

**MENDOCINO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION BOARD
OF DIRECTORS MINUTES OF THE REGULAR MEETING,
AUGUST 18, 2010 AT 8:30 AM,
MENDOCINO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
CONFERENCE ROOM, 625B KINGS CT., UKIAH, CA 95482**

1. CALL TO ORDER

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

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

Also present: Jim Andersen, Retirement Administrator, Tim Knudsen, Alternate Retiree Trustee, Sue Thornhill, retirement staff, Judy Zeller, retirement staff, Jeanine Nadel, County Counsel, Greg Deforest, Callan Associates, Matt Schmelzer, Callan Associates, and various members of the public.

2. APPROVAL OF MINUTES

Upon motion by Trustee Smith, seconded by Trustee Weer, and carried unanimously; IT IS ORDERED that the minutes of the July 21, 2010, Board meeting are approved as amended.

3. PRESENTATION OF THE QUARTERLY PERFORMANCE REPORT FROM CALLAN ASSOCIATES FOR THE PERIOD ENDING JUNE 30, 2010

Presenter/s: Greg Deforest and Matt Schmelzer of Callan Associates referenced written material previously distributed to the Board.

Callan presented the Quarterly Performance Report for the period ending June, 30 2010. Mr. Deforest gave a brief history of what happened in the Capital Markets during the last year. He then highlighted special areas of interest in the quarterly report and explained why the Association did so well with investments during fiscal year 2009/2010. Mr. Schmelzer briefly spoke about our International Equities performance and then gave the Board detailed information on our International Equity Funds/Managers. Fixed Asset performance was also discussed, including information on our Fixed Asset managers.

4. DISCUSSION AND POSSIBLE ACTION REGARDING AN AMENDED INVESTMENT POLICY FROM CALLAN ASSOCIATES

Presenter/s: Greg Deforest and Matt Schmelzer of Callan Associates referenced written material previously distributed to the Board.

A draft Investment Policy Statement (IPS) was presented to the Board. This draft policy was compiled of the Association's existing policy and bylaws, a policy template, and examples from other 37 Act counties. After some discussion, suggestions were made to amend the policy and bring it back for review again in September. Trustee Smith proposed adding the formation of an Investment Committee to the September agenda.

Board Action: None taken

5. DISCUSSION AND POSSIBLE ACTION REGARDING ASSET ALLOCATION STRATEGY WITH CALLAN ASSOCIATES

Presenter/s: Greg Deforest of Callan Associates referenced written material distributed to the Board.

A new Asset Allocation Strategy was presented to the Board due to the adoption of a new Asset Allocation Policy and the need to address long term investment. Guiding principals, four basic fixed income strategies, and investment structure were explained. The Association's current investment strategy was reviewed and compared to the market index. Potential alternative strategies were also presented to the Board in comparison to our current strategy.

Callan will return in September with an additional alternative strategy and estimated returns for each potential alternative strategy before any decisions will be made. Domestic Equities and Real Estate will also be discussed in September.

Board Action: None taken

Greg Deforest and Matt Schmelzer left the meeting at 11:29 am.

6. RETIREMENT ADMINISTRATOR'S REPORT

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

Financial

- a. The RFP ad hoc committee for audit of our actuary has selected a preferred proposer. A meeting has been set for August 23, 2010. Staff is conducting reference checks, and an initial review of the Association's standard contract is being done by the proposer. Staff estimates that the audit should be completed in January or February of 2011.
- b. The draft CAFR for June 30, 2009 has been completed and is being proof read and reviewed by Jim Sligh, CPA. Staff hopes to provide the Board with a final copy in September.

Miscellaneous

- a. An open house to celebrate the career and retirement of Sue Thornhill will be held in the Retirement Conference room on September 20, 2010, from noon to 3:00 pm.

7. INVESTMENTS/FINANCIALS

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

8. HEALTH INSURANCE

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

The Board was advised that the fund has a current balance of \$820,000.00 with a remaining life of 4.79 months without the forthcoming changes. Ms. Thornhill mentioned that this may be the last report on the Retiree Health Insurance as discussion is to be held with Human Resources on delegation of duties related to the insurance.

9. DISCUSSION AND POSSIBLE ACTION TO APPROVE A MEMORANDUM OF UNDERSTANDING (MOU) BETWEEN THE ASSOCIATION AND COUNTY COUNSEL FOR ATTORNEY SERVICES (CONTINUED FROM JULY MEETING).

Presenter/s: Jim Andersen and Jeanine Nadel referenced written material previously presented to the Board.

Ms. Nadel briefly explained the history of the relationship between County Counsel and the Association. Both Ms. Nadel and Mr. Andersen stated that the Government Code and the Attorney General Opinion 87-901 do allow for payment of attorney services by the retirement system. Mr. Andersen recommended approval of the MOU.

Trustee Goodman spoke against approval of the MOU. He stated that he did not agree with the Attorney General’s opinion and the County billing the Association, essentially shifting tax dollars from one agency or department to another.

Board Action: Trustee Smith motioned for approval of the MOU effective January 1, 2010 with the billing from County Counsel, dated July 14, 2010, to be paid in full. Trustee Mirata seconded the motion. The MOU was approved 7 to 2 with Trustees Goodman and Huey dissenting.

Additional Board Action: Trustee Callahan motioned that a mutual termination clause be added to the MOU. Trustee Mirata seconded the motion. Motion carried unanimously.

10. PUBLIC COMMENT

John Sakowicz spoke to the Board.

12:13 ENTERED INTO CLOSED SESSION

Discussion and possible action on disability applications.

12:15 OUT OF CLOSED SESSION

11. BOARD ACTION FROM CLOSED SESSION

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

10:15 REPORT OUT FROM CLOSED SESSION

Nothing to report.

There being no further business Chairman Pearce adjourned the meeting at 12:15 P.M.