

BOB MIRATA
CHAIRMAN
B.O.S. APPOINTEE

SHARI SCHAPMIRE
VICE-CHAIRMAN
TREASURER TAX COLLECTOR

DENNIS HUEY
SECRETARY
ELECTED RETIRED MEMBER

SUPERVISOR KENDALL SMITH
B.O.S. APPOINTEE

DR. DON COURSEY
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

TIM KNUDSEN
ELECTED RETIREE
ALTERNATE MEMBER



JIM ANDERSEN
RETIREMENT
ADMINISTRATOR

JEFF BERK
LEGAL COUNSEL

MENDOCINO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION BOARD MEETING AGENDA JULY 20, 2011 – 8:30 A.M.

- 1) **ROLL CALL (8:30 A.M.)**
- 2) **MINUTES OF THE MEETING HELD JUNE 15, 2011 (Estimated Time 5 min.)**
- 3) **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 12 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.

- 4) **DISCUSSION AND POSSIBLE ACTION REGARDING RETIREMENT
ADMINISTRATOR'S REPORT (Estimated Time 20 min.)**
 - a) **Withdrawal of contributions by terminating employees**
 - b) **Billings for fees and services**
 - c) **Presentation of Administrator's report**
- 5) **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**

◆RETIREMENT BOARD MEETING AGENDA◆

◆JULY 20, 2011 - 8:30 A.M.◆

6) DISCUSSION AND POSSIBLE ACTION REGARDING STATEMENT OF AUTHORIZED SIGNATURE (Estimated Time 5 min.)

7) CLOSED SESSION (Timed Item at 9:15 A.M.) (Estimated Time 1.5 hours)

a) Pending disability applications:

- | | |
|----------------------|---------------------------------|
| 1) HUDSON, GARY | (09/07/10) SHERIFF SCD |
| 2) KOSKINEN, KIM | (10/15/08) HHSA (SOC SERV) SCD |
| 3) NOONAN, KRISTIN | (05/05/11) HHSA (SOC SERV) NSCD |
| 4) ZIMMERER, TIMOTHY | (08/27/09) SHERIFF SCD |

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

c) Significant exposure to litigation pursuant to Government Code Section 54956.9(b)(3)(A)- eleven (11) cases

d) Significant exposure to litigation pursuant to Government Code Section 54956.9(b)(3)(A)- one (1) case

(Pursuant to Government Code Section 31532, individual medical records of disability applicants will be discussed during closed session and are not public information.)

8) REPORT OUT FROM CLOSED SESSION (Estimated Time 5 min.)

9) BREAK (Timed Item at 10:45 A.M.) (Estimated Time 10 min.)

10) DISCUSSION AND POSSIBLE ACTION REGARDING RETIREE HEALTH BENEFITS AND COMPLIANCE WITH THE GOVERNMENT CODE (1937 Act), INTERNAL REVENUE CODE, AND/OR FIDUCIARY STANDARDS (Estimated Time 30 min.)

11) DISCUSSION AND POSSIBLE ACTION REGARDING THE COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR) FOR THE YEARS ENDED JUNE 30, 2010 AND 2009 (Estimated Time 30 min.)

12) ADJORNMENT (Estimated Time 12:00 Noon)

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

◆RETIREMENT ASSOCIATION CONFERENCE ROOM: 625-B KINGS COURT, UKIAH, CA 95482◆

◆PHONE 707-463-4328 FAX 707-467-6472◆ WWW.CO.MENDOCINO.CA.US/RETIREMENT◆

James M. Andersen
Retirement Administrator



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

Date: July 12, 2011
To: Board of Retirement
From: Jim Andersen, Retirement Administrator 
Subject: Discussion and Possible Action Regarding the Administrator's Report

Financial

1. Staff has completed our application to the Cornerstone Patriot Fund (Private Real Estate) and is awaiting confirmation of the completeness and acceptance of our application.
2. Staff transmitted to Segal our current interest crediting and excess earnings policy, our previous policy, and correspondence from Buck Consultants regarding excess earnings available for health care. Segal will be reviewing our policy and providing comments and recommendations.
3. Staff has provided GALLINA with all preliminary documents requested to assist them in preparing for their first independent audit of MCERA.
4. After approval and revision of the proposed budget in June, I sent Linea Solutions a draft contract, and requested that they alter the scope of services to include only the EDMS initiative. We are still awaiting the return of the draft contract.

Outreach

I was invited to the "36 hour" workgroup by the County CEO to discuss possible impacts on retirement.

Retiree Health Care

I have informally notified the County CEO and Human Resources that the remaining balance in the Retiree Health Insurance account (5000) will not be utilized to offset retiree health care costs until further discussion and direction by the Board of Retirement.

Miscellaneous

1. Board members Mirata, Stephens and I attended the Callan breakfast/class on June 23rd. The two primary topics were integrating consideration of the underlying "factors" of

asset classes when determining the most appropriate asset allocation. Those factors included such items as inflation, volatility, sovereign exposure, currency, default risks, liquidity, leverage, etc. A copy of the power point presentation is available for review. There was also a presentation on defined contribution plans, focusing on “off the shelf” and custom asset allocations that take into consideration the methods for matching investment strategies with the demographics of the workforce and the timing for future cash flows.

2. With the authorization of the CEO and Human Resources, I have begun preparing a minor reorganization for MCERA. The reorganization would provide a lead in the benefits area for the purpose of training, work allocation, establishing a lead Retirement Specialist to assume the most complex workload, and designating a staff person to become the organizational expert in benefits under the 1937 Act. The reorganization proposal will be brought to the Board for discussion and action prior to any action by the County. The initial steps in the process were necessary just to determine if the CEO would support the study, and to understand from Human Resources what documents would need to be assembled prior to consideration of the merits of any reorganization.
3. Randy Goodman will begin job-sharing and providing MCERA fiscal/accounting support on July 25th.

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MENDOCINO COUNTY EMPLOYEES RETIREMENT ASSOCIATION
FINANCIAL STATEMENT

		MAY 2011 FINAL				TOTAL	MARKET VALUE INFORMATIONAL ONLY MAY 2011 FINAL
1000G	CASH -GENERAL				1,878,045.96		1,878,045.96
1000B	CASH RESERVED-BRADFORD				-		-
1000D	CASH RESERVED-DODGE & COX				-		-
	TOTAL CASH				1,878,045.96		
1200	ACCOUNTS RECEIVABLE				-		-
1250	PREPAID EXPENSE				-		-
1600	OFFICE EQUIPMENT				3,786.40	3,786.40	3,786.40
	INVESTMENTS						
		PIMCO	DODGE & COX I	BRADFORD	DODGE & COX		
1400	BONDS @ COST	43,570,893.46	50,157,082.92	-	-	\$ 93,727,976.38	
	NET BONDS (43,570,893.46	50,157,082.92	0.00	0.00	\$ 93,727,976.38	97,398,853.00
1800	INTERNATIONAL EQUITIES					\$ 71,930,032.91	87,098,698.00
1900	SMALL CAP EQUITIES					16,679,789.51	22,124,499.00
1910	MID CAP EQUITIES					16,906,469.39	22,922,860.00
1920	LARGE CAP EQUITIES					81,113,546.50	97,150,262.00
1930	REAL ESTATE					23,817,339.73	29,796,600.00
1930KC	625 KINGS COURT					901,112.09	738,992.00
	TOTAL SECURITIES & REAL ESTATE @ COST					\$305,076,266.51	
1300	ACTUARIAL VALUE OF UNRECORDED EARNINGS					\$ -	
1700	SHORT TERM INVESTMENT (LAIF)					\$ -	
	TOTAL ASSETS					<u>\$306,958,098.87</u>	<u>359,112,596.36</u> 52,154,487.49
	LIABILITIES AND UNDISTRIBUTED EARNINGS						
	MEMBERS DEPOSIT RESERVE						
2000	REGULAR CONTRIBUTIONS				\$ 35,156,570.20		
2100	REGULAR INTEREST				\$ 11,246,195.38		
2200	C.O.L. CONTRIBUTIONS				\$ 13,300,860.36		
2300	C.O.L. INTEREST				\$ 4,183,829.90	\$ 63,887,455.84	
2500	ACCOUNTS PAYABLE					-	
	COUNTY ADVANCE RESERVE						
3000	CURRENT SERVICE					(20,711,478.59)	
	RETIRED MEMBERS' RESERVE						
4100	ANNUITY				\$ 73,214,278.00		
4200	CURRENT/PRIOR SERVICE				\$ 98,968,733.36		
4400	SURVIVORS' BENEFITS				\$ (4,897,043.27)		
4500	COST OF LIVING				\$ 81,264,729.74		
						\$248,550,697.83	
	MISCELLANEOUS						
5000	RETIREES INSURANCE				\$ 658,653.66		
5100	RETIREES PEDIT ACCOUNTS				\$ 20,272.87		
5200	RETIREE VISION INS				\$ -		
5300	AMCRE DUES				\$ 740.80		
5600	AFLAC INSURANCE				\$ 3,173.42		
5700	DEPENDENT INSURANCE				\$ 256.00		
5750	RETIREE INSURANCE PAYMENT				\$ -		
5800	FEDERAL WITHHOLDING				\$ 26,759.27		
5900	STATE WITHHOLDING				\$ (185.00)		
5950	WAGE ATTACHMENT				\$ 297.76		
5960	RECOUPMENT				\$ (2,824.73)		
5970	PEDIT TRUST DENTAL				\$ -		
5980	HOLDING ACCOUNT				\$ (11,974.52)	\$ 695,169.53	
	UNDISTRIBUTED EARNINGS						
6000	BALANCE-JUNE 30, 2002				\$ -		
6100	CONTINGENCY RESERVE				\$ 3,000,335.17		
6200	HLTH INS CLAIMS RESERVE				\$ (256.00)		
7000B	INTEREST/BRADFORD				\$ 404,968.61		
7000D	INTEREST/DODGE & COX				\$ 1,403,633.80		
7000P	INTEREST/PIMCO				\$ 620,097.10		
7000G	INTEREST GENERAL				\$ 28,722.49		
7000H	INTEREST APPORTIONED				\$ (7,796.57)		
7000DB	ADDITIONAL DEATH BENEFIT				\$ (4,500.00)		
7130	RENTAL INCOME				\$ 42,664.50		
7200	DIVIDEND & INTEREST REINVESTED				\$ 4,655,190.94		
7200G	CAPITAL GAINS & LOSSES REINVESTED				\$ 2,265,541.91		
7250	GAIN ON SALE OF INTERNATIONAL EQUITY				\$ 1,234,156.47		
7350	GAIN ON SALE OF EQUITIES				\$ 7,695,290.35		
7300	WRITE DOWN OF INVESTMENTS				\$ (9,557,912.25)		
7400	GAIN ON SALE OF REAL ESTATE				\$ -		
7450	RECOGNIZED MARKET VALUE APPRECIATION				\$ -		
7500B	PROFIT/LOSS-BRADFORD				\$ 1,428,775.20		
7500D	PROFIT/LOSS-DODGE				\$ 1,941,028.93		
7500I	PROFIT/LOSS INCOME FUND				\$ (67,107.44)		
7600	ADM. EXPENSE REIMB				\$ 30.72		
7650	COMMISSION RECAPTURE				\$ 1,069.12		
7700	MISCELLANEOUS				\$ (165,373.47)		
7730	BUILDING EXPENSES				\$ (29,100.68)		
7800	INVESTMENT EXPENSES				\$ (353,204.64)		
	TOTAL					<u>\$ 14,536,254.26</u>	
	TOTAL LIABILITIES & UNDISTRIBUTED EARNINGS					<u>\$306,958,098.87</u>	

COMPARISON OF COST AND MARKET VALUES FOR MENDOCINO COUNTY RETIREMENT ASSOCIATION
MAY 2011 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)
BRADFORD & MARZEC								
NET COST VALUE	0	-	-		(1)	1	16,907,925	(16,907,925)
DODGE & COX								
NET COST VALUE	0	-	-		(618,641)	618,641	41,310,537	(41,310,537)
DODGE & COX INCOME	50,157,083	50,680,071	522,988		37,117	485,871	-	50,680,071
PIMCO	43,570,893	47,380,258	3,809,365		3,681,211	128,154	45,164,284	2,215,974
NET COST VALUE				4,332,353				
SMALL CAP GROWTH								
ALLIANCE	1,967,844	4,220,929	2,253,085		2,353,976	(100,891)	2,980,938	1,239,991
RS EMERGING	2,500,101	3,961,832	1,461,731		1,494,929	(33,198)	2,457,293	1,504,539
FREMONT	5,311,845	7,126,923	1,815,078		1,970,979	(155,901)	2,494,201	4,632,722
NET COST VALUE				5,529,894				
SMALL CAP VALUE								
VANGUARD SMALL CAP INDEX	0	-	-		-	-	11,011,023	(11,011,023)
PRUDENTIAL TARGET	6,900,000	6,814,815	(85,185)		-	(85,185)	-	6,814,815
NET COST VALUE				(85,185)				
MID CAP GROWTH								
MORGAN STANLEY	4,254,453	6,089,817	1,835,364		1,909,031	(73,667)	7,568,653	(1,478,836)
JANUS ENTERPRISE	5,232,908	5,853,913	621,005		710,280	(89,275)	7,083,362	(1,229,449)
NET COST VALUE				2,456,369				
MID CAP VALUE								
FIDILITY LP STCK	3,588,432	5,553,193	1,964,761		2,029,426	(64,665)	7,384,148	(1,830,955)
ROYCE TOTAL RTN	3,830,676	5,425,937	1,595,261		1,676,360	(81,099)	7,315,773	(1,869,836)
NET COST VALUE				3,560,022				
LARGE CAP GROWTH								
AMERICAN FUND	8,378,074	10,941,458	2,563,384		2,752,379	(188,995)	6,730,586	4,210,872
HARBOR CAP APPRE	8,771,886	11,298,074	2,526,188		2,548,830	(22,642)	8,320,170	2,977,904
JANUS RESEARCH	8,535,170	11,177,996	2,642,826		2,763,439	(120,613)	7,437,093	3,740,903
NET COST VALUE				7,732,398				
LARGE CAP VALUE								
SELECTED AMERICAN	8,787,463	10,849,674	2,062,211		2,192,900	(130,689)	9,585,265	1,264,409
DODGE & COX	13,703,520	16,346,256	2,642,736		2,806,311	(163,575)	5,758,440	10,587,816
INVEST CO AMERICA	9,035,485	10,859,580	1,824,095		2,011,077	(186,982)	9,633,528	1,226,052
ROBECO	14,500,000	14,728,166	228,166		481,514	(253,348)	-	14,728,166
VAN GUARD GR&INC	9,401,948	10,949,058	1,547,110		1,731,644	(184,534)	8,867,385	2,081,673
NET COST VALUE				8,304,318				
INTERNATIONAL STOCK								
EUROPACIFIC	12,709,336	16,686,208	3,976,872		4,405,990	(429,118)	8,647,530	8,038,678
HARBOR INTL	15,027,678	17,185,929	2,158,251		2,648,529	(490,278)	8,124,842	9,061,087
ACORN INTL	5,622,539	9,118,621	3,496,082		3,682,957	(186,875)	8,843,640	274,981
ARTISAN	-	-	-		-	-	7,633,586	(7,633,586)
JANUS INTL	12,924,605	15,389,252	2,464,647		3,017,723	(553,076)	9,466,892	5,922,360
MONDRIAN	14,500,000	15,053,497	553,497		780,696	(227,199)	-	15,053,497
OAKMARK	11,145,875	13,665,191	2,519,316		2,758,940	(239,624)	9,610,807	4,054,384
NET COST VALUE				15,168,665				
REAL ESTATE								
RREEF PUBLIC FUND	9,069,048	13,965,353	4,896,305		4,663,803	232,502	9,882,144	4,083,209
RREEF PRIVATE FUND	14,748,291	15,831,247	1,082,956		1,082,956	(0)	12,895,169	2,936,078
NET COST VALUE				5,817,140				
625 B KINGS COURT	901,112	738,992	(162,120)		(38,992)	(123,128)	862,120	(123,128)
NET COST VALUE				5,817,140				
TOTAL INVESTMENTS	305,076,267	357,892,240	52,815,974	52,815,974	55,535,363	(2,719,389)	283,977,334	73,914,906

REALIZED GAIN ON SALE OF INVESTMENTS

(AMOUNT AVAILABLE TO CREDIT TO RESERVES)

	THIS MONTH	CURRENT YEAR	TOTAL
INTEREST INCOME		2,457,422	2,457,422
WRITE DOWN OF INVESTMENTS		(9,557,912)	(9,557,912)
GAIN/(LOSS) ON INTERNATIONAL SALES		1,234,156	1,234,156
GAIN/(LOSS) ON SALE OF EQUITIES		7,695,290	7,695,290
GAIN/(LOSS) ON SALE OF BONDS	(705,379)	3,302,697	4,008,076
GAIN/LOSS INCOME REINVESTED		2,265,542	2,265,542
DIVIDEND/INTEREST INCOME REINVESTED	134,190	4,655,191	4,521,001
RECOGNIZED MARKET VALUE APPREC.		-	-
COMMISSION RECAPTURE		1,069	1,069
RENTAL INCOME	4,266	42,665	38,398
BUILDING EXPENSE	(3,201)	(29,101)	(25,899)
NET ADMINISTRATION EXPENSES	(54,705)	(518,578)	(463,874)
TOTAL REALIZED GAIN AND INCOME		11,548,441	11,548,441
TOTAL REALIZED AND UNREALIZED GAIN-INCOME			

AMOUNT AVAILABLE TO CREDIT TO RESERVES

11,548,441

11,548,441

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COMPARISON OF RETIREMENT SYSTEM MONEY MANAGERS MARKET VALUE OF INVESTMENTS
MAY 2011 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 () INDICATES
BRADFORD & MARZEC	-	-	-	0.00%		0.000%	-	-
DODGE & COX (SEPARATE)	-	-	-	0.00%		0.000%	-	-
PIMCO	47,380,258	-	47,380,258	13.24%		14.000%	50,104,914	2,724,655
DODGE & COX INCOME	50,680,071	-	50,680,071	14.16%		14.000%	50,104,914	(575,157)
					27.399%	28.000%		
SMALL CAP GROWTH								
ALLIANCE	4,220,929	-	4,220,929	1.18%		1.000%	3,578,922	(642,007)
RS EMERGING	3,961,832	-	3,961,832	1.11%		1.000%	3,578,922	(382,910)
FREMONT	7,126,923	-	7,126,923	1.99%		1.900%	6,799,953	(326,970)
					4.278%	3.900%		
SMALL CAP VALUE								
VANGUARD SMALL CAP IN	-	-	-	0.00%		0.000%	-	-
PRUDENTIAL	6,814,815	-	6,814,815	1.90%		1.900%	6,799,953	(14,862)
					1.904%	1.900%		
MID CAP GROWTH								
MORGAN STANLEY	6,089,817	-	6,089,817	1.70%		1.400%	5,010,491	(1,079,326)
JANUS ENTERPRISE	5,853,913	-	5,853,913	1.64%		1.400%	5,010,491	(843,422)
					3.337%	2.800%		
MID CAP VALUE								
FIDILITY LP STCK	5,553,193	-	5,553,193	1.55%		1.400%	5,010,491	(542,702)
ROYCE TOTAL RTN	5,425,937	-	5,425,937	1.52%		1.400%	5,010,491	(415,446)
					3.068%	2.800%		
LARGE CAP GROWTH								
GROWTH FUND OF AMERIC	10,941,458	-	10,941,458	3.06%		3.000%	10,736,767	(204,691)
HARBOR CAP APPRE	11,298,074	-	11,298,074	3.16%		3.000%	10,736,767	(561,307)
JANUS RESEARCH	11,177,996	-	11,177,996	3.12%		3.000%	10,736,767	(441,229)
					9.337%	9.000%		
LARGE CAP VALUE								
SELECTED AMERICAN	10,849,674	-	10,849,674	3.03%		3.000%	10,736,767	(112,907)
DODGE & COX	16,346,256	-	16,346,256	4.57%		4.400%	15,747,259	(598,997)
INVEST CO AMERICA	10,859,580	-	10,859,580	3.03%		3.000%	10,736,767	(122,813)
ROBEKO	14,728,166	-	14,728,166	4.12%		4.400%	15,747,259	1,019,093
VAN GUARD GR&INC	10,949,058	-	10,949,058	3.06%		3.000%	10,736,767	(212,291)
					17.808%	17.800%		
INTERNATIONAL STOCK								
EUROPACIFIC	16,686,208	-	16,686,208	4.66%		4.700%	16,820,935	134,727
HARBOR INTL	17,185,929	-	17,185,929	4.80%		4.700%	16,820,935	(364,994)
ACORN INTL	9,118,621	-	9,118,621	2.55%		2.500%	8,947,306	(171,315)
ARTISAN	-	-	-	0.00%		0.000%	-	-
JANUS INTL	15,389,252	-	15,389,252	4.30%		4.700%	16,820,935	1,431,683
MONDRIAN	15,053,497	-	15,053,497	4.21%		4.700%	16,820,935	1,767,438
OAKMARK	13,665,191	-	13,665,191	3.82%		3.800%	13,599,905	(65,286)
					24.337%	25.100%		
REAL ESTATE								
RREEF PUBLIC	13,965,353	-	13,965,353	3.90%		1.700%	6,084,168	(7,881,185)
RREEF PRIVATE	15,831,247	-	15,831,247	4.42%		4.200%	15,031,474	(799,773)
NEW PRIVATE	-	-	-	-		2.800%	10,020,983	10,020,983
625 B KINGS COURT	738,992	-	738,992	0.21%		0.300%	1,073,677	334,685
					8.532%	9.000%		
NEW FUNDS AVAILABLE								
	357,892,240	-	357,892,240	100.00%	100.000%	100.300%	358,965,917	1,073,677

James M. Andersen
Retirement Administrator



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

Date: July 12, 2011
To: Board of Retirement
From: Jim Andersen, Retirement Administrator 
Subject: Administrator's Report and Financial Reports

Attached are the preliminary recaps of our portfolio of investments for June 30, 2011.

As is typical after the close of the fiscal year, staff will be preparing a June 30, 2011, Pre-Accrual Financial Statement, Post Accrual Financial Statement, and Pre-Closing Financial Statement. The Pre-Accrual Financial Statement may be available at the time of your July meeting; at the latest your August meeting. All other financial statements will not be available until September when all accruals are completed and MCERA's books are closed for the fiscal year.

The Board will continue to receive monthly reports on MCERA's portfolio as we close out the 2010/11 fiscal year.

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COMPARISON OF RETIREMENT SYSTEM MONEY MANAGERS MARKET VALUE OF INVESTMENTS
 JUNE 2011 PRELIM

	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 () INDICATES
BRADFORD & MARZEC	-	-	-	0.00%		0.00%	-	-
DODGE & COX (SEPARATE)	-	-	-	0.00%		0.00%	-	-
PIMCO	47,208,923	-	47,208,923	13.37%		14.00%	49,442,123	2,233,201
DODGE & COX INCOME	50,473,381	-	50,473,381	14.29%		14.00%	49,442,123	(1,031,257)
					27.660%	28.000%		
SMALL CAP GROWTH								
ALLIANCE	4,149,842	-	4,149,842	1.18%		1.00%	3,531,580	(618,262)
RS EMERGING	3,883,292	-	3,883,292	1.10%		1.00%	3,531,580	(351,712)
FREMONT	7,009,997	-	7,009,997	1.98%		1.90%	6,710,002	(299,995)
					4.260%	3.900%		
SMALL CAP VALUE								
VANGUARD SMALL CAP IN	-	-	-	0.00%		0.00%	-	-
PRUDENTIAL	6,717,460	-	6,717,460	1.90%		1.90%	6,710,002	(7,458)
					1.902%	1.900%		
MID CAP GROWTH								
MORGAN STANLEY	6,016,150	-	6,016,150	1.70%		1.40%	4,944,212	(1,071,938)
JANUS ENTERPRISE	5,752,795	-	5,752,795	1.63%		1.40%	4,944,212	(808,583)
					3.332%	2.800%		
MID CAP VALUE								
FIDILITY LP STCK	5,497,767	-	5,497,767	1.56%		1.40%	4,944,212	(553,555)
ROYCE TOTAL RTN	5,343,466	-	5,343,466	1.51%		1.40%	4,944,212	(399,254)
					3.070%	2.800%		
LARGE CAP GROWTH								
GROWTH FUND OF AMERIC	10,762,588	-	10,762,588	3.05%		3.00%	10,594,741	(167,847)
HARBOR CAP APPRE	11,269,773	-	11,269,773	3.19%		3.00%	10,594,741	(675,032)
JANUS RESEARCH	10,986,434	-	10,986,434	3.11%		3.00%	10,594,741	(391,693)
					9.350%	9.000%		
LARGE CAP VALUE								
SELECTED AMERICAN	10,484,731	-	10,484,731	2.97%		3.00%	10,594,741	110,010
DODGE & COX	15,957,294	-	15,957,294	4.52%		4.40%	15,538,953	(418,341)
INVEST CO AMERICA	10,682,563	-	10,682,563	3.02%		3.00%	10,594,741	(87,822)
ROBEKO	14,491,030	-	14,491,030	4.10%		4.40%	15,538,953	1,047,923
VAN GUARD GR&INC	10,831,151	-	10,831,151	3.07%		3.00%	10,594,741	(236,410)
					17.682%	17.800%		
INTERNATIONAL STOCK								
EUROPACIFIC	16,443,168	-	16,443,168	4.66%		4.700%	16,598,427	155,259
HARBOR INTL	17,012,890	-	17,012,890	4.82%		4.700%	16,598,427	(414,463)
ACORN INTL	8,952,037	-	8,952,037	2.53%		2.500%	8,828,951	(123,086)
ARTISAN	-	-	-	0.00%		0.00%	-	-
JANUS INTL	14,726,811	-	14,726,811	4.17%		4.700%	16,598,427	1,871,616
MONDRIAN	14,874,406	-	14,874,406	4.21%		4.700%	16,598,427	1,724,021
OAKMARK	13,492,130	-	13,492,130	3.82%		3.800%	13,420,005	(72,125)
					24.211%	25.100%		
REAL ESTATE								
RREEF PUBLIC	13,567,707	-	13,567,707	3.84%		1.700%	6,003,686	(7,564,021)
RREEF PRIVATE	15,831,247	-	15,831,247	4.48%		4.200%	14,832,637	(998,610)
NEW PRIVATE	-	-	-	-		2.800%	9,888,425	9,888,425
625 B KINGS COURT	738,992	-	738,992	0.21%		0.300%	1,059,474	320,482
					8.534%	9.000%		
NEW FUNDS AVAILABLE								
	353,158,024	-	353,158,024	100.00%	100.000%	100.300%	354,217,498	1,059,474

COMPARISON OF COST AND MARKET VALUES FOR MENDOCINO COUNTY RETIREMENT ASSOCIATION
 JUNE 2011 PRELIM

	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)
BRADFORD & MARZEC NET COST VALUE	0	-	-		-	-	16,907,925	(16,907,925)
DODGE & COX NET COST VALUE	0	-	-		-	-	41,310,537	(41,310,537)
DODGE & COX INCOME	50,157,083	50,473,381	316,298		522,988	(206,690)	-	50,473,381
PIMCO NET COST VALUE	43,570,893	47,208,923	3,638,029	3,954,327	3,809,365	(171,336)	45,164,284	2,044,639
SMALL CAP GROWTH ALLIANCE	1,967,844	4,149,842	2,181,998		2,253,085	(71,087)	2,980,938	1,168,904
RS EMERGING	2,500,101	3,883,292	1,383,191		1,461,731	(78,540)	2,457,293	1,425,999
FREMONT	5,311,845	7,009,997	1,698,152	5,263,341	1,815,078	(116,926)	2,494,201	4,515,796
SMALL CAP VALUE VANGUARD SMALL CAP INDEX	0	-	-		-	-	11,011,023	(11,011,023)
PRUDENTIAL TARGET	6,900,000	6,717,460	(182,540)	(182,540)	(85,185)	(97,355)	-	6,717,460
MID CAP GROWTH MORGAN STANLEY	4,254,453	6,016,150	1,761,697		1,835,364	(73,667)	7,568,653	(1,552,503)
JANUS ENTERPRISE	5,232,908	5,752,795	519,887	2,281,584	621,005	(101,118)	7,083,362	(1,330,567)
MID CAP VALUE FIDILITY LP STCK	3,588,432	5,497,767	1,909,335		1,964,761	(55,426)	7,384,148	(1,886,381)
ROYCE TOTAL RTN	3,830,676	5,343,466	1,512,790	3,422,125	1,595,261	(82,471)	7,315,773	(1,972,307)
LARGE CAP GROWTH AMERICAN FUND	8,378,074	10,762,588	2,384,514		2,563,384	(178,870)	6,730,586	4,032,002
HARBOR CAP APPRE	8,771,886	11,269,773	2,497,887		2,526,188	(28,301)	8,320,170	2,949,603
JANUS RESEARCH	8,535,170	10,986,434	2,451,264	7,333,665	2,642,826	(191,562)	7,437,093	3,549,341
LARGE CAP VALUE SELECTED AMERICAN	8,787,463	10,484,731	1,697,268		2,062,211	(364,943)	9,585,265	899,466
DODGE & COX	13,703,520	15,957,294	2,253,774		2,642,736	(388,962)	5,758,440	10,198,854
INVEST CO AMERICA	9,035,485	10,682,563	1,647,078		1,824,095	(177,017)	9,633,528	1,049,035
ROBECO	14,500,000	14,491,030	(8,970)		228,166	(237,136)	-	14,491,030
VAN GUARD GR&INC	9,401,948	10,831,151	1,429,203	7,018,353	1,547,110	(117,907)	8,867,385	1,963,766
INTERNATIONAL STOCK EUROPACIFIC	12,709,336	16,443,168	3,733,832		3,976,872	(243,040)	8,647,530	7,795,638
HARBOR INTL	15,027,678	17,012,890	1,985,212		2,158,251	(173,039)	8,124,842	8,888,048
ACORN INTL	5,622,539	8,952,037	3,329,498		3,496,082	(166,584)	8,843,640	108,397
ARTISAN	-	-	-		-	-	7,633,586	(7,633,586)
JANUS INTL	12,924,605	14,726,811	1,802,206		2,464,647	(662,441)	9,466,892	5,259,919
MONDRIAN	14,500,000	14,874,406	374,406		553,497	(179,091)	-	14,874,406
OAKMARK	11,145,875	13,492,130	2,346,255	13,571,409	2,519,316	(173,061)	9,610,807	3,881,323
REAL ESTATE RREEF PUBLIC FUND	9,069,048	13,567,707	4,498,659		4,896,305	(397,646)	9,882,144	3,685,563
RREEF PRIVATE FUND	14,748,291	15,831,247	1,082,956		1,082,956	(0)	12,895,169	2,936,078
625 B KINGS COURT	901,112	738,992	(162,120)	5,419,494	(162,120)	(0)	862,120	(123,128)
TOTAL INVESTMENTS	305,076,267	353,158,024	48,081,758	48,081,758	52,815,975	(4,734,217)	283,977,334	69,180,690
REALIZED GAIN ON SALE OF INVESTMENTS								
(AMOUNT AVAILABLE TO CREDIT TO RESERVES)		THIS MONTH	CURRENT YEAR	TOTAL				
INTEREST INCOME			2,457,422		2,457,422	-		
WRITE DOWN OF INVESTMENTS			(9,557,912)		(9,557,912)	(0)		
GAIN/(LOSS) ON INTERNATIONAL SALES			1,234,156		1,234,156	0		
GAIN/(LOSS) ON SALE OF EQUITIES			7,695,290		7,695,290	-		
GAIN/(LOSS) ON SALE OF BONDS			3,302,697		3,302,697	(0)		
GAIN/LOSS INCOME REINVESTED			2,265,542		2,265,542	(0)		
DIVIDEND/INTEREST INCOME REINVESTED			4,655,191		4,655,191	(0)		
RECOGNIZED MARKET VALUE APPREC.								
COMMISSION RECAPTURE			1,069		1,069	0		
RENTAL INCOME			42,665		42,665	(1)		
BUILDING EXPENSE			(29,101)		(29,101)	0		
NET ADMINISTRATION EXPENSES			(518,578)		(518,578)	(0)		
TOTAL REALIZED GAIN AND INCOME			11,548,441	11,548,441	11,548,441			
TOTAL REALIZED AND UNREALIZED GAIN-INCOME								
AMOUNT AVAILABLE TO CREDIT TO RESERVES			11,548,441	11,548,441	-			

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Retirement Administrator



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

Date: June 30, 2011
To: Board of Retirement
From: Jim Andersen, Retirement Administrator 
Subject: Presentation and Discussion Regarding the Comprehensive Annual Financial Report (CAFR) for Fiscal Years Ending June 30, 2010 and 2009

Introduction

At the June Board meeting, my Administrator's report informed the Board that the CAFR for the years ending June 30, 2010 and 2009 (comparative) had been completed, released and posted to the MCERA website. The Board asked for the CAFR to be brought back at its July meeting for a presentation by staff. In addition, Board member Stephens had several questions. Staff requested, and the Board concurred, that all questions would be submitted in writing to help facilitate an efficient presentation of the CAFR in July. Since the June meeting, the only questions received were from Board member Stephens. His questions, along with staff's answers, are listed below for the full Board's review.

Questions

Why did we not include the 6/30/2010 actuarial numbers? Are the actuarial numbers omitted because of a lack of confidence in them, or, as stated, because we are changing firms?

It is because we are changing firms. The actuarial section of the CAFR, especially for smaller systems, is prepared by the actuary. Given that The Segal Company (Segal) did not prepare the June 30, 2010 valuation study, and the Board exited our contract with Buck Consultants, we do not have an actuary prepared to develop that section of the CAFR. Our expectation is that working with Segal and our new external auditor, GALLINA LLP we will closely review the CAFR, including the actuarial section, and submit a CAFR for 2011/10 for the Government Finance Officers' Association (GFOA) award of excellence.

Please explain the difference between the Net Assets on page 14 and the Reserves on page 16. How can a reader understand why the two numbers are different? If the comparison is to smoothed actuarial value (AV), then the difference is even greater, but not posted here.

The net assets on page 14 are the market value of our portfolio less liabilities. The reserves on page 16 are earnings that have been posted over time to employee, employer, and retiree reserve accounts. The numbers on page 14 (market value of assets) are consistent with those on pages

20, 25 (less receivables), 32, 42 and 43 where we show the market value of our investments. The reserves reported on page 16 are consistent with those reported on page 32. In recognizing that we may have a broad audience of readers, staff can expand future narrative to ensure the reader knows the difference between a reserve balance and the market value of our portfolio assets. Whether it is done in this CAFR, or we wait until future CAFRs, is the full Board's prerogative.

Please discuss Excess Earnings language on page 23.

The last sentence in the final paragraph of the [Description of the Association and Applicable Provisions of Law](#) was an effort to let the reader know, in a concise fashion, that MCERA has changed its interest crediting and excess earnings policy. The former policy recognized excess earnings as the actuarial value of assets (5 year smoothing) less reserves, including the contingency and special reserves. The new policy is to post recognized income, with the option of the Board to also credit unrecognized market value appreciation in assets. This section is admittedly too "concise" and staff would be happy to expand that section of the CAFR's narrative. Again, whether it is done in this CAFR, or we wait until future CAFRs, is the full Board's prerogative.

Please compare the Net Assets on page 20 with those on page 25. Why is there a difference?

The net assets on page 20 include all assets. The table on page 25 is intended to display investments. The only difference is accounts receivable (\$2,016,434), which is an asset but not an investment. The tables are intended to provide different information to the reader and need to be taken in the context of the statements or sections where they occur.

Why are reserve balances on page 16 different than reserve balances on page 32?

There is no difference, with the exception that the Annuitant's (Retiree's) Regular reserve and Cost of Living reserve are shown separately on page 16 and are combined on page 32. All other reserves are identical, as is the balance of \$303,916(000).

Please walk through the calculation on page 32. Explain why the AVA number is being used that is different than the AVA number shown in the CAFR.

The Actuarial Value of Assets (AVA) number used by the Auditor in constructing the table on page 32 is taken from the AVA calculation on page 24 of the June 30, 2010 valuation (line 3). The AVA on page 36 of the CAFR is the AVA, less the miscellaneous and contingency reserves. Given that the table on page 32 does not refer the reader back to the valuation report, I agree that it should contain a footnote.

The table itself is intended to display the calculated difference between three unique but important measures of MCERA's coverage of pension liabilities. Those measures are accrued earnings posted to reserve accounts, the AVA, and the market (fair) value of assets. The descriptions in the table were taken by the Auditor from a supplemental instruction letter to GASB 25, but, according to the Auditor they can be changed to better describe what the table is intended to depict.

Page 34 discusses the \$9.6 million write off of Accrued Actuarial Value of Unrecorded Earnings. If we believe this was not a correct funding mechanism for retiree health care, then shouldn't the remaining funds be left in the pension plan and the write off reduced accordingly?

The Board directed that staff study the origin of the \$9.6 million asset, its write-off after the change in the Interest Posting and Undistributed Earnings Policy, and whether or not the current Board may wish to reconsider actions taken in the past. I will have a complete report for the Board for its August meeting. I recommend the CAFR language remain as it is for 2010/09, given that it accurately describes what occurred that year.