

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 SEPTEMBER 19, 2012 – 8:30 A.M.

ROLL CALL (8:30 A.M.)

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.

- 1) APPROVAL OF THE MINUTES OF THE BOARD MEETING HELD AUGUST 15, 2012
(Estimated Time 5 min.)**
- 2) DISCUSSION AND POSSIBLE ACTION REGARDING LETTER OF ENGAGEMENT
WITH HANSON BRIDGETT FOR TAX COUNSEL SERVICES, INCLUDING ERROR
CORRECTION PROJECT (Estimated Time 10 min.)**
- 3) DISCUSSION AND POSSIBLE ACTION REGARDING THE IT ROADMAP
(Estimated Time 30 min.)**
- 4) MONTHLY FINANCIAL REPORTS (Estimated Time 10 min.)**
 - **Current Financial Statements and Statement Construction**
 - **Update on MCERA Accounting Services**

◆RETIREMENT BOARD MEETING AGENDA◆
◆SEPTEMBER 19, 2012 - 8:30 A.M.◆

5) MONTHLY INVESTMENT REPORT (Estimated Time 10 min.)

- U.S. Investment Management Fund Profile - Public Pensions 2012
- R.V. Kuhns & Associates Public Fund Universe Analysis
- Investment Manager Fee Billing Procedure

6) BENEFITS AND OPERATIONS (Estimated Time 10 min.)

- Member retirements and withdrawals of contributions by inactive members
- Staff Report on Entry Age Verification

7) DISCUSSION AND POSSIBLE ACTION REGARDING ACCOUNTING SERVICES CONTRACT (Estimated Time 10 min.)

8) DISCUSSION AND POSSIBLE ACTION REGARDING SACRS VOTING POLICY (Estimated Time 10 min.)

BREAK (Estimated Time 10 min.)

9) DISCUSSION AND POSSIBLE ACTION REGARDING RETIREMENT ADMINISTRATOR EVALUATION POLICY (Estimated Time 10 min.)

10) RETIREMENT ADMINISTRATOR'S REPORT (Estimated Time 30 min.)

- Cost of Living increases in the Optional Benefit Calculations
- Code Section/County Resolution Project
- Disability Policy Procedure
- Strategic Workshop
- External Audit
- Undistributed Earnings Issue
- Public Records Act Requests
- Legislative Update

11) CLOSED SESSION (Approximately 11:00 A.M.) (Estimated Time 30 min.)

- Pending disability applications update
- Possible Initiation of litigation pursuant to Government Code Section 54956.9(c) - 1 case - Richard Shoemaker overpayment

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

12) COMMUNICATIONS (Estimated Time 5 min.)

13) GENERAL BOARD MEMBER DISCUSSION (Estimated Time 5 min.)

ADJORNMENT (Approximate Time 11:45 A.M.)

(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◆

◆ 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.

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

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

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

- 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.

◆ MENDOCINO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION ◆
BOARD OF RETIREMENT MEETING MINUTES
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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.

Board Chair Bob Mirata left 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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BOARD OF RETIREMENT MEETING MINUTES
◆ AUGUST 15, 2012 AT 8:30 A.M. ◆

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.

Pending Board Approval

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: September 19, 2012
To: Board of Retirement
From: Richard White, Retirement Administrator
Subject: Approval of Engagement Letter with Hanson Bridgett LLP

Discussion:

Hanson Bridgett LLP has been the retained MCERA legal services firm to provide tax counsel services including tax, benefits and related advice for a number of years. Services provided to MCERA have been provided by Bob Blum and Judith Boyette, both Partners in the firm. The primary focus of Hanson Bridgett has been the Voluntary Correction Project (VCP) with the IRS and has also included areas, such as the excess earnings issue, where their expertise with tax law has been critical to have.

MCERA has had a series of legal service agreements in place which detail the scope of services and billing rates of Hanson Bridgett. The recent engagement letter expired on June 30, 2012 and it is necessary to approve a new agreement in order to maintain the services provided by Hanson Bridgett.

The Board of Retirement approved the previous engagement letter as of August 15, 2011 with a requested level of legal fees to a maximum of \$50,000. The legal fees billed to MCERA amounted to approximately \$42,000 during this period with about one-half allocated to the contribution correction project and the majority of the remaining amount allocated to the IRS/VCP issues (including the retiree medical account issues).

I am requesting that the Board of Retirement approve the Engagement Letter as detailed in the Hanson Bridgett letter of August 27, 2012 for the period of July 1, 2012 through June 30, 2013 and authorize a maximum amount payable under the agreement to \$40,000. The hourly billing rates are the same as in the previous agreements.

Recommended action: Approve the Engagement Letter for Miscellaneous Tax Counsel Services with a maximum amount of \$40,000.

Attachment

JUDITH W. BOYETTE
PARTNER
DIRECT DIAL (415) 995-5115
DIRECT FAX (415) 995-3577
E-MAIL jboyette@hansonbridgett.com

 **HansonBridgett**

RECEIVED BY

AUG 28 2012

The Mendocino County Employees'
Retirement Association

August 27, 2012

CONFIDENTIAL - SUBJECT TO ATTORNEY-CLIENT PRIVILEGE
VIA E-MAIL AND EXPRESS DELIVERY

Richard A. White, Jr.
Retirement Administrator
Mendocino County Employees' Retirement
Association
625-B Kings Court
Ukiah, CA 95482

Re: **Engagement Letter for Miscellaneous Tax Counsel Services, Including Error
Correction Project**

Dear Rich:

This letter will confirm your continued engagement of Hanson Bridgett LLP to provide legal services to the Mendocino County Employees' Retirement Association ("MCERA"). Our engagement will involve continuing to provide miscellaneous tax counsel services to MCERA including tax, benefits, and related advice.

As we have discussed, this engagement includes completion of advice and counsel for MCERA related to a special project dealing with an error by MCERA's former actuary that caused a significant number of existing and former employees who are members of MCERA to make contributions to MCERA over a period of over two years that on an overall net basis were in excess of contributions that should have been made. In order to resolve this issue in a manner that best protects the tax-qualified status of MCERA, our advice and counsel has been and will continue to be intended to assist MCERA in making the appropriate corrections due to the net overpayments made by the members, as well as probable corresponding underpayments made by the County of Mendocino and other participating employers in MCERA, in such a manner so as not to detrimentally affect the determination letter application and related voluntary correction program (VCP) filing currently pending with the IRS on behalf of MCERA. Our advice to MCERA will include preparation and filing of a supplemental submission to the IRS dealing with the under and over payments to MCERA under the VCP process. Hanson Bridgett also will continue to represent MCERA in the IRS determination letter and VCP filing process, which will include discussion of the error correction project issues, as well as other '37 Act system issues, in on-going discussions with the IRS, which may involve either written materials or oral discussions (or both) with the IRS, whether in a formal or informal basis. We currently expect discussion with the IRS to resume on issues with the '37 Act system filings, including MCERA's, in the next few months.

The effective date of this agreement will be July 1, 2012 to include continuing work on projects. We look forward to continuing to work with you on these issues to bring them to a successful conclusion.

Conflicts Review

We have performed a computerized check of potential conflicts of interest that might have prevented us from providing representation in this matter. Based on information provided by you, as well as the information available in our files, we are not aware of any conflicts of interest at this time. If you later learn of any additional parties with an interest in this matter, you should notify us immediately so that we can be certain that they create no problem with our representation of MCERA. We will conduct a similar search with respect to each new matter you may refer to the firm.

Fees and Billing Practices

We have learned from experience that the attorney-client relationship works best when clients receive a full explanation at the outset about fees and payment terms. California law requires written fee agreements in many cases, and we have found that our clients prefer to have them even when not legally required. The attached "Billing Policy Summary" (labeled as Attachment A) sets forth the principles underlying our fees and other charges. Please review it and let me know if you have any questions about our billing policies. In addition, you should direct any future questions about our billing practices or any particular invoices to me.

I will be the attorney responsible for this matter and Bob Blum will be available as needed for your matters. The billing rates for the attorneys in our Employee Benefits Group who may assist on these matters are listed on Attachment B to this letter. When appropriate, we use attorneys, paralegals, and legal research assistants at lower hourly rates to handle work commensurate with their experience and expertise. Attorneys with special expertise in a given area may become involved in your representation from time to time. I will oversee the entire attorney-client relationship, and Bob also will be available if you need assistance.

Our invoices contain a detailed narrative of the services rendered, together with the name of the attorney or paralegal involved, the time spent, and the amount charged. On matters of a sensitive nature that are subject to the attorney-client privilege, we recommend that you treat our invoices as confidential documents and safeguard them appropriately.

The maximum amount payable pursuant to this agreement will not exceed Forty Thousand Dollars (\$40,000) without further approval from MCERA.

Cooperation

To perform our services effectively, we require the full cooperation and support of each client. You can assist us by keeping us fully informed as to facts and developments relevant to our representation of MCERA and to each matter assigned. It is essential that each client (as well as any employees or representatives) provide us with accurate and complete information, including written materials when requested, and that each client make its personnel available to

the extent required. Failure to assist in this way may affect our ability to represent a client adequately, and could result in our withdrawal as legal counsel.

No Warranty of Result

Although we believe that we can assist MCERA in reaching its legal goals, we cannot predict or represent that a particular result can be obtained within a specified time. We can make no promises or guarantees regarding the outcome of the matter or matters that are the subject of our services.

Return and Disposition of Files

After our services conclude, we will, upon your request, deliver to MCERA the files that we created in providing representation to MCERA, along with any funds or property of MCERA's in our possession. If MCERA does not request the files, we will retain them for a period of five years after the matter is closed. At the end of the five-year period, we will have no further obligation to retain the files.

Arbitration of Disputes

While we certainly do not anticipate conflict between us, in the event of any material dispute regarding the services provided or fees charged by the firm which cannot be settled amicably, we both agree that such dispute shall be submitted, as soon as practicable, to final and binding arbitration in San Francisco in accordance with the rules and procedures of JAMS Inc., a private mediation and arbitration facilitator. Any dispute shall be strictly confidential between the firm and MCERA and, except for our own representatives, will not be disclosed to any other person or entity, except as may be required by law.

Insurance

We will secure and maintain throughout the term of this engagement the following types of insurance with limits as shown:

1. Workers' Compensation. A program of Workers' Compensation insurance or state-approved Self-Insurance Program in an amount and form to meet all applicable requirements of the California Labor Code covering all employees and partners providing services on behalf of the firm to MCERA.
2. Commercial General Liability Insurance. Combined single limits of no less than \$1,000,000 per occurrence for bodily injury, personal injury, and property damage.
3. Professional Liability. Professional liability insurance with limits of at least \$1,000,000 per claim or occurrence.

Proof of Insurance Coverage. Upon request, we will furnish certificates of insurance to MCERA evidencing the insurance coverage specified above, and we will maintain such insurance from the time we commence performance of services under this agreement until the completion of

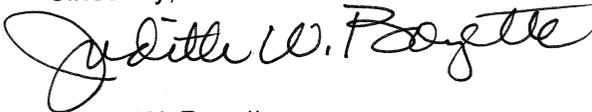
our services to MCERA. We will notify MCERA within 10 days of any cancellation of any of the required coverage specified above.

Entire Agreement

This letter and the attachments represent our entire agreement regarding the services covered by this agreement, which will be effective on the date indicated when signed below by the appropriate representative of MCERA, and terminate June 30, 2014, unless extended pursuant to further approval by MCERA. It supersedes all prior agreements, statements, or promises made before this time with respect to the matters covered by this agreement. To signify MCERA's agreement with the terms of this letter, please sign the original of it and retain it for MCERA's files. The enclosed copy should be signed and returned to us for our files. I am enclosing a pre-addressed envelope for your convenience. Of course, MCERA has the right to seek the opinion of independent legal counsel or any other advisors, if MCERA wishes to do so, in order to determine whether each and every aspect of this agreement is in MCERA's best interests and is acceptable as drafted.

We look forward to continuing to assist MCERA in the achievement of its objectives.

Sincerely,



Judith W. Boyette

JWB:sf

Enclosures Attachment A: Billing Policy Summary
 Attachment B: Employee Benefits Group Billing Rates

I have read and understand this engagement letter/fee agreement and the attachments. I hereby confirm the engagement of Hanson Bridgett LLP to represent the Mendocino County Employees' Retirement Association in accordance with its terms.

MENDOCINO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

By: _____

Title: _____

Date: _____

ATTACHMENT A**HANSON BRIDGETT LLP****Billing Policy Summary**

1. **Fees.** Except as otherwise agreed with a client, we bill for our services on an hourly basis. We account for our time in tenth-of-an-hour increments, and calculate fees by applying hourly rates assigned to attorneys and other staff to the time spent on a matter. On occasion, we may utilize contract employees to assist in providing legal or paralegal services, working under our direct supervision. In such cases the client is billed at an appropriate hourly rate commensurate with that of our professional staff with equal experience and expertise. All billing rates are reviewed annually and may be adjusted periodically.
2. **Other Charges.** Depending on the matter, we may have to use various in-office support systems and outside services. Therefore, you may incur and be billed for costs in addition to professional fees, subject only to written policies regarding the billing of disbursements that a client may provide to us. Usually we bill such charges to a client's account at the time that they are incurred. Examples include photocopying, telecopying (i.e., faxing), overnight delivery, messenger services, long distance telephone calls, computer research, special word processing, travel expenses, court filings, court reporting, and expert witnesses. In some cases, we may request that a client pay the invoice of an outside vendor directly.
3. **Fee Estimates.** From time to time, we may be asked to provide estimates of anticipated fees. Although we will make every effort to do so in a manner appropriate to the circumstances, these estimates may be subject to uncertainties beyond our control. Under no circumstances are such estimates to be viewed as a maximum or minimum fee quotation, unless we expressly say so.
4. **Billing Procedures.** Ordinarily, we will bill clients on a monthly basis. Each invoice will separately state the amount of fees and costs. Unless otherwise specified, each represents fees and disbursements charged to the client through the end of the preceding month. The full amount of each invoice is due upon receipt by the client. Although we seek to include all fees and charges for a billing period, certain time and cost items from a billing period may not appear in the invoice for that period. Instead, they may be included in a later invoice. Matters such as probate, bankruptcy, and trust services and certain financial transactions may involve billing at specified times other than monthly, as mutually agreed upon by the client and the firm, or as required by the court.
5. **Payment Terms.** Payment is due upon presentation of the invoice. Invoices that remain unpaid after thirty (30) days from the invoice date are subject to a late payment charge of ten percent (10%) per year. Payments that are made "on account" and not identified with a specific invoice will be credited to outstanding invoices chronologically, first to costs and then to fees.
6. **Termination.** Clients may terminate our legal services at any time effective upon delivery of written notice to the firm. In this event, we will be entitled to receive all fees and costs incurred up to the date of termination. Unless we specifically agree to do so, we will provide no further services and advance no further costs on the matter after we receive notice of termination. Our right to terminate services to a client is subject to certain Rules of Professional Conduct that (a) require us to take reasonable steps to avoid foreseeable prejudice to the client

from our withdrawal, and (b) establish standards for mandatory and permissive withdrawal under certain circumstances. Failure by a client to pay our bills in full, and on a timely basis, can constitute adequate grounds for us to withdraw. If we are attorney of record in any proceeding at the time we receive a termination notice, you will be required to execute and return a Substitution of Attorney consent immediately upon receipt, regardless of who initiates the termination.

ATTACHMENT B**HANSON BRIDGETT LLP****Employee Benefits Group Hourly Billing Rates (with approved discount for Mendocino County Employees' Retirement Association)****Effective January 1, 2010¹**

Name	Proposed Rates
Bob Blum / Partner	\$463.50
Judy Boyette / Partner	\$441.00
Marcus Wu / Partner	\$382.50
Ed Bernard / Senior Counsel	\$279.00
Anne Hydorn / Senior Counsel	\$292.50
Christopher Karachale/ Senior Counsel	\$279.00
Nancy Hilu / Associate	\$211.50
Amber Ward / Associate	\$279.00

¹ Rates are subject to adjustment annually, except as otherwise agreed upon.

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: September 19, 2012
To: Board of Retirement
From: Richard White, Retirement Administrator
Subject: Information Technology Roadmap

The Board is aware that in 2010 it hired Linea Solutions to examine the technology requirements for our pension system and make recommendations as a part of a strategic multi-year IT Roadmap. In January 2011 the Board approved the IT roadmap and the start of the primary initiatives.

In June 2011 the Board approved the funding for and execution of Initiative 1: Back file conversion and Electronic Document Management System (EDMS) selection and configuration which was to be conducted over fiscal years 2011-12 and 2012-13.

As discussed in the following sections, the passage of time since the initial approval of the IT roadmap has given us more information and experience which we can use to our benefit.

Additionally, the Board will be conducting a strategic workshop next month to plan and prioritize goals and objectives for the retirement system and the IT roadmap will likely have a role to play in this discussion.

A couple of elements of the IT Roadmap which the retirement system had recent experience with are discussed below for your information:

A. Information Technology Roadmap EDMS Project

After a delayed start due to factors outside the control of Linea Solutions, the project began in May 2012 which consisted of multiple steps to complete the backfile conversion and EDMS implementation. At this point, the status of the project can be identified as two distinct patterns.

First, Linea has made progress on meeting with MCERA staff to review the document identification attribute requirements and MCERA has been actively assisting with vendor selection issues. Linea has completed the identification of sample documents, completion of a file taxonomy and research of and communication with potential vendors for the back file conversion of existing MCERA documents.

Unfortunately, two critical steps have been completed and the hoped for outcomes did not happen. These steps related to the design of the system, (1) to identify the best fit solution for

EDMS for MCERA from existing storage solutions within County Information Systems (IS) and (2) review features/limitations of EDMS selected with County IS to identify storage options, document attributes and access options for MCERA.

These steps concluded in August 2012 after Linea Solutions and the County discussed the EDMS project numerous times. These discussions determined that there are not any available storage solutions within the current County IS system. RVI was ruled out due to a lack of proper resources within IS for implementation and support; the staff member with requisite knowledge and skills had recently left employment and no other resource has been identified; overall dissatisfaction with the system.

It was also determined that County IS did not have the resources for implementation and support of Questys for our needs. Further, the lack of Questys system document management capabilities within the County would necessitate a full ground up implementation, broadening the scope of the original initiative.

The IS department informed Linea that it could not identify any other solution for MCERA that was currently in use at Mendocino County and had no recommendation as to any other solution that could be supported by County IS.

The impact of this experience is a recommendation by Linea Solutions to go out for an RFP to evaluate available options and select a software vendor to implement the EDMS project. Because the internal solution was a part of the original scope of work approved by the Board of Retirement, this recommendation would expand the scope of our original agreement with Linea Solutions.

B. Pension Management System

On September 6, 2012, MCERA was very fortunate to receive a live demonstration by Tony Petruzzi, Executive Secretary of the San Luis Obispo County Retirement System of a customized pension management software system which they developed, in conjunction with a software development firm, and now use in their system. They have had the system for a number of years and are very pleased with the system and the support they receive from the software company.

A pension management system processes benefits, benefit calculations, accounting work, and other administrative tasks in an automated manner. Because the San Luis Obispo system was developed by a similar sized system, it has the potential to be a viable solution for our needs.

Members of MCERA staff, the Board of Retirement and County IS were present for the demonstration and all were very pleased with what they saw of the pension management system.

Representatives of SLO and the Magenic Technologies would like to return to MCERA and conduct a review of our needs and provide a proposal for the system. This service would be provided to MCERA at no cost.

MCERA has previously discussed the need for a pension management system and it was a part of the IT Road Map developed by Linea Solutions. The Board chose to proceed with the data

imaging project and made the implementation of a pension management system a secondary initiative though this remains as an important part in the progression of the MCERA operation.

Recommended Action:

1. Authorize the Retirement Administrator to discuss the IT Roadmap with Linea Solutions and return to the Board of Retirement with the results of that discussion including a renewal of priorities and initiatives.
2. Authorize the Retirement Administrator to engage Magenic Technologies and Retirement Benefit Software LLC in an assessment of the pension management system for MCERA and report back to the Board.

Richard A. White, Jr.
Retirement Administrator



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Fax: (707) 467-6472

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

Date: September 19, 2012
To: Board of Retirement
From: Richard White, Retirement Administrator
Subject: Monthly Financial Report

A. Financial Reports

The monthly reports for July 31, 2012 (Statement of Plan Net Assets and Statement of Changes in Plan Net Assets) are *preliminary reports*. Randy Goodman will be present at the Board meeting to answer any questions on the reports.

B. Financial Statement Construction

At the August 15, 2012 Board of Retirement meeting direction was given to staff to include the market value of assets on the statements that include our investments. The Board was concerned about the possibility of confusion created because the investment fund total on these financial reports would not match the monthly investment report as it lists assets at market value. The statements for July, 2012 now include a line item for "unrealized gain (loss) investment" which accounts for the market value of assets. This work was completed by Randy Goodman.

C. Accountant Position

At the August 15, 2012 meeting, the Board approved the hiring of a contract service provider for accounting services after the Board of Supervisors denied adding the position to the Master Position Allocation Table.

The Board directed that I and MCERA Legal Counsel open a dialog with the County CEO and County Counsel about this position. Since the August meeting, Jeff Berk and I have had a number of helpful and cordial communications with the County CEO and Interim County Counsel over various aspects of this issue. On August 28, 2012, I presented the Board of Supervisors with a letter which asked them to re-visit their denial of the accountant position (letter attached). There haven't been further discussions with either County offices due to their workload but we will continue to update them as necessary.

Attachment(s).

**MENDOCINO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
STATEMENT OF CHANGES IN PLAN NET ASSETS
FOR THE ONE MONTH ENDED JULY 31, 2012
(PRELIMINARY)**

	CURRENT MONTH	YEAR TO DATE
ADDITIONS		
CONTRIBUTIONS		
EMPLOYER	\$ 1,393,583.28	\$ 1,393,583.28
PLAN MEMBERS	263,381.78	263,381.78
	1,656,965.06	1,656,965.06
INVESTMENT INCOME		
UNREALIZED GAIN/(LOSS) INVESTS.	2,154,065.89	2,154,065.89
RENTAL INCOME, NET OF EXPENSES	5,968.38	5,968.38
INTEREST	8,375.72	8,375.72
DIVIDENDS	288,589.44	288,589.44
CAPITAL GAINS	0.00	0.00
	0.00	0.00
LESS INVESTMENT EXPENSE		
	2,456,999.43	2,456,999.43
TOTAL INVESTMENT INCOME		
	4,113,964.49	4,113,964.49
TOTAL ADDITIONS		
	4,113,964.49	4,113,964.49
DEDUCTIONS		
BENEFIT PAYMENTS, SUBSIDIES, & REFUNDS	(2,706,451.78)	(2,706,451.78)
ADMINISTRATIVE EXPENSES	(36,735.04)	(36,735.04)
	2,743,186.82	2,743,186.82
TOTAL DEDUCTIONS		
	2,743,186.82	2,743,186.82
INCREASE (DECREASE) IN NET ASSETS	1,370,777.67	1,370,777.67
NET ASSETS		
BEGINNING OF YEAR	342,736,810.97	342,736,810.97
END OF YEAR	\$ 344,107,588.64	\$ 344,107,588.64

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

ASSETS

CASH AND EQUIVALENTS

GENERAL CASH	\$ 1,541,115.83	
TOTAL CASH AND EQUIVALENTS		1,541,115.83

CURRENT ASSETS

RECOUPMENTS	2,532.88	
TOTAL CURRENT ASSETS		2,532.88

PROPERTY AND EQUIPMENT

EQUIPMENT	3,786.40	
TOTAL PROPERTY AND EQUIPMENT		3,786.40

INVESTMENTS, ADJUSTED TO MARKET

UNREALIZED GAIN/(LOSS) INVESTS	31,033,247.83	
BONDS	87,511,500.33	
INTERNATIONAL EQUITIES	77,645,417.14	
SMALL CAP EQUITIES	21,383,960.85	
MID CAP EQUITIES	36,105,372.85	
LARGE CAP EQUITIES	59,821,498.23	
REAL ESTATE	29,333,633.62	
TOTAL INVESTMENTS, AT MARKET		342,834,630.85

TOTAL ASSETS		\$ 344,382,065.96
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LIABILITIES

CURRENT LIABILITIES

FEDERAL WITHHOLDING	\$ 1,617.88	
WAGES ACCRUED - 1920 ACCOUNT	24,766.94	
BUCK SETTLEMENT RESERVE	248,092.50	
TOTAL CURRENT LIABILITIES		274,477.32

TOTAL NET ASSETS		\$ 344,107,588.64
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Richard A. White, Jr.
Retirement Administrator



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

August 28, 2012

Supervisor John McCowen, Chair
Mendocino County Board of Supervisors
501 Low Gap Road, Room 1010
Ukiah, CA. 95482

Dear Chair McCowen;

I would like to take this opportunity to pass along some additional information regarding the action taken by the Board of Supervisors at your meeting of August 14, 2012 when the Board voted down the request of the Mendocino County Employees' Retirement System (MCERA) to add a full-time Financial/Investment Officer position to the Master Position Allocation Table.

The Board of Retirement is the governing board of the retirement system and at their regularly scheduled August meeting they directed their Administrator to try and resolve the issue or to come up with options that can be taken back to them. I am here today to deliver a letter from myself to ask the Board of Supervisors to reconsider this decision, which I hope you will.

Although some may view MCERA as a small system, it has \$343 Million in assets under its control. The responsibilities of providing services and paying benefits to our members are equal in importance to those of any large public pension system. The mission of MCERA is to provide retirement benefits to the retirees and beneficiaries of the plan. MCERA is responsible for the administration of those benefits and sound accounting practices and procedures are fundamentally important to the system if it is to accomplish that mission in a prudent and responsible way.

In my opinion, the majority of the Board of Retirement was perplexed by your stated rationale that adding a full-time accounting position to the MCERA staff would be sending the wrong message to others that the County was expanding in size. The accounting position has existed as a part-time position for the last fiscal year and the full-time position that was not approved would have actually been a net expansion of only one-half of a full-time position.

Board of Supervisors
August 28, 2012
Page Two

Second, the Board of Retirement receives a monthly report on the hiring and terminations of county staff and this report shows that some limited hiring is taking place within County government. Finally, the Board of Retirement struggled to understand how the denial of a position they approved as a part of the annual Fiscal Year budget and will fully pay for, at a rate of less than fifty dollars per hour for wages and benefits, can be explained as good governance when the retirement system may now be required to contract out its accounting services for a much higher fee?

The MCERA Board of Retirement has been granted the sole and exclusive authority over the administration of the pension system by the California Constitution and the Government Code which it exercised by approving the full-time Financial/Investment Officer position that was denied by the Board of Supervisors.

MCERA wants to be a partner with our plan sponsors, not an adversary. You do have a voice at MCERA which is heard directly on the Board of Retirement. You appoint four of the nine board members to the governing body. Two members of the Board are County-wide elected officials. Three members are employees of the County and two are retirees who worked for the county – both of whom were also elected officials of the County.

All members of the Board of Retirement, including those you appoint, sit as fiduciaries to the trust and are required to act with a duty of loyalty to the members, retirees and beneficiaries of the retirement system. They participated in, deliberated upon and then voted to approve the addition of the accountant position to the MCERA administrative staff. The Board of Retirement believes that a full-time accounting position is a long-term step towards improving business practices at MCERA and your action to add the position to the Master Position Allocation Table would enable us to begin recruiting.

The Board of Retirement hopes that the Board of Supervisors will re-think the issue and conclude that the position serves the best interest of the members, retirees and beneficiaries of MCERA, as well as in the best interests of the County of Mendocino. We would be happy to be a part of that process.

Sincerely,



Richard A. White, Jr.
Retirement Administrator

Cc: Carmel Angelo, CEO, County of Mendocino
Bob Mirata, Chair, MCERA Board of Retirement

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

ASSETS

CASH AND EQUIVALENTS

GENERAL CASH \$ 970,077.61

TOTAL CASH AND EQUIVALENTS **970,077.61**

CURRENT ASSETS

ACCOUNTS RECEIVABLE 3,000.00
 RECOUPMENTS 2,412.27

TOTAL CURRENT ASSETS **5,412.27**

PROPERTY AND EQUIPMENT

EQUIPMENT 3,786.40

TOTAL PROPERTY AND EQUIPMENT **3,786.40**

INVESTMENTS, ADJUSTED TO MARKET

UNREALIZED GAIN/(LOSS) INVESTS 37,061,516.54
 BONDS 87,511,500.33
 INTERNATIONAL EQUITIES 77,645,417.14
 SMALL CAP EQUITIES 21,383,960.85
 MID CAP EQUITIES 36,105,372.85
 LARGE CAP EQUITIES 59,821,498.23
 REAL ESTATE 29,333,633.62

TOTAL INVESTMENTS, AT MARKET **348,862,899.56**

TOTAL ASSETS **\$ 349,842,175.84**

LIABILITIES

CURRENT LIABILITIES

AMCRE DUES \$ 797.78
 WAGE ATTACHMENTS 176.74
 WAGES ACCRUED - 1920 ACCOUNT 56,397.95
 PEDIT TRUST DENTAL 18,163.89
 AFLAC INSURANCE 3,037.03
 BUCK SETTLEMENT RESERVE 248,092.50

TOTAL CURRENT LIABILITIES **326,665.89**

TOTAL NET ASSETS **\$ 349,515,509.95**

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

	CURRENT MONTH	YEAR TO DATE
ADDITIONS		
CONTRIBUTIONS		
EMPLOYER	\$ 1,031,219.33	\$ 2,424,802.61
PLAN MEMBERS	352,573.28	615,955.06
	1,383,792.61	3,040,757.67
TOTAL CONTRIBUTIONS		
INVESTMENT INCOME		
UNREALIZED GAIN/(LOSS) INVESTS.	6,028,268.71	8,182,334.60
RENTAL INCOME, NET OF EXPENSES	(5,262.53)	705.85
INTEREST	2,892.68	11,268.40
DIVIDENDS	114,153.82	402,743.26
CAPITAL GAINS	0.00	0.00
LESS INVESTMENT EXPENSE	0.00	0.00
	6,140,052.68	8,597,052.11
TOTAL INVESTMENT INCOME		
	7,523,845.29	11,637,809.78
TOTAL ADDITIONS		
DEDUCTIONS		
BENEFIT PAYMENTS, SUBSIDIES, & REFUNDS	(2,073,806.30)	(4,780,258.08)
ADMINISTRATIVE EXPENSES	(43,332.68)	(78,852.72)
	2,117,138.98	4,859,110.80
TOTAL DEDUCTIONS		
INCREASE (DECREASE) IN NET ASSETS	5,406,706.31	6,778,698.98
NET ASSETS		
BEGINNING OF YEAR	344,108,803.64	342,736,810.97
END OF YEAR	\$ 349,515,509.95	\$ 349,515,509.95

**MENDOCINO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
CASH FLOW ANALYSIS
FOR THE TWO MONTHS ENDED AUGUST 31, 2012**

	CURRENT MONTH	YEAR TO DATE
ADDITIONS		
CONTRIBUTIONS		
EMPLOYER	1,031,219.33	2,424,802.61
PLAN MEMBER	352,573.28	615,955.06
	<hr/>	<hr/>
TOTAL CONTRIBUTIONS	1,383,792.61	3,040,757.67
	<hr/>	<hr/>
INVESTMENT INCOME		
RENTAL INCOME, NET OF EXPENSES	(5,262.53)	705.85
INTEREST	2,892.68	11,268.40
DIVIDENDS	114,153.82	220,084.31
CAPITAL GAIN	0.00	0.00
	<hr/>	<hr/>
LESS INVESTMENT EXPENSE	0.00	0.00
	<hr/>	<hr/>
TOTAL INVESTMENT INCOME	111,783.97	232,058.56
	<hr/>	<hr/>
TOTAL ADDITIONS	1,495,576.58	3,272,816.23
	<hr/>	<hr/>
DEDUCTIONS		
BENEFIT PAYMENTS AND SUBSIDIES	(1,938,668.65)	(3,906,767.51)
REFUNDS/ADJUSTMENTS OF CONTRIBUTIONS	(135,137.65)	(873,490.57)
ADMINISTRATIVE EXPENSES	(43,332.68)	(78,852.72)
	<hr/>	<hr/>
TOTAL DEDUCTIONS	(2,117,138.98)	(4,859,110.80)
	<hr/>	<hr/>
OTHER INCREASES/(DECREASES)		
ACCOUNTS RECEIVABLE	(2,879.39)	(2,758.78)
ACCOUNTS PAYABLE	52,188.57	(75,391.15)
BUCK SETTLEMENT	0.00	0.00
SALE/PURCHASE OF INVESTMENTS	0.00	0.00
	<hr/>	<hr/>
TOTAL OTHER INCREASES/(DECREASES)	49,309.18	(78,149.93)
	<hr/>	<hr/>
INCREASE (DECREASE) IN CASH	\$ (572,253.22)	\$ (1,664,444.50)
	<hr/>	<hr/>
SUMMARY		
CASH AT END OF PERIOD	\$ 970,077.61	\$ 970,077.61
CASH AT BEGINNING OF PERIOD	1,542,330.83	2,634,522.11
	<hr/>	<hr/>
INCREASE (DECREASE) IN CASH	\$ (572,253.22)	\$ (1,664,444.50)
	<hr/>	<hr/>

Richard A. White, Jr.
Retirement Administrator



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

Date: September 19, 2012
To: Board of Retirement
From: Richard White, Retirement Administrator
Subject: Monthly Investment Report

A. U.S. Investment Management Fund Profile – Public Pensions 2012.

On August 16, 2012 MCERA participated in the 41st annual study of investment management policy of institutional investors in the United States that was conducted by Greenwich Associates. The research study will be shared with MCERA when completed.

B. R.V. Kuhns & Associates Public Fund Universe Analysis.

On August 16, 2012, MCERA participated in the annual survey of public pension funds conducted by the Investment Consulting firm which has been conducting the survey for 23 years. The research will be shared to MCERA when completed.

C. Investment Manager Fee Billing Procedure

At the August, 2012 Board of Retirement meeting the question was asked about the methods by which two investment managers capture their management fees from MCERA accounts.

Two of our managers (Mondrian and Cornerstone) redeem shares on a monthly basis to get their fees which reduces the share balance and creates an accounting procedure. Our other managers either take their fees from the daily net asset value of the fund or directly bill MCERA for the fee.

The request to change the invoicing process was completed by MCERA and forwarded to Mondrian on August 28, 2012. The change will take place with the third quarter billing cycle. The billing procedure with Cornerstone is established with the Subscription Agreement which does not allow for the invoicing of fees and is the same for all investors in that fund. Callan Associates assisted with this process.

COMPARISON OF COST AND MARKET VALUES FOR MENDOCINO COUNTY RETIREMENT ASSOCIATION
AUGUST 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	47,457,504		47,457,504	13.63%		14.000%	48,737,347	(1,279,843)
DODGE & COX INCOME	47,111,003		47,111,003	13.53%		14.000%	48,737,347	(1,626,344)
					27.165%	28.000%		
SMALL CAP GROWTH								
ALLIANCE	4,432,770		4,432,770	1.27%		1.000%	3,481,239	951,531
RS EMERGING MANAGERS	3,839,568		3,839,568	1.10%		1.000%	3,481,239	358,329
	6,921,278		6,921,278	1.99%		1.900%	6,614,354	306,924
					4.364%	3.900%		
SMALL CAP VALUE								
PRUDENTIAL	6,692,690		6,692,690	1.92%		1.900%	6,614,354	78,336
						1.923%	1.900%	
MID CAP GROWTH								
MORGAN STANLEY	5,224,677		5,224,677	1.50%		1.400%	4,873,735	350,942
JANUS ENTERPRISE	5,875,776		5,875,776	1.69%		1.400%	4,873,735	1,002,041
					3.189%	2.800%		
MID CAP VALUE								
FIDILITY LP STCK	5,699,480		5,699,480	1.64%		1.400%	4,873,735	825,745
ROYCE TOTAL RTN	5,364,463		5,364,463	1.54%		1.400%	4,873,735	490,728
					3.178%	2.800%		
LARGE CAP GROWTH								
GROWTH FUND OF AMERICA	11,224,850		11,224,850	3.22%		3.000%	10,443,717	781,133
HARBOR CAP APPRE	11,920,598		11,920,598	3.42%		3.000%	10,443,717	1,476,881
JANUS RESEARCH	11,296,214		11,296,214	3.24%		3.000%	10,443,717	852,497
					9.894%	9.000%		
LARGE CAP VALUE								
SELECTED AMERICAN	10,707,351		10,707,351	3.08%		3.000%	10,443,717	263,634
DODGE & COX	16,412,674		16,412,674	4.71%		4.400%	15,317,452	1,095,222
INVEST CO AMERICA	11,422,946		11,422,946	3.28%		3.000%	10,443,717	979,229
ROBECO	15,661,192		15,661,192	4.50%		4.400%	15,317,452	343,740
VAN GUARD GR&INC	11,936,811		11,936,811	3.43%		3.000%	10,443,717	1,493,094
					18.999%	17.800%		
INTERNATIONAL STOCK								
AMERICAN - EUROPACIFIC	16,529,680		16,529,680	4.75%		4.700%	16,361,824	167,856
HARBOR INTL	15,380,796		15,380,796	4.42%		4.700%	16,361,824	(981,028)
ACORN INTL	8,394,675		8,394,675	2.41%		2.500%	8,703,098	(308,423)
JANUS INTL	11,569,567		11,569,567	3.32%		4.700%	16,361,824	(4,792,257)
MONDRIAN	14,775,091		14,775,091	4.24%		4.700%	16,361,824	(1,586,733)
OAKMARK	12,235,811		12,235,811	3.51%		3.800%	13,228,709	(992,898)
					22.660%	25.100%		
REAL ESTATE								
RREEF - COMMINGLED FUND	6,479,764		6,479,764	1.86%		1.700%	5,918,106	561,658
RREEF - AMERICA REIT II	12,996,616		12,996,616	3.73%		4.200%	14,621,204	(1,624,588)
CORNERSTONE	10,560,063		10,560,063	3.03%		2.800%	9,747,469	812,594
					8.628%	8.700%		
TOTAL MANAGED INVEST.	348,123,908	-	348,123,908	100.000%	100.000%	100.000%	348,123,908	-
OTHER REAL ESTATE								
625 B KINGS COURT	738,992		738,992	0.212%		0.000%	-	-
					0.000%	0.000%		
INVESTED FUNDS AVAILABLE	348,862,900	-	348,862,900	100.212%	100.000%	100.000%	348,123,908	-
	CASH BALANCE	CASH RESERVED	TOTAL CASH BALANCE	PERCENT OF PORT.	% BY CLASS	TARGET % (2010 STUDY)	TARGET AS DOLLARS	DIFFERENCE AS DOLLARS
CASH	970,078		970,078	0.277%		0.000%	-	-
					0.000%	0.000%		
TOTAL FUNDS AVAILABLE	349,832,978	-	349,832,978	100.489%	100.000%	100.000%	348,123,908	-

COMPARISON OF COST AND MARKET VALUES FOR MENDOCINO COUNTY RETIREMENT ASSOCIATION
AUGUST 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	47,457,504	5,520,517		5,396,715	123,802	46,632,156	825,348
DODGE & COX INCOME	45,574,513	47,111,003	1,536,490		1,366,537	169,953	46,261,237	849,766
				<u>7,057,007</u>				
SMALL CAP GROWTH								
ALLIANCE	1,967,850	4,432,770	2,464,920		2,326,044	138,876	4,294,108	138,662
RS EMERGING MANAGERS	2,500,101 5,825,409	3,839,568 6,921,278	1,339,467 1,095,869		1,144,331 934,556	195,136 161,313	3,681,678 7,012,372	157,890 (91,094)
				<u>4,900,256</u>				
SMALL CAP VALUE								
PRUDENTIAL TARGET	7,172,930	6,692,690	(480,240)		(645,806)	165,566	6,530,308	162,382
				<u>(480,240)</u>				
MID CAP GROWTH								
MORGAN STANLEY JANUS ENTERPRISE	4,518,742 5,232,908	5,224,677 5,875,776	705,935 642,868		608,277 521,709	97,658 121,159	5,358,956 5,744,596	(134,279) 131,180
				<u>1,348,803</u>				
MID CAP VALUE								
FIDILITY LP STCK ROYCE TOTAL RTN	3,917,670 3,968,183	5,699,480 5,364,463	1,781,810 1,396,280		1,539,550 1,233,480	242,260 162,800	5,443,053 5,197,692	256,427 166,771
				<u>3,178,090</u>				
LARGE CAP GROWTH								
AMERICAN FUND HARBOR CAP APPRE JANUS RESEARCH	8,491,910 8,783,960 8,617,378	11,224,850 11,920,598 11,296,214	2,732,940 3,136,638 2,678,836		2,388,033 2,725,778 2,249,595	344,907 410,860 429,241	10,787,740 11,594,744 10,802,586	437,110 325,854 493,628
				<u>8,548,414</u>				
LARGE CAP VALUE								
SELECTED AMERICAN DODGE & COX INVEST CO AMERICA ROBECO VAN GUARD GR&INC	8,861,931 13,893,630 9,340,554 14,500,000 9,717,675	10,707,351 16,412,674 11,422,946 15,661,192 11,936,811	1,845,420 2,519,044 2,082,392 1,161,192 2,219,136		1,678,933 2,057,194 1,833,164 613,861 1,965,784	166,487 461,850 249,228 547,331 253,352	10,473,772 15,650,479 10,984,909 14,932,945 11,498,316	233,579 762,195 438,037 728,247 438,495
				<u>9,827,184</u>				
INTERNATIONAL STOCK								
EUROPACIFIC HARBOR INTL ACORN INTL JANUS INTL MONDRIAN OAKMARK	14,519,688 15,372,603 5,882,753 15,257,471 15,383,426 11,229,477	16,529,680 15,380,796 8,394,675 11,569,567 14,775,091 12,235,811	2,009,992 8,193 2,511,922 (3,687,904) (608,335) 1,006,334		1,751,446 (233,898) 2,275,575 (3,660,935) (1,036,869) 550,174	258,546 242,091 236,347 (26,969) 428,534 456,160	15,969,498 14,985,382 8,118,937 12,124,352 14,290,410 11,652,195	560,182 395,414 275,738 (554,785) 484,681 583,616
				<u>1,240,202</u>				
REAL ESTATE								
RREEF - COMMINGLED FUND RREEF - AMERICA REIT II CORNERSTONE	4,151,482 14,335,964 9,945,075	6,479,764 12,996,616 10,560,063	2,328,282 (1,339,348) 614,988		2,336,501 (1,339,348) 614,988	(8,219) - -	6,362,464 12,813,966 10,560,063	117,300 182,650 -
				<u>1,603,922</u>				
TOTAL MANAGED INVEST.	310,900,270	348,123,908	37,223,638	37,223,638	31,195,369	6,028,269	339,758,914	8,364,994
OTHER REAL ESTATE								
625 B KINGS COURT	901,112	738,992	(162,120)		(162,120)	-	738,992	-
				<u>(162,120)</u>				
INVESTED FUNDS AVAILABLE	311,801,382	348,862,900	37,061,518	37,061,518	31,033,249	6,028,269	340,497,906	8,364,994
	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	1,542,331	970,078	(572,253)		-	(572,253)	2,634,522	(1,664,444)
				<u>(572,253)</u>				
TOTAL FUNDS AVAILABLE	313,343,713	349,832,978	36,489,265	36,489,265	31,033,249	5,456,016	343,132,428	6,700,550

Richard A. White, Jr.
Retirement Administrator



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

Date: September 19, 2012
To: Board of Retirement
From: Richard White, Retirement Administrator
Subject: Benefits and Operations

Entry age verification

At the Board of Retirement August meeting, the Board approved a change in procedure regarding the documents that members will be required to submit to MCERA at the time of making the application to retire. A question was asked as to the process used to verify the age of a new employee to ensure that the birth date is correct since the contributions made to the retirement system are based upon the age of entry into the retirement system. The inquiry found that Human Resources and the Auditor-Controller have procedures that verify the documentation and information given to them by a new employee. A complete report prepared by MCERA Retirement Specialist Judy Zeller on the process used by the County of Mendocino and the Retirement Association is included in this agenda item.

Attachment

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

Date: September 19, 2012
To: Board of Retirement
From: Judy Zeller, Retirement Specialist II
Subject: Verification of birth date and social security number at time of enrollment.

Background

At the August 15, 2012 meeting, the Board directed staff to report on how new employee birth dates and social security numbers are verified at the time of employment and enrollment in the retirement system. Staff from Human Resources, the County Auditor-Controller, and Retirement provided detailed information on how each department participates in the collection and verification of new employee information, specifically birth dates and social security numbers. The following states the process in each department.

1. County Human Resources – New Employee Orientation

On the first Monday of each pay period County Human Resources (HR) conducts new employee orientation. Employees are required to complete a Form I-9, Employment Eligibility Verification (attached). All employees hired after November 6, 1986, and working in the United States must complete a Form I-9 according to the Department of Homeland Security. This document requires HR staff to visually verify each employee's identification and records this information on the Form I-9. The acceptable identification documentation is listed on the back of the Form I-9. The two most common sources are driver's license and social security card.

A Retirement Specialist attends orientation to provide information on retirement benefits. Each new full time employee working 64 hours per pay period or greater will receive a Member's Enrollment Affidavit (attached) to complete. HR staff collects completed affidavits and verifies all of the information, including birth date and social security number, using the Form I-9. After verification, HR staff enters the information in the County Munis Employee Master. The Form I-9 is filed in the employee's personnel file at HR and the Member's Enrollment Affidavits are forwarded to the County Auditor-Controller for payroll processing.

2. County Auditor-Controller – Payroll Processing

Member's Enrollment Affidavits are received by the County Payroll Officer along with personnel transactions for the new employees. All information is verified and certain information is entered on the enrollment card including: printed employee name and assigned Munis ID number, date the employee entered County service (first day of pay period hired), date

entered retirement system (the first day of the following pay period), department budget unit number, employee's entry age (calculated on the Retirement Age at Membership Excel spreadsheet), and the bi-weekly salary amount. The employee's entry age is entered in the Munis Employee Master. The following pay period, retirement contribution rates (from the member contribution reports) are entered on the enrollment cards and employee contribution amounts are calculated (the bi-weekly salary amount, less \$53.84, multiplied by the rates). The date of entry and the applicable retirement deduction codes are entered in the Munis Employee Master for payroll processing.

Before each payroll run, the County Payroll Officer verifies new employee social security numbers online with the Social Security Administration. The program matches name, birth date and social security number. If they do not match, HR must review and correct before payroll can be processed. The Social Security Administration also verifies matches each year prior to processing of W-2 forms. Once a payroll run has been completed, new employee deduction amounts are matched to the deduction amounts entered on the enrollment cards. The enrollment cards are forwarded to Retirement for processing.

3. Retirement – Retirement System Membership

Retirement staff matches all information entered on the member enrollment affidavit, including birth date and social security number, with the information entered in the Munis Employee Master. The entry age, contribution rates, and calculated contribution amounts are verified. If there is any discrepancy the appropriate department is notified to make a correction. Beneficiary information provided by the new employee on the Member's Enrollment Affidavit is entered in the Munis Employee Master and the affidavits become permanent records of the Retirement System.

Conclusion

The verification of birth dates and social security numbers is done in an appropriate manner. More than one County department is involved in the review of the information provided on Member's Enrollment Affidavit and the information entered in the Munis Employee Master ensuring accuracy. It is also important to note that employee information is reviewed by retirement staff during the retirement planning process and when a retirement application is filed. The Documentation Procedure, adopted by the Board August 15, 2012, will ensure that birth certificates and marriage license or domestic partnerships are submitted by members with their retirement application.

Recommendation

Staff does not recommend changing the above process at this time. An alternative recommendation may be to request that Human Resources attach a copy of the Form I-9 to each Member's Enrollment Affidavit before forwarding to the other departments.

Print Name

EmpID #

MEMBER'S ENROLLMENT AFFIDAVIT

MENDOCINO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

SS No. XXX-XX-XXXX

Date of Birth 00 MONTH 00 DAY 0000 YEAR Male Date Entered County Services 00 MONTH 00 DAY 00 YEAR
Female

Date entered Retirement System 00 MONTH 00 DAY 00 YEAR (To be filled in by Retirement Department)

Beneficiary X LAST X FIRST X INITIAL Relationship X

Date of birth of Beneficiary 00 MONTH 00 DAY 0000 YEAR Male Female X BENEFICIARY'S ADDRESS

The undersigned being duly sworn, deposes and says that the foregoing statements are true and correct to the best of his knowledge and belief.

Subscribed and sworn to before me this 00 day of print month, 2000.

Signed X

X
STREET ADDRESS

Completed by:

Title X X

Name X X

Bi-Weekly Salary 0000.00

X
CITY

Budget Unit # X X Dept. X X Entry Age 00 Reg. Age 00 Reg. % 0.00

Reg Cont. Amt % 0.00
Col Cont. Amt col.

**Form I-9, Employment
Eligibility Verification**Department of Homeland Security
U.S. Citizenship and Immigration Services**Instructions****Read all instructions carefully before completing this form.**

Anti-Discrimination Notice. It is illegal to discriminate against any individual (other than an alien not authorized to work in the United States) in hiring, discharging, or recruiting or referring for a fee because of that individual's national origin or citizenship status. It is illegal to discriminate against work-authorized individuals. Employers **CANNOT** specify which document(s) they will accept from an employee. The refusal to hire an individual because the documents presented have a future expiration date may also constitute illegal discrimination. For more information, call the Office of Special Counsel for Immigration Related Unfair Employment Practices at 1-800-255-8155.

What Is the Purpose of This Form?

The purpose of this form is to document that each new employee (both citizen and noncitizen) hired after November 6, 1986, is authorized to work in the United States.

When Should Form I-9 Be Used?

All employees (citizens and noncitizens) hired after November 6, 1986, and working in the United States must complete Form I-9.

Filling Out Form I-9**Section 1, Employee**

This part of the form must be completed no later than the time of hire, which is the actual beginning of employment. Providing the Social Security Number is voluntary, except for employees hired by employers participating in the USCIS Electronic Employment Eligibility Verification Program (E-Verify). **The employer is responsible for ensuring that Section 1 is timely and properly completed.**

Noncitizen nationals of the United States are persons born in American Samoa, certain former citizens of the former Trust Territory of the Pacific Islands, and certain children of noncitizen nationals born abroad.

Employers should note the work authorization expiration date (if any) shown in **Section 1**. For employees who indicate an employment authorization expiration date in **Section 1**, employers are required to reverify employment authorization for employment on or before the date shown. Note that some employees may leave the expiration date blank if they are aliens whose work authorization does not expire (e.g., asylees, refugees, certain citizens of the Federated States of Micronesia or the Republic of the Marshall Islands). For such employees, reverification does not apply unless they choose to present

in **Section 2** evidence of employment authorization that contains an expiration date (e.g., Employment Authorization Document (Form I-766)).

Preparer/Translator Certification

The Preparer/Translator Certification must be completed if **Section 1** is prepared by a person other than the employee. A preparer/translator may be used only when the employee is unable to complete **Section 1** on his or her own. However, the employee must still sign **Section 1** personally.

Section 2, Employer

For the purpose of completing this form, the term "employer" means all employers including those recruiters and referrers for a fee who are agricultural associations, agricultural employers, or farm labor contractors. Employers must complete **Section 2** by examining evidence of identity and employment authorization within three business days of the date employment begins. However, if an employer hires an individual for less than three business days, **Section 2** must be completed at the time employment begins. Employers cannot specify which document(s) listed on the last page of Form I-9 employees present to establish identity and employment authorization. Employees may present any List A document **OR** a combination of a List B and a List C document.

If an employee is unable to present a required document (or documents), the employee must present an acceptable receipt in lieu of a document listed on the last page of this form. Receipts showing that a person has applied for an initial grant of employment authorization, or for renewal of employment authorization, are not acceptable. Employees must present receipts within three business days of the date employment begins and must present valid replacement documents within 90 days or other specified time.

Employers must record in Section 2:

1. Document title;
2. Issuing authority;
3. Document number;
4. Expiration date, if any; and
5. The date employment begins.

Employers must sign and date the certification in **Section 2**. Employees must present original documents. Employers may, but are not required to, photocopy the document(s) presented. If photocopies are made, they must be made for all new hires. Photocopies may only be used for the verification process and must be retained with Form I-9. **Employers are still responsible for completing and retaining Form I-9.**

For more detailed information, you may refer to the *USCIS Handbook for Employers (Form M-274)*. You may obtain the handbook using the contact information found under the header "USCIS Forms and Information."

Section 3, Updating and Reverification

Employers must complete **Section 3** when updating and/or reverifying Form I-9. Employers must reverify employment authorization of their employees on or before the work authorization expiration date recorded in **Section 1** (if any). Employers **CANNOT** specify which document(s) they will accept from an employee.

- A. If an employee's name has changed at the time this form is being updated/reverified, complete Block A.
- B. If an employee is rehired within three years of the date this form was originally completed and the employee is still authorized to be employed on the same basis as previously indicated on this form (updating), complete Block B and the signature block.
- C. If an employee is rehired within three years of the date this form was originally completed and the employee's work authorization has expired or if a current employee's work authorization is about to expire (reverification), complete Block B; and:
 - 1. Examine any document that reflects the employee is authorized to work in the United States (see List A or C);
 - 2. Record the document title, document number, and expiration date (if any) in Block C; and
 - 3. Complete the signature block.

Note that for reverification purposes, employers have the option of completing a new Form I-9 instead of completing **Section 3**.

What Is the Filing Fee?

There is no associated filing fee for completing Form I-9. This form is not filed with USCIS or any government agency. Form I-9 must be retained by the employer and made available for inspection by U.S. Government officials as specified in the Privacy Act Notice below.

USCIS Forms and Information

To order USCIS forms, you can download them from our website at www.uscis.gov/forms or call our toll-free number at 1-800-870-3676. You can obtain information about Form I-9 from our website at www.uscis.gov or by calling 1-888-464-4218.

Information about E-Verify, a free and voluntary program that allows participating employers to electronically verify the employment eligibility of their newly hired employees, can be obtained from our website at www.uscis.gov/e-verify or by calling 1-888-464-4218.

General information on immigration laws, regulations, and procedures can be obtained by telephoning our National Customer Service Center at 1-800-375-5283 or visiting our Internet website at www.uscis.gov.

Photocopying and Retaining Form I-9

A blank Form I-9 may be reproduced, provided both sides are copied. The Instructions must be available to all employees completing this form. Employers must retain completed Form I-9s for three years after the date of hire or one year after the date employment ends, whichever is later.

Form I-9 may be signed and retained electronically, as authorized in Department of Homeland Security regulations at 8 CFR 274a.2.

Privacy Act Notice

The authority for collecting this information is the Immigration Reform and Control Act of 1986, Pub. L. 99-603 (8 USC 1324a).

This information is for employers to verify the eligibility of individuals for employment to preclude the unlawful hiring, or recruiting or referring for a fee, of aliens who are not authorized to work in the United States.

This information will be used by employers as a record of their basis for determining eligibility of an employee to work in the United States. The form will be kept by the employer and made available for inspection by authorized officials of the Department of Homeland Security, Department of Labor, and Office of Special Counsel for Immigration-Related Unfair Employment Practices.

Submission of the information required in this form is voluntary. However, an individual may not begin employment unless this form is completed, since employers are subject to civil or criminal penalties if they do not comply with the Immigration Reform and Control Act of 1986.

Paperwork Reduction Act

An agency may not conduct or sponsor an information collection and a person is not required to respond to a collection of information unless it displays a currently valid OMB control number. The public reporting burden for this collection of information is estimated at 12 minutes per response, including the time for reviewing instructions and completing and submitting the form. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to: U.S. Citizenship and Immigration Services, Regulatory Management Division, 111 Massachusetts Avenue, N.W., 3rd Floor, Suite 3008, Washington, DC 20529-2210. OMB No. 1615-0047. **Do not mail your completed Form I-9 to this address.**

Form I-9, Employment Eligibility Verification

Department of Homeland Security
U.S. Citizenship and Immigration Services

Read instructions carefully before completing this form. The instructions must be available during completion of this form.

ANTI-DISCRIMINATION NOTICE: It is illegal to discriminate against work-authorized individuals. Employers CANNOT specify which document(s) they will accept from an employee. The refusal to hire an individual because the documents have a future expiration date may also constitute illegal discrimination.

Section 1. Employee Information and Verification (To be completed and signed by employee at the time employment begins.)

Print Name: Last	First	Middle Initial	Maiden Name
Address (Street Name and Number)		Apt. #	Date of Birth (month/day/year)
City	State	Zip Code	Social Security #

I am aware that federal law provides for imprisonment and/or fines for false statements or use of false documents in connection with the completion of this form.

I attest, under penalty of perjury, that I am (check one of the following):

- A citizen of the United States
- A noncitizen national of the United States (see instructions)
- A lawful permanent resident (Alien #) _____
- An alien authorized to work (Alien # or Admission #) _____ until (expiration date, if applicable - month/day/year)

Employee's Signature	Date (month/day/year)
----------------------	-----------------------

Preparer and/or Translator Certification (To be completed and signed if Section 1 is prepared by a person other than the employee.) I attest, under penalty of perjury, that I have assisted in the completion of this form and that to the best of my knowledge the information is true and correct.

Preparer's/Translator's Signature	Print Name
Address (Street Name and Number, City, State, Zip Code)	
Date (month/day/year)	

Section 2. Employer Review and Verification (To be completed and signed by employer. Examine one document from List A OR examine one document from List B and one from List C, as listed on the reverse of this form, and record the title, number, and expiration date, if any, of the document(s).)

List A	OR	List B	AND	List C
Document title: _____		_____		_____
Issuing authority: _____		_____		_____
Document #: _____		_____		_____
Expiration Date (if any): _____		_____		_____
Document #: _____		_____		_____
Expiration Date (if any): _____		_____		_____

CERTIFICATION: I attest, under penalty of perjury, that I have examined the document(s) presented by the above-named employee, that the above-listed document(s) appear to be genuine and to relate to the employee named, that the employee began employment on (month/day/year) _____ and that to the best of my knowledge the employee is authorized to work in the United States. (State employment agencies may omit the date the employee began employment.)

Signature of Employer or Authorized Representative	Print Name	Title
Business or Organization Name and Address (Street Name and Number, City, State, Zip Code)		Date (month/day/year)
County of Mendocino 501 Low Gap Road, Ukiah, CA 95482		

Section 3. Updating and Reverification (To be completed and signed by employer.)

A. New Name (if applicable)	B. Date of Rehire (month/day/year) (if applicable)
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C. If employee's previous grant of work authorization has expired, provide the information below for the document that establishes current employment authorization.

Document Title: _____	Document #: _____	Expiration Date (if any): _____
-----------------------	-------------------	---------------------------------

I attest, under penalty of perjury, that to the best of my knowledge, this employee is authorized to work in the United States, and if the employee presented document(s), the document(s) I have examined appear to be genuine and to relate to the individual.

Signature of Employer or Authorized Representative	Date (month/day/year)
--	-----------------------

LISTS OF ACCEPTABLE DOCUMENTS

All documents must be unexpired

LIST A

**Documents that Establish Both
Identity and Employment
Authorization**

LIST B

**Documents that Establish
Identity**

LIST C

**Documents that Establish
Employment Authorization**

OR

AND

1. U.S. Passport or U.S. Passport Card	1. Driver's license or ID card issued by a State or outlying possession of the United States provided it contains a photograph or information such as name, date of birth, gender, height, eye color, and address	1. Social Security Account Number card other than one that specifies on the face that the issuance of the card does not authorize employment in the United States
2. Permanent Resident Card or Alien Registration Receipt Card (Form I-551)	2. ID card issued by federal, state or local government agencies or entities, provided it contains a photograph or information such as name, date of birth, gender, height, eye color, and address	2. Certification of Birth Abroad issued by the Department of State (Form FS-545)
3. Foreign passport that contains a temporary I-551 stamp or temporary I-551 printed notation on a machine-readable immigrant visa	3. School ID card with a photograph	3. Certification of Report of Birth issued by the Department of State (Form DS-1350)
4. Employment Authorization Document that contains a photograph (Form I-766)	4. Voter's registration card	4. Original or certified copy of birth certificate issued by a State, county, municipal authority, or territory of the United States bearing an official seal
5. In the case of a nonimmigrant alien authorized to work for a specific employer incident to status, a foreign passport with Form I-94 or Form I-94A bearing the same name as the passport and containing an endorsement of the alien's nonimmigrant status, as long as the period of endorsement has not yet expired and the proposed employment is not in conflict with any restrictions or limitations identified on the form	5. U.S. Military card or draft record	5. Native American tribal document
	6. Military dependent's ID card	6. U.S. Citizen ID Card (Form I-197)
	7. U.S. Coast Guard Merchant Mariner Card	7. Identification Card for Use of Resident Citizen in the United States (Form I-179)
	8. Native American tribal document	8. Employment authorization document issued by the Department of Homeland Security
	9. Driver's license issued by a Canadian government authority	
	For persons under age 18 who are unable to present a document listed above:	
	10. School record or report card	
6. Passport from the Federated States of Micronesia (FSM) or the Republic of the Marshall Islands (RMI) with Form I-94 or Form I-94A indicating nonimmigrant admission under the Compact of Free Association Between the United States and the FSM or RMI	11. Clinic, doctor, or hospital record	
	12. Day-care or nursery school record	

Illustrations of many of these documents appear in Part 8 of the Handbook for Employers (M-274)

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

Date: September 19, 2012
To: Board of Retirement
From: Richard White, Retirement Administrator
Subject: Accounting Services Contract

In May 2012 the Board of Retirement approved a minor reorganization to add a 1.0 FTE position to the recommended budget for Fiscal Year 2012-13 for the purposes of replacing the MOU between MCERA and the Assessor/Clerk-Recorder office which was for a 0.5 FTE accounting position. In June 2012, the Board of Retirement approved the Fiscal Year 2012-13 budget which included the full-time position for the Financial/Investment Officer Position (approximately \$110,000 for salary/benefits at top-step).

The current service level agreement with the Assessor/Clerk-Recorder to provide accounting services expires in September 2012.

The necessary administrative steps to add the position to the Master Position Allocation Table were begun in May and completed in July. The final agreement was presented to the County Board of Supervisors on the August 14, 2012 agenda whose approval was needed to add the position to the Master Position Allocation Table. After much discussion, the Board of Supervisors voted against adding the position to the County Table.

At the meeting of the Board of Retirement on August 15, 2012, the Retirement Administrator was authorized "to contract for accounting services with a qualified outside accounting provider for the needed bookkeeping, monthly financial statement preparation and other general accounting services and [to] report back to the Board."

I have identified the firm of Fechter & Company, Certified Public Accountants as the professional services provider for the accounting services. Fechter & Company is a Sacramento based CPA firm that provides services to the Government and other industries. This company was referred to MCERA by our external auditor as a firm with the necessary expertise and experience to fulfill our short-term accounting needs.

The professional accounting services will be provided primarily by Scott A. German, CPA. Scott has been a principal with Fechter & Company since 2009 and has practical experience providing outsourced controller services to a wide variety of clients. Mr. German entered into the practice of public accounting in 1985 with KPMG. Scott graduated from California State University at Sacramento with a Bachelor of Science degree in Business, concentrating in Accounting.

The contract will allow flexibility in the number of hours under the contract to ensure that the necessary workload is managed. The contract will provide for the necessary assistance to prepare the CAFR and State Controller's Report. The contract will not cover any analysis of actuarial services and will not include day-to-day bookkeeping or authorization of payments or payroll services.

The proposed scope of the contract, beginning in October 2012, will be for Mr. German to be on-site at MCERA for three days per month which includes the meeting date of the Board of Retirement. The rate for Mr. German will be billed at \$150 per hour and will provide for the reimbursement of travel expenses to include time, mileage, meal per diem and lodging.

Recommended Action: Authorize the Retirement Administrator to engage in contract negotiations and enter into an engagement letter agreement on behalf of MCERA with Fechter & Company, Certified Public Accountants for professional accounting services not to exceed an amount of \$75,000 for Fiscal Year 2012-13.

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

Date: September 19, 2012
To: Board of Retirement
From: Richard White, Retirement Administrator
Subject: SACRS Voting Policy

SACRS Voting Policy

MCERA belongs to the State Association of County Retirement Systems (SACRS) which is an association of 20 California county retirement systems, enacted under the County Employees Retirement Law of 1937. The mission of SACRS is to disseminate knowledge and information about public pension systems, provide education and analyze legislation for the member systems.

SACRS meets as an organization twice a year and membership in the organization entitles member systems with the right to vote on the election of officers/directors of SACRS, amendments to the Articles of Incorporation and By-Laws, legislative proposals for SACRS' sponsorship and positions on non-SACRS' sponsored legislation, resolutions and other items of SACRS' business.

The SACRS By-laws require that the voting delegate at the SACRS' business meetings be a regular member of the respective County Retirement System which is defined as a trustee on the Board of Retirement or the system administrator.

MCERA does not have a formal policy, adopted by the Board of Retirement, which describes who the voting delegate will be, nor is there a policy which defines the parameters of how a vote on behalf of MCERA will be cast. This policy will formalize your identification of the voting delegate and the voting guidelines the delegate followings at the SACRS business meeting.

Recommendation: Adopt the SACRS Voting Authority Policy.

Attachment

MENDOCINO COUNTY EMPLOYEES' RETIREMENT SYSTEM
SACRS VOTING AUTHORITY POLICY

BACKGROUND

1. The State Association of County Retirement Systems (SACRS) is an association of 20 California county retirement systems, enacted under the County Employees Retirement Law of 1937. SACRS meets as an organization twice a year with all 20 counties participating through attendance by Trustees, Administrators, and staff.
2. Regular member County Retirement Systems shall have the right to vote on the election of the officers/directors of SACRS, amendments to the Articles of Incorporation and By-laws, legislative proposals for SACRS' sponsorship and positions on non-SACRS' sponsored legislation, resolutions and other items of SACRS' business. Regular member County Retirement Systems shall be entitled to one (1) voting delegate, designated in writing by the County Retirement Board.
3. A voting delegate shall be designated in writing by the member County Retirement Board and shall be a Trustee or Administrator who is employed directly by the County Retirement System. Alternate delegates may be designated in writing by the member County Retirement Board.

POLICY GUIDELINES

4. In order to ensure that MCERA is represented by a voting delegate at each business meeting of SACRS, MCERA will designate the current Board Chair as voting delegate, and each member of the Board and the Retirement Administrator as alternate delegates.
5. Credentials for the delegates who are voting participants shall be filed with the SACRS Credentials Committee in writing prior to any meeting of SACRS at which voting will take place, unless there are no changes from the credentials already on file. Credentials shall include the name of the member County Retirement System, and indicate that the Board Chair is the voting delegate and all other Board members and the Administrator are alternate voting delegates.

MENDOCINO COUNTY EMPLOYEES' RETIREMENT SYSTEM
SACRS VOTING AUTHORITY POLICY

6. Voting at meetings of SACRS shall be the exclusive privilege of the delegate or alternate delegate. If the Board Chair is unable to attend a SACRS business meeting at which a vote is taking place, the Vice Chair shall be designated as alternate voting delegate. If the Board Chair and Vice Chair are both unable to attend, the alternate delegate will be determined, among the Board members in attendance, alphabetically by the Board member's last name. Each voting delegate or designated alternate delegate if the voting delegate is absent, may cast one (1) vote on each matter submitted to a vote of the membership.

7. Where the MCERA Board has taken an official Board position on an item to be voted on at a SACRS business meeting, the voting delegate or designated alternate voting delegate must cast a vote consistent with the Board position. If the Board has not taken a position on an item to be voted on, the voting delegate or designated alternate voting delegate must comply with the Board policy or policies that address (es) the subject matter of the item. When the item to be voted on is not addressed in any MCERA Board policy and the Board has not taken a position, the voting delegate or designated alternate voting delegate shall abstain from voting.

POLICY REVIEW

8. The Board will review this policy at least every three years to ensure that it remains relevant and appropriate.

POLICY HISTORY

9. This policy was adopted on September 19, 2012.

CERTIFICATE

10. I, the undersigned, the Retirement Administrator of the Mendocino County Employees' Retirement System, hereby certify the adoption of this Policy.

Richard White, Retirement Administrator

Date



SACRS

State Association of County Retirement Systems
Staff * Trustees * Affiliates * Success

SACRS VOTING PROXY FORM

The following are authorized by the _____ County Retirement Board to vote on behalf of the County Retirement System at the upcoming SACRS Conference *(if you have more than one alternate, please attach the list of alternates in priority order)*:

_____ Voting Delegate

_____ Alternate Voting Delegate

These delegates were approved by the Retirement Board on ____ / ____ / ____.

The person authorized to fill out this form on behalf of the Retirement Board:

Signature: _____

Print Name: _____

Position: _____

Date: _____

Please send your system's voting proxy by **November 1, 2012** to:

SACRS
Attn: Sulema H. Peterson, SACRS Administrator
1415 L Street, Suite 1000
Sacramento, CA 95814
Tel: (916) 441-1850 / FAX: (916) 441-6178 / E-mail: sacrs@sacrs.org

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: September 19, 2012
To: Board of Retirement
From: Richard White, Retirement Administrator
Subject: Retirement Administrator Evaluation Policy

Retirement Administrator Evaluation Policy

The MCERA Board of Retirement is responsible for the supervision and evaluation of the Retirement Administrator. The use of a formalized evaluation criteria and process would be a beneficial practice for those involved.

The Administrator Performance Evaluation Policy describes the objective of the policy, the roles played by the members of the Board of Retirement, the evaluation criteria and the process to be used. The evaluation process is led by the Board Chair who distributes an evaluation form to each Board Member for completion. The Board Chair will compile and summarize the forms into a single evaluation form which will be discussed with the Board in closed session. The evaluation is delivered to the Retirement Administrator after the Board reaches agreement on the evaluation. The process can be facilitated or coordinated by a third party, if desired.

The determination on the compensation of the Retirement Administrator would follow the receipt of the performance evaluation and would likely take place at a meeting subsequent to the delivery of the performance evaluation. As opposed to the performance evaluation, the discussion and deliberation on compensation takes place in an open session Board of Retirement meeting.

Recommendation: Adopt the Retirement Administrator Evaluation Policy.

**MENDOCINO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION RETIREMENT
ADMINISTRATOR PERFORMANCE EVALUATION POLICY**

BACKGROUND AND OBJECTIVES

1. The Board of Retirement supervises the Retirement Administrator. Formal evaluation procedures and practices are required. This process shall be performed on an annual Fiscal Year basis or on another interval agreed upon between the Board of Retirement and the Retirement Administrator.
2. The objectives of this policy are to:
 - a. Assist the Board in arriving at and communicating clear and meaningful goals and performance targets for the Retirement Administrator;
 - b. Ensure that the Retirement Administrator receives meaningful, objective and timely feedback that will allow the Retirement Administrator to perform, over time, at the highest levels possible; and
 - c. Enable the Board to hold the Retirement Administrator accountable for performance.

ROLES

3. The Board will be responsible for evaluating the performance of the Retirement Administrator.
4. The Chair and Vice Chair will be responsible for coordinating the evaluation process. The Board may use a third party to facilitate the process.

POLICY GUIDELINES

Process and Timelines

5. The Retirement Administrator will discuss the following items with the Chair and Vice Chair during May of each year:
 - a. Proposed Retirement Administrator evaluation criteria for the current Fiscal Year;
 - b. Proposed weights for each of the above criteria; and
 - c. Proposed CEO Evaluation Form for the current Fiscal Year.
6. Criteria for evaluating the performance of the Retirement Administrator will fall into seven categories:
 - a. Achievement of performance targets established for the System as a whole;
 - b. Implementation of Board policies and associated reporting to the Board;
 - c. Overall leadership and development of the organization;
 - d. Ability to address special developments or situations that may arise;
 - e. Direction and oversight of the investment program;

**MENDOCINO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION RETIREMENT
ADMINISTRATOR PERFORMANCE EVALUATION POLICY**

- f. Other criteria that the Board may determine to be appropriate;
 - g. Overall evaluation.
7. The Board will attempt to ensure that the criteria:
- a. Are objective and measurable; and
 - b. Pertain only to outcomes over which the Retirement Administrator has a reasonable degree of control.
8. The Chair will distribute the Retirement Administrator Evaluation Package to each member of the Board in May. The Evaluation Package will include copies of the Evaluation Form, Retirement Administrator Charter and the Retirement Administrator's self-evaluation. The Retirement Administrator's self-evaluation report is designed to assist the Board in the evaluation process. It should describe the extent to which the Retirement Administrator believes the evaluation criteria were met over the past year, as well as all relevant supporting data. The report may also describe any additional accomplishments during the year.
9. The Board shall treat this material as confidential. Completed evaluation packages will be returned to the Chair or the designated third party within the time frame specified. The Chair will ensure that all data is tabulated and summarized and treated as confidential until released to the Board.
10. Evaluation of the Retirement Administrator will be completed by June of each fiscal year. The evaluation process itself will be conducted in executive session. The Chair will distribute a summary of the completed Retirement Administrator evaluation data and invite discussion by the Board. At the conclusion of discussion, the Retirement Administrator will join the Board for review and discussion of his/her performance along with any suggestions for improvement.
11. Upon completion of the Retirement Administrator Evaluation Form, the Chair and the Retirement Administrator will sign the Evaluation Form and cause it to be placed in the Retirement Administrator's personnel file.

Documentation

12. The Retirement Administrator Form may take the format the Board deems appropriate, but must allow Board members an opportunity to provide general comments.

**MENDOCINO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION RETIREMENT
ADMINISTRATOR PERFORMANCE EVALUATION POLICY**

Compensation

13. The Board of Retirement may consider the Retirement Administrator's Compensation at the time the annual performance evaluation is conducted or as soon as possible after the evaluation is delivered to the Retirement Administrator.

POLICY REVIEW

14. The Board will review this policy at least every three years to ensure that it remains relevant and appropriate.

POLICY HISTORY

15. This policy will be implemented in _____, 2012.

CERTIFICATION

16. I, the undersigned, the Retirement Administrator of the Mendocino County Employees' Retirement System, hereby certify the adoption of this policy.

Richard A. White, Jr.
Retirement Administrator

Date

Mendocino County Employees' Retirement System

Retirement Administrator Performance Review

Name: _____

Review Date: _____

Levels of Performance

Superior
Above Average
Average
Below Average
Unsatisfactory

The following are the criteria to be used:

- a) Achievement of performance targets established for the system
- b) Implementation of Board policies and associated reporting to the Board
- c) Overall leadership and development of the organization (e.g., staff training and development, improvement of work processes, policy development, professionalism of the organization, communications with membership, sponsors, Board, staff, public)
- d) Ability to address special developments or situations that arise during year
- e) Direction and oversight of the investment program
- f) Other criteria that the Board may determine to be appropriate
- g) Overall evaluation

Mendocino County Employees' Retirement System

a) Achievement of performance targets established for the System as a whole

Performance Level (1-5)

	Superior – 5
	Above Average – 4
	Average – 3
	Below Average – 2
	Unsatisfactory – 1

Board Member's Comments

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b) Implementation of Board policies and associated reporting to the Board.

Performance Level (1-5)

	Superior – 5
	Above Average – 4
	Average – 3
	Below Average – 2
	Unsatisfactory – 1

Board Member's Comments

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Mendocino County Employees' Retirement System

- c) **Overall leadership and development of the organization (e.g., staff training and development, improvement of work processes, policy development, professionalism of the organization, communications with membership, sponsors, Board, staff, public).**

Performance Level (1-5)

	Superior – 5
	Above Average – 4
	Average – 3
	Below Average – 2
	Unsatisfactory – 1

Board Member's Comments

--

- d) **Ability to address special developments or situations that arise during year.**

Performance Level (1-5)

	Superior – 5
	Above Average – 4
	Average – 3
	Below Average – 2
	Unsatisfactory – 1

Board Member's Comments

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Mendocino County Employees' Retirement System

e) Direction and oversight of the investment program

Performance Level (1-5)

	Superior – 5
	Above Average – 4
	Average – 3
	Below Average – 2
	Unsatisfactory – 1

Board Member's Comments

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f) Other criteria that the Board may determine to be appropriate.

Specify criteria: _____

Performance Level (1-5)

	Superior – 5
	Above Average – 4
	Average – 3
	Below Average – 2
	Unsatisfactory – 1

Board Member's Comments

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Mendocino County Employees' Retirement System

g) Overall evaluation

Performance Level (1-5)

	Superior – 5
	Above Average – 4
	Average – 3
	Below Average – 2
	Unsatisfactory – 1

Board Member's Comments

Completed by: _____
Member, MCERA Board of Retirement

Date: _____

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: September 19, 2012
To: Board of Retirement
From: Richard White, Retirement Administrator
Subject: Retirement Administrator Report

I have listed some noteworthy activities which I have participated in since your last Board of Retirement meeting.

- I met with Gary Bei, Retirement Administrator and Kelly Jenkins, Assistant Retirement Administrator of the Sonoma County Employees' Retirement System for the purpose of establishing a networking relationship in general and to tap into their experience on various items related to 1937 Act pension systems.
- I met with Kristin McMenomey, Director of the General Services Agency to discuss various items of interest to MCERA.

The following is a summary status report on items of interest for the Board of Retirement:

A. Cost of Living increases in the Optional Benefit Calculations

As you will recall, at your June 2012 meeting I discussed with you about an article published in the Contra Costa Times reporting on a discussion item from the Contra Costa County Employees' Retirement Association (CCCERA) on the calculation of Optional Benefit Calculations and whether or not the calculation should include the Cost of Living adjustment.

The issue in Contra Costa was interesting in light of the fact that the current policy of MCERA and those of most other 1937 Act systems was not to include the COL assumption in determining optional benefit formulas.

At your July, 2012 Board meeting, I discussed with you a memorandum published by The Segal Company (Segal is the actuary for Contra Costa, us and other 1937 Act systems) that was distributed to all Administrators of 1937 Act systems which described the issue from their perspective – that of a professional actuarial firm with significant experience with this issue. Essentially, The Segal Company took the position that the claim in the newspaper article that CCCERA pensioners were overpaid because of “improper” calculations was “completely untrue.”

The Segal Company went on in their letter to explain that the issue is regarding what actuarial assumptions to include when determining the actuarial equivalent optional payment amounts and stated that not including the COLA in these calculations was consistent with long-established practice utilized by Segal, by predecessor actuarial firms servicing CCCERA, and by actuaries serving other similar retirement systems, and in accordance with the requirements of the statutes governing these systems.

These developments have taken place since your July, 2012 board meeting:

- The Board of Retirement at the Contra Costa County Employees' Retirement Association voted to ***include*** the Cost of Living calculation into the calculation of optional benefits.
- The Board of Retirement at the Marin County Employees' Retirement Association was informed by their legal counsel that they ***not include*** the Cost of Living into the calculation of optional benefits.

Staff is continuing to monitor the issue and will continue to update the Board.

B. Code Section/County Resolution Report

The Board directed staff at the July, 2012 meeting to contact the Office of County Counsel to discuss the Code Section/County Resolution report which was received at the December 12, 2011 joint meeting of the Board of Supervisors and Board of Retirement. County Counsel is aware of the project and has not contacted MCERA for additional information.

C. Contribution Rate Correction Project

The County of Mendocino (Auditor/Controller) completed the issuance of checks to County employees (active, deferred and retired) who overpaid contributions into MCERA. The process of contacting those members who under contributed is underway.

The Superior Court has completed their issuance of checks to their employees who over-paid contributions and has begun the process of completing the collection of under-payments.

Staff is gathering the information and data necessary to review the contributions made by the Cemetery District and their employees.

Staff is continuing to assist our plan sponsors with their efforts as all parties move towards the completion of this matter.

D. Disability Policy and Procedure

I have begun the first phase of this project into the review of current disability procedures which includes the gathering of information about the disability application and handling procedures used by other 1937 Act systems. The initial drafting of some process and procedural revisions has taken place.

E. Strategic Workshop

Staff is continuing to develop the details for the Board Strategic Workshop which will take place over the course of two-days, Wednesday, October 17, 2012 **and** Thursday, October 18, 2012.

As you recall, the Board of Retirement will meet for the regularly scheduled monthly meeting on the morning of Wednesday, October 17 at 8:30 AM. The agenda will include public items, but closed session matters will take up most of the meeting time. We will close the business meeting in plenty of time for you to enjoy your lunch break at a local downtown eatery.

The Strategic Workshop will start at 1:00 PM with Part One of the strategic workshop and is expected to conclude by 5:00 PM.

Part Two of the strategic workshop will begin at 8:00 AM on Thursday morning and conclude by the noon hour.

Both days (Board Meeting and Strategic Workshop) will be held off-site at the Ukiah Valley Conference Center, 200 South School Street, Ukiah. Parking is available at the Conference Center and there will be parking passes available for you to place in your vehicle that waives the time restrictions in the lot.

We will have additional information for you in advance of the October workshop.

F. External Audit

MCERA's external auditor, Gallina LLP, has begun the audit engagement process which included an on-site visit during the week of August 6, 2012 to gather information, reports and data needed from the system and the County for the preparation of our annual audit. The project is continuing as anticipated at this point.

G. Undistributed Earnings Issue

The Board is aware that the Internal Revenue Service (IRS) is conducting a review of retirement systems nationwide, including the retirement systems governed by the CERL, to ensure the tax qualified status of our plan.

MCERA engaged the law firm of Hanson Bridgett to assist in preparing the application for a Determination Letter on the qualified status of the plan and a Voluntary Correction Program (VCP) filing.

The Board of Retirement will recall that as a part of the VCP filing, MCERA has been working through the matter of "excess earnings" as defined and allocated by the pension system in past years, in accord with the County Employees Retirement Law (CERL), which were used to provide retiree health care benefits.

It is anticipated that the Board will receive additional information on this issue at the October 17, 2012 Board Meeting.

H. Public Records Act Requests

At the end of August, staff completed the most recent PRA request, which was actually an extension of a previously submitted PRA. There are no outstanding PRA requests at this point.

I. Legislative Update

Governor Brown and Democratic lawmakers announced the long-anticipated comprehensive public employee pension reform plan on August 28, 2012 which went to the Legislature's conference committee that evening where the plan was approved. The plan will be carried as AB 340 and Assembly Bill 197 and is known as the California Public Employees' Pension Reform Act of 2013 (PEPRA).

The bill was passed by the Legislature and the Governor signed the bill on September 12, 2012. At the bill signing in Los Angeles, Governor Brown said that PEPRA was "the biggest rollback to public pension benefits in the history of California pensions" and that benefits are being lowered "to what they were before I was governor the first time."

The PEPRA will become effective on January 1, 2013 and it will apply to the 1937 Act Counties.

The information about PEPRA is very preliminary as the legislation is very recent and complex.

There is a lot of discussion and analysis over the legislation taking place. Jeff Berk and I will be attending a SACRS workshop on this legislation in Sacramento on September 24, 2012. Also, SACRS will be covering the pension reform legislation and the impact on the pension plans at the fall 2012 Conference.

The Summary prepared by the Legislative Conference Committee is included in this agenda packet.

Generally, new employees will receive less generous retirement benefits and will work longer to receive them. Most PEPRA provisions apply only to new members who are not eligible for reciprocity and who join MCERA on and after January 1, 2013. Questions about the impact on current employees and vested rights and those employees with reciprocal benefits are still to be answered. For retirees, their ability to work for a public employer in the same retirement system is restricted.

The PEPRA legislation will impact MCERA and how we calculate pension benefit payments. We must also develop a procedure to meet a requirement that the retirement system determine whether compensation was paid to enhance a member's retirement benefit and we will need to review our policies or develop policies to ensure we are complying with the legislation.

The complete task of MCERA implementing the PEPRA legislation is also not fully known at this point but will be reviewed for the Board of Retirement at the earliest possible moment.

SUMMARY

OF THE CONFERENCE COMMITTEE REPORT

ON

PUBLIC EMPLOYEE PENSIONS

SUMMARY: Implements comprehensive public employee pension reform through enactment of the California Public Employees' Pension Reform Act of 2013 (PEPRA) and related statutory changes. Specifically, the conference committee amendments:

- 1) Establish PEPRA which will apply to all public employers and public pension plans on and after January 1, 2013.
- 2) Exclude the University of California and charter cities and counties that do not participate in the California Public Employees' Retirement System (CalPERS) from the PEPRA requirements.
- 3) Establish a cap on the amount of compensation that can be used to calculate a retirement benefit on for all new members, as specified, of a public retirement system equal to the Social Security wage index limit (\$110,100) for employees who participate in Social Security, or 120% of that limit (\$132,120) if they do not participate in Social Security.
- 4) Require the retirement systems to adjust the compensation cap annually, as specified, based on changes in the Consumer Price Index (CPI) for all Urban Consumers.
- 5) Specify that the Legislature reserves the right to modify the annual CPI adjustments to the compensation cap prospectively.
- 6) Prohibit an employer from offering a defined benefit (DB) plan, or combination of DB plans, on compensation in excess of the compensation cap.
- 7) Define "new member" with regard to eligibility for PEPRA as:
 - a) An individual who has never been a member of any public retirement system prior to January 1, 2013.
 - b) An individual who moved between retirement systems with more than a 6 month break in service, as specified.
 - c) An individual who moved between public employers within a retirement system after more than a 6 month break in service, as specified.

- 8) Allow employers who offer alternate plans established prior to January 1, 2013 that have lower benefit formulas and that result in a lower normal cost to continue offering those plans to new employees.
- 9) Allow employers who offer a retirement benefit plan established prior to January 1, 2013 that consists solely of a DC plan to continue offering that plan to new employees.
- 10) Excludes members of the Judges Retirement Systems I and II (JRS I and JRS II) from the PEPRA retirement formula and the compensation cap.
- 11) Allow employers who offer a retirement benefit plan that was approved by the voters prior to January 1, 2013 that have lower benefit formulas and that result in a lower normal cost to continue offering those plans to new employees.
- 12) Allow employers to provide contributions to a DC plan for compensation in excess of the cap provided that the plan and the contribution comply with federal law. Employees who receive an employer contribution to a DC plan will not have a vested right to the employer contribution.
- 13) Specify that the retirement formula for the DB plan will be 2% at age 62 for all new non-safety employees, excluding teachers. The formula is adjusted to encourage members to retire at later ages. The earliest an employee would be eligible to retire is age 52 with a 1% factor and the maximum retirement factor of 2.5% is provided at age 67.
- 14) Specify that the retirement formula for new members of the California State Teachers' Retirement System (CalSTRS) will be 2% at age 62. The earliest an employee would be eligible to retire is age 55 and with a maximum formula of 2.4% at age 65.
- 15) Specify three retirement formulas for the DB plan that will apply to new safety employees, as specified. The three formulas are: 2% at age 57; 2.5% at age 57; and, 2.7% at age 57.
- 16) Require contributions from employees to the DB plan equal to one-half of normal cost of the DB.
- 17) Require that final compensation be defined for all new employees as the highest average annual compensation over a three-year period.
- 18) Prohibit the following types of compensation from being used to calculate a retirement benefit on: compensation paid to enhance a retirement benefit; compensation previously provided "in-kind" and converted to cash in the final comp period; one-time or ad hoc payments; terminal pay; pay for unused leave or time off; pay for work outside of normal hours; uniform, housing or vehicle allowances; pay for overtime, except planned overtime, extended duty workweek, or pay defined in the federal labor codes; employer contributions to DC plans; and, bonuses.

- 19) Prohibit a public employer from providing a better health benefit vesting schedule for excluded and exempt employees than for represented employees in the same retirement classes.
- 20) Limit the maximum salary taken into account for any retirement plan to the federal limit established under 401(a)(17) of the Internal Revenue Code (IRC) and prohibit an employer from seeking a federal exemption from the limit.
- 21) Prohibit an employer from making contributions to any public retirement plan on any amounts of compensation that exceed the 401(a)(17) limit.
- 22) Prohibit a public employer from offering a benefit replacement plan for any member or survivor who is subject to the federal limit on benefits established by section 415(b) of the IRC for an employee first hired on and after January 1, 2013, or to any group of employees that was not offered a benefits replacement plan prior to that date.
- 23) Authorize a public retirement system to continue administering a 415(b) benefit replacement plan for employees first hired prior to January 1, 2013.
- 24) Prohibit a retroactive enhancement to a benefit formula, either due to a change to an existing formula, or due to a change to the retirement classification for a specific job.
- 25) Prohibit the purchase of non-qualified time ("airtime") on and after January 1, 2013. Any application to purchase airtime received by a retirement system prior to January 1, 2013 is grandfathered.
- 26) Specify that local elected members first elected on or after January 1, 2013 may not receive a retirement benefit for the elected service based on compensation earned in any other public employment. The retirement benefit for the elected service shall only be based on compensation earned for that service.
- 27) Prohibit all employers from suspending employer and/or employee contributions necessary to fund annual pension normal costs.
- 28) Prohibit post-retirement employment from exceeding 960 hours in a consecutive 12 month period. If a retiree receives unemployment benefits, he or she is prohibited from working for 12 months as a retiree for a public employer.
- 29) Prohibit a person who retires on or after January 1, 2013, from returning to work as a retired annuitant for a period of 180 days after retirement unless the action is approved in an open meeting, as specified by the governing body of the employer, or by California Department of Human Resources (CalHR) authority if state retiree, as specified. However, in no case could a person who receives a retirement incentive return to work as a retired annuitant for a period of 180 days after retirement.

30) Establish the following exceptions to 180 day rule:

- a) The retiree is participating in the Faculty Early Retirement Program pursuant to a collective bargaining agreement with the California State University.
- b) The retiree is a public safety officer or firefighter.
- c) The retiree is a trustee, administrator, or fiscal advisor appointed to address academic or financial weaknesses in a school or community college district, pursuant to specified requirements.
- d) The retiree is a subordinate judicial officer whose position, upon retirement, is converted to a judgeship and he or she returns to work in the converted position.
- e) The retiree is a person taking office as a judge, as specified.

31) Prohibit a public retiree who is first appointed on or after January 1, 2013 from serving full-time on a salaried state board or commission without suspending their retirement allowance or choosing to serve as a non-salaried member of the board or commission, as specified. Retiree health care benefits for these individuals would be protected so that the person is eligible to receive any prior employer provided retiree healthcare coverage upon re-retirement after leaving the board or commission. Appointees to the Parole Board are exempt from this prohibition.

32) Specify that retirees of the California State Teachers' Retirement System (CalSTRS) are subject to the post-retirement employment limitations specified in that system.

33) Require public officials and employees to forfeit pension and related benefits if they are convicted of a felony in carrying out official duties, in seeking an elected office or appointment, or in connection with obtaining salary or pension benefits.

34) Allow public safety members who qualify for Industrial Disability Retirement (IDR) and are under age 50 to receive an actuarially reduced retirement benefit. This pilot project will sunset in 2018 unless extended by subsequent legislation.

35) Prohibit newly elected statewide officers and legislative officers from participating in the Legislators' Retirement System. They would continue to be optional members in CalPERS.

36) Specify that the Alternate Retirement Plan will not apply to new state employees subject to PEPRA.

37) Allow more flexibility for bargaining increased cost sharing between employers and existing employees in CalPERS and retirement systems established pursuant to the County Employees' Retirement Law of 1937 ('37 Act). Using impasse procedures to impose cost sharing arrangements achieved through this new flexibility would be prohibited if the

proposed contribution exceeds statutorily required contributions for current employees or half of the normal cost of benefits for employees first hired on or after January 1, 2013.

- 38) Provide additional flexibility to CalPERS contracting agencies to achieve cost sharing goals with current employees, as specified.
- 39) Require CalPERS contracting agencies and school employers to achieve specific cost sharing goals by January 1, 2018.
- 40) Require additional contributions for various state bargaining units, and excluded and exempt employees of the state, executive, legislative and judicial branches that have not yet achieved equal cost sharing of normal cost.
- 41) Require CalPERS to develop a system for monitoring excessive increases to salaries that create significant liabilities for former employers due to reciprocity, and for requiring the employers that caused the significant liability to be responsible for it.
- 42) Increase the retirement formula for new state miscellaneous members who opt to participate in the Second Tier from 1.25% at age 65 to 1.25% at age 67.
- 43) Prohibit certain cash payments from being counted as compensation earnable for retirement purposes in '37 Act counties
- 44) Provide '37 Act retirement boards with more independence to perform audits and assess penalties relating to pension spiking.
- 45) Require '37 Act county employers and districts to achieve specific cost sharing goals by January 1, 2018.
- 46) Specify that if any provision of the bill is held invalid, the rest may still be given effect.
- 47) Makes conforming changes to provisions of the Education Code administered by CalSTRS.

EXISTING LAW: California currently has dozens of public retirement systems and individual retirement plans. The largest are the California Public Employees' Retirement System (CalPERS), serving over 1.6 million members and retirees, and the California State Teachers' Retirement System (CalSTRS), serving over 850,000 members and retirees. CalPERS also administers the Judges' Retirement Systems I and II and the Legislators' Retirement System. In addition, there are many independent public retirement systems, including the 20 county systems that operate under the 1937 Act County Employees' Retirement Law, the University of California Retirement Plan, plans for the City and County of San Francisco, and cities of San Diego, Fresno, Sacramento, Oakland, San Jose, and others.

Some of these retirement systems and individual retirement plans are established under a statutory framework, while others operate under their own regulations and charters. Benefit formulas vary widely with differing retirement formulas for non-safety and safety employees and

benefit levels and plan designs varying among retirement systems and employers. Finally, Social Security (SS) coverage varies. Non-safety state employees are coordinated with SS, while state safety employees are not. Teachers are not coordinated with SS, but school classified employees are coordinated. Employees of counties and cities have varying coverage. It is most common that safety employees do not have SS, while non-safety employees do have SS; however, that is not the case for every public employer. In some cases all employees of a public employer are coordinated, and in other cases no employees are coordinated.

The unifying factor for all public retirement systems and plans (with one or two known exceptions) is that they provide a defined benefit for retirees that is derived by multiplying the individual's years of service, highest average compensation over a 12 or 36 month period, and the individual's retirement benefit age factor (e.g., 2 percent at age 60). In addition, all systems provide cost-of-living adjustments in varying levels to retiree benefits, death and disability benefits, and survivor benefits. Finally, all defined benefit plans must comply with applicable federal laws in order to maintain their status as tax-qualified plans.

Benefits for retirement system members are funded over the employee's working career from three sources. First, employees make contributions as a percentage of payroll. Employee contribution rates are established in statute, or in rules and charters for the smaller plans. In some cases, employers and employees agree, through collective bargaining, to adjust employee contribution rates. The second source of funding is derived from investment returns on the retirement funds. For example, CalPERS estimates that historically, investment returns have paid for approximately 2/3 of the cost of providing benefits. The third source of funding is employer contributions, which are also determined and paid as a percentage of employee income. When investment returns do not perform as expected, employers make up the difference in the form of higher rates. Similarly, when investment returns exceed expectations, employer rates are reduced accordingly. These rate reductions and increases are actuarially "smoothed" over a period of years in order to ease employer rate volatility and ensure continued funding of the retirement systems.

AS PASSED BY THE ASSEMBLY, this bill prohibited certain cash payments from being counted as compensation earnable for retirement purposes in counties operating retirement systems pursuant to the County Employees' Retirement Law of 1937 ('37 Act) and prohibited a retiree in those counties from immediately returning to employment with the public employer on a part-time or contract basis.

The Senate amendments deleted the Assembly version of this bill, and instead stated that it is the intent of the Legislature to convene a conference committee to craft responsible and comprehensive pension reform legislation that reflects both the needs of public employees and the fiscal situations of state and local governments.

FISCAL EFFECT: Unknown, CalPERS and CalSTRS are in the process of preparing a fiscal analysis of the report. Savings are projected to be in the tens of billions over 30 years.

COMMENTS: The comprehensive pension reform proposal that is contained in the Conference Committee Report is based on the Governor's 12-Point Pension Reform Plan.

The Conference Committee Report includes 10 of the 12 points included in the Governor's plan. As an alternative to the hybrid plan the proposed by the Governor, we have included a hard cap on the amount of compensation that can be used when calculating a retirement benefit. There are only other two provisions of the 12-Point Plan that were not included at all and those were the changes to the CalPERS Board of Administration and the proposal to increase state retiree health care vesting. The Governor chose to drop the CalPERS Board issue and, on the health care vesting issue, state employee bargaining units have shown a willingness to bargain over this issue and so the Conference Committee believed it should remain subject to collective bargaining.

Additionally, in order to achieve our goal of comprehensive reform, we have included numerous pension reform changes that were included in bills going through the Legislature this session but were not included as part of the Governor's plan. Finally, the Report includes a number of other changes that are part of the comprehensive pension reform.

Richard A. White, Jr.
Retirement Administrator



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

Date: September 19, 2012
To: Board of Retirement
From: Richard White, Retirement Administrator
Subject: Communications to the Board of Retirement

Discussion: Included in this item for the Board of Retirement are articles and items of interest which relate to public pension funds and are presented to the Board as informational items.

1. Revelle, T. (2012, August 16). Board of Supervisors rejects retirement hire. The Ukiah Daily Journal (UkiahDailyJournal.com).
2. A copy of the Board of Supervisor Agenda Summary and the Proclamation presented to Jim Andersen by the Mendocino County Board of Supervisors at their August 28, 2012 meeting.
3. Wells Capital Management. (2012). BEST EVER Post-War Stock Market Rally! (Economic and Market Report). James W. Paulsen, Ph.D.

Board of Supervisors rejects retirement hire

By TIFFANY REVELLE Ukiah Daily Journal

Updated:

UkiahDailyJournal.com

Ukiah Daily Journal

The Mendocino County Board of Supervisors on Tuesday struck down a proposal from its retirement system to hire a full-time finance and investment officer.

An employee with the Mendocino County Auditor-Controller's Office currently does those duties under a part-time, work-share arrangement between the county and the Mendocino County Employees Retirement Association. Retirement Administrator Rich White said the intention was to replace that arrangement with a 40-hour-a-week position, hired by MCERA, that would have paid \$60,147 annually at the first step, not including benefits.

The proposal to put the new, full-time position on the county's position allocation table was moved by 5th District Supervisor Dan Hamburg and seconded by 4th District Supervisor Kendall Smith. It failed 2-3 with 1st District Supervisor Carre Brown, board chairman 2nd District Supervisor John McCowen and 3rd District Supervisor John Pinches against it.

McCowen said hiring a full-time employee in one county department while others had taken cuts wasn't a good message to send, as it could give the impression that the county's financial picture had turned around and was positive enough to accommodate new employees.

White reminded the board that MCERA is not a county department, but a separate agency.

"What it does is for the county," he said. "It provides retirement benefits for county employees."

Hamburg said he "share[d] John Pinches' concern about the overall investment fund picture," noting that when investment returns are down, the county's general fund usually contributes more toward employee retirement benefits.

"That's one major element of the county budget that's driving us toward the cliff," Hamburg said. "But we would be sending the wrong message in not approving this ... that we do not have trust for MCERA and they don't know what's best for them."

Pinches said the retirement system "has not done a good job of controlling administrative costs."

White had earlier said administrative costs had increased, but the development wasn't a surprise.

"When the investments are down, the bill gets larger that comes to the county system," Pinches said. "There's got to be a really serious effort to control costs. Every dollar in the administration side is a dollar investments are down."

White said the cost for salary and benefits for the position comes from the retirement system's trust fund, and that the MCERA board had approved the full-time hire as part of its 2012-13 budget. With the Board of Supervisors' rejection of the position, White said the retirement board would likely discuss how it would proceed at its next meeting, scheduled for Wednesday morning.

White said Wednesday that the board authorized hiring a contracted accountant, and directed MCERA staff to work with the Mendocino County Counsel's Office and county CEO Carmel Angelo to resolve the matter.

Tiffany Revelle can be reached at udjtr@pacific.net, on Twitter @TiffanyRevelle or at 468-3523.



**MENDOCINO COUNTY BOARD OF SUPERVISORS
ONLINE AGENDA SUMMARY**

BOARD AGENDA # 2 (a)

- Arrangements for public hearings and timed presentations must be made with the Clerk of the Board in advance of public/media noticing
- Agenda Summaries must be submitted no later than *noon* Monday, 15 days prior to the meeting date (along with electronic submittals)
- Send 1 complete original single-sided set and 1 photocopy set – Items must be signed-off by appropriate departments and/or Co. Co.
Note: If individual supporting document(s) exceed 25 pages each, or are not easily duplicated, please provide 7 hard-copy sets)
- Transmittal of electronic Agenda Summaries, records, and supporting documentation must be emailed to: bosagenda@co.mendocino.ca.us
- Electronic Transmission Checklist Agenda Summary Records Supp. Doc. If applicable, list other online information below
- Executed records will be returned to the department within one week. *Arrangements for expedited processing must be made in advance*

TO: Board of Supervisors **DATE:** August 21, 2012

FROM: Supervisor Kendall Smith **MEETING DATE:** August 28, 2012

DEPARTMENT RESOURCE/CONTACT: Executive Office **PHONE:** 463-4441 Present On Call

Consent Agenda Regular Agenda Noticed Public Hearing Time Allocated for Item: 5 min.

■ **AGENDA TITLE: Adoption of Proclamation Recognizing and Honoring Jim Andersen for His Dedication and Service to the Mendocino County Employees' Retirement Association**

■ **PREVIOUS BOARD/BOARD COMMITTEE ACTIONS:** The Board of Supervisors routinely adopts proclamations recognizing special events and meritorious achievements.

■ **SUMMARY OF REQUEST:** Mr. Andersen was hired in March 1987 as the Assistant County Administrator and left the County's employment in October 2004 as the County Administrator. Mr. Andersen returned in November 2008 to serve as Mendocino County's Retirement Administrator. In June of this year Mr. Andersen was honored with a proclamation for his three and a half years of service as the Mendocino County Employees Retirement System's Administrator.

Upon Mr. Andersen's recent retirement, the Mendocino County Board of Supervisors would like to take this opportunity to recognize his further County service as Retirement Administrator.

■ **SUPPLEMENTAL INFORMATION AVAILABLE ONLINE AT:** N/A

■ **ADDITIONAL INFORMATION ON FILE WITH THE CLERK OF THE BOARD (CHECKED BY COB IF APPLICABLE):**

FISCAL IMPACT:			
Source of Funding	Current F/Y Cost	Annual Recurring Cost	Budgeted in Current F/Y
N/A	N/A	N/A	Yes <input type="checkbox"/> No <input type="checkbox"/>

■ **SUPERVISORIAL DISTRICT:** 1 2 3 4 5 All ■ **VOTE REQUIREMENT:** Majority 4/5ths

■ **RECOMMENDED ACTION/MOTION: Adopt the Proclamation honoring Jim Andersen for his dedicated service to Mendocino County**

■ **ALTERNATIVES:** Do not adopt proclamation.

■ **CEO REVIEW (NAME):** _____ **PHONE:** 463-4441

RECOMMENDATION: Agree Disagree No Opinion Alternate Staff Report Attached

BOARD ACTION (DATE: _____): Approved Referred to _____ Other _____

RECORDS EXECUTED: Agreement: _____ Resolution: _____ Ordinance: _____ Other _____

PROCLAMATION
OF THE
MENDOCINO COUNTY BOARD OF SUPERVISORS

RECOGNIZING JIM ANDERSEN FOR HIS DEDICATED SERVICE
TO THE MENDOCINO COUNTY EMPLOYEES'
RETIREMENT ASSOCIATION

WHEREAS, Jim Andersen has served Mendocino County's employees and retirees for the past three and a half years, with professionalism and dedication as the Mendocino County Employees' Retirement Association Administrator; and

WHEREAS, Mr. Andersen's commitment to Mendocino County began in 1987, serving as the Assistant County Administrator and then as the County Administrator; and

WHEREAS, Jim left Mendocino County employment in October of 2004, returning to Mendocino County in 2008 as the Mendocino County Employees' Retirement Association Administrator, using his administrative expertise to guide the Association in a period of difficult economic challenge; and

WHEREAS, Jim has dedicated nearly three decades to public service and is known for his attention to detail, exceptional work ethic, and tactful leadership style; and

WHEREAS, Jim, being the first Retirement Administrator of a newly independent Retirement Association, was instrumental in improving the level of transparency and perception of the Association to the general public, utilizing his superb leadership and managerial skills, comprehensive knowledge of government, and his calm demeanor during an on-going period of fiscal stress; and

WHEREAS, Jim's leadership provided clarity to the Association's policy and procedures, enhanced fiduciary responsibility, and improved the overall operational function of the Association.

NOW, THEREFORE, BE IT RESOLVED, that the Board of Supervisors of the County of Mendocino, hereby recognizes and honors Jim Andersen upon his retirement as the Mendocino County Employees' Retirement Administrator for his dedicated years of service and commitment to the employees and retirees of Mendocino County.

Dated: August 28, 2012

John McCowen, Chair



BEST EVER Post-War Stock Market Rally!

The U.S. stock market recovery from the Great Recession of 2008 is now about three and one-third years old. Relative to past recoveries, the contemporary investment recovery has widely been considered to be of "high risk and low reward." It has been chronically interrupted by "stories of Armageddon" with persistent advice to stay cautious and focus on "the return of your principal rather than the return on your principal."

Despite this uncommonly fearful investment culture, so far at least, the contemporary stock market recovery has proved the strongest of any in the post-war era! Perhaps even more surprising, notwithstanding its superior performance, it remains reasonably cheap today compared to stock market rallies at this point in past recoveries.

What a Rally!!

Charts 1 and 2 compare the contemporary stock market rally from its recession low on March 9, 2009 with the stock market recovery rallies of the other nine recession lows in post-war history (excluding the brief 1980 recession). As shown in Chart 1, not only is the current stock market recovery "the best ever" this far into an economic recovery, it has been nearly the best throughout the recovery. For example, 300 days into the recovery, the current stock market (shown by the bold line in the chart) had already risen by about 75 percent—a faster rise than any other post-war stock market recovery. At 600 days in, only the 1953 stock market rally approximated the superior performance of the contemporary stock market recovery. And now, at more than 870 weekdays into this stock market recovery, only the 1982 recovery is close to matching its performance! Despite the constant warnings surrounding risk-taking and chronic advice to remain conservative, the contemporary stock market recovery has provided investors with "consistently superior returns"!

Chart 2 shows the current stock market recovery has risen by almost 110 percent providing investors with a total return in excess of 125 percent from its low in March 2009. Only the 1982 recovery was similar and only two other recoveries (1949 and 1953) were even remotely close to matching the contemporary investment experience. Some may argue the current stock market recovery should have been strong since it followed a huge bear market decline during the 2008 recession (it declined by about 57 percent top to bottom). In the post-war era, however, the other two major bear market declines (i.e., the bear market declines of 1974 and 2001 which were both just shy of 50 percent) were each followed by disappointing recoveries. As illustrated in Chart 2, the 1974 recovery at this point was only 67.7 percent and the 1974 recovery was the worst ever at only 43.7 percent. Moreover, the highly successful 1982 stock market recovery followed one of the smaller bear markets (only about a 25 percent decline) in post-war history. The size of the bear has not been a good predictor of the next bull.

Charts 1 and 2 highlight an overwhelming conundrum. Why has such a successful stock market recovery cycle been broadly and persistently heralded as one which has been so difficult and disappointing? Investment perceptions have certainly not matched investment reality.

Can the Stock Market Continue to Rise?

As shown in Chart 2, the contemporary stock market recovery has already risen more than twice as much as it did in the recoveries of 1960, 1970, and 1974. Given that it has already proved the “best ever” post-war stock market recovery, can stock prices advance much further?

Surprisingly, as shown in Chart 3, the current valuation level of the stock market is not excessive. Its current trailing 12-month price-earnings (PE) multiple is slightly above 14 times. Compared to past post-war stock market recoveries, the current valuation level of the U.S. stock market is only about average. At this point in the recovery cycle, three past recoveries offered cheaper PE multiples (i.e., 1949, 1953, and 1974), two were about the same (i.e., 1970 and 1982) and three traded at much higher PE multiples (i.e., 1949, 1953, and 1974). As shown in Chart 3, however, while the contemporary PE multiple is about average compared to past post-war recoveries, the current competitive bond yield is at an all-time record low. Although stocks may be only average priced on an absolute basis, on a relative basis compared to competitive bond yield offerings, the contemporary stock market appears quite cheap.

Chart 4 shows the post-war recovery cycle comparison of the PE multiple adjusted for bond yields. The current “relative valuation” of the stock market is the second cheapest in post-war history (only the 1949 stock market was cheaper on a relative basis at this point in the recovery cycle even though relative valuation offerings in both the 1953 and 1974 recovery cycles were comparable). Consequently, despite delivering the “best ever” performance of any recovery cycle in the post-war era, today, the current relative valuation of the stock market still resides among the cheapest of any stock market cycle and is “significantly” cheaper compared to six of the last nine recoveries!

Summary

The Great Recession of 2008 produced a chronic “crisis-phobic” investment culture. Consequently, from its inception in March 2009, the contemporary U.S. stock market recovery has persistently been considered suspect, of high risk and perceived to offer only subpar performance. In reality, however, it has proven to be the “best performing” stock market recovery cycle of the entire post-war era! More importantly, despite its superior performance, it remains today one of the cheapest relative stock market bargains in post-war history.

The greatest gift bequeathed to investors in this recovery cycle has been a monumental “wall of worry” which the stock has endlessly climbed. But be warned—it won’t last forever. When the consensus investment mindset eventually recovers from an overwhelming bout of crisis psychosis, the stock market rally will likely be near its end.

Thanks for taking a look!!
dlp

Chart 1
Post-War Stock Market Rallies
Cumulative Percent Price-Only Return from
Recession Low

Note: Bold Line is the Current Recovery Stock Market Rally

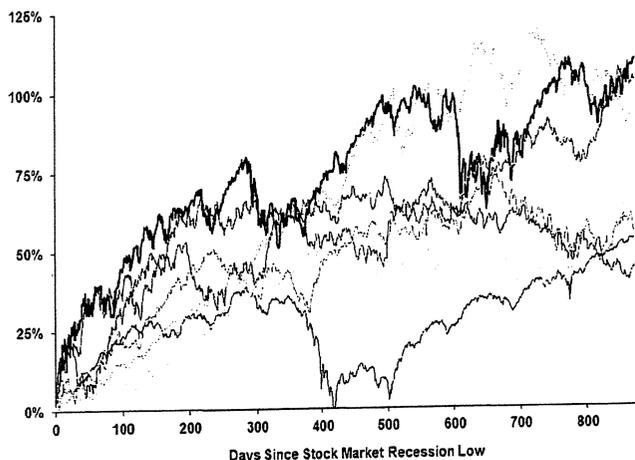


Chart 2
Post-War Stock Market Rallies
Cumulative Price-Only Percent Returns from
Recession Low During First 870 Days

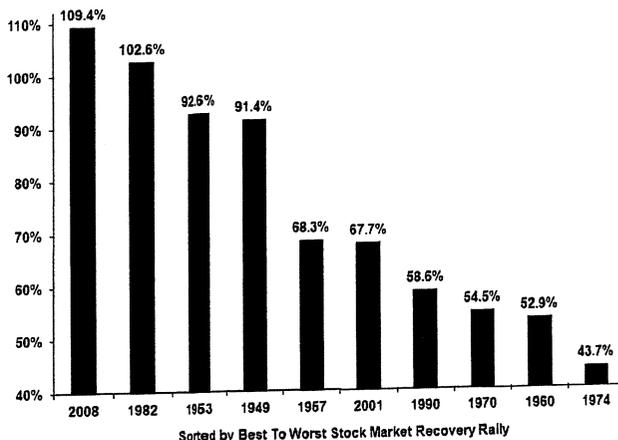


Chart 3
Post-War Stock Market Recoveries
PE vs. Yields 870 Days into Rally

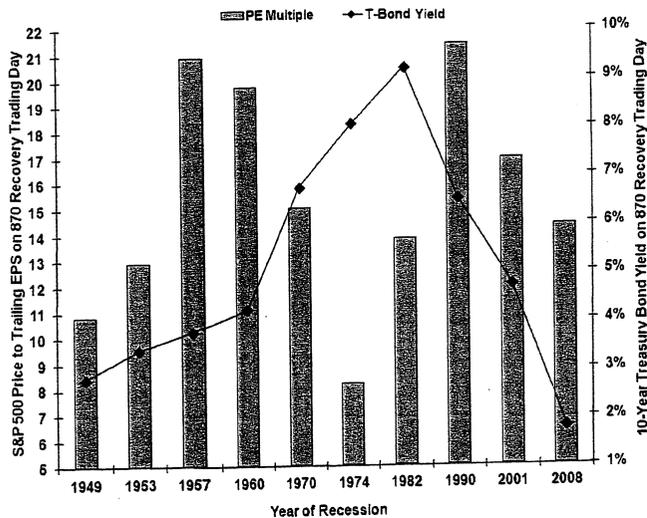
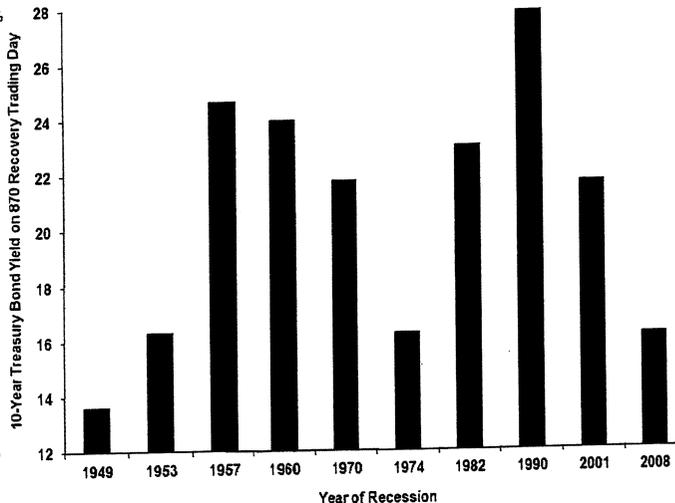


Chart 4
Post-War Stock Market Recoveries
Sum of PE and Bond Yield 870 Days into Rally



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