL CAP EQUITIES	21,383,960.85		
MID CAP EQUITIES	36,087,567.43		
LARGE CAP EQUITIES	59,652,857.20		
REAL ESTATE	31,249,166.80		
TOTAL INVESTMENTS, AT COST			**313,521,813.41**
TOTAL ASSETS		**$**	**314,535,941.51**
LIABILITIES			
CURRENT LIABILITIES			
AMCRE DUES	$ 793.12		
WAGE ATTACHMENTS	176.74		
PEDIT TRUST DENTAL	18,114.89		
AFLAC INSURANCE	3,002.11		
BUCK SETTLEMENT RESERVE	295,432.20		
TOTAL CURRENT LIABILITIES			**317,519.06**
TOTAL NET ASSETS		**$**	**314,218,422.45**

UNAUDITED - FOR INTERNAL USE ONLY

COMPARISON OF COST AND MARKET VALUES FOR MENDOCINO COUNTY RETIREMENT ASSOCIATION
APRIL 2012 FINAL

	A	B	C	D	E	F	G	H
	COST VALUE	MARKET VALUE	UNREALIZED GAIN	GAIN BY CATEGORY	PRIOR MONTH GAIN/LOSS	MONTHLY CHANGE	START OF FISCAL YEAR (MARKET)	FISCAL YEAR CHANGE (MARKET)
FIXED INCOME								
PIMCO	41,936,987	46,302,017	4,365,030		3,952,356	412,674	47,208,923	(906,906)
DODGE & COX INCOME	45,574,513	46,431,191	856,678		992,640	(135,962)	50,473,381	(4,042,190)
				5,221,708				
SMALL CAP GROWTH								
ALLIANCE	1,967,850	4,510,345	2,542,495		2,392,925	149,570	4,149,842	360,503
RS EMERGING	2,500,101	3,842,807	1,342,706		1,286,837	55,869	3,883,292	(40,485)
MANAGERS	5,825,409	7,198,356	1,372,947		1,202,145	170,802	7,009,997	188,359
				5,258,148				
SMALL CAP VALUE								
VANGUARD SMALL CAP INDEX	0	-	-		-	-	-	-
PRUDENTIAL TARGET	7,172,930	6,835,968	(336,962)		(403,825)	66,863	6,717,460	118,508
				(336,962)				
MID CAP GROWTH								
MORGAN STANLEY	4,518,742	5,741,956	1,223,214		1,207,955	15,259	6,016,150	(274,194)
JANUS ENTERPRISE	5,232,908	5,994,203	761,295		712,102	49,193	5,752,795	241,408
				1,984,509				
MID CAP VALUE								
FIDILITY LP STCK	3,917,670	5,710,814	1,793,144		1,725,141	68,003	5,497,767	213,047
ROYCE TOTAL RTN	3,950,378	5,381,193	1,430,815		1,414,894	15,921	5,343,466	37,727
				3,223,959				
LARGE CAP GROWTH								
AMERICAN FUND	8,491,910	11,231,680	2,739,770		2,490,481	249,289	10,762,588	469,092
HARBOR CAP APPRE	8,783,960	12,390,962	3,607,002		3,128,138	478,864	11,269,773	1,121,189
JANUS RESEARCH	8,617,378	11,446,449	2,829,071		2,711,029	118,042	10,986,434	460,015
				9,175,843				
LARGE CAP VALUE								
SELECTED AMERICAN	8,861,931	10,844,019	1,982,088		1,815,601	166,487	10,484,731	359,288
DODGE & COX	13,893,630	16,042,910	2,149,280		2,010,442	138,838	15,957,294	85,616
INVEST CO AMERICA	9,282,865	11,229,872	1,947,007		1,786,106	160,901	10,682,563	547,309
ROBECO	14,500,000	15,414,722	914,722		(186,038)	1,100,760	14,491,030	923,692
VAN GUARD GR&INC	9,606,724	11,736,770	2,130,046		1,797,190	332,856	10,831,151	905,619
				9,123,143				
INTERNATIONAL STOCK								
EUROPACIFIC	14,519,688	16,943,353	2,423,665		2,496,919	(73,254)	16,443,168	500,185
HARBOR INTL	15,372,603	15,961,812	589,209		823,229	(234,020)	17,012,890	(1,051,078)
ACORN INTL	5,840,163	8,610,323	2,770,160		2,646,099	124,061	8,952,037	(341,714)
ARTISAN	-	-	-		-	-	-	-
JANUS INTL	15,257,471	13,661,567	(1,595,904)		18,364	(1,614,268)	14,726,811	(1,065,244)
MONDRIAN	15,417,360	14,858,817	(558,543)		(132,143)	(426,400)	14,874,406	(15,589)
OAKMARK	11,229,477	12,356,559	1,127,082		1,650,324	(523,242)	13,492,130	(1,135,571)
				4,755,669				
REAL ESTATE								
RREEF - COMMINGLED FUND	4,151,482	3,700,480	(451,002)		(740,767)	289,765	13,567,707	(9,867,227)
RREEF - AMERICA REIT II	16,224,073	17,747,615	1,523,542		1,332,388	191,154	16,238,535	1,509,080
CORNERSTONE	9,972,499	10,217,048	244,549		-	244,549	-	10,217,048
				1,317,089				
TOTAL MANAGED INVEST.	**312,620,702**	**352,343,808**	**39,723,106**	**39,723,106**	**38,130,532**	**1,592,574**	**352,826,321**	**(482,513)**
OTHER REAL ESTATE								
625 B KINGS COURT	901,112	738,992	(162,120)		(162,120)	-	738,992	-
				(162,120)				
INVESTED FUNDS AVAILABLE	**313,521,814**	**353,082,800**	**39,560,986**	**39,560,986**	**37,968,412**	**1,592,574**	**353,565,313**	**(482,513)**

	BEGINNING MONTH CASH	ENDING MONTH CASH	INCREASE/ DECREASE	GAIN BY CATEGORY	PRIOR MONTH INC/DEC	MONTHLY CHANGE	START OF FISCAL YEAR BALANCE	FISCAL YEAR CHANGE
CASH	1,844,108	1,007,447	(836,661)		-	(836,661)	1,189,486	(182,039)
				(836,661)				
TOTAL FUNDS AVAILABLE	**315,365,922**	**354,090,247**	**38,724,325**	**38,724,325**	**37,968,412**	**755,913**	**354,754,799**	**(664,552)**

COMPARISON OF CAST AND MARKET VALUES FOR MENDOCINO COUNTY RETIREMENT ASSOCIATION
APRIL 2012 FINAL

	A	B	C	D	E	F	G	H
	MARKET VALUE INVESTMENTS	CASH RESERVED	TOTAL AVAILABLE	PERCENT OF PORT.	% BY CLASS	TARGET % (2010 STUDY)	TARGET AS DOLLARS	DIFFERENCE AS DOLLARS
FIXED INCOME								
PIMCO	46,302,017		46,302,017	13.14%		14.000%	49,328,133	3,026,116
DODGE & COX INCOME	46,431,191		46,431,191	13.18%		14.000%	49,328,133	2,896,942
					26.319%	**28.000%**		
SMALL CAP GROWTH								
ALLIANCE	4,510,345		4,510,345	1.28%		1.000%	3,523,438	(986,907)
RS EMERGING	3,842,807		3,842,807	1.09%		1.000%	3,523,438	(319,369)
MANAGERS	7,198,356		7,198,356	2.04%		1.900%	6,694,532	(503,824)
					4.414%	**3.900%**		
SMALL CAP VALUE								
VANGUARD SMALL CAP INDEX	-		-	0.00%		0.000%	-	-
PRUDENTIAL	6,835,968		6,835,968	1.94%		1.900%	6,694,532	(141,436)
					1.940%	**1.900%**		
MID CAP GROWTH								
MORGAN STANLEY	5,741,956		5,741,956	1.63%		1.400%	4,932,813	(809,143)
JANUS ENTERPRISE	5,994,203		5,994,203	1.70%		1.400%	4,932,813	(1,061,390)
					3.331%	**2.800%**		
MID CAP VALUE								
FIDILITY LP STCK	5,710,814		5,710,814	1.62%		1.400%	4,932,813	(778,001)
ROYCE TOTAL RTN	5,381,193		5,381,193	1.53%		1.400%	4,932,813	(448,380)
					3.148%	**2.800%**		
LARGE CAP GROWTH								
GROWTH FUND OF AMERICA	11,231,680		11,231,680	3.19%		3.000%	10,570,314	(661,366)
HARBOR CAP APPRE	12,390,962		12,390,962	3.52%		3.000%	10,570,314	(1,820,648)
JANUS RESEARCH	11,446,449		11,446,449	3.25%		3.000%	10,570,314	(876,135)
					9.953%	**9.000%**		
LARGE CAP VALUE								
SELECTED AMERICAN	10,844,019		10,844,019	3.08%		3.000%	10,570,314	(273,705)
DODGE & COX	16,042,910		16,042,910	4.55%		4.400%	15,503,128	(539,782)
INVEST CO AMERICA	11,229,872		11,229,872	3.19%		3.000%	10,570,314	(659,558)
ROBECO	15,414,722		15,414,722	4.37%		4.400%	15,503,128	88,406
VAN GUARD GR&INC	11,736,770		11,736,770	3.33%		3.000%	10,570,314	(1,166,456)
					18.524%	**17.800%**		
INTERNATIONAL STOCK								
AMERICAN - EUROPACIFIC	16,943,353		16,943,353	4.81%		4.700%	16,560,159	(383,194)
HARBOR INTL	15,961,812		15,961,812	4.53%		4.700%	16,560,159	598,347
ACORN INTL	8,610,323		8,610,323	2.44%		2.500%	8,808,595	198,272
ARTISAN	-		-	0.00%		0.000%	-	-
JANUS INTL	13,661,567		13,661,567	3.88%		4.700%	16,560,159	2,898,592
MONDRIAN	14,858,817		14,858,817	4.22%		4.700%	16,560,159	1,701,342
OAKMARK	12,356,559		12,356,559	3.51%		3.800%	13,389,065	1,032,506
					23.384%	**25.100%**		
REAL ESTATE								
RREEF - COMMINGLED FUND	3,700,480		3,700,480	1.05%		1.700%	5,989,845	2,289,365
RREEF - AMERICA REIT II	17,747,615		17,747,615	5.04%		4.200%	14,798,440	(2,949,175)
CORNERSTONE	10,217,048		10,217,048	2.90%		2.800%	9,865,627	(351,421)
					8.987%	**8.700%**		
TOTAL MANAGED INVEST.	**352,343,808**	**-**	**352,343,808**	**100.000%**	**100.000%**	**100.000%**	**352,343,808**	**0**
OTHER REAL ESTATE								
625 B KINGS COURT	738,992		738,992	0.209%		0.000%	-	-
					0.000%	**0.000%**		
INVESTED FUNDS AVAILABLE	**353,082,800**	**-**	**353,082,800**	**100.209%**	**100.000%**	**100.000%**	**352,343,808**	**0**

	CASH BALANCE	CASH RESERVED	TOTAL CASH BALANCE	PERCENT OF PORT.	% BY CLASS	TARGET % (2010 STUDY)	TARGET AS DOLLARS	DIFFERENCE AS DOLLARS
CASH	1,007,447		1,007,447	0.285%		0.000%	-	-
					0.000%	**0.000%**		
TOTAL FUNDS AVAILABLE	**354,090,247**	**-**	**354,090,247**	**100.494%**	**100.000%**	**100.000%**	**352,343,808**	**0**

MENDOCINO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
STATEMENT OF PLAN NET ASSETS
MAY 31, 2012
(PRELIMINARY)

ASSETS			
CASH AND EQUIVALENTS			
GENERAL CASH	$ 5,193,358.34		
TOTAL CASH AND EQUIVALENTS			**5,193,358.34**
CURRENT ASSETS			
RECOUPMENTS	2,774.10		
TOTAL CURRENT ASSETS			**2,774.10**
PROPERTY AND EQUIPMENT			
EQUIPMENT	3,786.40		
TOTAL PROPERTY AND EQUIPMENT			**3,786.40**
INVESTMENTS, AT COST			
BONDS	87,511,500.33		
INTERNATIONAL EQUITIES	77,636,760.80		
SMALL CAP EQUITIES	21,383,960.85		
MID CAP EQUITIES	36,087,567.43		
LARGE CAP EQUITIES	59,652,857.20		
REAL ESTATE	26,678,399.07		
TOTAL INVESTMENTS, AT COST			**308,951,045.68**
TOTAL ASSETS		**$**	**314,150,964.52**
LIABILITIES			
CURRENT LIABILITIES			
BUCK SETTLEMENT RESERVE	$ 295,432.20		
TOTAL CURRENT LIABILITIES			**295,432.20**
TOTAL NET ASSETS		**$**	**313,855,532.32**

UNAUDITED - FOR INTERNAL USE ONLY

MENDOCINO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
STATEMENT OF CHANGES IN PLAN NET ASSETS
FOR THE ELEVEN MONTHS ENDED MAY 31, 2012
(PRELIMINARY)

	CURRENT MONTH	YEAR TO DATE
ADDITIONS		
CONTRIBUTIONS		
EMPLOYER	$ 879,081.64	$ 10,273,847.50
PLAN MEMBERS	362,579.76	4,823,184.42
TOTAL CONTRIBUTIONS	**1,241,661.40**	**15,097,031.92**
INVESTMENT INCOME		
RENTAL INCOME, NET OF EXPENSES	4,262.53	30,605.76
INTEREST	5,045.45	(486,705.05)
DIVIDENDS	146,513.22	6,388,498.14
CAPITAL GAINS	429,232.27	7,635,822.93
LESS INVESTMENT EXPENSE	(11,190.41)	(186,445.56)
TOTAL INVESTMENT INCOME	**573,863.06**	**13,381,776.22**
TOTAL ADDITIONS	**1,815,524.46**	**28,478,808.14**
DEDUCTIONS		
BENEFIT PAYMENTS, SUBSIDIES, & REFUNDS	(2,169,160.89)	(21,909,637.79)
ADMINISTRATIVE EXPENSES	(9,253.70)	(110,820.20)
TOTAL DEDUCTIONS	**2,178,414.59**	**22,020,457.99**
INCREASE (DECREASE) IN NET ASSETS	**(362,890.13)**	**6,458,350.15**
NET ASSETS		
BEGINNING OF YEAR	**314,218,422.45**	**307,397,182.17**
END OF YEAR	**$ 313,855,532.32**	**$ 313,855,532.32**

UNAUDITED - FOR INTERNAL USE ONLY

MENDOCINO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
CASH FLOW ANALYSIS
FOR THE ELEVEN MONTHS ENDED MAY 31, 2012

	CURRENT MONTH	YEAR TO DATE
ADDITIONS		
CONTRIBUTIONS		
EMPLOYER	879,081.64	10,273,847.50
PLAN MEMBER	362,579.76	4,823,184.42
TOTAL CONTRIBUTIONS	**1,241,661.40**	**15,097,031.92**
INVESTMENT INCOME		
RENTAL INCOME, NET OF EXPENSES	4,262.53	30,605.76
INTEREST	5,045.45	(486,705.05)
DIVIDENDS	146,513.22	1,069,471.22
CAPITAL GAIN	0.00	71,349.29
LESS INVESTMENT EXPENSE	(11,190.41)	(186,445.56)
TOTAL INVESTMENT INCOME	**144,630.79**	**498,275.66**
TOTAL ADDITIONS	**1,386,292.19**	**15,595,307.58**
DEDUCTIONS		
BENEFIT PAYMENTS AND SUBSIDIES	(2,008,919.94)	(21,099,004.78)
REFUNDS/ADJUSTMENTS OF CONTRIBUTIONS	(160,240.95)	(810,633.01)
ADMINISTRATIVE EXPENSES	(9,253.70)	(110,820.20)
TOTAL DEDUCTIONS	**(2,178,414.59)**	**(22,020,457.99)**
OTHER INCREASES/(DECREASES)		
ACCOUNTS RECEIVABLE	120.61	58,913.21
ACCOUNTS PAYABLE	(22,086.86)	(41,673.75)
BUCK SETTLEMENT	0.00	295,432.20
SALE/PURCHASE OF INVESTMENTS	5,000,000.00	10,116,351.27
TOTAL OTHER INCREASES/(DECREASES)	**4,978,033.75**	**10,429,022.93**
INCREASE (DECREASE) IN CASH	**$ 4,185,911.35**	**$ 4,003,872.52**
SUMMARY		
CASH AT END OF PERIOD	$ 5,193,358.34	$ 5,193,358.34
CASH AT BEGINNING OF PERIOD	1,007,446.99	1,189,485.82
INCREASE (DECREASE) IN CASH	**$ 4,185,911.35**	**$ 4,003,872.52**

UNAUDITED - FOR INTERNAL USE ONLY

BUCK SETTLEMENT - RESERVE DETAIL	BUCK SETTLEMENT COSTS APPLIED TO RESERVE	BUCK SETTLEMENT RESERVE DETAIL	REMAINING BALANCE
SETTLEMENT - UAAL AMORTIZATION SCHEDULE ERROR:			
LOST EARNINGS	71,200.00	71,200.00	-
BUCK FEES	118,500.00	118,500.00	-
EFI AUDIT	51,800.00	51,800.00	-
LEGAL FEES	7,524.00	11,000.00	3,476.00
FORENSIC EXPERT	-	51,000.00	51,000.00
SETTLEMENT - EMPLOYEE OVERPAYMENTS:			
TAX COUNSEL	-	70,000.00	70,000.00
IRS COSTS	-	18,500.00	18,500.00
ACTUARY - SEGAL	27,309.00	50,000.00	22,691.00
SOFTWARE - PETER STALDER	13,200.00	15,000.00	1,800.00
INTEREST MEMBERS	-	55,000.00	55,000.00
STAFF TIME	-	15,000.00	15,000.00
IN-HOUSE COUNSEL	-	10,000.00	10,000.00
20% CONTINGENCY		50,000.00	
EFI FEES ABOVE BUDGET	2,034.80		47,965.20
TOTALS	**291,567.80**	**587,000.00**	**295,432.20**

COMPARISON OF CAST AND MARKET VALUES FOR MENDOCINO COUNTY RETIREMENT ASSOCIATION
MAY 2012 PRELIMINARY

	A	B	C	D	E	F	G	H
	MARKET VALUE INVESTMENTS	CASH RESERVED	TOTAL AVAILABLE	PERCENT OF PORT.	% BY CLASS	TARGET % (2010 STUDY)	TARGET AS DOLLARS	DIFFERENCE AS DOLLARS
FIXED INCOME								
PIMCO	46,549,621		46,549,621	14.18%		14.000%	45,947,590	602,031
DODGE & COX INCOME	46,465,181		46,465,181	14.16%		14.000%	45,947,590	517,591
					28.341%	**28.000%**		
SMALL CAP GROWTH								
ALLIANCE	4,121,928		4,121,928	1.26%		1.000%	3,281,971	839,957
RS EMERGING	3,549,698		3,549,698	1.08%		1.000%	3,281,971	267,727
MANAGERS	6,666,972		6,666,972	2.03%		1.900%	6,235,744	431,228
					4.369%	**3.900%**		
SMALL CAP VALUE								
VANGUARD SMALL CAP INDEX	-		-	0.00%		0.000%	-	-
PRUDENTIAL	6,326,534		6,326,534	1.93%		1.900%	6,235,744	90,790
					1.928%	**1.900%**		
MID CAP GROWTH								
MORGAN STANLEY	5,268,928		5,268,928	1.61%		1.400%	4,594,759	674,169
JANUS ENTERPRISE	5,613,416		5,613,416	1.71%		1.400%	4,594,759	1,018,657
					3.316%	**2.800%**		
MID CAP VALUE								
FIDILITY LP STCK	5,246,128		5,246,128	1.60%		1.400%	4,594,759	651,369
ROYCE TOTAL RTN	5,048,825		5,048,825	1.54%		1.400%	4,594,759	454,066
					3.137%	**2.800%**		
LARGE CAP GROWTH								
GROWTH FUND OF AMERICA	10,459,907		10,459,907	3.19%		3.000%	9,845,912	613,995
HARBOR CAP APPRE	11,410,565		11,410,565	3.48%		3.000%	9,845,912	1,564,653
JANUS RESEARCH	10,634,467		10,634,467	3.24%		3.000%	9,845,912	788,555
					9.904%	**9.000%**		
LARGE CAP VALUE								
SELECTED AMERICAN	10,148,252		10,148,252	3.09%		3.000%	9,845,912	302,340
DODGE & COX	14,915,203		14,915,203	4.54%		4.400%	14,440,671	474,532
INVEST CO AMERICA	10,553,826		10,553,826	3.22%		3.000%	9,845,912	707,914
ROBECO	14,272,970		14,272,970	4.35%		4.400%	14,440,671	(167,701)
VAN GUARD GR&INC	11,005,935		11,005,935	3.35%		3.000%	9,845,912	1,160,023
					18.555%	**17.800%**		
INTERNATIONAL STOCK								
AMERICAN - EUROPACIFIC	15,206,788		15,206,788	4.63%		4.700%	15,425,262	(218,474)
HARBOR INTL	14,299,459		14,299,459	4.36%		4.700%	15,425,262	(1,125,803)
ACORN INTL	7,791,951		7,791,951	2.37%		2.500%	8,204,927	(412,976)
ARTISAN	-		-	0.00%		0.000%	-	-
JANUS INTL	11,808,433		11,808,433	3.60%		4.700%	15,425,262	(3,616,829)
MONDRIAN	13,375,466		13,375,466	4.08%		4.700%	15,425,262	(2,049,796)
OAKMARK	10,961,248		10,961,248	3.34%		3.800%	12,471,489	(1,510,241)
					22.378%	**25.100%**		
REAL ESTATE								
RREEF - COMMINGLED FUND	3,530,696		3,530,696	1.08%		1.700%	5,579,350	(2,048,654)
RREEF - AMERICA REIT II	12,747,624		12,747,624	3.88%		4.200%	13,784,277	(1,036,653)
CORNERSTONE	10,217,048		10,217,048	3.11%		2.800%	9,189,518	1,027,530
					8.073%	**8.700%**		
TOTAL MANAGED INVEST.	**328,197,069**	**-**	**328,197,069**	**100.000%**	**100.000%**	**100.000%**	**328,197,069**	**-**
OTHER REAL ESTATE								
625 B KINGS COURT	738,992		738,992	0.225%		0.000%	-	-
					0.000%	**0.000%**		
INVESTED FUNDS AVAILABLE	**328,936,061**	**-**	**328,936,061**	**100.225%**	**100.000%**	**100.000%**	**328,197,069**	**-**

	CASH BALANCE	CASH RESERVED	TOTAL CASH BALANCE	PERCENT OF PORT.	% BY CLASS	TARGET % (2010 STUDY)	TARGET AS DOLLARS	DIFFERENCE AS DOLLARS
CASH	1,007,447		1,007,447	0.305%		0.000%	-	-
					0.000%	**0.000%**		
TOTAL FUNDS AVAILABLE	**329,943,508**	**-**	**329,943,508**	**100.530%**	**100.000%**	**100.000%**	**328,197,069**	**-**

COMPARISON OF COST AND MARKET VALUES FOR MENDOCINO COUNTY RETIREMENT ASSOCIATION
MAY 2012 PRELIMINARY

	A	B	C	D	E	F	G	H
	COST VALUE	MARKET VALUE	UNREALIZED GAIN	GAIN BY CATEGORY	PRIOR MONTH GAIN/LOSS	MONTHLY CHANGE	START OF FISCAL YEAR (MARKET)	FISCAL YEAR CHANGE (MARKET)
FIXED INCOME								
PIMCO	41,936,987	46,549,621	4,612,634		4,365,030	247,604	47,208,923	(659,302)
DODGE & COX INCOME	45,574,513	46,465,181	890,668		856,678	33,990	50,473,381	(4,008,200)
				5,503,302				
SMALL CAP GROWTH								
ALLIANCE	1,967,850	4,121,928	2,154,078		2,542,495	(388,417)	4,149,842	(27,914)
RS EMERGING	2,500,101	3,549,698	1,049,597		1,342,706	(293,109)	3,883,292	(333,594)
MANAGERS	5,825,409	6,666,972	841,563		1,372,947	(531,384)	7,009,997	(343,025)
				4,045,238				
SMALL CAP VALUE								
VANGUARD SMALL CAP INDEX	0	-	-		-	-	-	-
PRUDENTIAL TARGET	7,172,930	6,326,534	(846,396)		(336,962)	(509,434)	6,717,460	(390,926)
				(846,396)				
MID CAP GROWTH								
MORGAN STANLEY	4,518,742	5,268,928	750,186		1,223,214	(473,028)	6,016,150	(747,222)
JANUS ENTERPRISE	5,232,908	5,613,416	380,508		761,295	(380,787)	5,752,795	(139,379)
				1,130,694				
MID CAP VALUE								
FIDILITY LP STCK	3,917,670	5,246,128	1,328,458		1,793,144	(464,686)	5,497,767	(251,639)
ROYCE TOTAL RTN	3,950,378	5,048,825	1,098,447		1,430,815	(332,368)	5,343,466	(294,641)
				2,426,905				
LARGE CAP GROWTH								
AMERICAN FUND	8,491,910	10,459,907	1,967,997		2,739,770	(771,773)	10,762,588	(302,681)
HARBOR CAP APPRE	8,783,960	11,410,565	2,626,605		3,607,002	(980,397)	11,269,773	140,792
JANUS RESEARCH	8,617,378	10,634,467	2,017,089		2,829,071	(811,982)	10,986,434	(351,967)
				6,611,691				
LARGE CAP VALUE								
SELECTED AMERICAN	8,861,931	10,148,252	1,286,321		1,982,088	(695,767)	10,484,731	(336,479)
DODGE & COX	13,893,630	14,915,203	1,021,573		2,149,280	(1,127,707)	15,957,294	(1,042,091)
INVEST CO AMERICA	9,282,865	10,553,826	1,270,961		1,947,007	(676,046)	10,682,563	(128,737)
ROBECO	14,500,000	14,272,970	(227,030)		914,722	(1,141,752)	14,491,030	(218,060)
VAN GUARD GR&INC	9,606,724	11,005,935	1,399,211		2,130,046	(730,835)	10,831,151	174,784
				4,751,036				
INTERNATIONAL STOCK								
EUROPACIFIC	14,519,688	15,206,788	687,100		2,423,665	(1,736,565)	16,443,168	(1,236,380)
HARBOR INTL	15,372,603	14,299,459	(1,073,144)		589,209	(1,662,353)	17,012,890	(2,713,431)
ACORN INTL	5,840,163	7,791,951	1,951,788		2,770,160	(818,372)	8,952,037	(1,160,086)
ARTISAN	-	-	-		-	-	-	-
JANUS INTL	15,257,471	11,808,433	(3,449,038)		(1,595,904)	(1,853,134)	14,726,811	(2,918,378)
MONDRIAN	15,417,360	13,375,466	(2,041,894)		(558,543)	(1,483,351)	14,874,406	(1,498,940)
OAKMARK	11,229,477	10,961,248	(268,229)		1,127,082	(1,395,311)	13,492,130	(2,530,882)
				(4,193,417)				
REAL ESTATE								
RREEF - COMMINGLED FUND	4,151,482	3,530,696	(620,786)		(451,002)	(169,784)	13,567,707	(10,037,011)
RREEF - AMERICA REIT II	11,653,305	12,747,624	1,094,319		1,523,542	(429,223)	16,238,535	(3,490,911)
CORNERSTONE	9,972,499	10,217,048	244,549		244,549	-	-	10,217,048
				718,082				
TOTAL MANAGED INVEST.	**308,049,934**	**328,197,069**	**20,147,135**	**20,147,135**	**39,723,106**	**(19,575,971)**	**352,826,321**	**(24,629,252)**
OTHER REAL ESTATE								
625 B KINGS COURT	901,112	738,992	(162,120)		(162,120)	-	738,992	-
				(162,120)				
INVESTED FUNDS AVAILABLE	**308,951,046**	**328,936,061**	**19,985,015**	**19,985,015**	**39,560,986**	**(19,575,971)**	**353,565,313**	**(24,629,252)**

	BEGINNING MONTH CASH	ENDING MONTH CASH	INCREASE/ DECREASE	GAIN BY CATEGORY	PRIOR MONTH INC/DEC	MONTHLY CHANGE	START OF FISCAL YEAR BALANCE	FISCAL YEAR CHANGE
CASH	1,844,108	5,193,358	3,349,250		-	3,349,250	1,189,486	4,003,872
				3,349,250				
TOTAL FUNDS AVAILABLE	**310,795,154**	**334,129,419**	**23,334,265**	**23,334,265**	**39,560,986**	**(16,226,721)**	**354,754,799**	**(20,625,380)**

Richard A. White, Jr.
Retirement Administrator

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MENDOCINO COUNTY
EMPLOYEES' RETIREMENT ASSOCIATION
625-B KINGS COURT
UKIAH, CALIFORNIA 95482-5027

Date: June 20, 2012
To: Board of Retirement
From: Richard White, Retirement Administrator
Subject: Retirement Administrator's Report

Introduction

As the Board is aware, this is my first Board of Retirement meeting since beginning as the new MCERA Administrator on June 3, 2012. I am very pleased to be here and I look forward to working with you and staff as we accomplish our important mission on behalf of the members, retirees and beneficiaries of MCERA. Since my arrival, I have received a wonderful welcome from our staff here at MCERA and from the County executive and administrative offices, which has served to make my transition so much easier. I am also very appreciative of the overwhelming level of assistance given to me from your prior Administrator, Jim Andersen during this time too! It is an honor and privilege for me to be serving as your Retirement Administrator.

Activities

I have listed some notable activities that I have participated in since your last Board meeting and my appointment as Administrator:

- I attended the Overview Course in Retirement Plan Administration presented by CALAPRS on May 4, 2012 in San Jose.
- I met with PIMCO and received an overview of our investment allocation with them on May 25, 2012 in Newport Beach.
- I introduced myself to the Mendocino County Chief Executive Officer and Department Heads at their meeting on June 6, 2012.
- I was introduced by Board Member Knudsen at the AMCRE General Meeting on June 11, 2012 and also fielded questions from the attendees on retirement/pension issues.
- I introduced myself during public comments to the Mendocino County Board of Supervisors at their meeting on June 12, 2012.
- I met with Jeff Berk, MCERA Legal Counsel on June 12, 2012.
- I met with Andy Yeung, Vice President and Associate Actuary, The Segal Company in their San Francisco office on June 15, 2012.

Automation Project

Linea Solutions started the first phase of the Electronic Data Management System (EDMS) of MCERA's information technology strategic plan on May 15, 2012 as scheduled under the revised timeline and good progress on the initial stages have been made. The Board can expect to receive regular status updates on the progress of the EDMS project and regular billing invoices as this project proceeds.

Mendocino County Civil Grand Jury Report

The Board is aware that the Mendocino County Civil Grand Jury issued a report entitled "MCERA Evaluation – Time to take the next step" which addressed certain issues of concern to the Grand Jury. As required by law, MCERA must provide a response to the Grand Jury on its findings and recommendation. Work on this document is now taking place. The Board will review and approve our response prior to submitting it to the Grand Jury.

Legislative Update

Members of the Board have asked for information on legislation pertinent to public pension systems and I have included some recent information on certain bills for your review and comment. These materials were prepared by Julie Wyne, Assistant CEO and Legal Counsel of OCERS. Julie is also a member of the SACRS Legislative Committee and these materials are used with her permission.

SACRS Sponsored Bills and Legislative Committee meeting:

The SACRS' Legislative Committee met in Sacramento on April 20th and discussed the SACRS' sponsored bills as well as a request from staff of the Conference Committee on Public Pensions to assist in drafting proposed bill language that would be encompassed within the Conference Committee's recommendations. The starting point for bill language is **AB 340** (Furutani), which is the anti-spiking bill that the Legislative Committee provided language for last session. The bill has been held pending the Conference Committee's findings.

AB 1519 (Wieckowski), the SACRS' sponsored bill that contains the educational requirements for board members, passed the Assembly and is on to the Senate. There are some concerns that the bill should have language requiring some type of test, since there are educational requirements. The Legislative Committee will consider this if opposition to the bill arises.

AB 2664 (Committee on Public Employees, Retirement & Social Security), the SACRS' sponsored bill establishing the board's authority to set a security protocol for accepting electronic signatures and LACERA's correction of errors language, has been amended to add the dental group insurance plan language, which is modeled after the vision insurance plan sponsored by SACRS several years ago. Although the plan requires full payment of the premium by the retiree, there is concern from the Assembly Public Employees, Retirement & Social Security Committee that the language could be construed to create a vested right. I was requested to and did provide language to the SACRS' lobbyist to make it clear that no vested rights were created.

The Legislative Committee is still struggling with the Public Records Act concept to clarify the records required to be released and is considering whether to engage with the Newspaper

Publishers' Association, (NPA), to discuss their position. There was also discussion about asking CalPERS whether they wanted to co-sponsor the bill with us, and a sub-group of Committee members were designated to begin those discussions.

Retirement Legislation:

AB 1633 (Wagner), limiting pension benefits for employees hired on or after 1-1-13, **AB 1639** (Hill), prohibiting compensation in excess of IRC 401(a)(17) limits and prohibiting employers from contributing any amounts attributed to that excess to a qualified pension plan for retirement system members on or after 1-1-13, **AB 1649** (Smyth), requiring forfeiture of pension benefits for public employees convicted of a serious felony arising out of official duties, **AB 1653** (Cook), requiring forfeiture of pension benefits for at will employees providing services to public officials elected on or after 1-1-13 if convicted of a felony arising out of official duties, **AB 2224** (Smith & Conway), containing the Governor's pension reform language, and **AB 2429** (Hagman), prohibiting retirement system membership for part-time public officials, have all been moved to Interim Study status, which places them on hold until the Conference Committee on Public Pensions issues its recommendations for bill language. Some or all of these bills may be used as a legislative vehicle for Committee language.

AB 1542 (Mansoor), the cost-of-living adjustment (COLA) bill to limit the granting of a COLA for new members to at least 12 months after retirement, and limit the amount of the COLA to 12 months regardless of how much time has elapsed between retirement and COLA grant, has failed passage in the Assembly Public Employees, Retirement & Social Security Committee. The Committee requested that language be added to clarify how to calculate the COLA after the initial COLA is granted.

SB 1231 (Walters), has been amended to now contain Orange County only language relating to the granting of a STAR COLA, whereas before it applied to all '37 Act retirement systems, and change the granting mechanism from the bill's original approach. The bill now authorizes the Orange County Board of Supervisors to preclude the Board of Retirement from granting STAR COLA to any new retirees not currently receiving it and to limit the amount for current recipients. It applies only to that portion of the benefit attributable to Orange County service, which will require some actuarial analysis to determine, since we do not segregate benefits by plan sponsor service.

SB 1232 (Walters), has been amended to now contain Orange County only COLA provisions, similar to **AB 1542** (Mansoor). It differs in the description of how long a retired member must wait before their first COLA. This bill says that anyone who retires on or after April 1st must wait until the second calendar year to receive their COLA. As with the Mansoor bill, it only applies to that portion of the benefit attributable to Orange County service. The bill, as presently written, applies to current members, so there may be vested rights concerns.

SB 1143 (Walters), allows modification of post employment benefits, including retirement benefits, by an employer for all employees hired on or after 1-1-13. This is one of several post employment benefit bills, which include **SB 1142** (Walters), which prohibits public employers from offering post employment health care benefits to employees hired on or after 1-1-13 unless fully funded in accordance with generally accepted accounting principles for governments, and **SB 1141** (Walters), prohibiting post employment health care benefits for employees hired on or after 1-1-13 unless they contribute at least 50% of the actuarially required contributions, and both the pension reform bills, **AB 2224** (Smith & Conway), and **SB 1176** (Huff).