

◆MENDOCINO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION◆
BOARD OF RETIREMENT MEETING MINUTES
◆AUGUST 20, 2014 AT 8:30 A.M.◆

CALL TO ORDER

Shari Schapmire, Board Chair, called the meeting to order at 8:30 a.m.

ROLL CALL

Roll call was conducted with the following members present: Randy Goodman, John Sakowicz, Ted Stephens, Lloyd Weer, Tim Knudsen, Bob Mirata, Craig Walker, and Shari Schapmire. Also present: Jim Andersen, Interim Retirement Administrator, Jeff Berk, Legal Counsel, and Judy Zeller, Administrative Assistant. Absent: Supervisor John McCowen and Richard Shoemaker.

PUBLIC COMMENT: None

1) MINUTES OF THE BOARD MEETING HELD JULY 16, 2014

Presenter/s: Chair Schapmire referenced the minutes of the board meeting held July 16, 2014

Board Action: Motion was made by Mr. Walker to approve the minutes of the board meeting held July 16, 2014. Mr. Mirata seconded the motion and it was approved by the following vote: Ayes: Mr. Sakowicz, Mr. Weer, Mr. Knudsen, Mr. Stephens, Mr. Goodman, Mr. Mirata, Mr. Walker, and Ms. Schapmire. Noes: 0. Abstain: 0. Absent: 1

2) APPROVAL OF CONSENT AGENDA

Presenter/s: Chair Schapmire referenced the Consent Agenda which included 2-A Retirement Administrator's report, 2-B Membership, 2-C Retirements Processed, 2-D Signature Resolution 2014-03, 2-E Manatt Legal Services Agreement, 2-F Hanson Bridgett Tax Counsel Services Agreement, and 2-G Callan Associates Financial/Investment Consulting Services Agreement.

Board Action: Motion was made by Mr. Goodman to approve the Consent Agenda. Mr. Mirata seconded the motion and it was approved by the following vote: Ayes: Mr. Sakowicz, Mr. Weer, Mr. Knudsen, Mr. Stephens, Mr. Goodman, Mr. Mirata, Mr. Walker, and Ms. Schapmire. Noes: 0. Abstain: 0. Absent: 1

Supervisor McCowen entered the meeting at 8:35 a.m.

**3) DISCUSSION AND POSSIBLE ACTION REGARDING ANY CONSENT AGENDA ITEM
NEEDING SEPARATE ACTION**

None

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4) INVESTMENT REPORT

- Quarterly Performance Report for the Period Ending June 30, 2014, Callan Associates
- Monthly Investment Report

Presenter/s: Greg Ungerman of Callan Associates presented the MCERA June 30, 2014 Quarterly Performance Report stating that returns were quite strong this fiscal year. The Standard and Poor's Index (S&P) did very well, energy and utilities ran the market, emerging markets and Japan continued to be positive. MCERA'S Asset Allocation is well within policy ranges and total assets are over \$442 million. For the quarter ending June 30, 2014 this is a net increase of \$11.5 million after posting \$13.5 million in investment gains and subtracting \$2 million in net new investment (cash and dividends).

Mr. Ungerman discussed the performance of PIMCO, Morgan Stanley, and Janus Overseas. Real Estate and our Cash Policy were also discussed.

Mr. Andersen referenced an event summary from Callan Associates titled "Policy Implementation Decisions". He encouraged the board to read this handout which included information regarding biases.

Board members asked Mr. Ungerman whether the RV Kuhns report has any value and if it is creditable information. He replied that it provides a lot of information. Its only limitation is whether every participant reported correctly. Mr. Andersen added that he had recently reported to RV Kuhns for their next report. He mentioned some of the items that are included in the report which provides more than just a display of the total returns of all systems. MCERA is always reported net of fees while all of the other systems report gross of fees.

5) FINANCIAL REPORT

- Statement of Plan Net Assets
- Statement of Changes in Plan Net Assets
- Cash Flow Analysis
- Rental Income Net of Expenses
- Vendor Ledger

Presenter/s: Jim Andersen referenced the monthly Financial Report.

Mr. Andersen noted several deferred maintenance activities at Kings Court and recommended that the permanent Retirement Administrator prepare a Capital Improvement Plan (CIP) at the time of adoption of the 2015/16 budget.

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6) DISCUSSION REGARDING THE REPORT OF THE BLUE RIBBON PANEL ON PUBLIC PENSION PLAN FUNDING

Presenter/s: Chair Schapmire referenced the Blue Ribbon Panel report on Public Pension Plan Funding stating that Mr. Stephens and Supervisor McCowen would carry the discussion. Mr. Andersen added that this report provides great educational material. He reminded the Board that they should have their Actuary here to advise them as they consider the information included in this report. He recommended compiling a list of the most important items for Segal Consulting to address and submit the items to them early in order to incorporate in future Board discussion.

Mr. Stephens questioned whether MCERA should send anything back to the Blue Ribbon Panel. He agreed that we should decide which items are important and speak to Segal Consulting about them. Setting the target rate has suggested methodology in the panel report. We should be thinking about methodology in discussion regarding our target rate and this report provides a good foundation. The Board agreed that it would be helpful to communicate specific areas of interest to Segal as soon as possible.

The Board members discussed bias in the report and the target rate. Mr. Knudsen asked if Segal Consulting had issued an opinion on this Blue Ribbon Panel Report. Mr. Andersen offered to ask Segal if they had issued an opinion. Chair Schapmire commented that Segal has brought some ideas forward, including 18 year amortization. She believes that Segal will bring more items forward for discussion as a result of this report. Mr. Stephens mentioned that the 18 year amortization was brought to our attention by a California Panel of Actuaries. We should see if they issued a report and look for any variances.

The Board agreed to submit their questions to Mr. Andersen who would compile them for discussion during our September meeting. The deadline for submission is September 3rd.

Board Direction: Board members will submit items of importance and their questions for Segal to Mr. Andersen no later than September 3rd in order to prepare for the September 17th board meeting. Staff will contact Segal to obtain their response, if any, to the Blue Ribbon report and will look for reporting from the California Panel.

7) DISCUSSION AND POSSIBLE ACTION REGARDING A RESPONSE TO THE STATE ASSOCIATION OF COUNTY RETIREMENT SYSTEMS REGARDING THEIR APPROACH TO SUSTAINING PUBLIC DB PLANS

Presenter/s: Jim Andersen referenced the State Association of County Retirement Systems (SACRS) and their approach to sustaining public defined benefit plans. He mentioned that the Ventura County Initiative has been dismissed by the Courts which cancels any proposed legislation

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and eliminates the urgency regarding this issue. This will be an item for discussion during the next SACRS conference and may possibly be an action item at the SACRS business meeting.

The Board discussed the SACRS duty to educate public retirement systems and to coordinate legislation for these systems. This issue seemed to be providing education to the general public and distracts from SACRS primary duties. SACRS should also communicate the cost of this education as they are advocating for a position which is not the business of retirement systems. This is an issue between an employer and employees only. Our opinion should only be regarding management of the plan and financial stability. Supervisor McCowen offered to work with Mr. Stephens on writing a letter to SACRS. The goal is to have this letter on the September meeting agenda for approval for submission to SACRS and the other 37 Act retirement systems. Chair Schapmire thanked Mr. Stephens for providing his draft letter.

Mr. Mirata commented that we should make sure this item is included in the next SACRS Business Meeting discussion. Mr. Andersen assured the Board that SACRS will most likely include this in the fall SACRS Conference and the next business meeting. He added that it will be good to include the other retirement systems in the mailing as they will need to contemplate this issue as well. According to the last SACRS Ad Hoc Committee memo, some counties have already responded directly to SACRS.

Board Direction: Staff will contact SACRS regarding agendizing this item for the next SACRS business meeting and will request copies of responses received by SACRS from other 37 Act counties.

8) GENERAL BOARD MEMBER DISCUSSION

Mr. Sakowicz stated that the California Association of Public Retirement Systems (CALAPRS) Advanced Principles of Pension Management for Trustees is scheduled for January 28, 2015 and he would like to attend. The Board agreed to discuss, including cost, at our next meeting.

Mr. Andersen provided an update on the recruitment of an Administrator. Alliance recently prepared a recruitment profile which was reviewed and finalized by the Ad Hoc Retirement Administrator Recruitment Committee. They have distributed a recruitment flyer. Both Pensions and Investments and Money Management Intelligence have contacted MCERA and will include news articles regarding our recruitment next month's issues. Chair Schapmire thanked the Board for their time spent with Alliance, answering questions regarding the recruitment. The Board asked staff to provide the recruitment profile information compiled by Alliance. Mr. Andersen will email this information to the Board.

Supervisor McCowen confirmed that the Board of Supervisors (BOS) budget process is scheduled for September 8th, 9th, and 10th. Mr. Andersen will be attending on behalf of MCERA. Mr. Stephens

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cautioned against any agreement to increase to unfunded liability payments by the County now, as it may impact contributions with the next experience study. Supervisor McCowen stated that the BOS is interested in avoiding negative amortization. Mr. Stephens commented that we must have balance. Adoption of a discount rate may be more important than accelerated unfunded liability payments.

9) CLOSED SESSION

- **Pending Disability Applications Update**
- **Ricky Del Fiorentino Disability Retirement Application**

LUNCH RECESS (11:40 a.m.)

Mr. Goodman, Mr. Weer, and Mr. Walker were unable to attend the afternoon Closed Session discussion due to previous commitments.

RECONVENE (2:00 p.m.)

9) CLOSED SESSION, CONTINUED

- **Possible Initiation of Litigation pursuant to Government Code Section 54956.9(d)(4)**

REPORT OUT FROM CLOSED SESSION

The Board unanimously approved the Service Connected Disability Retirement Application for Ricky Del Fiorentino and gave further direction to staff.

Direction was given to staff and legal counsel regarding the possible initiation of litigation item.

ADJOURNMENT (3:37 p.m.)