

◆ MENDOCINO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION ◆
BOARD OF RETIREMENT MEETING MINUTES
◆ AUGUST 15, 2012 AT 8:30 A.M. ◆

CALL TO ORDER

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

ROLL CALL

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

PUBLIC COMMENT: None

1) APPROVAL OF THE MINUTES OF BOARD MEETING HELD JULY 18, 2012

Upon motion by Board member Smith, seconded by Board member Schapmire; IT IS ORDERED that the minutes of the July 18, 2012 Board meeting are approved as amended by the following vote: Ayes 8 Noes 0 Abstain 0 Absent 1.

2) MONTHLY INVESTMENT REPORT

- **Quarterly Investment Report by Callan Associates**
- **Discussion of manager fees**
- **Presentation by Callan Associates on Hedge Fund Investing**

Presenter/s: Greg Ungerman and James McKee, Callan Associates, referenced information previously distributed to the Board.

Board Direction: Staff, with the assistance of Callan, will review and report on Mondrian and Cornerstone management fees paid by deducting fees from shares instead of direct billing. Callan will return in November with a review and recommendations on the Equity Structure of the portfolio, including a review and recommendations on active v. passive allocation.

Richard Shoemaker left the meeting at 9:10 A.M.

3) DISCUSSION AND POSSIBLE ACTION REGARDING EXTENSION OF PROFESSIONAL SERVICES AGREEMENT WITH CALLAN ASSOCIATES

Presenter/s: Rich White referenced information previously distributed to the Board.

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Board Direction: Staff will report on the policy/process to follow at the end of the five year agreement with Callan.

Board Action: Motion was made by Board member Sakowicz to approve the extension of Standard Services Agreement with Callan Associates, Inc. for the term of October 1, 2012 through October 1, 2014. Board member Goodman seconded the motion and it was approved by the following vote: Ayes 8 Noes 0 Abstain 0 Absent 1.

4) MONTHLY FINANCIAL REPORTS

- **Billings for fees and services**
- **Preliminary June 30, 2012 Financial Statements**

Presenter/s: Rich White referenced information previously distributed to the Board.

Board Direction: Staff, after consultation with the external auditor, will include market value of assets in Monthly financial statements to make them consistent with the monthly investment report.

5) BENEFITS AND OPERATIONS

- **Member retirements and withdrawals of contributions by inactive members**
- **Documentation Procedure**

Presenter/s: Rich White referenced information previously distributed to the Board.

Board Direction: Staff will report on the process of birth date and social security number verification at the time of enrollment in the retirement system.

Board Action: Motion was made by Board member Supervisor Smith to approve the procedural change of documentation required at time of retirement application. Board member Stephens seconded the motion and it was approved by the following vote: Ayes 8 Noes 0 Abstain 0 Absent 1.

Richard Shoemaker returned to the meeting at 10:36 A.M.

6) RETIREMENT ADMINISTRATOR'S REPORT

- **Actuarial Assumptions and Calculating Benefits**
- **Code Section/County Resolution Report**
- **Contribution Rate Correction Project**
- **Financial/Investment Officer Position**

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- MCERA response to the Mendocino County Civil Grand Jury
- Information Technology Roadmap EDMS project
- Strategic Workshop
- External Audit
- Legislative Update

Presenter/s: Rich White referenced information previously distributed to the Board.

Actuarial Assumptions and Calculating Benefits

July 18, 2012 the Board approved the actuarial assumptions for determining optional forms, annuity benefits and reserves as recommended by The Segal Company. These assumptions were implemented as of July 1, 2012 into the Retirement Allowance Program (RAP), which is the program used to calculate member benefits. This coincided with the effective date of the new assumptions for the 2012/2013 fiscal year, which were approved by the Board based upon the June 30, 2011 actuarial valuation. Therefore, as of July 1, 2012 the assumptions used to calculate optional forms of benefit, annuity benefits and reserves in RAP are the same assumptions as those used to determine the current contribution rates effective on that date. Prior to July 1, 2012 assumptions were those in effect as a result of prior Board approval and they do not appear to have been updated in RAP since at least 2007 or before. Segal has noted that this situation is similar to other 1937 Act systems. It is their opinion that "retroactive action" is NOT required by the Board of Retirement. Segal suggests that the Board of Retirement consider adopting "a formal process to update the benefit program assumptions to be consistent with any assumptions adopted for valuation purposes and to make the new assumptions effective on the date the new member and employer contributions rates go into effect.

Financial/Investment Officer Position

Staff and Human Resources completed the classification specifications for the approved full-time MCERA Financial/Investment Officer position. The Mendocino County Civil Service Commission approved on July 18, 2012 and the position was included in the Retirement System annual budget for fiscal year 2012/13. On August 14, 2012, after much discussion, the Board of Supervisors voted against adding the position to the County Master Position Allocation Table. Immediate impact to MCERA is that it will not have accounting services beyond the end of September 30, 2012 when the limited time position of 20 hrs per month expires and this job-share arrangement will no longer be available to MCERA. Staff requests the Board to authorize the Retirement Administrator to contract for accounting services with a qualified outside accounting provider for the needed bookkeeping, monthly financial statement preparation, and other general accounting services. Staff recommends that the Board approve the scope of service for Gallina LLP to prepare and produce the CAFR for MCERA and compare the report to the GFOA Certificate for Excellence Award. The Retirement Administrator will report back to the Board on the status of accounting services and the CAFR.

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Board Direction: The Board authorized the Retirement Administrator to contract for accounting services with a qualified outside accounting provider for the needed bookkeeping, monthly financial statement preparation, and other general accounting services. The Administrator will report back to the Board on the status, including a full review of the new position and the accounting needs of MCERA next meeting. Staff will approach the County CEO, County Counsel, and the Board of Supervisors for further review of their recommended action. If unsuccessful, staff will come back next meeting with research and options to the Board.

MCERA Response to the Mendocino County Civil Grand Jury

Staff completed the requested changes to the response and submitted it to the Grand Jury on July 20, 2012. The Board of Supervisors approved their required response July 24, 2012.

Strategic Workshop

Staff is continuing to develop the agenda and details for the Board Strategic Workshop which will take place Wednesday October 17, 2012 and Thursday October 18, 2012. The Board will hold its regularly scheduled monthly meeting on the morning of October 17 followed by Part One of the Strategic Workshop. Part Two of the Workshop will take place the morning of October 18. The Workshop facilitator will be Nancy A. Williams, the practice co-leader of Hewitt EnnisKnupp's Fiduciary Services practice.

Legislative Update

Information on legislation pertinent to public pension systems and recent information on certain bills prepared by Julie Wyne, Assistant CEO and Legal Counsel of OCERS, was provided to board members with Ms. Wyne's permission. Please visit <http://www.co.mendocino.ca.us/retirement/meetings.htm> for the Retirement Administrator's report which includes complete information on the legislation.

Shari Schapmire, Vice-Chair, served as Chair after Bob Mirata, Chair, excused himself from the meeting at 11:55 A.M.

7) CLOSED SESSION

- **Pending disability applications:**
 - A) **Monthly update on pending applications**
- **Pending litigation pursuant to Government Code Section 54956.9(a) - 1 case - Kim Koskinen, Writ of Mandamus filed July 18, 2012**

REPORT OUT FROM CLOSED SESSION

Board Direction: The Board provided direction to staff and counsel.

Board Action: None

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8) COMMUNICATIONS

Presenter/s: Rich White referenced information previously distributed to the Board.

Please visit <http://www.co.mendocino.ca.us/retirement/meetings.htm> for communications information distributed to the Board.

9) GENERAL BOARD MEMBER DISCUSSION

None

There being no further business Shari Schapmire, Vice-Chair, adjourned the meeting at 12:40 P.M.