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ELECTED RETIRED MEMBER

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B.O.S. APPOINTEE

DR. DON COURSEY
B.O.S. APPOINTEE

TED STEPHENS
B.O.S. APPOINTEE

LLOYD WEER
ELECTED
GENERAL MEMBER

RANDY GOODMAN
ELECTED GENERAL
MEMBER

CRAIG WALKER
ELECTED SAFETY
MEMBER

TIM KNUDSEN
ELECTED RETIREE
ALTERNATE MEMBER



JIM ANDERSEN
RETIREMENT
ADMINISTRATOR

JEFF BERK
LEGAL COUNSEL

MENDOCINO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION BOARD MEETING AGENDA OCTOBER 19, 2011 – 8:30 A.M.

1) ROLL CALL (8:30 A.M.)

2) CLOSED SESSION (Timed Item at 8:35 A.M.) (Estimated Time 20 min.)

a) Pending disability applications:

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

b) Disability retirement case review:

- | | |
|----------------|-----------------------------|
| 1) BROIN, LORI | APPROVED FOR SCD 11/17/2010 |
|----------------|-----------------------------|

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

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

4) OPEN SESSION & MINUTES OF THE MEETING HELD SEPTEMBER 21, 2011
(Approximate time 9:00 A.M.) (Estimated Time 5 min.)

5) 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

◆RETIREMENT BOARD MEETING AGENDA◆
◆OCTOBER 19, 2011 - 8:30 A.M.◆

written comments please provide 12 copies to the Clerk to the Board prior to the start of the meeting. Public speakers are reminded to announce their names before they address the board.

- 6) **DISCUSSION AND POSSIBLE ACTION REGARDING A MODEL 401(h) POLICY**
(Estimated Time 30 min.)
- 7) **DISCUSSION AND POSSIBLE ACTION REGARDING A PROJECT CHARTER FOR THE CORRECTION OF EMPLOYEE AND EMPLOYER CONTRIBUTIONS** (Estimated Time 45 min.)
- 8) **BREAK** (Approximate time 10:30 A.M.) (Estimated Time 10 min.)
- 9) **DISCUSSION AND POSSIBLE ACTION REGARDING EXECUTIVE RECRUITMENT**
(Estimated Time 30 min.)
- 10) **DISCUSSION AND POSSIBLE ACTION REGARDING RETIREMENT ADMINISTRATOR'S REPORT** (Estimated Time 30 min.)
 - a) **Withdrawal of contributions by terminating employees**
 - b) **Billings for fees and services**
 - c) **Presentation of Administrator's report**
- 11) **INVESTMENTS/FINANCIALS** (Estimated Time 5 min.)
 - a) **Presentation of financial statements**
 - b) **Action may be taken to terminate or hire investment managers at any meeting**
- 12) **DISCUSSION AND POSSIBLE ACTION REGARDING VOTING PROXY FOR THE NOVEMBER SACRS CONFERENCE** (Estimated Time 5 min.)
- 13) **ADJORNMENT** (Approximate time 11:45 A.M.)

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

RESOLUTION OF THE MENDOCINO COUNTY BOARD OF RETIREMENT
ADOPTING MODEL REGULATIONS FOR A 401(h) ACCOUNT CONSISTENT
WITH ITS VOLUNTARY CORRECTION PROGRAM FILING

WHEREAS, the Internal Revenue Service (IRS) is conducting a review of retirement systems nationwide, including the retirement systems governed by the County Employees Retirement Law of 1937 (CERL, or 1937 Act); and

WHEREAS, the Mendocino County Employees' Retirement Association (MCERA) is governed by the 1937 Act and subject to said review; and

WHEREAS, the Board of Retirement engaged the law firm of Hanson Bridgett to assist in preparing an application for a Determination Letter on the qualified status of the plan and a Voluntary Correction Program (VCP) filing; and

WHEREAS, on January 19, 2011, the Board of Retirement approved the submission of a request for a favorable determination letter under Revenue Procedure 2010-6 and for a VCP correction under Revenue Procedure 2008-50; and

WHEREAS, the VCP, TAB Q, contained the correction, "MCERA will adopt the model regulations for a 401(h) account in TAB M. Additionally, the County will contribute to that account in accord with section 401(h) to pay retiree health benefits up to August 1, 2011. MCERA will also comply with CERL Section 31592.4 to facilitate those contributions."

NOW, THEREFORE, BE IT RESOLVED that the Board of Retirement adopts the model regulations for a 401(h) account attached and incorporated herein for the purposes of compliance with MCERA's VCP filing and for establishing a procedure that is consistent with Internal Revenue Code 401(h) and CERL Section 31592.4.

Upon motion by Trustee _____, seconded by Trustee _____, the foregoing Resolution is hereby approved and adopted by the Mendocino County Board of Retirement the _____ day of _____ 2011 by the following roll call vote:

Ayes: _____
Noes: _____
Absent: _____

Bob Mirata, Chair
Mendocino County Board of Retirement

Attest: Judy Zeller
Clerk to the Board

**MENDOCINO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
REGULATIONS FOR IRC SECTION 401(h)
MEDICAL BENEFITS ACCOUNTS**

SECTION I. GENERAL RULES

A. Purpose and Effective Date

In accordance with sections 31691 and 31694 of the California Government Code, the regulations set forth herein are effective as of October 19, 2011 and reaffirm and clarify the existing practices of the Mendocino County Employees Retirement Association (the "Association") with respect to the requirements under section 401(h) of the Internal Revenue Code (the "Code").

These regulations are intended to be in accordance with the Code and the applicable Treasury Regulations. To the extent there is a conflict between these regulations and the Code and Treasury regulations, the applicable federal law will govern.

The Association may establish reasonable procedures for complying with the requirements under section 401(h) of the Code that it deems necessary or desirable to comply with applicable tax laws or for administrative purposes.

**SECTION II. COMPLIANCE WITH THE TAX CODE SECTION 401(h)
REQUIREMENTS**

A. General Rule

All retiree medical benefit payments made by the system will comply with all applicable federal laws, including Code § 401(h). To the extent there may be a conflict between these regulations and Code § 401(h) or the Treasury Regulations issued hereunder, the Code and Treasury Regulations shall govern.

B. Compliance with Provisions of the Code

1. The Board of Supervisors must specify the medical benefits which will be available and the Board of Retirement must set out the amount that will be paid for those benefits.
2. Medical benefits must be subordinate to the retirement benefits, when added to any life insurance benefits. Contributions shall be limited to the extent necessary to ensure that the retiree health benefits are subordinate to the retirement benefits provided by the system as required by Code § 401(h).
3. A separate account must be maintained for contributions to fund the medical benefits.

4. Amounts credited to the 401(h) account may be invested with other system funds set aside for retirement purposes, without identification of which investments are allocable to each account. However, earnings on each account shall be allocated to each in a reasonable manner.
5. Amounts contributed for medical benefits must be reasonable and ascertainable. The county will, at the time it makes a contribution to the system, designate in writing to the system that portion of the contribution allocable to the 401(h) account to be used solely for health benefits.
6. No part of the medical benefits account may be used for or diverted to any purpose other than providing medical benefits and paying necessary or appropriate expenses for the administration of the medical benefits account.
7. No retiree health benefits provided under the 401(h) account will discriminate in favor of highly compensated employees.
8. Any amounts remaining in the medical benefits account after satisfaction of all medical benefits liabilities for all members, spouses and dependents must be returned to the employer.
9. If any member's interest in the medical benefits account is forfeited prior to plan termination, an amount equal to the forfeiture must reduce employer contributions to fund the account.
10. Separate accounts are not required for key employees because no member of the system is a key employee under the definitions of the Code.

C. Compliance with the CERL

1. In accordance with Section 31592.4 of the CERL, amounts may be credited from the excess earnings of the system that are available at the end of the fiscal year to a county advance reserves account which is used to pay annuity benefits (but not to pay health benefits), and such amounts will be treated as contributions by the county to the system. Amounts shall be credited to the county advance reserves from the system excess earnings only to the extent that in the immediately succeeding fiscal year the county transfers equal dollar amounts to the 401(h) account. In this way, both the requirements of the Code and the CERL will be met so retirees can receive tax-free health benefits.
2. To the extent required by the CERL, the 401(h) account shall be deemed to be a county advance reserves account.

SECTION III. DEFINITION OF COUNTY ADVANCE RESERVE

County advance reserve means the account which records contributions to the system made by the county and additions to and subtractions from that account. For purposes of this regulation county advance reserve includes a similar

reserve, if any, held for a district that contributes to the system. A county advance reserve account records a portion of all of the assets held by the system solely to provide for retirement benefits (including disability, death and other ancillary benefits) of all Members and to provide for reasonable administrative expenses, along with other accounts that record assets used solely for these purposes including but not limited to Member contribution accounts and other reserve accounts. A transfer between any of these accounts is a transfer for recording purposes only and is not a transfer between accounts that are used for retirement benefits and for any other purpose.

James M. Andersen
Retirement Administrator



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

Date: October 10, 2011
To: Board of Retirement
From: Jim Andersen, Retirement Administrator 
Subject: Corrections to Employee Contributions for Fiscal Years 2009/10, 2010/11 and 2011/12

Introduction

Earlier this year, the Mendocino County Employees' Retirement Association (MCERA) terminated its contract with its then actuary, Buck Consultants. The Board did so as a result of several serious errors found in Buck's reports. The Board entered into a new contract with The Segal Company to perform its actuarial work.

In setting up their systems for the June 30, 2011 valuation study, Segal found that employee contribution rates Buck recommended for three fiscal years were higher, net, than they should have been. They found these rates to be overstated in a net amount by 0.4% (.004), 0.4% (.004), and 0.7% (.007) of payroll for fiscal years 2009/10 through 2011/12, respectively. In the aggregate, employees contributing to the retirement system during that time frame paid in more money than they should have.

The MCERA Board has already communicated to members and the plan sponsors that it is committed to correcting employee and employer contributions to the retirement system during those fiscal years as if the correct rates had been in place. Further, the Board directed that staff assemble a project team with experience in making such corrections and develop a project plan to correct the contribution errors.

Discussion

Attached is a project charter (Exhibit A) which describes in detail the error and the steps to be taken in correcting that error. Also attached is a proposed addendum with The Segal Company (Exhibit B), a contract with Richard Charter, actuary and technology specialist with experience in developing the software solutions and databases for correcting such an error (Exhibit C), and an amendment to our agreement with Hanson Bridgett for tax consultation on any reimbursements of contributions, assessment of internal controls against future errors (as required by the IRS), and for a possible addendum or supplement to MCERA's Voluntary Correction Plan (VCP) filing with the IRS (Exhibit D). Finally, there is a copy of an email sent out on October 10, 2011 to the plan sponsors requesting that they begin to track their time and costs associated with correcting the error in contribution rates (Exhibit E). The sponsors'

documented costs will be reimbursed from the settlement funds received from Buck Consultants. MCERA staff was also notified to document any time spent on this project for administrative cost reimbursement.

As part of the project, Segal will establish a correct rate to be put into place at the beginning of the 2012 calendar year, thereby bringing to a close the incorrect contribution rates. At that point we can work toward correcting historical contribution errors with the confidence that contributions rates going forward are reliable.

Recommended Motion and Action

1. Approve the Project Charter (Exhibit A).
2. Approve the amended scope of service and cost estimates provided by The Segal Company (Exhibit B).
3. Approve the agreement with Peter Stalder for professional services (Exhibit C)
4. Approve the amended scope of services and cost estimates provided by Hanson Bridgett (Exhibit D).
5. Establish an ad hoc steering committee of three (3) Board members to confer with staff and provide direction as needed, and appropriate, between Board meetings.
6. Authorize the Retirement Administrator as project leader to establish a technical advisory committee to assist in specialized areas such as information technology, payroll, retirement benefits, etc.

Alternatives

1. Amend the Project Charter
2. Amend the scope of services or agreements for professional services. This is not recommended as all service providers have expertise in the correction of employee and employer contributions and are best able to provide appropriate descriptions of the work to be completed and estimated costs.
3. Do not establish an ad hoc committee. This is not recommended. Although staff attempted to designate the Board meeting dates for significant milestones, staff believes that direction may be needed between monthly Board meetings.
4. Do not authorize the Retirement Administrator to establish a technical advisory committee. This is not recommended, as the correction will require expertise in subject matters outside the knowledge of staff.

Fiscal Impact

Staff estimates the cost of the error correction process to be \$283,500. This includes the cost for contract and in-house services. It also includes the contingency for filing a supplemental VCP, the estimated cost of interest for overpaid contributions, and a generous contingency (approximately \$75,000). The contingency is larger than is typical due to the fact that MCERA's settlement agreement with Buck Consultants does not allow it to recover any cost over-runs encountered during the project. Any excess settlement funds at the conclusion of the project will be available for posting to pension reserves.

JA

Copy Carmel Angelo, CEO
Caryn Downing, Court Executive Officer
Andy Yeung, The Segal Company
Peter Stalder
Judith Boyette, Hanson Bridgett

Exhibit A

Project Charter

Project Name:

Correction of Contribution Rates

Expected Deliverables/Outcomes: *List of reports, recommendations, policies, processes, services, or other expected products from the project. Remember that deliverables are things, not actions. Number each deliverable.*

1. A report from the actuary containing the correctly calculated basic member contribution rates, for each tier and type of employee, for adoption by the Boards of Retirement and Supervisors to be effective January 1, 2012.
2. A report from the actuary containing the basic member contribution rates, for each tier and type of employee, which should have been used for fiscal years 2009/10 through December 31, 2011.
3. A secured, web based file transfer site (FTP).
4. A software program to compute, for all members who contributed during fiscal years 2009/10, 2010/11, and through December 31, 2011, the variance between the actual contribution and the corrected contribution rates plus interest rates recommended by general and tax counsel. The software program will be able to transfer member data to correspondence with members regarding their over/under payment (see 12).
5. A database containing a file for each member who made a contribution between July 1, 2009 and December 31, 2011, by pay period, displaying the variance and how it was calculated. The database will be capable of rolling up pay period variances into member and organizational variances.
6. A legal opinion from tax counsel, and associated advice, describing how refunds of any overpayments to members and collections of underpayments from members and plan sponsors can be accomplished in a manner that is compliant with IRS rules. The opinion will include all forms and procedures appropriate for tax reporting purposes.
7. A policy determining whether or not members who underpaid contributions will be required to make payments to the retirement system. The policy should identify all subgroups (e.g., retirees, deferred members, active members) and the rules for making payments, if any.
8. A report from the actuary and tax counsel containing alternatives and recommendations regarding the source for financing refunds of overpayments and receipt of underpayments, if any. The financing policy must address financing of cash flows, but also address the manner in which the retirement system will receive reimbursement from the plan sponsors for employer contributions that should have been made during fiscal year 2009/10 through December 31, 2011.
9. A report from the actuary, in close collaboration with the software vendor, containing the outcome of quality assurance samples from the database and quality assurance calculations at a summary, or plan, level.
10. A report from tax counsel and Retirement Administrator, as required by the IRS, containing controls that will limit exposure of such errors occurring in the future. The report will also contain a discussion of the alternatives for either supplementing our existing Voluntary Correction Plan (VCP) submitted to the IRS, or filing a new VCP.
11. A new or supplemental VCP.
12. A communication plan to members, plan sponsors and the media, including standardized correspondence to each of the stakeholders.

Project Owner: *The Project Owner provides or locates funding and resources for the project, approves project work plans, timelines, and budget, guides and directs the project manager, and in concert with the project manager delineates roles and responsibilities of the manager and project team. Overall they ensure successful completion of the project.*

The Board of Retirement.

Project Manager(s): *The project manager is responsible for ensuring that project planning, execution, and reporting occur. For purposes of the project, reports to Project Owner (though may be the same person).*

The Retirement Administrator.

Strong consideration should be given to a board ad hoc or steering committee, and a technical advisory committee (i.e., IT, Auditor, Legal and Actuary)

Other Departments Involved: *Please list those departments whose participation or support is necessary in order for the project to be completed.*

1. Information Services Division of the County General Services Agency: (a) set up FTP and (b) consultation on data sharing.
2. Auditor-Controller: (a) distribution of overpayments as directed; (b) possible collection of underpayments; (c) collaboration with tax counsel on forms and procedures to remain compliant for tax purposes; (d) implementing new rates; and (e) provision of payroll data to contractor.
3. Courts: (a) distribution of overpayments as directed; (b) possible collection of underpayments; (c) collaboration with tax counsel on forms and procedures to remain compliant for tax purposes; (d) implementing new rates; and (e) provision of payroll data to contractor.
4. Treasurer: collaboration on cash flow strategy for refunds of overpayments.
5. CEO: (a) collaboration on cash flow strategy and (b) collaboration on repayment to MCERA of sponsor underpayments.
6. County Counsel: advising the plan sponsor on reimbursing MCERA for underpayments of employer contributions.

Start/Finish:

1. Begin October 20, 2011.
2. Implement new, corrected rate January 1, 2012.
3. Balance of work products/milestone activities by June 30, 2012 (see milestone table).

Background/Summary: *(Optional)*

It was communicated by MCERA's previous actuary, Buck Consultants, and confirmed by its new actuary, The Segal Company, that members' basic contribution rates for fiscal years 2009/10, 2010/11 and 2011/12 were incorrectly computed, resulting in an overpayment of contributions by employees, in the aggregate, during that period. The project is to correct the employee and employer payments.

Resources Required: *Please note the name of the county department and whether existing and/or new personnel will be required, as well as any external resources. Note role they will play (examples would be Project manager, Subject Matter Experts, IT support, Project team member, etc): check box for existing or new.*

Department	Role	Existing	New
Retirement	Project Management	Yes	
Information Services	FTP site	Yes	
Auditor-Controller	Payroll data	Yes	
	Distributions/Collections	Yes	
	Implement new rate	Yes	
Courts	Payroll data	Yes	
	Distributions/Collections	Yes	
	Implement new rate	Yes	
Treasurer	Cash flow strategy	Yes	
CEO	Cash flow strategy	Yes	
	County contribution	Yes	
County Counsel	County contribution	Yes	
Peter Stalder, contractor	Software development		Yes
	Database development		Yes
The Segal Company	Establish correct rates		Yes
	Quality assurance		Yes
Hanson Bridgett	IRS compliance advice		Yes
	Future Internal Controls		Yes
	VCP review		Yes
Retirement	Communications	Yes	

Policy Review: *List and briefly describe Board of Retirements, Board of Supervisors or CEO policies that need to be considered and/or resolved before the project can be completed.*

1. The Board of Retirement must determine if a steering and/or technical advisory committee is desired, and, if so, to establish their composition.
2. The Board of Retirement must determine what interest rate will be used.
3. The Board of Retirement and Board of Supervisors must adopt corrected rates effective January 1, 2012.
4. The Board of Retirement must establish a policy regarding collection of underpayments. Any underpayments not collected will increase the plan sponsors' payments.
5. The Board of Supervisors, in coordination with the CEO, Treasurer, County Counsel, and MCERA (tax counsel) must determine the cash source for reimbursing overpayments of employee contributions.
6. The Board of Retirement, in coordination with the Board of Supervisors, CEO, collective counsels (County, MCERA, tax) and the actuary must determine the manner in which the retirement system will collect underpayments by the plan sponsor from July 1, 2009 to December 31, 2011.
7. The Board of Retirement, in coordination with tax counsel, must determine whether or not to submit a supplemental or new VCP to the IRS.

Assumptions/Constraints: *List any major assumptions and or constraints important to the project's success.*

1. Corrected employee contribution rates can be established by January 1, 2012, thereby setting limits around the corrective action.
2. An IRS compliant means of reimbursing members for overpayments of contributions can be determined and can be implemented by the County's finance system.
3. The Board of Retirement and Board of Supervisors can agree upon a strategy for correcting underpayment of employer contributions that meets the fiduciary standards for the BOR and is financially manageable for the BOS.
4. That the electronic data imaging (EDMS) project can be initiated concurrently or immediately following the contribution correction project.

Project Interdependencies and Inputs: *List by project name any other projects or initiatives upon which this project is dependent. Also note any projects or initiatives dependent upon this project.*

1. Application to the IRS for a Determination Letter and VCP.
2. The June 30, 2011 valuation study and 2009 to 2011 experience study.
3. The June 30, 2012 valuation study.
4. The fiscal year 2011/12 and/or 2012/13 County and Courts budgets.
5. The electronic data imaging (EDMS) project.

Risks: *(Optional)*

1. Employee/Member Relations. Likelihood of reduced employee/member confidence in the employer and MCERA during a critical period for the plan sponsor in Employee Relations and MCERA in its organizational development.
2. Rate increase and corrective action resulting in an economic hardship to the plan sponsors.
3. Limited alternatives for financing member reimbursements (cash flows) due to IRS constraints.
4. Change in project lead during project.
5. Unknown impact to MCERA's Determination Letter and VCP applications.

Exclusions: *Use this section, if necessary, to clarify what **will not** be addressed by the project.*

Member contribution rates were reviewed by The Segal Company (Segal) beginning with the June 30, 2010 actuarial valuation. Segal reviewed both the basic and COLA rates. An error was found in the basic rate, but the COLA rate was determined to be correct. As a result all previous COLA rates were assumed to be correct. Segal continued to review the basic rate until finding the first year in which the basic was correct, June 30, 2007 (for fiscal year 2008/09). Employee contributions rates were not reviewed for any other periods.

Milestones: *Note key events marking project progress*

1. Corrected rates from the actuary.
2. Determine interest rate for overpayment corrections.
3. Variances calculated for each member.
4. Determination of a tax forms and procedures for reimbursing overpayments by members.
5. Determination of the manner in which the plan sponsors will correct underpayments to the retirement system.
6. Completion of actuarial quality assurance work.
7. Determination regarding whether to submit a new or supplemental VCP.
8. Standardized communication to each member regarding their under/over payment, and how the corrective action plan will work.
9. Input corrected information into member ledgers, pension system.
10. Submission of the new or supplemental VCP.

Project Duration Estimates

Project Milestone	Date Estimate <i>(mo/day/year)</i>	Confidence Level <i>(high, medium, or low)</i>
Board of Retirement establish a steering committee and/or technical advisory committee (TAC)	10/19/2011	High
County IS set up an FTP site	10/21/2011	High
Corrected rates from the actuary	11/04/2011	High
Determine Interest rate to be applied	11/09/2011	High
Variances calculated for each member through June 30, 2011	12/09/2011	
Board of Retirement adopt corrected rate for 2011/12	12/14/2011	
Board of Supervisors adopt corrected rate for 2011/12	12/20/2011	
Actuarial sampling and Quality Assurance of variance calculations through June 30, 2011	12/30/2011	
Implement corrected rate for the balance of 2011/12	01/01/2012	
Variances calculated for each member from July 1, 2011 through December 31, 2011	01/20/12	

Actuarial sampling and Quality Assurance of variance calculations through December 31, 2011, and at the summary level	02/03/2012	
Input corrections into County, Court and Retirement systems	02/10/2012	
Determination of a tax forms and procedures for reimbursing overpayments by members	02/15/2012	
Determination of whether or not to collect from members who underpaid contributions	02/15/2012	
Determine new project lead	03/21/2012	
Determination on the manner in which the plan sponsors will correct underpayments to the retirement system	03/21/2012	
Standardized communication to each member regarding their under/over payment, and how the corrective action plan will work	03/21/2012	
Letter from tax counsel and the Retirement Administrator to the IRS regarding internal controls to avoid future errors/corrections	04/18/2012	
Determination regarding whether to submit a new or supplemental VCP	04/18/2012	
Submission of the new or supplemental VCP	06/20/2012	

Project Status: *For those projects underway, please note the date and indicate Green (low concern) Yellow (moderate concern) or Red (high concern) that project will exceed timeline, budget or scope.*

To be completed at the project proceeds.

Comments:

None at this time.

Exhibit B



THE SEGAL COMPANY
100 Montgomery Street Suite 500 San Francisco, CA 94104-4308
T 415.263.8283 F 415.263.8290 www.segalco.com

Andy Yeung, ASA, MAAA, FCA, EA
Vice President & Associate Actuary
ayeung@segalco.com

VIA E-MAIL AND USPS

August 1, 2011

Mr. James M. Andersen
Retirement Administrator
Mendocino County Employees' Retirement Association
625-B Kings Court
Ukiah, CA 95482

Re: Proposed Work Plan and Fees to Review and Revise Basic Member Contribution Rates

Dear Jim:

In my email to you dated July 1, 2011, we provided our proposed work plan and estimated fees to review and revise the basic member contributions paid by the members for the 2009/10, 2010/11 and 2011/12 fiscal years. The purpose of this letter is to formalize the information provided in the earlier email. It is our understanding that the request from MCERA and associated payment for this service is permitted pursuant to the "Benefit Calculations and Special Projects" provision found in "Exhibit A – Scope of Services" section of our actuarial service agreement.

In this letter, we have summarized the hours we have spent on this project related to the review of the basic member contribution rates calculated in the June 30, 2007, 2008, 2009 and 2010 valuations. We have also included a brief outline of the tasks that we understand to be required to move forward to correct the higher than required basic member contributions paid in the 2009/10, 2010/11 and 2011/12 fiscal years.

Work Plan and Associated Fees

Tasks Already Performed - Costs associated with the review of the basic member contribution rates calculated in the 2007, 2008, 2009 and 2010 valuations

- a) In our email to you dated May 16, 2011, we documented the cost of \$5,680 associated with our review of the basic member contribution rates in the 2009 and 2010 valuations.



- b) Subsequent to that email, we incurred additional cost of about \$1,500 in conjunction with review of the basic member contribution rates determined in the 2007 and 2008 valuations.
- c) Our cost associated with preparing and attending the Board meeting on June 15, 2011 to discuss our findings was about \$2,300.

Please note that our costs provided above are preliminary as we have not yet finalized our invoice for the quarter ended June 30, 2011.

Task to Be Performed - Costs associated with coordinating and working with MCERA's outside vendor to correct the overpayment of basic member contributions paid in 2009/10, 2010/11 and 2011/12.

We understand that there would be three phases to this project.

- a) In the first phase, we would be providing MCERA with the recalculated basic member contribution rates for each of the above fiscal years. There may also be a need to revise the employer's contribution rates going forward to recapture the under-contributions for the above fiscal years. It is our understanding that the Board has not yet decided on when the adjustment would be made (either in 2011/12 or in 2012/13 as part of the rates developed in Segal's first valuation as of 6/30/11) and how the adjustment would be made (either on an amortized basis or as a one-time only payment by the employer).

We anticipate that our cost to provide MCERA formally with the basic member rates to be about \$1,000.

As there are some possible options available as to how the employer rates may be adjusted and since the decision on which option to use can only be made after consulting with the Board (and possibly its legal counsel and its outside auditors), we would propose a budget of \$3,000 to \$6,000 for preparation and attending each such meeting.

- b) In the second phase of the project, we would assist MCERA's outside vendor in reviewing individual sample member contribution calculations that determine how much should have been collected from the members during the above three fiscal years had the proper basic contributions been charged by MCERA. We assume MCERA's outside vendor would provide reports for each individual member similar to those they prepared last time when we worked with them on a correction for another 1937 Act client.

The sample should include:

- members who were active during the entire three fiscal years,
- members who are no longer active as of the present date and are currently on a deferred vested or retirement status,

- members who have purchased past service using the overstated basic member contribution rates, and
- members from each of the tier and type of membership (i.e., General, Safety and Probation).

We estimate our cost to review each sample calculation to be about \$300 to \$600. We would suggest that we review a minimum of 10 calculations.

- c) In the last phase of the project, we would assist MCERA's outside vendor in reviewing the impact once the correction is made to all the members. This would be done based on reviewing a summary of the corrections by tier, type of membership and by year.

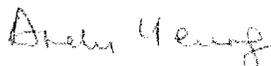
We would produce a short report to MCERA once we confirm that the corrections are reasonable in the aggregate.

We anticipate the cost of this part of the project to be \$2,000 to \$3,000.

As we previously discussed, the cost provided above for the tasks to be performed should be treated as an estimate. Our final invoice to MCERA would be based on actual time charges incurred for completing this project.

Please let us know if you have any questions.

Sincerely,



Andy Yeung

/kek

Exhibit C

**MENDOCINO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
STANDARD SERVICES AGREEMENT**

This Agreement, dated as of _____, 2011, is by and between the MENDOCINO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION, hereinafter referred to as the "MCERA", and PETER STALDER, hereinafter referred to as the "CONTRACTOR".

WITNESSETH

WHEREAS, MCERA may retain independent contractors to perform special services to or for MCERA; and

WHEREAS, MCERA desires to obtain Information Technology Consulting Services ("Services"); and

WHEREAS, CONTRACTOR is professionally qualified to provide such services and is willing to provide same to MCERA;

NOW, THEREFORE it is agreed that MCERA does hereby retain CONTRACTOR to provide the services described in Exhibit "A", and CONTRACTOR accepts such engagement, on the General Terms and Conditions hereinafter specified in this Agreement, the Additional Provisions attached hereto, and the following described exhibits, all of which are incorporated into this Agreement by this reference:

Exhibit A Definition of Services and Payment Terms
Exhibit B Insurance Requirements

The term of this Agreement shall be from September 21, 2011 through June 30, 2012.

The compensation payable to CONTRACTOR hereunder shall not exceed Fifteen Thousand Dollars (\$15,000) for the term of this Agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

MENDOCINO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

CONTRACTOR/COMPANY NAME

By: _____
CHAIR, Board of Retirement

By:  _____
Signature

JUDY ZELLER, Clerk of said Board

Title: Independent Consultant

By _____
Deputy

NAME AND ADDRESS OF CONTRACTOR:

Peter Stalder
4343 19th Street
San Francisco, CA 94114

ATTEST:

INSURANCE REQUIREMENTS:

KRISTIN McMENOMEY, Director
General Services Agency

By  _____
RISK MANAGER

APPROVED AS TO FORM:

JEFF BERK, MCERA Counsel

By:  _____

By signing above, signatory warrants and represents that he/she executed this Agreement in his/her authorized capacity and that by his/her signature on this Agreement, he/she or the entity upon behalf of which he/she acted, executed this Agreement

GENERAL TERMS AND CONDITIONS

1. **INDEPENDENT CONTRACTOR:** No relationship of employer and employee is created by this Agreement; it being understood and agreed that CONTRACTOR is an Independent Contractor. CONTRACTOR is not the agent or employee of the MCERA in any capacity whatsoever and MCERA shall not be liable for any acts or omissions by CONTRACTOR nor for any obligations or liabilities incurred by CONTRACTOR.

CONTRACTOR shall have no claim under this Agreement or otherwise, for seniority, vacation time, vacation pay, sick leave, personal time off, overtime, health insurance medical care, hospital care, retirement benefits, social security, disability, Workers' Compensation, or unemployment insurance benefits, civil service protection, or employee benefits of any kind.

CONTRACTOR shall be solely liable for and obligated to pay directly all applicable payroll taxes (including federal and state income taxes) or contributions for unemployment insurance or old age pensions or annuities which are imposed by any governmental entity in connection with the labor used or which are measured by wages, salaries or other remuneration paid to its officers, agents or employees and agrees to indemnify and hold MCERA harmless from any and all liability which MCERA may incur because of CONTRACTOR's failure to pay such amounts.

In carrying out the work contemplated herein, CONTRACTOR shall comply with all applicable federal and state workers' compensation and liability laws and regulations with respect to the officers, agents and/or employees conducting and participating in the work; and agrees that such officers, agents, and/or employees will be considered as Independent Contractors and shall not be treated or considered in any way as officers, agents and/or employees of MCERA.

CONTRACTOR does, by this Agreement, agree to perform his/her said work and functions at all times in strict accordance with all applicable federal, state and County laws, ordinances, regulations, titles, departmental procedures and currently approved methods and practices in his/her field and that the sole interest of MCERA is to insure that said service shall be performed and rendered in a competent, efficient, timely and satisfactory manner and in accordance with the standards required by the MCERA.

Notwithstanding the foregoing, if the MCERA determines that pursuant to state and federal law CONTRACTOR is an employee for purposes of income tax withholding, MCERA may upon two week's notice to CONTRACTOR, withhold from payments to CONTRACTOR hereunder federal and state income taxes and pay said sums to the federal and state governments.

2. **INDEMNIFICATION:** Each party shall indemnify, defend, protect, hold harmless, and release the other, its officers, agents, and employees, from and against any and all claims, loss, proceedings, damages, causes of action, liability, costs, or expense (including attorney's fees and witness costs) arising from or in connection with, or caused by any act, omission, or negligence of such indemnifying party. This indemnification obligation shall not be limited in any way by any limitation on the amount of type of damages or compensation payable to or for the indemnifying party under workers' compensation acts, disability acts, or other employee benefit acts. This indemnity provision survives the agreement..
3. **INSURANCE AND BOND:** CONTRACTOR shall at all times during the term of the Agreement with the MCERA maintain in force those insurance policies and bonds as designated in the attached Exhibit B, and will comply with all those requirements as stated therein.
4. **WORKERS' COMPENSATION:** CONTRACTOR shall provide Workers' Compensation insurance, as applicable, at CONTRACTOR's own cost and expense and further, neither the CONTRACTOR nor its carrier shall be entitled to recover from MCERA any costs, settlements, or expenses of Workers' Compensation claims arising out of this Agreement.
5. **CONFORMITY WITH LAW AND SAFETY:**
 - a. In performing services under this Agreement, CONTRACTOR shall observe and comply with all applicable laws, ordinances, codes and regulations of governmental agencies, including federal, state, municipal, and local governing bodies, having jurisdiction over the scope of services, including all applicable provisions of the California Occupational Safety and Health Act. CONTRACTOR shall indemnify and hold MCERA harmless from any and all liability, fines, penalties and consequences from any of CONTRACTOR's failures to comply with such laws, ordinances, codes and regulations.
 - b. **Accidents:** If a death, serious personal injury or substantial property damage occurs in connection with CONTRACTOR's performance of this Agreement, CONTRACTOR shall immediately notify Mendocino County Risk Manager's Office by telephone. CONTRACTOR shall promptly submit to MCERA a written report, in such form as may be required by MCERA of all accidents which occur in connection with this Agreement. This report must include the following information: (1) name and address of the injured or deceased person(s); (2) name and address of CONTRACTOR's sub-contractor, if any; (3) name and address of CONTRACTOR's liability insurance carrier; and (4) a detailed description of the accident and whether any of MCERA's equipment, tools, material, or staff were involved.

- c. CONTRACTOR further agrees to take all reasonable steps to preserve all physical evidence and information which may be relevant to the circumstances surrounding a potential claim, while maintaining public safety, and to grant to the MCERA the opportunity to review and inspect such evidence, including the scene of the accident.
6. PAYMENT: For services performed in accordance with this Agreement, payment shall be made to CONTRACTOR as provided in Exhibit A hereto.
7. TRAVEL EXPENSES: CONTRACTOR shall not be allowed or paid travel expenses unless set forth in Agreement A.
8. TAXES: Payment of all applicable federal, state, and local taxes shall be the sole responsibility of the CONTRACTOR.
9. OWNERSHIP OF DOCUMENTS: CONTRACTOR hereby assigns to the MCERA and its assignees all copyright and other use rights in any and all proposals, plans, specification, designs, drawings, sketches, renderings, models, reports and related documents (including computerized or electronic copies) respecting in any way the subject matter of this Agreement, whether prepared by the MCERA, the CONTRACTOR, the CONTRACTOR's subcontractors or third parties at the request of the CONTRACTOR (collectively, "Documents and Materials"). This explicitly includes the electronic copies of all above stated documentation.

CONTRACTOR also hereby assigns to the MCERA and its assignees all copyright and other use rights in any Documents and Materials including electronic copies stored in CONTRACTOR's Information System, respecting in any way the subject matter of this Agreement.

CONTRACTOR shall be permitted to retain copies, including reproducible copies and computerized copies, of said Documents and Materials. CONTRACTOR agrees to take such further steps as may be reasonably requested by MCERA to implement the aforesaid assignment. If for any reason said assignment is not effective, CONTRACTOR hereby grants the MCERA and any assignee of the MCERA an express royalty – free license to retain and use said Documents and Materials. The MCERA's rights under this paragraph shall apply regardless of the degree of completion of the Documents and Materials and whether or not CONTRACTOR's services as set forth in Exhibit "A" of this Agreement have been fully performed or paid for.

In CONTRACTOR's contracts with other contractors, CONTRACTOR shall expressly obligate its Subcontractors to grant the MCERA the aforesaid assignment and license rights as to that CONTRACTOR's Documents and Materials. CONTRACTOR agrees to defend, indemnify and hold the MCERA harmless from any damage caused by a failure of the CONTRACTOR to obtain such rights from its Contractors and/or Subcontractors.

CONTRACTOR shall pay all royalties and license fees which may be due for any patented or copyrighted materials, methods or systems selected by the CONTRACTOR and incorporated into the work as set forth in Exhibit "A", and shall defend, indemnify and hold the MCERA harmless from any claims for infringement of patent or copyright arising out of such selection.

The MCERA's rights under this Paragraph 9 shall not extend to any computer software used to create such Documents and Materials.

10. CONFLICT OF INTEREST; CONFIDENTIALITY: The CONTRACTOR covenants that it presently has no interest, and shall not have any interest, direct or indirect, which would conflict in any manner with the performance of services required under this Agreement. Without limitation, CONTRACTOR represents to and agrees with the MCERA that CONTRACTOR has no present, and will have no future, conflict of interest between providing the MCERA services hereunder and any other person or entity (including but not limited to any federal or state wildlife, environmental or regulatory agency) which has any interest adverse or potentially adverse to the MCERA, as determined in the reasonable judgment of Retirement Administrator.

The CONTRACTOR agrees that any information, whether proprietary or not, made known to or discovered by it during the performance of or in connection with this Agreement for the MCERA, will be kept confidential and not be disclosed to any other person. The CONTRACTOR agrees to immediately notify the MCERA by notices provided in accordance with Paragraph 11 of this Agreement, if it is requested to disclose any information made known to or discovered by it during the performance of or in connection with this Agreement.

These conflict of interest and future service provisions and limitations shall remain fully effective five (5) years after termination of services to the MCERA hereunder.

11. NOTICES: All formal notices, requests, demands, or other communications under this Agreement shall be in writing. Customary business communications associated with the project execution may be conducted electronically upon agreement of both parties. MCERA agrees to establish a secure file transfer (FTP) site to facilitate the storage and sharing of data and information necessary to complete the scope of services outlined in Exhibit A.

Notices shall be given for all purposes as follows:

Personal delivery: When personally delivered to the recipient, notices are effective on delivery.

First Class Mail: When mailed first class to the last address of the recipient known to the party giving notice, notice is effective three (3) mail delivery days after deposit in a United States Postal Service office or mailbox. Certified Mail: When mailed certified mail, return receipt requested, notice is effective on receipt, if delivery is confirmed by a return receipt.

Overnight Delivery: When delivered by overnight delivery (Federal Express/Airborne/United Parcel Service/DHL WorldWide Express) with charges prepaid or charged to the sender's account, notice is effective on delivery, if delivery is confirmed by the delivery service.

Telex or facsimile transmission: When sent by telex or facsimile to the last telex or facsimile number of the recipient known to the party giving notice, notice is effective on receipt, provided that (a) a duplicate copy of the notice is promptly given by first-class or certified mail or by overnight delivery, or (b) the receiving party delivers a written confirmation of receipt. Any notice given by telex or facsimile shall be deemed received on the next business day if it is received after 5:00 p.m. (recipient's time) or on a non-business day.

Addresses for purpose of giving notice are as follows:

To MCERA: MENDOCINO COUNTY EMPLOYEES'
RETIREMENT ASSOCIATION
625-B Kings Ct.
Ukiah, CA 95482
Attn: James M. Andersen, Administrator

To CONTRACTOR: PETER STALDER
4343 19th Street
San Francisco, CA 94114
Attn: Peter Stalder

Any correctly addressed notice that is refused, unclaimed, or undeliverable because of an act or omission of the party to be notified shall be deemed effective as of the first date that said notice was refused, unclaimed, or deemed undeliverable by the postal authorities, messenger, or overnight delivery service.

Any party may change its address or telex or facsimile number by giving the other party notice of the change in any manner permitted by this Agreement.

12. USE OF MCERA PROPERTY: CONTRACTOR shall not use MCERA property (including equipment, instruments and supplies) or personnel for any purpose other than in the performance of his/her obligations under this Agreement.

13. EQUAL EMPLOYMENT OPPORTUNITY PRACTICES PROVISIONS: CONTRACTOR certifies that it is in compliance with the Equal Employment Opportunity Requirement of Executive Order 11246, as amended by Executive Order 11375 and supplemented I 45CFR, Part 60, Title VII of the Civil Rights Act and any other federal or state laws pertaining to equal employment opportunity and that it shall not discriminate against any employee or applicant for employment on the basis of race, color, religion, age, sex, national origin, ancestry, marital status, political affiliation or physical or mental condition, in matters pertaining to recruitment, hiring, training, upgrading, transfer, compensation or termination.
 - a. CONTRACTOR shall, in all solicitations or advertisements for applicants for employment placed as a result of this Agreement, state that it is an "Equal Opportunity Employer" or that all qualified applicants will receive consideration for employment without regard to their race, creed, color, disability, sex, sexual orientation, national origin, age, religion, Vietnam era Veteran's status, political affiliation, or any other non-merit factor.
 - b. CONTRACTOR shall, if requested to so do by the MCERA, certify that it has not, in the performance of this Agreement, discriminated against applicants or employees because of their race, creed, color, disability, sex, sexual orientation, national origin, age, religion, Vietnam era Veteran's status, political affiliation, or any other non-merit factor.
 - c. If requested to do so by the MCERA, CONTRACTOR shall provide the MCERA with access to copies of all of its records pertaining or relating to its employment practices, except to the extent such records or portions of such records are confidential or privileged under state or federal law.
 - d. Nothing contained in this Agreement shall be construed in any manner so as to require or permit any act, which is prohibited by law.
 - e. The CONTRACTOR shall include the provisions set forth in paragraphs A through E (above) in each of its subcontracts.

14. DRUG-FREE WORKPLACE: CONTRACTOR and CONTRACTOR's employees shall comply with the MCERA's policy of maintaining a drug-free workplace. Neither CONTRACTOR nor CONTRACTOR's employees shall unlawfully manufacture, distribute, dispense, possess or use controlled substances, as defined in 21 U.S. Code § 812, including, but not limited to, marijuana, heroin, cocaine, and amphetamines, at any MCERA facility or work site. If CONTRACTOR or any employee of CONTRACTOR is convicted or pleads *nolo*

contendere to a criminal drug statute violation occurring at a MCERA facility or work site, the CONTRACTOR, within five days thereafter, shall notify the Administrator of the MCERA. Violation of this provision shall constitute a material breach of this Agreement.

15. ENERGY CONSERVATION: CONTRACTOR agrees to comply with the mandatory standards and policies relating to energy efficiency in the State of California Energy Conservation Plan, (Title 24, California Code of Regulations), if applicable.
16. COMPLIANCE WITH LICENSING REQUIREMENTS: CONTRACTOR shall comply with all necessary licensing requirements and shall obtain appropriate licenses and display the same in a location that is reasonably conspicuous, as well as file copies of same with the office of MCERA.
17. AUDITS; ACCESS TO RECORDS: The CONTRACTOR shall make available to the MCERA, its authorized agents, officers, or employees, for examination any and all ledgers, books of accounts, invoices, vouchers, cancelled checks, and other records or documents evidencing or relating to the expenditures and disbursements charged to the MCERA, and shall furnish to the MCERA, its authorized agents, officers or employees such other evidence or information as the MCERA may require with regard to any such expenditure or disbursement charged by the CONTRACTOR.

The CONTRACTOR shall maintain full and adequate records in accordance with MCERA requirements to show the actual costs incurred by the CONTRACTOR in the performance of this Agreement. If such books and records are not kept and maintained by CONTRACTOR within the County of Mendocino, California, CONTRACTOR shall, upon request of the MCERA, make such books and records available to the MCERA for inspection at a location within County or CONTRACTOR shall pay to the MCERA the reasonable, and necessary costs incurred by the MCERA in inspecting CONTRACTOR's books and records, including, but not limited to, travel, lodging and subsistence costs. CONTRACTOR shall provide such assistance as may be reasonably required in the course of such inspection. The MCERA further reserves the right to examine and reexamine said books, records and data during the four (4) year period following termination of this Agreement or completion of all work hereunder, as evidenced in writing by the MCERA, and the CONTRACTOR shall in no event dispose of, destroy, alter, or mutilate said books, records, accounts, and data in any manner whatsoever for four (4) years after the MCERA makes the final or last payment or within four (4) years after any pending issues between the MCERA and CONTRACTOR with respect to this Agreement are closed, whichever is later.

18. DOCUMENTS AND MATERIALS: CONTRACTOR shall maintain and make available to MCERA for its inspection and use during the term of this Agreement, all Documents and Materials, as defined in Paragraph 9 of this Agreement.

CONTRACTOR's obligations under the preceding sentence shall continue for four (4) years following termination or expiration of this Agreement or the completion of all work hereunder (as evidenced in writing by MCERA), and CONTRACTOR shall in no event dispose of, destroy, alter or mutilate said Documents and Materials, for four (4) years following the MCERA's last payment to CONTRACTOR under this Agreement.

19. **TIME OF ESSENCE:** Time is of the essence in respect to all provisions of this Agreement that specify a time for performance; provided, however, that the foregoing shall not be construed to limit or deprive a party of the benefits of any grace or use period allowed in this Agreement.
20. **TERMINATION:** The MCERA has and reserves the right to suspend, terminate or abandon the execution of any work by the CONTRACTOR without cause at any time upon giving to the CONTRACTOR prior written notice. In the event that the MCERA should abandon, terminate or suspend the CONTRACTOR's work, the CONTRACTOR shall be entitled to payment for services provided hereunder prior to the effective date of said suspension, termination or abandonment. Said payment shall be computed in accordance with Exhibit B hereto, provided that the maximum amount payable to CONTRACTOR shall not exceed a \$15,000 payment for services provided hereunder prior to the effective date of said suspension, termination or abandonment.
21. **CHOICE OF LAW:** This Agreement, and any dispute arising from the relationship between the parties to this Agreement, shall be governed by the laws of the State of California, excluding any laws that direct the application of another jurisdiction's laws.
22. **ADVERTISING OR PUBLICITY:** CONTRACTOR shall not use the name of MCERA, its officers, directors, employees or agents, in advertising or publicity releases or otherwise without securing the prior written consent of MCERA in each instance.
23. **ENTIRE AGREEMENT:** This Agreement, including all attachments, exhibits, and any other documents specifically incorporated into this Agreement, shall constitute the entire agreement between MCERA and CONTRACTOR relating to the subject matter of this Agreement. As used herein, Agreement refers to and includes any documents incorporated herein by reference and any exhibits or attachments. This Agreement supersedes and merges all previous understandings, and all other agreements, written or oral, between the parties and sets forth the entire understanding of the parties regarding the subject matter thereof. The Agreement may not be modified except by a written document signed by both parties.
24. **HEADINGS:** herein are for convenience of reference only and shall in no way affect interpretation of the Agreement.

25. **MODIFICATION OF AGREEMENT:** This Agreement may be supplemented, amended or modified only by the mutual agreement of the parties. No supplement, amendment or modification of this Agreement shall be binding unless it is in writing and signed by authorized representatives of both parties.
26. **ASSURANCE OF PERFORMANCE:** If at any time MCERA believes CONTRACTOR may not be adequately performing its obligations under this Agreement or that CONTRACTOR may fail to complete the Services as required by this Agreement, MCERA may request from CONTRACTOR prompt written assurances of performance and a written plan acceptable to MCERA, to correct the observed deficiencies in CONTRACTOR's performance. CONTRACTOR shall provide such written assurances and written plan within ten (10) calendar days of its receipt of MCERA's request and shall thereafter diligently commence and fully perform such written plan. CONTRACTOR acknowledges and agrees that any failure to provide such written assurances and written plan within the required time is a material breach under this Agreement.
27. **SUBCONTRACTING/ASSIGNMENT:** CONTRACTOR shall not subcontract, assign or delegate any portion of this Agreement or any duties or obligations hereunder without the MCERA's prior written approval.
- a. Neither party shall, on the basis of this Agreement, contract on behalf of or in the name of the other party. Any agreement that violates this Section shall confer no rights on any party and shall be null and void.
 - b. CONTRACTOR shall use the subcontractors identified in Exhibit A and shall not substitute subcontractors without MCERA's prior written approval.
 - c. CONTRACTOR shall remain fully responsible for compliance by its subcontractors with all the terms of this Agreement, regardless of the terms of any agreement between CONTRACTOR and its subcontractors.
28. **SURVIVAL:** The obligations of this Agreement, which by their nature would continue beyond the termination on expiration of the Agreement, including without limitation, the obligations regarding Indemnification (Paragraph 2), Ownership of Documents (Paragraph 9), and Conflict of Interest (Paragraph 10), shall survive termination or expiration.
29. **SEVERABILITY:** If a court of competent jurisdiction holds any provision of this Agreement to be illegal, unenforceable, or invalid in whole or in part for any reason, the validity and enforceability of the remaining provisions, or portions of them, will not be affected, unless an essential purpose of this Agreement would be defeated by the loss of the illegal, unenforceable, or invalid provision.

30. PATENT AND COPYRIGHT INDEMNITY: CONTRACTOR represents that it knows of no allegations, claims, or threatened claims that the materials, services, hardware or software ("CONTRACTOR Products") provided to MCERA under this Agreement infringe any patent, copyright or other proprietary right. CONTRACTOR shall defend, indemnify and hold harmless MCERA of, from and against all losses, claims, damages, liabilities, costs expenses and amounts (collectively, "Losses") arising out of or in connection with an assertion that any CONTRACTOR Products or the use thereof, infringe any patent, copyright or other proprietary right of any third party.
- a. MCERA will: (1) notify CONTRACTOR promptly of such claim, suit or assertion; (2) permit CONTRACTOR to defend, compromise, or settle the claim; and, (3) provide, on a reasonable basis, information to enable CONTRACTOR to do so. CONTRACTOR shall not agree without MCERA's prior written consent, to any settlement, which would require MCERA to pay money or perform some affirmative act in order to continue using the CONTRACTOR Products.
 - b. If CONTRACTOR is obligated to defend MCERA pursuant to this Section 31 and fails to do so after reasonable notice from MCERA, MCERA may defend itself and/or settle such proceeding, and CONTRACTOR shall pay to MCERA any and all losses, damages and expenses (including attorney's fees and costs) incurred in relationship with MCERA's defense and/or settlement of such proceeding.
 - c. In the case of any such claim of infringement, CONTRACTOR shall either, at its option, (1) procure for MCERA the right to continue using the CONTRACTOR Products; or (2) replace or modify the CONTRACTOR Products so that that they become non-infringing, but equivalent in functionality and performance.
 - d. Notwithstanding this Section 31, MCERA retains the right and ability to defend itself, at its own expense, against any claims that CONTRACTOR Products infringe any patent, copyright, or other intellectual property right.

31. OTHER AGENCIES:

Other tax supported agencies within the State of California who have not contracted for their own requirements may desire to participate in this contract. The CONTRACTOR is requested to service these agencies and will be given the opportunity to accept or reject the additional requirements. If the CONTRACTOR elects to supply other agencies, orders will be placed directly by the agency and payments made directly by the agency.

[END OF GENERAL TERMS AND CONDITIONS]

EXHIBIT A

For fiscal years 2009/10, 2010/11 and 2011/12 through December 31, 201¹~~2~~, CONTRACTOR shall develop a software program to calculate the balance adjustment for individual members due to an error in their biweekly payroll contributions. The software will perform the following:

1. Read the payroll data for all effected members;
2. calculate the revised member's contribution for each payroll period in question and compare it to the historic member's contribution;
3. provide users the ability to see the details of all biweekly contribution calculations for any member;
4. total the contribution adjustment using the correct and historic interest rate structures to provide the individual member's balance due/payable; and
5. display the results in a manner that can be incorporated into MCERA's administration system and that can be used for communication documents to members.

Payment for the above stated deliverables shall be made upon completion of the project and provision of an invoice by CONTRACTOR. The invoice will display actual hours worked. CONTRACTOR will be paid at a rate of one hundred twenty dollars per hour (\$120/hr), but not to exceed fifteen thousand dollars (\$15,000) without prior written agreement between MCERA and CONTRACTOR. The invoice will be paid within thirty (30) days of receipt by MCERA.

MCERA understands that the above scope of services does not include determination of any adjustments to the contribution balance due to members purchasing past service, where all or portions of the cost of the past service was based on the erroneous contribution rates. Requests by MCERA for said calculations will be billed separately at a rate of one hundred twenty dollars per hour (\$120/hr).

EXHIBIT B

INSURANCE REQUIREMENTS

Insurance coverage in a minimum amount set forth herein shall not be construed to relieve CONTRACTOR for liability in excess of such coverage, nor shall it preclude MCERA from taking such other action as is available to it under any other provisions of this Agreement or otherwise in law.

CONTRACTOR agrees to indemnify and hold harmless MCERA, its elected or appointed officials, employees or volunteers against any claims, actions, or demands against them, or any of them, and against any damages, liabilities or expenses, including costs of defense and attorneys' fees, for personal injury or death, or for the loss or damage to the property, or any or all of them, to the extent arising out of the performance of this Agreement by CONTRACTOR.

CONTRACTOR affirms that s/he is aware of the provisions of Section 3700 of the California Labor Code which requires every employer to be insured against liability for the Workers' Compensation or to undertake self insurance in accordance with the provisions of the Code and CONTRACTOR further assures that s/he will comply with such provisions before commencing the performance of work under this Agreement in the event CONTRACTOR employs any individuals in completing the scope of work described in Exhibit A. CONTRACTOR shall furnish to MCERA certificate(s) of insurance evidencing Workers' Compensation Insurance coverage to cover its employees, if any, and CONTRACTOR shall require all subcontractors, if any, similarly to provide Workers' Compensation Insurance as required by the Labor Code of the State of California for all of CONTRACTOR'S and subcontractors' employees.

CONTRACTOR agrees to waive any and all claims arising out of the use of his private vehicle. In exchange, MCERA agrees to waive customary requirements for Automobile Liability Insurance.

CONTRACTOR shall demonstrate proof of General and/or Professional Liability Insurance in the amount of \$1,000,000.

Exhibit D

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



August 15, 2011

ATTORNEY-CLIENT PRIVILEGED & CONFIDENTIAL
VIA OVERNIGHT DELIVERY AND E-MAIL

RECEIVED BY
AUG 16 2011
The Mendocino County Employees'
Retirement Association

James Andersen
Retirement Administrator
Mendocino County Employees' Retirement
Association
625-B Kings Court
Ukiah, CA 95482

**Re: Scope of Legal Services Related to Contribution Correction Matter for MCERA
Proposed Amendment to Engagement Letter Regarding Maximum Fees**

Dear Jim:

This letter is intended to provide the scope of work to be performed by Hanson Bridgett LLP on a project regarding advice and counsel to the Mendocino County Employees' Retirement Association ("MCERA) related to required corrections of contributions by employees to MCERA due to erroneous calculations of the contribution rates by MCERA's former actuary. This work will be provided under the existing agreement with MCERA to provide miscellaneous tax counsel services. The only change in the agreement will be an increase in the maximum amount payable under the agreement by the change shown below to the "Fees and Billing Practices" paragraph of the existing agreement. (A copy of the existing Engagement Letter Agreement is attached for reference.)

We understand that due to an error by MCERA's former actuary, a significant number of existing and former employees who are members of MCERA made 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, we will provide MCERA advice and counsel, including a written legal opinion, regarding the options available for making the required corrections involving net overpayments (and some potential underpayments by individual members) of member contributions over multiple years. This advice and counsel is intended to assist MCERA in making the appropriate corrections due to 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. In order to provide appropriate advice and counsel, Hanson Bridgett will perform an analysis and make recommendations to MCERA regarding the options for correction that are consistent with IRS guidance on such matters, including guidance under the Employee Plans Compliance Resolution System of the IRS.

ATTORNEY-CLIENT PRIVILEGED & CONFIDENTIAL

James Andersen

August 15, 2011

Page 2

Hanson Bridgett's advice and counsel for MCERA would also include working with the Retirement Administrator and MCERA representatives to review and propose changes in MCERA's operations and procedures that would be intended to ensure that such errors would not occur in the future. Such a review and proposal for revised procedures is required under the IRS guidance for compliance with IRS rules by tax-qualified retirement systems in cases where errors are corrected. This process applies whether errors are corrected through a self-correction process or through a filing and approval process with the IRS. Given the currently pending IRS filing for MCERA, it will be critical for Hanson Bridgett to work with MCERA to determine any effect these corrections could have on MCERA's success in obtaining positive rulings from the IRS. In that regard, our advice to MCERA would include an assessment of whether the correction of these under and over payments to MCERA would make a new or supplemental filing with the IRS under VCP either necessary or desirable. In any event, Hanson Bridgett likely would need to include these issues in on-going discussions with the IRS regarding MCERA's filings, which may involve either written materials or oral discussions (or both) with the IRS, whether in a formal or informal basis.

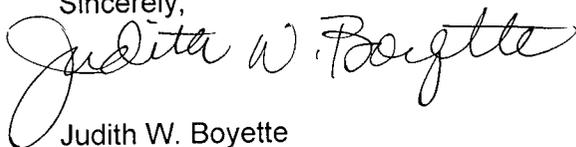
Finally, Hanson Bridgett will provide advice and counsel to MCERA on the appropriate treatment for tax purposes of the corrections required for the multi-year correction of contributions to MCERA. Because these corrections may affect active and retired members, survivors and members who may have left contributions on deposit with MCERA or previously taken a refund of contributions from MCERA, the review of the tax treatment will be detailed, depending on the facts that emerge from the review being undertaken by MCERA. Our advice would also include guidance on the appropriate forms and procedures to use for making corrections in the tax reporting that MCERA files with federal and state authorities.

Since this is a fairly significant amount of work, we would suggest that we provide a more detailed budget and work plan once MCERA is able to provide greater information regarding the numbers of people (and whether they are active or retired) and the amounts of money that will be involved. In that way, MCERA can provide more focused management of the budget and monitor legal costs on a monthly basis against a more detailed work plan and projected budget.

In anticipation of the services required, an amendment to the current engagement letter with respect to the maximum amount payable under the agreement will be necessary. That amendment is included below, at the end of this letter.

We look forward to continuing to work with MCERA on these issues.

Sincerely,



Judith W. Boyette

ATTORNEY-CLIENT PRIVILEGED & CONFIDENTIAL

James Andersen
August 15, 2011
Page 3

Enclosure: Copy of Engagement Letter Dated May 3, 2011

Amendment to Engagement Letter Dated May 3, 2011 Regarding Maximum Fees

I have read and understand the scope of work described in this letter. I understand that the services in connection with the issues described in this letter will be performed in accordance with the engagement letter for legal services dated May 3, 2011, entered into by Hanson Bridgett LLP and the Mendocino County Employees' Retirement Association ("MCERA"), which remains in effect and is amended only as follows:

1. The last paragraph under the heading "Fees and Billing Practices" is amended to add a sentence at the end to read as follows: "The maximum amount payable pursuant to this agreement also will include payment of an amount related to advice and counsel regarding erroneous contribution corrections not to exceed Seventy Thousand Dollars (\$70,000) in legal services and Eighteen Thousand Five Hundred Dollars (\$18,500) in costs without further approval from MCERA."
2. This change is effective immediately and shall apply to services and expenses for the period beginning August 1, 2011.

Hanson Bridgett LLP

By: Jessica W. Bridgett
Title: Partner
Date: 8/15/11

Mendocino County Employees' Retirement Association

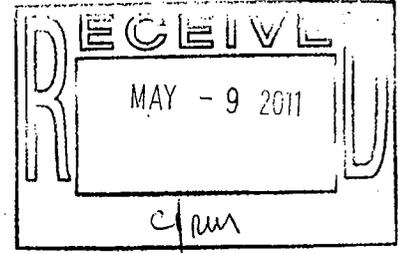
By: _____
Title: _____
Date: _____



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

May 3, 2011

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



James Andersen
Retirement Administrator
Mendocino County Employees' Retirement Association
625-B Kings Court
Ukiah, CA 95482

Re: Engagement Letter for Miscellaneous Tax Counsel Services

Dear Jim:

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

We look forward to continuing to work with you on these issues.

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 Ten Thousand Dollars (\$10,000) 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.

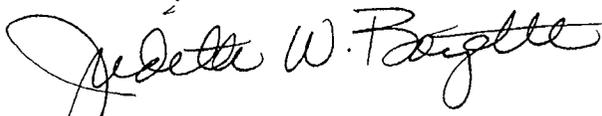
Entire Agreement

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, 2012, 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.

James Andersen
May 3, 2011
Page 4

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

Sincerely,


Judith W. Boyette

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: Retirement Administrator

Date: 5/16/2011

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
Mike Lateef/ Partner	\$436.50
Marcus Wu / Partner	\$382.50
Carol Collins / Partner	\$351.00
Anne Hydorn / Associate	\$292.50
Ed Bernard / Associate	\$279.00
Wendy Tauriainen / Associate	\$252.00
Nancy Hilu / Associate	\$211.50

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

Exhibit E

Jim Andersen - Project for the Correction of Contribution Rates

From: Jim Andersen
To: Carmel Angelo; Janice Marmon; Jeanine B. Nadel; Kristin McMenomey; L...
Date: 10/10/2011 2:55 PM
Subject: Project for the Correction of Contribution Rates
CC: BOR; Jeff Berk
Attachments: Charter Contribution Correction (final).doc; Jim Andersen.vcf

Good afternoon:

Next Wednesday, October 19th, the Board of Retirement will be discussing a charter, or plan, for a project to correct employee and employer contribution rates for the period July 1, 2009 through December 31, 2011. A draft of the Project Charter is attached. The correction is necessary as a result of errors by Buck Consultants that resulted in an overpayment of contributions, in the aggregate, by employees during that period of time.

As you will note in the Project Charter, there will need to be a cooperative effort between the Association and the County. All costs incurred by the County for this project will be reimbursable from settlement funds received by Buck.

By way of this email message, I'm requesting that you review the charter and establish a journal or other time tracking method to memorialize your time, or the time of your staff, for any work on this project.

Thank you for your cooperation, and we look forward to correcting this error in a collaborative fashion.

Jim

Jim Andersen
Retirement Administrator

Mendocino County Employees' Retirement Association
625-B Kings Court
Ukiah, CA 95482
(707) 463-4329
andersej@co.mendocino.ca.us

James M. Andersen
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: October 11, 2011
To: Board of Retirement
From: Jim Andersen, Retirement Administrator 
Subject: Discussion and Possible Action Regarding Recruitment for the Retirement Administrator Position

Introduction

On October 4, 2011, I submitted to the Board my notice of intent to step down from the Retirement Administrator position effective March 31, 2012. The notice is attached. I selected that date, in part, to provide the Board with sufficient time to recruit and select a successor.

Discussion

In order to ensure both the fact and appearance that the new Retirement Administrator is chosen without influence from me, the current administrator, I will be recommending an ad hoc committee of three (3) members be selected by the Board to direct the recruitment and selection process. I will, of course, be available to assist the committee in articulating the current duties, responsibilities and projects that the incoming administrator will want to understand.

Alternatives for recruiting include the use of an executive recruiting firm or the Human Resources Department to conduct the search and assist in evaluating candidates.

I have surveyed other systems, and firms used in past two years include Alliance Resource Consulting, Avery Associates, Russell Reynolds Associates, Ralph Andersen & Associates, EFL Associates, and Hudepohl and Associates. At least one system conducted an in-house recruitment, using the SACRS and CALAPRS professional networks, which was successful in attracting local candidates but not as successful in attracting candidates from around the state or nation.

Recommended Motion/Action

1. Approve an ad hoc committee of three (3) to coordinate the recruitment and selection process.
2. Provide Direction to the ad hoc committee regarding the use of an executive recruiting firm or in-house recruiting.

JA



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

Date: October 5, 2011
To: Board of Retirement
From: Jim Andersen, Retirement Administrator 
Subject: Notice of Intent to Resign Effective March 31, 2012

In March of 2012, I will have worked for the counties of Mendocino and Sonoma for 25 years; 20 of those years in senior executive positions. With that milestone approaching, I've been thinking a lot about what I've accomplished during my time in local government and what I would like to accomplish in the future.

I've come to realize that I'm very proud of my contribution and accomplishments during the past 25 years; always with the support of dedicated elected officials, mentoring from colleagues within the two organizations and the industry, and, above all, the commitment of talented managers, supervisors and employees who turn ideas and budgets into real services to the public.

Looking forward I see a number of personal interests calling for more of my time and attention. I also see a number of professional opportunities I would like to explore and the need to set aside time to thoughtfully sift through those opportunities.

I want to thank the Board of Retirement for its support and the opportunity to serve the Mendocino County Employees' Retirement Association and its members, and to inform you of my intent to resign my position of Retirement Administrator effective March 31, 2012. I'm providing you with six months notice to give the Board sufficient time for a smooth transition to a new administrator and to plan for uninterrupted progress on outstanding projects.

JA
Copy Carmel Angelo, CEO, County of Mendocino
SACRS
CALAPRS

James M. Andersen
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: October 11, 2011
To: Board of Retirement
From: Jim Andersen, Retirement Administrator 
Subject: Discussion and Possible Action Regarding the Administrator's Report

Financial

1. GALLINA, MCERA's new independent outside financial auditor, began their field audit on October 11, 2011. As noted in my last report, GALLINA communicated that they will prepare preliminary audited financial statements prior to the end of October for use by the actuary in preparing the June 30, 2011 valuation study.
2. As directed by the Board, staff has been discussing cash flow strategies with Callan in an effort to maximize investment return while minimizing the downside risk of selling assets at low points in the market. Callan noted one significant constraint is that mutual funds need to either fully reinvest or distribute revenues. We could create regular cash flows by having one bond fund distribute revenues while the other reinvests, and addressing investment targets during rebalancing. I have asked Callan to be prepared to discuss cash flow strategies with the Board at your November meeting.
3. MCERA received RVKuhns & Associates comparative report. The initial report lists all participating agencies, but only creates a numeric and color identity for MCERA. The report does provide valuable information regarding our asset allocation, performance, risk, administrative and investment costs, and actuarial assumptions. The report released by RVKuhns & Associates at the fall SACRS meeting will identify all SACRS systems that participated.
4. The new version of PeachTree financial software is installed and being used. Randy Goodman has been testing the functions in the updated version, and has found balance sheet, income statement and cash reconciliation functions which are enhancing and/or creating efficiencies in our accounting and reporting functions. The Board members will notice new formats to the financial statements in their packages for November. Staff will walk through the changes at the meeting.

Legislation

SB 398 (Hernandez) was signed into law on October 9, 2011. The bill was enacted as an urgency statute, and was intended to clarify placement agent disclosure requirements contained in AB 1584 and its cleanup legislation, AB 1743. As noted before, MCERA should have adopted a placement agent policy no later than June 30, 2010. Staff will bring forward a policy for the Board to consider at its November meeting; thereby allowing us to consider any new provisions in SB 398. While MCERA is currently out of compliance with this statute, adopting a policy in November will allow us to require all existing and new funds to comply with the reporting and disclosure requirements and will bring MCERA into compliance.

Retiree Health Care

1. On September 27th, I attended the Board of Supervisors meeting on retiree health care benefits. County staff communicated to the Board of Supervisors the decision of this Board to cease offsetting retiree health benefits with the balance of funds in the Retiree Health Insurance reserve. The decision by the Board was consistent with the advice of tax counsel and is intended to support MCERA's efforts toward a successful VCP filing. I responded to questions from the Board of Supervisors.
2. On October 3, 2011, the State Supreme Court heard arguments in the case of ***Retired Employees' of Orange County v. County of Orange*** (No. S184059) commonly referred to as the REAOC case. The 9th District Court of Appeals postponed a decision on the case until the State Supreme Court ruled whether or not, under California law, a county and its employees can form an ***implied*** contract that confers vested rights to health benefits on retired county employees. Reports are that the justices have given no indication that they would view promised health care benefits differently from promised pension benefits. The unanswered question, however, is "What constitutes a promise?"

Miscellaneous

1. The California Retired County Employees' Association (CRCEA) is holding its annual conference in Sonoma and Mendocino Counties this fall. The conference will be held at the Hyatt Vineyard Creek Hotel, Santa Rosa, from October 24th to the 26th. Additional information, including a full agenda, is available online at www.crcea.org.
2. The deadline to submit declarations of candidacy for the Retired Member (Eighth Seat) passed with two applications received (Tim Kundsén and Richard Shoemaker). Returned ballots are due by the close of business on October 28th, and election results will be tabulated and posted on October 31st.
3. Given that no applications were received for the Alternate Member (Tenth Seat), staff, in consultation with counsel and the Elections division, posted a five day extension to the deadline on the MCERA website and asked AMCRE post the information to their website. Staff also informed AMCRE members at their October 11th meeting that no one had yet declared candidacy for the Alternate Member. No declarations were received during the extension. As a result, a special election for the Alternate Member will be held. Notice of the election will be included in the mailing of ballots for the Retired Member. Declarations will be due November 10th by 5:00 PM. Ballots for the Alternate

Member, if any declarations are received, will be sent to retirees on November 23rd, with completed ballots due by 5:00 PM on December 9th. The election will be held and results posted on December 12th, with December 14th being the first meeting for the successful candidate.

4. I attended the CALAPRS Administrator's Institute September 28th through the 30th. Among the topics covered was an update on GASB 25 and 27 and recruiting challenges for the next generation of retirement system leaders and key professionals. As the Board requested, staff is working toward a comprehensive presentation and discussion of the impacts of GASB 25 and 27.

JA
Attachment

James M. Andersen
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: October 12, 2011
To: Board of Retirement
From: Jim Andersen, Retirement Administrator 
Subject: Financial Reports

Included in your package are the final financial reports for July and August of 2011 (balance sheet at cost, statement of undistributed earnings, comparison of cost and market values for the investment portfolio, and a comparison of market values to investment targets). The final financial report for September 2011 will be handed out at the Board meeting.

JA
Enclosures

**MENDOCINO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
BALANCE SHEET
JULY 31, 2011**

<u>ASSETS</u>		
CASH AND EQUIVALENTS		
GENERAL CASH	\$ 394,292.06	
TOTAL CASH AND EQUIVALENTS		394,292.06
CURRENT ASSETS		
RECOUPMENTS	3,980.20	
TOTAL CURRENT ASSETS		3,980.20
PROPERTY AND EQUIPMENT		
EQUIPMENT	3,786.40	
TOTAL PROPERTY AND EQUIPMENT		3,786.40
INVESTMENTS, AT COST		
BONDS	94,351,168.16	
INTERNATIONAL EQUITIES	72,147,656.65	
SMALL CAP EQUITIES	20,268,227.82	
MID CAP EQUITIES	35,486,913.39	
LARGE CAP EQUITIES	59,184,917.01	
REAL ESTATE	24,866,612.54	
TOTAL INVESTMENTS, AT COST		306,305,495.57
TOTAL ASSETS	\$ 306,707,554.23	
 <u>LIABILITIES AND UNDISTRIBUTED EARNINGS</u>		
CURRENT LIABILITIES		
ACCOUNTS PAYABLE	\$ 2,033.11	
AMCRE DUES	747.80	
FEDERAL WITHHOLDING	26,844.27	
PEDIT TRUST DENTAL	18,083.14	
AFLAC INSURANCE	2,954.94	
TOTAL CURRENT LIABILITIES		50,663.26
MEMBERS DEPOSIT RESERVE		
EMPLOYEES REGULAR CONTR	34,848,542.61	
EMPLOYEES REGULAR INTEREST	12,468,492.43	
EMPLOYEES COLA CONTR	13,196,018.55	
EMPLOYEES COLA INTEREST	4,648,129.86	
TOTAL MEMBER DEPOSIT RESERVE		65,161,183.45
COUNTY ADVANCE RESERVE		
CURRENT SERVICE	(25,294,421.32)	
TOTAL COUNTY ADVANCE RESERVE		(25,294,421.32)
RETIRED MEMBERS' RESERVE		
ANNUITY	76,750,706.70	
CURRENT/PRIOR SERVICE	106,240,221.25	
SURVIVORS' BENEFIT	(5,175,994.62)	
COST OF LIVING	84,624,265.42	
TOTAL RETIRED MEMBERS' RESERVE		262,439,198.75
OTHER RESERVES		
RETIREES HEALTH INSURANCE	658,653.66	
CONTINGENCY RESERVE	3,550,727.54	
TOTAL OTHER RESERVES		4,209,381.20
TOTAL LIABILITIES		306,566,005.34
UNDISTRIBUTED EARNINGS		141,548.89
TOTAL LIAB. AND UNDISTRIBUTED EARNINGS	\$ 306,707,554.23	

**MENDOCINO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
STATEMENT OF UNDISTRIBUTED EARNING
FOR THE ONE MONTH ENDING JULY 31, 2011**

	CURRENT MONTH		YEAR TO DATE	
REVENUES				
INTEREST INCOME	\$ 20,214.61	14.25	\$ 20,214.61	14.25
DIVIDEND INCOME	121,599.18	85.75	121,599.18	85.75
CAPITAL GAIN INCOME	0.00	0.00	0.00	0.00
RENTAL INCOME	0.00	0.00	0.00	0.00
MISCELLANEOUS INCOME	0.00	0.00	0.00	0.00
TOTAL REVENUES	141,813.79	100.00	141,813.79	100.00
EXPENSES				
ADMINISTRATIVE EXPENSES	0.00	0.00	0.00	0.00
BUILDING EXPENSES	264.90	0.19	264.90	0.19
INVESTMENT EXPENSES	0.00	0.00	0.00	0.00
TOTAL EXPENSES	264.90	0.19	264.90	0.19
UNDISTRIBUTED EARNING	\$ 141,548.89	99.81	\$ 141,548.89	99.81

COMPARISON OF COST AND MARKET VALUES FOR MENDOCINO COUNTY RETIREMENT ASSOCIATION
7/31/2011 FINAL

	A	B	C	D	E	F	G	H
	COST VALUE	MARKET VALUE	UNREALIZED GAIN	GAIN BY CATEGORY	PRIOR MONTH GAIN/LOSS	MONTHLY CHANGE	START OF FISCAL YEAR (MARKET)	FISCAL YEAR CHANGE (MARKET)
BRADFORD & MARZEC								
NET COST VALUE	0	-	-		-	-	-	-
DODGE & COX								
NET COST VALUE	0	-	-		-	-	-	-
DODGE & COX INCOME	50,661,641	51,077,400	415,759		(188,260)	604,019	50,473,381	604,019
PIMCO	43,689,527	47,803,041	4,113,514		3,640,995	472,519	47,208,923	594,118
NET COST VALUE				4,529,272				
SMALL CAP GROWTH								
ALLIANCE	1,967,850	3,986,603	2,018,753		2,181,998	(163,245)	4,149,842	(163,239)
RS EMERGING MANAGERS	2,500,101	3,703,540	1,203,439		1,383,191	(179,752)	3,883,292	(179,752)
MANAGERS	5,311,845	6,809,552	1,497,707		1,698,152	(200,445)	7,009,997	(200,445)
NET COST VALUE				4,719,899				
SMALL CAP VALUE								
VANGUARD SMALL CAP INDEX	0	-	-		-	-	-	-
PRUDENTIAL TARGET	6,900,000	6,498,413	(401,587)		(182,540)	(219,047)	6,717,460	(219,047)
NET COST VALUE				(401,587)				
MID CAP GROWTH								
MORGAN STANLEY	4,254,453	5,942,482	1,688,029		1,761,697	(73,668)	6,016,150	(73,668)
JANUS ENTERPRISE	5,232,908	5,472,215	239,307		519,887	(280,580)	5,752,795	(280,580)
NET COST VALUE				1,927,336				
MID CAP VALUE								
FIDILITY LP STCK	3,588,432	5,367,119	1,778,687		1,909,335	(130,648)	5,497,767	(130,648)
ROYCE TOTAL RTN	3,848,055	5,192,345	1,344,290		1,495,411	(151,121)	5,343,466	(151,121)
NET COST VALUE				3,122,977				
LARGE CAP GROWTH								
AMERICAN FUND	8,378,074	10,614,092	2,236,018		2,384,514	(148,496)	10,762,588	(148,496)
HARBOR CAP APPRE	8,771,886	11,289,584	2,517,698		2,497,887	19,811	11,269,773	19,811
JANUS RESEARCH	8,535,170	10,794,872	2,259,702		2,451,264	(191,562)	10,986,434	(191,562)
NET COST VALUE				7,013,418				
LARGE CAP VALUE								
SELECTED AMERICAN	8,787,463	10,292,396	1,504,933		1,697,268	(192,335)	10,484,731	(192,335)
DODGE & COX	13,773,424	15,344,956	1,571,532		2,183,870	(612,338)	15,957,294	(612,338)
INVEST CO AMERICA	9,091,103	10,446,648	1,355,545		1,591,460	(235,915)	10,682,563	(235,915)
ROBECO	14,500,000	13,936,812	(563,188)		(8,970)	(554,218)	14,491,030	(554,218)
VAN GUARD GR&INC	9,499,295	10,637,780	1,138,485		1,332,913	(194,428)	10,831,151	(193,371)
NET COST VALUE				5,007,308				
INTERNATIONAL STOCK								
EUROPACIFIC	12,709,336	16,135,571	3,426,235		3,733,832	(307,597)	16,443,168	(307,597)
HARBOR INTL	15,027,678	16,514,747	1,487,069		1,985,212	(498,143)	17,012,890	(498,143)
ACORN INTL	5,840,163	8,969,450	3,129,287		3,111,874	17,413	8,952,037	17,413
ARTISAN	-	-	-		-	-	-	-
JANUS INTL	12,924,605	13,839,391	914,786		1,802,206	(887,420)	14,726,811	(887,420)
MONDRIAN	14,500,000	14,718,494	218,494		374,406	(155,912)	14,874,406	(155,912)
OAKMARK	11,145,875	13,012,883	1,867,008		2,346,255	(479,247)	13,492,130	(479,247)
NET COST VALUE				11,042,879				
REAL ESTATE								
RREEF PUBLIC FUND	9,069,048	13,771,875	4,702,827		4,498,659	204,168	13,567,707	204,168
RREEF PRIVATE FUND	14,896,452	16,238,535	1,342,083		1,342,083	-	16,238,535	-
NET COST VALUE				5,882,790				
625 B KINGS COURT	901,112	738,992	(162,120)		(162,120)	(0)	738,992	-
TOTAL INVESTMENTS	306,305,495	349,149,788	42,844,292	42,844,292	47,382,479	(4,538,187)	353,565,313	(4,415,525)

COMPARISON OF RETIREMENT SYSTEM MONEY MANAGERS MARKET VALUE OF INVESTMENTS
7/31/2011 FINAL

	A	B	C	D	E	F	G	H
	MARKET VALUE INVESTMENTS	CASH RESERVED	TOTAL AVAILABLE	PERCENT OF PORT.	% BY CLASS	TARGET % (2010 STUDY)	TARGET AS DOLLARS	DIFFERENCE AS DOLLARS () INDICATES OVERALLOCATION TO FUND
BRADFORD & MARZEC	-	-	-	0.00%		0.000%	-	-
DODGE & COX (SEPARATE)	-	-	-	0.00%		0.000%	-	-
PIMCO	47,803,041	-	47,803,041	13.69%		14.000%	48,880,970	1,077,930
DODGE & COX INCOME	51,077,400	-	51,077,400	14.63%		14.000%	48,880,970	(2,196,430)
					28.320%	28.000%		
SMALL CAP GROWTH ALLIANCE	3,986,603	-	3,986,603	1.14%		1.000%	3,491,498	(495,105)
RS EMERGING MANAGERS	3,703,540	-	3,703,540	1.06%		1.000%	3,491,498	(212,042)
	6,809,552	-	6,809,552	1.95%	4.153%	3.900%	6,633,846	(175,706)
SMALL CAP VALUE VANGUARD SMALL CAP IN PRUDENTIAL	-	-	-	0.00%		0.000%	-	-
	6,498,413	-	6,498,413	1.86%	1.861%	1.900%	6,633,846	135,433
MID CAP GROWTH MORGAN STANLEY JANUS ENTERPRISE	5,942,482	-	5,942,482	1.70%		1.400%	4,888,097	(1,054,385)
	5,472,215	-	5,472,215	1.57%		1.400%	4,888,097	(584,118)
					3.269%	2.800%		
MID CAP VALUE FIDILITY LP STCK ROYCE TOTAL RTN	5,367,119	-	5,367,119	1.54%		1.400%	4,888,097	(479,022)
	5,192,345	-	5,192,345	1.49%		1.400%	4,888,097	(304,248)
					3.024%	2.800%		
LARGE CAP GROWTH GROWTH FUND OF AMERIC HARBOR CAP APPRE JANUS RESEARCH	10,614,092	-	10,614,092	3.04%		3.000%	10,474,494	(139,598)
	11,289,584	-	11,289,584	3.23%		3.000%	10,474,494	(815,090)
	10,794,872	-	10,794,872	3.09%		3.000%	10,474,494	(320,378)
					9.365%	9.000%		
LARGE CAP VALUE SELECTED AMERICAN DODGE & COX INVEST CO AMERICA ROBECO VAN GUARD GR&INC	10,292,396	-	10,292,396	2.95%		3.000%	10,474,494	182,098
	15,344,956	-	15,344,956	4.39%		4.400%	15,362,591	17,635
	10,446,648	-	10,446,648	2.99%		3.000%	10,474,494	27,846
	13,936,812	-	13,936,812	3.99%		4.400%	15,362,591	1,425,779
	10,637,780	-	10,637,780	3.05%		3.000%	10,474,494	(163,286)
					17.373%	17.800%		
INTERNATIONAL STOCK EUROPACIFIC HARBOR INTL ACORN INTL ARTISAN JANUS INTL MONDRIAN OAKMARK	16,135,571	-	16,135,571	4.62%		4.700%	16,410,040	274,469
	16,514,747	-	16,514,747	4.73%		4.700%	16,410,040	(104,707)
	8,969,450	-	8,969,450	2.57%		2.500%	8,728,745	(240,705)
	-	-	-	0.00%		0.000%	-	-
	13,839,391	-	13,839,391	3.96%		4.700%	16,410,040	2,570,649
	14,718,494	-	14,718,494	4.22%		4.700%	16,410,040	1,691,546
	13,012,883	-	13,012,883	3.73%		3.800%	13,267,692	254,809
					23.827%	25.100%		
REAL ESTATE RREEF PUBLIC RREEF PRIVATE NEW PRIVATE 625 B KINGS COURT	13,771,875	-	13,771,875	3.94%		1.700%	5,935,546	(7,836,329)
	16,238,535	-	16,238,535	4.65%		4.200%	14,664,291	(1,574,244)
	-	-	-	-		2.800%	9,776,194	9,776,194
	738,992	-	738,992	0.21%		0.300%	1,047,449	308,457
					8.807%	9.000%		
NEW FUNDS AVAILABLE	-	-	-	-				
	349,149,788	-	349,149,788	100.00%	100.000%	100.300%	350,197,237	1,047,449

**MENDOCINO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
BALANCE SHEET
AUGUST 31, 2011**

ASSETS

CASH AND EQUIVALENTS		
GENERAL CASH	\$	2,759,451.32
TOTAL CASH AND EQUIVALENTS		2,759,451.32
CURRENT ASSETS		
RECOUPMENTS		3,859.59
TOTAL CURRENT ASSETS		3,859.59
PROPERTY AND EQUIPMENT		
EQUIPMENT		3,786.40
TOTAL PROPERTY AND EQUIPMENT		3,786.40
INVESTMENTS, AT COST		
BONDS		91,465,367.09
INTERNATIONAL EQUITIES		72,147,656.65
SMALL CAP EQUITIES		20,268,227.82
MID CAP EQUITIES		35,486,913.39
LARGE CAP EQUITIES		59,184,917.01
REAL ESTATE		24,866,612.54
TOTAL INVESTMENTS, AT COST		303,419,694.50
TOTAL ASSETS	\$	306,186,791.81

LIABILITIES AND UNDISTRIBUTED EARNINGS

CURRENT LIABILITIES		
ACCOUNTS PAYABLE	\$	1,906.75
AMCRE DUES		749.80
FEDERAL WITHHOLDING		(100.00)
STATE WITHHOLDING		(25.00)
PEDIT TRUST DENTAL		18,008.39
AFLAC INSURANCE		2,954.94
TOTAL CURRENT LIABILITIES		23,494.88
MEMBERS DEPOSIT RESERVE		
EMPLOYEES REGULAR CONTR		34,782,453.86
EMPLOYEES REGULAR INTEREST		12,353,547.67
EMPLOYEES COLA CONTR		13,177,021.81
EMPLOYEES COLA INTEREST		4,608,987.97
TOTAL MEMBER DEPOSIT RESERVE		64,922,011.31
COUNTY ADVANCE RESERVE		
CURRENT SERVICE		(26,003,913.32)
TOTAL COUNTY ADVANCE RESERVE		(26,003,913.32)
RETIRED MEMBERS' RESERVE		
ANNUITY		76,744,978.60
CURRENT/PRIOR SERVICE		106,717,564.18
SURVIVORS' BENEFIT		(5,242,112.23)
COST OF LIVING		84,593,756.78
TOTAL RETIRED MEMBERS' RESERVE		262,814,187.33
OTHER RESERVES		
RETIREES HEALTH INSURANCE		658,653.66
CONTINGENCY RESERVE		3,550,727.54
TOTAL OTHER RESERVES		4,209,381.20
TOTAL LIABILITIES		305,965,161.40
UNDISTRIBUTED EARNINGS		221,630.41
TOTAL LIAB. AND UNDISTRIBUTED EARNINGS	\$	306,186,791.81

**MENDOCINO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
STATEMENT OF UNDISTRIBUTED EARNING
FOR THE TWO MONTHS ENDING AUGUST 31, 2011**

	CURRENT MONTH		YEAR TO DATE	
REVENUES				
INTEREST INCOME	\$ 0.00	0.00	\$ 20,214.61	7.72
DIVIDEND INCOME	114,198.93	95.01	235,798.11	90.00
CAPITAL GAIN INCOME	0.00	0.00	0.00	0.00
RENTAL INCOME	6,248.00	5.20	6,248.00	2.38
MISCELLANEOUS INCOME	(250.00)	(0.21)	(250.00)	(0.10)
TOTAL REVENUES	120,196.93	100.00	262,010.72	100.00
EXPENSES				
ADMINISTRATIVE EXPENSES	3,056.04	2.54	3,056.04	1.17
BUILDING EXPENSES	2,059.37	1.71	2,324.27	0.89
INVESTMENT EXPENSES	35,000.00	29.12	35,000.00	13.36
TOTAL EXPENSES	40,115.41	33.37	40,380.31	15.41
UNDISTRIBUTED EARNING	\$ 80,081.52	66.63	\$ 221,630.41	84.59

COMPARISON OF COST AND MARKET VALUES FOR MENDOCINO COUNTY RETIREMENT ASSOCIATION
AUGUST 2011 FINAL

	A	B	C	D	E	F	G	H
	COST VALUE	MARKET VALUE	UNREALIZED GAIN	GAIN BY CATEGORY	PRIOR MONTH GAIN/LOSS	MONTHLY CHANGE	START OF FISCAL YEAR (MARKET)	FISCAL YEAR CHANGE (MARKET)
BRADFORD & MARZEC								
NET COST VALUE	0	-	-		-	-	-	-
DODGE & COX								
NET COST VALUE	0	-	-		-	-	-	-
DODGE & COX INCOME	47,661,641	47,737,639	75,998		415,759	(339,761)	50,473,381	(2,735,742)
PIMCO	43,803,726	47,529,647	3,725,921		4,235,113	(509,192)	47,208,923	320,724
NET COST VALUE				3,801,920				
SMALL CAP GROWTH								
ALLIANCE	1,967,850	3,610,734	1,642,884		2,018,753	(375,869)	4,149,842	(539,108)
RS EMERGING	2,500,101	3,324,603	824,502		1,203,439	(378,937)	3,883,292	(558,689)
MANAGERS	5,311,845	6,113,564	801,719		1,497,707	(695,988)	7,009,997	(896,433)
NET COST VALUE				3,269,105				
SMALL CAP VALUE								
VANGUARD SMALL CAP INDEX	0	-	-		-	-	-	-
PRUDENTIAL TARGET	6,900,000	6,078,571	(821,429)		(401,587)	(419,842)	6,717,460	(638,889)
NET COST VALUE				(821,429)				
MID CAP GROWTH								
MORGAN STANLEY	4,254,453	5,577,036	1,322,583		1,688,029	(365,446)	6,016,150	(439,114)
JANUS ENTERPRISE	5,232,908	5,198,012	(34,896)		239,307	(274,203)	5,752,795	(554,783)
NET COST VALUE				1,287,687				
MID CAP VALUE								
FIDILITY LP STCK	3,588,432	5,030,602	1,442,170		1,778,687	(336,517)	5,497,767	(467,165)
ROYCE TOTAL RTN	3,848,055	4,890,104	1,042,049		1,344,290	(302,241)	5,343,466	(453,362)
NET COST VALUE				2,484,219				
LARGE CAP GROWTH								
AMERICAN FUND	8,378,074	9,888,486	1,510,412		2,236,018	(725,606)	10,762,588	(874,102)
HARBOR CAP APPRE	8,771,886	10,556,568	1,784,682		2,517,698	(733,016)	11,269,773	(713,205)
JANUS RESEARCH	8,535,170	10,081,836	1,546,666		2,259,702	(713,036)	10,986,434	(904,598)
NET COST VALUE				4,841,760				
LARGE CAP VALUE								
SELECTED AMERICAN	8,787,463	9,668,539	881,076		1,504,933	(623,857)	10,484,731	(816,192)
DODGE & COX	13,773,424	14,253,703	480,279		1,571,532	(1,091,253)	15,957,294	(1,703,591)
INVEST CO AMERICA	9,091,103	9,834,741	743,638		1,355,545	(611,907)	10,682,563	(847,822)
ROBECO	14,500,000	13,029,017	(1,470,983)		(563,188)	(907,795)	14,491,030	(1,462,013)
VAN GUARD GR&INC	9,499,295	10,081,541	582,246		1,138,485	(556,239)	10,831,151	(749,610)
NET COST VALUE				1,216,257				
INTERNATIONAL STOCK								
EUROPACIFIC	12,709,336	14,654,547	1,945,211		3,426,235	(1,481,024)	16,443,168	(1,788,621)
HARBOR INTL	15,027,678	15,004,588	(23,090)		1,487,069	(1,510,159)	17,012,890	(2,008,302)
ACORN INTL	5,840,163	8,427,495	2,587,332		3,129,287	(541,955)	8,952,037	(524,542)
ARTISAN	-	-	-		-	-	-	-
JANUS INTL	12,924,605	12,552,005	(372,600)		914,786	(1,287,386)	14,726,811	(2,174,806)
MONDRIAN	14,500,000	13,577,639	(922,361)		218,494	(1,140,855)	14,874,406	(1,296,767)
OAKMARK	11,145,875	11,495,268	349,393		1,867,008	(1,517,615)	13,492,130	(1,996,862)
NET COST VALUE				3,563,885				
REAL ESTATE								
RREEF PUBLIC FUND	9,069,048	12,825,143	3,756,095		4,702,827	(946,732)	13,567,707	(742,564)
RREEF PRIVATE FUND	14,896,452	16,238,535	1,342,083		1,342,083	-	16,238,535	-
NET COST VALUE				4,936,058				
625 B KINGS COURT	901,112	738,992	(162,120)		(162,120)	(0)	738,992	-
TOTAL INVESTMENTS	303,419,694	327,999,156	24,579,461	24,579,461	42,965,891	(18,386,430)	353,565,313	(25,566,157)

COMPARISON OF RETIREMENT SYSTEM MONEY MANAGERS MARKET VALUE OF INVESTMENTS
AUGUST 2011 FINAL

	A	B	C	D	E	F	G	H
	MARKET VALUE INVESTMENTS	CASH RESERVED	TOTAL AVAILABLE	PERCENT OF PORT.	% BY CLASS	TARGET % (2010 STUDY)	TARGET AS DOLLARS	DIFFERENCE AS DOLLARS () INDICATES OVERALLOCATION TO FUND
BRADFORD & MARZEC	-	-	-	0.00%		0.000%	-	-
DODGE & COX (SEPARATE)	-	-	-	0.00%		0.000%	-	-
PIMCO	47,529,647	-	47,529,647	14.49%		14.000%	45,919,882	(1,609,766)
DODGE & COX INCOME	47,737,639	-	47,737,639	14.55%		14.000%	45,919,882	(1,817,758)
					29.045%	28.000%		
SMALL CAP GROWTH								
ALLIANCE	3,610,734	-	3,610,734	1.10%		1.000%	3,279,992	(330,742)
RS EMERGING MANAGERS	3,324,603	-	3,324,603	1.01%		1.000%	3,279,992	(44,611)
	6,113,564	-	6,113,564	1.86%		1.900%	6,231,984	118,420
					3.978%	3.900%		
SMALL CAP VALUE								
VANGUARD SMALL CAP IN PRUDENTIAL	-	-	-	0.00%		0.000%	-	-
	6,078,571	-	6,078,571	1.85%		1.900%	6,231,984	153,413
					1.853%	1.900%		
MID CAP GROWTH								
MORGAN STANLEY	5,577,036	-	5,577,036	1.70%		1.400%	4,591,988	(985,048)
JANUS ENTERPRISE	5,198,012	-	5,198,012	1.58%		1.400%	4,591,988	(606,024)
					3.285%	2.800%		
MID CAP VALUE								
FIDILITY LP STCK	5,030,602	-	5,030,602	1.53%		1.400%	4,591,988	(438,614)
ROYCE TOTAL RTN	4,890,104	-	4,890,104	1.49%		1.400%	4,591,988	(298,116)
					3.025%	2.800%		
LARGE CAP GROWTH								
GROWTH FUND OF AMERIC	9,888,486	-	9,888,486	3.01%		3.000%	9,839,975	(48,511)
HARBOR CAP APPRE	10,556,568	-	10,556,568	3.22%		3.000%	9,839,975	(716,593)
JANUS RESEARCH	10,081,836	-	10,081,836	3.07%		3.000%	9,839,975	(241,861)
					9.307%	9.000%		
LARGE CAP VALUE								
SELECTED AMERICAN	9,668,539	-	9,668,539	2.95%		3.000%	9,839,975	171,436
DODGE & COX	14,253,703	-	14,253,703	4.35%		4.400%	14,431,963	178,260
INVEST CO AMERICA	9,834,741	-	9,834,741	3.00%		3.000%	9,839,975	5,234
ROBECO	13,029,017	-	13,029,017	3.97%		4.400%	14,431,963	1,402,946
VAN GUARD GR&INC	10,081,541	-	10,081,541	3.07%		3.000%	9,839,975	(241,566)
					17.338%	17.800%		
INTERNATIONAL STOCK								
EUROPACIFIC	14,654,547	-	14,654,547	4.47%		4.700%	15,415,960	761,413
HARBOR INTL	15,004,588	-	15,004,588	4.57%		4.700%	15,415,960	411,372
ACORN INTL	8,427,495	-	8,427,495	2.57%		2.500%	8,199,979	(227,516)
ARTISAN	-	-	-	0.00%		0.000%	-	-
JANUS INTL	12,552,005	-	12,552,005	3.83%		4.700%	15,415,960	2,863,955
MONDRIAN	13,577,639	-	13,577,639	4.14%		4.700%	15,415,960	1,838,321
OAKMARK	11,495,268	-	11,495,268	3.50%		3.800%	12,463,968	968,700
					23.083%	25.100%		
REAL ESTATE								
RREEF PUBLIC	12,825,143	-	12,825,143	3.91%		1.700%	5,575,986	(7,249,157)
RREEF PRIVATE	16,238,535	-	16,238,535	4.95%		4.200%	13,775,965	(2,462,570)
NEW PRIVATE	-	-	-	-		2.800%	9,183,976	9,183,976
625 B KINGS COURT	738,992	-	738,992	0.23%		0.300%	963,997	245,005
					9.086%	9.000%		
NEW FUNDS AVAILABLE								
	327,999,156	-	327,999,156	100.00%	100.000%	100.300%	328,983,153	983,997