

BOB MIRATA
CHAIRMAN
B.O.S. APPOINTEE

SHARI SCHAPMIRE
VICE-CHAIRMAN
TREASURER TAX COLLECTOR

DENNIS HUEY
SECRETARY
ELECTED RETIRED MEMBER

SUPERVISOR KENDALL SMITH
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 NOVEMBER 9, 2011 – 8:30 A.M.

- 1) ROLL CALL (8:30 A.M.)
- 2) PRESENTATION OF PROCLAMATION HONORING DENNIS HUEY FOR HIS YEARS OF SERVICE ON THE BOARD OF RETIREMENT
- 3) 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) LAWSON, BECKY (10/11/11) INFORMATION SVCS SCD
 - b) Disability retirement case review:
 - 1) BROIN, LORI APPROVED FOR SCD 11/17/2010
- 4) REPORT OUT FROM CLOSED SESSION (Estimated Time 5 min.)
- 5) OPEN SESSION & MINUTES OF THE MEETING HELD OCTOBER 19, 2011 (Approximate time 9:00 A.M.) (Estimated Time 5 min.)
- 6) 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

◆RETIREMENT ASSOCIATION CONFERENCE ROOM: 625-B KINGS COURT, UKIAH, CA 95482◆
◆PHONE 707-463-4328 FAX 707-467-6472◆ WWW.CO.MENDOCINO.CA.US/RETIREMENT◆

◆RETIREMENT BOARD MEETING AGENDA◆

◆NOVEMBER 9, 2011 - 8:30 A.M.◆

particular subject at the discretion of the Chair of the Board. To best facilitate public expression please complete the speaker form available at the entrance to the boardroom and present to the Clerk to the Board. If you wish to submit written comments please provide 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.

7) DISCUSSION AND POSSIBLE ACTION REGARDING QUARTERLY PERFORMANCE REPORT (CALLAN ASSOCIATES) (Estimated Time 45 min.)

BREAK (Approximate time 9:50 A.M.) (Estimated Time 10 min.)

8) DISCUSSION AND POSSIBLE ACTION REGARDING ACTUARIAL TRIENNIAL STUDY (THE SEGAL COMPANY) (Estimated Time 2 hours)

LUNCH BREAK (Approximate time 12:00 P.M.) (Estimated Time 1 hour)

RECONVENE (Approximate time 1:00 P.M.)

9) 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

10) 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

11) DISCUSSION AND POSSIBLE ACTION REGARDING PLACEMENT AGENCY POLICY (Estimated Time 20 min.)

12) PROJECT STATUS REPORT AND POSSIBLE ACTION REGARDING "CORRECTION OF CONTRIBUTION RATES" PROJECT (Estimated Time 30 min.)

13) DISCUSSION AND POSSIBLE ACTION REGARDING STATEMENT OF AUTHORIZED SIGNATURE (Estimated Time 5 min.)

ADJORNMENT (Approximate time 2:30 P.M.)

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

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 31, 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, will provide preliminary audited financial statements on or before November 4th. Staff has been working closely with GALLINA to provide any follow up information needed for them to move forward with their audit. The final audit cannot be completed until after the valuation study for June 30, 2011 is completed by The Segal Company (Segal).
2. GALLINA communicated to staff that they have been in discussions with Hanson Bridgett, and are preparing a scope of service and projected cost for reviewing excess earnings history (with Segal), postings to the Retiree Health Insurance reserve and developing findings and recommendations, if any, as a result of their review.
3. I have been working with counsel on an error and omissions policy. I previously reported out that the Los Angeles County Employees' Retirement Association (LACERA) was working with SACRS to bring such a policy forward in the form of a legislative proposal to amend the Government Code and provide clear correction authority similar to CalPERS and CalSTRS. The SACRS legislative committee did not garner the support of the systems to move forward with the proposed legislation. Your staff believes the proposal may contain language that we would recommend including in a policy for MCERA, and that the LACERA proposal has the advantage of being consistent with legislative authority granted to state pension systems. Staff will bring a recommendation to the Board in December or January.
4. MCERA received a request from the State Controller's Office (SCO) to clarify two items in our June 30, 2010 report. The clarifications stem from a desk audit/review at the SCO and are a normal course of completing each fiscal year's report. Staff has completed the requests from the SCO and is awaiting confirmation that MCERA's June 30, 2010 report is now final.

5. Staff participated in a conference call with our RREEF representatives regarding the status of both the public and private investments. Callan will provide an update on changes to management of the United States RREEF operations.

Legislation

As you are probably aware, Governor Brown released a proposal for pension reform. His twelve point plan did not impact existing retirees, and the only proposal for existing employees was a rate structure that shared contributions equally between the employer and employee. The Governor cited constitutional restrictions for limiting reform to existing retirees and active pension system members. For new hires, the governor's proposal includes a retirement age of sixty-seven (67), with a lower amount for law enforcement, a cap on benefits from pension funds and social security of roughly seventy-five percent (75%) of final compensation, a hybrid defined benefit and contribution plan, equal sharing of contribution rates between the employer and employee, pension spiking protections, ceasing the practice of buying "air time" and thereby increasing retirement liabilities, and increasing the minimum service time to be eligible for retiree health care benefits. The proposals will require legislative approval and, in some cases, voter approval. Staff will continue to keep the Board apprised of this issue.

Retiree Health Care

There is nothing new to report.

Miscellaneous

1. With the assistance of the County Elections Division, staff conducted the election for the eighth seat to the Board, Retired Member. Tim Knudsen was elected to fill the seat vacated by Dennis Huey.
2. A special election for the Alternate Member is being held. Declarations are 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 12, 2011.
3. Dr. Don Coursey notified the Board of Supervisors on October 31st that he will be stepping down from his appointed position on the Board effective January 1, 2012. Bob Mirata will be requesting to be reappointed by the Board of Supervisors. It has not yet been determined when the Board of Supervisors selection process will occur.
4. Staff has been informed by our fiduciary insurance carrier, Alliant, that our insurance renewal has been completed and is being sent to MCERA. The premium for the continuation of our current coverage is increasing from \$32,812 to \$34,500.

JA

MENDOCINO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
STATEMENT OF PLAN NET ASSETS
SEPTEMBER 30, 2011
(FINAL)

ASSETS

CASH AND EQUIVALENTS

GENERAL CASH \$ 2,201,797.70

TOTAL CASH AND EQUIVALENTS 2,201,797.70

CURRENT ASSETS

RECOUPMENTS 3,738.98

TOTAL CURRENT ASSETS 3,738.98

PROPERTY AND EQUIPMENT

EQUIPMENT 3,786.40

TOTAL PROPERTY AND EQUIPMENT 3,786.40

INVESTMENTS, AT COST

BONDS 92,074,204.21

INTERNATIONAL EQUITIES 72,147,656.65

SMALL CAP EQUITIES 20,623,084.58

MID CAP EQUITIES 35,556,653.25

LARGE CAP EQUITIES 59,240,873.29

REAL ESTATE 25,122,396.88

TOTAL INVESTMENTS, AT COST 304,764,868.86

TOTAL ASSETS \$ 306,974,191.94

LIABILITIES

CURRENT LIABILITIES

ACCOUNTS PAYABLE \$ 1,906.75

AMCRE DUES 756.46

PEDIT TRUST DENTAL 18,042.49

AFLAC INSURANCE 2,954.94

TOTAL CURRENT LIABILITIES 23,660.64

TOTAL NET ASSETS \$ 306,950,531.30

**MENDOCINO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
STATEMENT OF CHANGES IN PLAN NET ASSETS
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2011
(FINAL)**

	CURRENT MONTH	YEAR TO DATE
ADDITIONS		
CONTRIBUTIONS		
EMPLOYER	\$ 957,463.93	\$ 2,581,716.36
PLAN MEMBERS	395,286.84	1,127,096.25
TOTAL CONTRIBUTIONS	1,352,750.77	3,708,812.61
INVESTMENT INCOME		
RENTAL INCOME, NET OF EXPENSES	1,059.08	4,982.81
INTEREST	7,905.44	28,120.05
DIVIDENDS	1,008,265.18	1,244,063.29
CAPITAL GAINS	336,909.18	336,909.18
LESS INVESTMENT EXPENSE	0.00	(35,000.00)
TOTAL INVESTMENT INCOME	1,354,138.88	1,579,075.33
TOTAL ADDITIONS	2,706,889.65	5,287,887.94
DEDUCTIONS		
BENEFIT PAYMENTS AND SUBSIDIES	(1,730,434.09)	(5,299,092.99)
REFUNDS OF CONTRIBUTIONS	(165,911.43)	(408,830.02)
ADMINISTRATIVE EXPENSES	(23,309.76)	(26,615.80)
TOTAL DEDUCTIONS	1,919,655.28	5,734,538.81
INCREASE (DECREASE) IN NET ASSETS	787,234.37	(446,650.87)
NET ASSETS		
BEGINNING OF YEAR	306,163,296.93	307,397,182.17
END OF YEAR	\$ 306,950,531.30	\$ 306,950,531.30

COMPARISON OF RETIREMENT SYSTEM MONEY MANAGERS MARKET VALUE OF INVESTMENTS
 SEPTEMBER 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 FUNE
BRADFORD & MARZEC	-	-	-	0.00%		0.000%	-	-
DODGE & COX (SEPARATE)	-	-	-	0.00%		0.000%	-	-
PIMCO	46,709,247	-	46,709,247	15.23%		14.000%	42,934,472	(3,774,775)
DODGE & COX INCOME	47,578,891	-	47,578,891	15.51%		14.000%	42,934,472	(4,644,419)
					30.745%	28.000%		
SMALL CAP GROWTH								
ALLIANCE	3,289,074	-	3,289,074	1.07%		1.000%	3,066,748	(222,326)
RS EMERGING MANAGERS	2,996,677	-	2,996,677	0.98%		1.000%	3,066,748	70,071
	5,457,878	-	5,457,878	1.78%		1.900%	5,826,821	368,943
					3.829%	3.900%		
SMALL CAP VALUE								
VANGUARD SMALL CAP IN PRUDENTIAL	-	-	-	0.00%		0.000%	-	-
	5,439,683	-	5,439,683	1.77%		1.900%	5,826,821	387,138
					1.774%	1.900%		
MID CAP GROWTH								
MORGAN STANLEY	4,860,587	-	4,860,587	1.58%		1.400%	4,293,447	(567,140)
JANUS ENTERPRISE	4,815,403	-	4,815,403	1.57%		1.400%	4,293,447	(521,956)
					3.155%	2.800%		
MID CAP VALUE								
FIDILITY LP STCK	4,628,587	-	4,628,587	1.51%		1.400%	4,293,447	(335,140)
ROYCE TOTAL RTN	4,437,929	-	4,437,929	1.45%		1.400%	4,293,447	(144,482)
					2.956%	2.800%		
LARGE CAP GROWTH								
GROWTH FUND OF AMERIC	9,027,884	-	9,027,884	2.94%		3.000%	9,200,244	172,360
HARBOR CAP APPRE	9,761,287	-	9,761,287	3.18%		3.000%	9,200,244	(561,043)
JANUS RESEARCH	9,212,712	-	9,212,712	3.00%		3.000%	9,200,244	(12,468)
					9.131%	9.000%		
LARGE CAP VALUE								
SELECTED AMERICAN	8,822,758	-	8,822,758	2.88%		3.000%	9,200,244	377,486
DODGE & COX	12,952,366	-	12,952,366	4.22%		4.400%	13,493,691	541,325
INVEST CO AMERICA	9,153,681	-	9,153,681	2.98%		3.000%	9,200,244	46,563
ROBECO	11,954,593	-	11,954,593	3.90%		4.400%	13,493,691	1,539,098
VAN GUARD GR&INC	9,303,283	-	9,303,283	3.03%		3.000%	9,200,244	(103,039)
					17.017%	17.800%		
INTERNATIONAL STOCK								
EUROPACIFIC	13,021,622	-	13,021,622	4.25%		4.700%	14,413,716	1,392,094
HARBOR INTL	13,143,106	-	13,143,106	4.29%		4.700%	14,413,716	1,270,610
ACORN INTL	7,319,645	-	7,319,645	2.39%		2.500%	7,666,870	347,225
ARTISAN	-	-	-	0.00%		0.000%	-	-
JANUS INTL	10,630,302	-	10,630,302	3.47%		4.700%	14,413,716	3,783,414
MONDRIAN	12,663,676	-	12,663,676	4.13%		4.700%	14,413,716	1,750,040
OAKMARK	10,736,460	-	10,736,460	3.50%		3.800%	11,653,642	917,182
					22.015%	25.100%		
REAL ESTATE								
RREEF PUBLIC	11,372,884	-	11,372,884	3.71%		1.700%	5,213,472	(6,159,412)
RREEF PRIVATE	16,645,593	-	16,645,593	5.43%		4.200%	12,880,342	(3,765,251)
NEW PRIVATE	-	-	-	-		2.800%	8,586,894	8,586,894
625 B KINGS COURT	738,992	-	738,992	0.24%		0.300%	920,024	181,032
					9.377%	9.000%		
NEW FUNDS AVAILABLE								
	306,674,800	-	306,674,800	100.00%	100.000%	100.300%	307,594,824	920,024

COMPARISON OF COST AND MARKET VALUES FOR MENDOCINO COUNTY RETIREMENT ASSOCIATION
 SEPTEMBER 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	48,141,149	47,578,891	(562,258)		(2,924,002)	2,361,744	50,473,381	(2,894,490)
PIMCO	43,933,056	46,709,247	2,776,191		3,961,719	(1,185,528)	47,208,923	(499,676)
NET COST VALUE				2,213,933				
SMALL CAP GROWTH								
ALLIANCE	1,967,850	3,289,074	1,321,224		1,642,884	(321,660)	4,149,842	(860,768)
RS EMERGING	2,500,101	2,996,677	496,576		824,502	(327,926)	3,883,292	(886,615)
MANAGERS	5,357,501	5,457,878	100,377		801,719	(701,342)	7,009,997	(1,552,119)
				1,918,177				
SMALL CAP VALUE								
VANGUARD SMALL CAP INDEX	0	-	-		-	-	-	-
PRUDENTIAL TARGET	6,900,000	5,439,683	(1,460,317)		(821,429)	(638,888)	6,717,460	(1,277,777)
				(1,460,317)				
MID CAP GROWTH								
MORGAN STANLEY	4,254,453	4,860,587	606,134		1,322,583	(716,449)	6,016,150	(1,155,563)
JANUS ENTERPRISE	5,232,908	4,815,403	(417,505)		(34,896)	(382,609)	5,752,795	(937,392)
				188,629				
MID CAP VALUE								
FIDILITY LP STCK	3,897,632	4,628,587	730,955		1,442,170	(711,215)	5,497,767	(869,180)
ROYCE TOTAL RTN	3,861,617	4,437,929	576,312		1,042,049	(465,737)	5,343,466	(905,537)
				1,307,267				
LARGE CAP GROWTH								
AMERICAN FUND	8,378,074	9,027,884	649,810		1,510,412	(860,602)	10,762,588	(1,734,704)
HARBOR CAP APPRE	8,771,886	9,761,287	989,401		1,784,682	(795,281)	11,269,773	(1,508,486)
JANUS RESEARCH	8,535,170	9,212,712	677,542		1,546,666	(869,124)	10,986,434	(1,773,722)
				2,316,753				
LARGE CAP VALUE								
SELECTED AMERICAN	8,787,463	8,822,758	35,295		881,076	(845,781)	10,484,731	(1,661,973)
DODGE & COX	13,829,602	12,952,366	(877,236)		480,279	(1,357,515)	15,957,294	(3,004,928)
INVEST CO AMERICA	9,147,059	9,153,681	6,622		743,638	(737,016)	10,682,563	(1,528,882)
ROBECO	14,500,000	11,954,593	(2,545,407)		(1,470,983)	(1,074,424)	14,491,030	(2,536,437)
VAN GUARD GR&INC	9,499,295	9,303,283	(196,012)		582,246	(778,258)	10,831,151	(1,527,868)
				(3,576,738)				
INTERNATIONAL STOCK								
EUROPACIFIC	12,709,336	13,021,622	312,286		1,945,211	(1,632,925)	16,443,168	(3,421,546)
HARBOR INTL	15,027,678	13,143,106	(1,884,572)		(23,090)	(1,861,482)	17,012,890	(3,869,784)
ACORN INTL	5,840,163	7,319,645	1,479,482		2,587,332	(1,107,850)	8,952,037	(1,632,392)
ARTISAN	-	-	-		-	-	-	-
JANUS INTL	12,924,605	10,630,302	(2,294,303)		(372,600)	(1,921,703)	14,726,811	(4,096,509)
MONDRIAN	14,500,000	12,663,676	(1,836,324)		(922,361)	(913,963)	14,874,406	(2,210,730)
OAKMARK	11,145,875	10,736,460	(409,415)		349,393	(758,808)	13,492,130	(2,755,670)
				(4,632,846)				
REAL ESTATE								
RREEF PUBLIC FUND	9,069,048	11,372,884	2,303,836		3,756,095	(1,452,259)	13,567,707	(2,194,823)
RREEF PRIVATE FUND	15,152,236	16,645,593	1,493,357		1,342,083	151,274	16,238,535	407,058
625 B KINGS COURT	901,112	738,992	(162,120)	3,635,073	(162,120)	-	738,992	-
TOTAL INVESTMENTS	304,764,869	306,674,800	1,909,931	1,909,931	21,815,259	(19,905,329)	353,565,313	(46,890,513)

**MENDOCINO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
STATEMENT OF CHANGES IN PLAN NET ASSETS
FOR THE FOUR MONTHS ENDED OCTOBER 31, 2011
(PRELIMINARY)**

	CURRENT MONTH	YEAR TO DATE
ADDITIONS		
CONTRIBUTIONS		
EMPLOYER	\$ 976,093.37	\$ 3,557,809.73
PLAN MEMBERS	394,985.70	1,522,081.95
TOTAL CONTRIBUTIONS	1,371,079.07	5,079,891.68
INVESTMENT INCOME		
RENTAL INCOME, NET OF EXPENSES	10,052.99	15,035.80
INTEREST	3,976.50	32,096.55
DIVIDENDS	128,627.02	1,372,690.31
CAPITAL GAINS	0.00	336,909.18
LESS INVESTMENT EXPENSE	(8,290.27)	(43,290.27)
TOTAL INVESTMENT INCOME	134,366.24	1,713,441.57
TOTAL ADDITIONS	1,505,445.31	6,793,333.25
DEDUCTIONS		
BENEFIT PAYMENTS AND SUBSIDIES	(1,824,182.28)	(7,123,275.27)
REFUNDS OF CONTRIBUTIONS	(8,729.07)	(417,559.09)
ADMINISTRATIVE EXPENSES	(21,051.00)	(47,666.80)
TOTAL DEDUCTIONS	1,853,962.35	7,588,501.16
INCREASE (DECREASE) IN NET ASSETS	(348,517.04)	(795,167.91)
NET ASSETS		
BEGINNING OF YEAR	306,950,531.30	307,397,182.17
END OF YEAR	\$ 306,602,014.26	\$ 306,602,014.26

UNAUDITED - FOR INTERNAL USE ONLY.

MENDOCINO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
STATEMENT OF PLAN NET ASSETS
OCTOBER 31, 2011
(PRELIMINARY)

ASSETS

CASH AND EQUIVALENTS

GENERAL CASH \$ 2,018,391.32

TOTAL CASH AND EQUIVALENTS 2,018,391.32

CURRENT ASSETS

RECOUPMENTS 3,618.37

TOTAL CURRENT ASSETS 3,618.37

PROPERTY AND EQUIPMENT

EQUIPMENT 3,786.40

TOTAL PROPERTY AND EQUIPMENT 3,786.40

INVESTMENTS, AT COST

BONDS 92,202,831.23
INTERNATIONAL EQUITIES 72,147,656.65
SMALL CAP EQUITIES 20,623,084.58
MID CAP EQUITIES 35,556,653.25
LARGE CAP EQUITIES 59,240,873.29
REAL ESTATE 25,122,396.88

TOTAL INVESTMENTS, AT COST 304,893,495.88

TOTAL ASSETS \$ 306,919,291.97

LIABILITIES

CURRENT LIABILITIES

ACCOUNTS PAYABLE \$ 1,906.75
AMCRE DUES 763.46
PEDIT TRUST DENTAL 18,115.44
AFLAC INSURANCE 2,992.06
BUCK SETTLEMENT RESERVE 293,500.00

TOTAL CURRENT LIABILITIES 317,277.71

TOTAL NET ASSETS \$ 306,602,014.26

COMPARISON OF RETIREMENT SYSTEM MONEY MANAGERS MARKET VALUE OF INVESTMENTS
OCTOBER 2011 PRELIMINARY

	A	B	C	D	E	F	G	H
	MARKET VALUE INVESTMENTS	CASH RESERVED	TOTAL AVAILABLE	PERCENT OF PORT.	% BY CLASS	TARGET % (2010 STUDY)	TARGET AS DOLLARS	DIFFERENCE AS DOLLARS () INDICATES OVERALLOCATION TO FUNI
BRADFORD & MARZEC	-		-	0.00%		0.00%	-	-
DODGE & COX (SEPARATE)	-		-	0.00%		0.00%	-	-
PIMCO	47,357,347	-	47,357,347	14.33%		14.000%	46,264,924	(1,092,423)
DODGE & COX INCOME	48,152,995		48,152,995	14.57%		14.000%	46,264,924	(1,888,071)
					28.902%	28.000%		
SMALL CAP GROWTH								
ALLIANCE	3,846,751		3,846,751	1.16%		1.000%	3,304,637	(542,114)
RS EMERGING MANAGERS	3,401,524		3,401,524	1.03%		1.000%	3,304,637	(96,887)
	6,341,050		6,341,050	1.92%		1.900%	6,278,811	(62,239)
					4.112%	3.900%		
SMALL CAP VALUE								
VANGUARD SMALL CAP IN PRUDENTIAL	-		-	0.00%		0.000%	-	-
	6,185,053		6,185,053	1.87%		1.900%	6,278,811	93,758
						1.900%		
MID CAP GROWTH								
MORGAN STANLEY	5,373,368		5,373,368	1.63%		1.400%	4,626,492	(746,876)
JANUS ENTERPRISE	5,315,528		5,315,528	1.61%		1.400%	4,626,492	(889,036)
					3.235%	2.800%		
MID CAP VALUE								
FIDILITY LP STCK	5,160,592		5,160,592	1.56%		1.400%	4,626,492	(534,100)
ROYCE TOTAL RTN	4,985,869		4,985,869	1.51%		1.400%	4,626,492	(359,377)
					3.070%	2.800%		
LARGE CAP GROWTH								
GROWTH FUND OF AMERIC	9,972,859		9,972,859	3.02%		3.000%	9,913,912	(58,947)
HARBOR CAP APPRE	10,850,906		10,850,906	3.28%		3.000%	9,913,912	(936,994)
JANUS RESEARCH	10,326,610		10,326,610	3.12%		3.000%	9,913,912	(412,698)
					9.426%	9.000%		
LARGE CAP VALUE								
SELECTED AMERICAN	9,772,104		9,772,104	2.96%		3.000%	9,913,912	141,808
DODGE & COX	14,426,149		14,426,149	4.37%		4.400%	14,540,405	114,256
INVEST CO AMERICA	10,099,079		10,099,079	3.06%		3.000%	9,913,912	(185,167)
ROBECO	13,451,101		13,451,101	4.07%		4.400%	14,540,405	1,089,304
VAN GUARD GR&INC	10,289,235		10,289,235	3.11%		3.000%	9,913,912	(375,323)
					17.562%	17.800%		
INTERNATIONAL STOCK								
EUROPACIFIC	14,305,177		14,305,177	4.33%		4.700%	15,531,796	1,226,619
HARBOR INTL	14,731,920		14,731,920	4.46%		4.700%	15,531,796	799,876
ACORN INTL	7,911,660		7,911,660	2.39%		2.500%	8,261,594	349,934
ARTISAN	-		-	0.00%		0.000%	-	-
JANUS INTL	12,302,028		12,302,028	3.72%		4.700%	15,531,796	3,229,768
MONDRIAN	13,793,344		13,793,344	4.17%		4.700%	15,531,796	1,738,452
OAKMARK	11,641,704		11,641,704	3.52%		3.800%	12,557,622	915,918
					22.600%	25.100%		
REAL ESTATE								
RREEF PUBLIC	13,085,205		13,085,205	3.96%		1.700%	5,617,884	(7,467,321)
RREEF PRIVATE	16,645,593		16,645,593	5.04%		4.200%	13,879,477	(2,766,116)
NEW PRIVATE	-		-			2.800%	9,252,985	9,252,985
625 B KINGS COURT	738,992		738,992	0.22%		0.300%	991,391	252,399
					9.220%	9.000%		
NEW FUNDS AVAILABLE								
	330,463,743	-	330,463,743	100.00%	100.000%	100.300%	331,455,134	991,391

COMPARISON OF COST AND MARKET VALUES FOR MENDOCINO COUNTY RETIREMENT ASSOCIATION
OCTOBER 2011 PRELIMINARY

	A	B	C	D	E	F	G	H
	COST VALUE	MARKET VALUE	UNREALIZED GAIN	GAIN BY CATEGORY	PRIOR MONTH GAIN/LOSS	MONTHLY CHANGE	START OF FISCAL YEAR (MARKET)	FISCAL YEAR CHANGE (MARKET)
BRADFORD & MARZEC								
NET COST VALUE	0	-	-		-	-	-	-
DODGE & COX								
NET COST VALUE	0	-	-		-	-	-	-
DODGE & COX INCOME	48,141,149	48,152,995	11,846		(562,258)	574,104	50,473,381	(2,320,386)
PIMCO	44,061,683	47,357,347	3,295,664		2,776,191	519,473	47,208,923	148,424
NET COST VALUE				3,307,510				
SMALL CAP GROWTH								
ALLIANCE	1,967,850	3,846,751	1,878,901		1,321,224	557,677	4,149,842	(303,091)
RS EMERGING	2,500,101	3,401,524	901,423		496,576	404,847	3,883,292	(481,768)
MANAGERS	5,357,501	6,341,050	983,549		100,377	883,172	7,009,997	(668,947)
NET COST VALUE				3,763,873				
SMALL CAP VALUE								
VANGUARD SMALL CAP INDEX	0	-	-		-	-	-	-
PRUDENTIAL TARGET	6,900,000	6,185,053	(714,947)		(1,460,317)	745,370	6,717,460	(532,407)
NET COST VALUE				(714,947)				
MID CAP GROWTH								
MORGAN STANLEY	4,254,453	5,373,368	1,118,915		606,134	512,781	6,016,150	(642,782)
JANUS ENTERPRISE	5,232,908	5,315,528	82,620		(417,505)	500,125	5,752,795	(437,267)
NET COST VALUE				1,201,535				
MID CAP VALUE								
FIDILITY LP STCK	3,897,632	5,160,592	1,262,960		730,955	532,005	5,497,767	(337,175)
ROYCE TOTAL RTN	3,861,617	4,985,869	1,124,252		576,312	547,940	5,343,466	(357,597)
NET COST VALUE				2,387,212				
LARGE CAP GROWTH								
AMERICAN FUND	8,378,074	9,972,859	1,594,785		649,810	944,975	10,762,588	(789,729)
HARBOR CAP APPRE	8,771,886	10,850,906	2,079,020		989,401	1,089,619	11,269,773	(418,867)
JANUS RESEARCH	8,535,170	10,326,610	1,791,440		677,542	1,113,898	10,986,434	(659,824)
NET COST VALUE				5,465,245				
LARGE CAP VALUE								
SELECTED AMERICAN	8,787,463	9,772,104	984,641		35,295	949,346	10,484,731	(712,627)
DODGE & COX	13,829,602	14,426,149	596,547		(877,236)	1,473,783	15,957,294	(1,531,145)
INVEST CO AMERICA	9,147,059	10,099,079	952,020		6,622	945,398	10,682,563	(583,484)
ROBECO	14,500,000	13,451,101	(1,048,899)		(2,545,407)	1,496,508	14,491,030	(1,039,929)
VAN GUARD GR&INC	9,499,295	10,289,235	789,940		(196,012)	985,952	10,831,151	(541,916)
NET COST VALUE				2,274,249				
INTERNATIONAL STOCK								
EUROPACIFIC	12,709,336	14,305,177	1,595,841		312,286	1,283,555	16,443,168	(2,137,991)
HARBOR INTL	15,027,678	14,731,920	(295,758)		(1,884,572)	1,588,814	17,012,890	(2,280,970)
ACORN INTL	5,840,163	7,911,660	2,071,497		1,479,482	592,015	8,952,037	(1,040,377)
ARTISAN	-	-	-		-	-	-	-
JANUS INTL	12,924,605	12,302,028	(622,577)		(2,294,303)	1,671,726	14,726,811	(2,424,783)
MONDRIAN	14,500,000	13,793,344	(706,656)		(1,836,324)	1,129,668	14,874,406	(1,081,062)
OAKMARK	11,145,875	11,641,704	495,829		(409,415)	905,244	13,492,130	(1,850,426)
NET COST VALUE				2,538,176				
REAL ESTATE								
RREEF PUBLIC FUND	9,069,048	13,085,205	4,016,157		2,303,836	1,712,321	13,567,707	(482,502)
RREEF PRIVATE FUND	15,152,236	16,645,593	1,493,357		1,493,357	-	16,238,535	407,058
NET COST VALUE				5,347,394				
625 B KINGS COURT	901,112	738,992	(162,120)		(162,120)	-	738,992	-
TOTAL INVESTMENTS	304,893,496	330,463,743	25,570,247	25,570,247	1,909,931	23,660,316	353,565,313	(23,101,570)

COMPARISON OF COST AND MARKET VALUES FOR MENDOCINO COUNTY RETIREMENT ASSOCIATION
OCTOBER 2011 PRELIMINARY

	A	B	C	D	E	F	G	H
	COST VALUE	MARKET VALUE	UNREALIZED GAIN	GAIN BY CATEGORY	PRIOR MONTH GAIN/LOSS	MONTHLY CHANGE	START OF FISCAL YEAR (MARKET)	FISCAL YEAR CHANGE (MARKET)
BRADFORD & MARZEC NET COST VALUE	0	-	-		-	-	-	-
DODGE & COX NET COST VALUE	0	-	-		-	-	-	-
DODGE & COX INCOME	48,141,149	48,152,995	11,846		(562,258)	574,104	50,473,381	(2,320,386)
PIMCO NET COST VALUE	44,061,683	47,357,347	3,295,664	3,307,510	2,776,191	519,473	47,208,923	148,424
SMALL CAP GROWTH ALLIANCE	1,967,850	3,846,751	1,878,901		1,321,224	557,677	4,149,842	(303,091)
RS EMERGING MANAGERS	2,500,101	3,401,524	901,423		496,576	404,847	3,883,292	(481,768)
	5,357,501	6,341,050	983,549	3,763,873	100,377	883,172	7,009,997	(668,947)
SMALL CAP VALUE VANGUARD SMALL CAP INDEX	0	-	-		-	-	-	-
PRUDENTIAL TARGET	6,900,000	6,185,053	(714,947)	(714,947)	(1,460,317)	745,370	6,717,460	(532,407)
MID CAP GROWTH MORGAN STANLEY	4,254,453	5,373,368	1,118,915		606,134	512,781	6,016,150	(642,782)
JANUS ENTERPRISE	5,232,908	5,315,528	82,620	1,201,535	(417,505)	500,125	5,752,795	(437,267)
MID CAP VALUE FIDILITY LP STCK	3,897,632	5,160,592	1,262,960		730,955	532,005	5,497,767	(337,175)
ROYCE TOTAL RTN	3,861,617	4,985,869	1,124,252	2,387,212	576,312	547,940	5,343,466	(357,597)
LARGE CAP GROWTH AMERICAN FUND	8,378,074	9,972,859	1,594,785		649,810	944,975	10,762,588	(789,729)
HARBOR CAP APPRE	8,771,886	10,850,906	2,079,020		989,401	1,089,619	11,269,773	(418,867)
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LARGE CAP VALUE SELECTED AMERICAN	8,787,463	9,772,104	984,641		35,295	949,346	10,484,731	(712,627)
DODGE & COX	13,829,602	14,426,149	596,547		(877,236)	1,473,783	15,957,294	(1,531,145)
INVEST CO AMERICA	9,147,059	10,099,079	952,020		6,622	945,398	10,682,563	(583,484)
ROBECO	14,500,000	13,451,101	(1,048,899)		(2,545,407)	1,496,508	14,491,030	(1,039,929)
VAN GUARD GR&INC	9,499,295	10,289,235	789,940	2,274,249	(196,012)	985,952	10,831,151	(541,916)
INTERNATIONAL STOCK EUROPACIFIC	12,709,336	14,305,177	1,595,841		312,286	1,283,555	16,443,168	(2,137,991)
HARBOR INTL	15,027,678	14,731,920	(295,758)		(1,884,572)	1,588,814	17,012,890	(2,280,970)
ACORN INTL	5,840,163	7,911,660	2,071,497		1,479,482	592,015	8,952,037	(1,040,377)
ARTISAN	-	-	-		-	-	-	-
JANUS INTL	12,924,605	12,302,028	(622,577)		(2,294,303)	1,671,726	14,726,811	(2,424,783)
MONDRIAN	14,500,000	13,793,344	(706,656)		(1,836,324)	1,129,668	14,874,406	(1,081,062)
OAKMARK	11,145,875	11,641,704	495,829	2,538,176	(409,415)	905,244	13,492,130	(1,850,426)
REAL ESTATE RREEF PUBLIC FUND	9,069,048	13,085,205	4,016,157		2,303,836	1,712,321	13,567,707	(482,502)
RREEF PRIVATE FUND	15,152,236	16,645,593	1,493,357		1,493,357	-	16,238,535	407,058
625 B KINGS COURT	901,112	738,992	(162,120)	5,347,394	(162,120)	-	738,992	-
TOTAL INVESTMENTS	304,893,496	330,463,743	25,570,247	25,570,247	1,909,931	23,660,316	353,565,313	(23,101,570)

**MENDOCINO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
STATEMENT OF CHANGES IN PLAN NET ASSETS
FOR THE FOUR MONTHS ENDED OCTOBER 31, 2011
(PRELIMINARY)**

	CURRENT MONTH	YEAR TO DATE
ADDITIONS		
CONTRIBUTIONS		
EMPLOYER	\$ 976,093.37	\$ 3,557,809.73
PLAN MEMBERS	394,985.70	1,522,081.95
	1,371,079.07	5,079,891.68
INVESTMENT INCOME		
RENTAL INCOME, NET OF EXPENSES	10,052.99	15,035.80
INTEREST	3,976.50	32,096.55
DIVIDENDS	128,627.02	1,372,690.31
CAPITAL GAINS	0.00	336,909.18
	(8,290.27)	(43,290.27)
TOTAL INVESTMENT INCOME	134,366.24	1,713,441.57
TOTAL ADDITIONS	1,505,445.31	6,793,333.25
DEDUCTIONS		
BENEFIT PAYMENTS AND SUBSIDIES	(1,824,182.28)	(7,123,275.27)
REFUNDS OF CONTRIBUTIONS	(8,729.07)	(417,559.09)
ADMINISTRATIVE EXPENSES	(21,051.00)	(47,666.80)
	1,853,962.35	7,588,501.16
INCREASE (DECREASE) IN NET ASSETS	(348,517.04)	(795,167.91)
NET ASSETS		
BEGINNING OF YEAR	306,950,531.30	307,397,182.17
END OF YEAR	\$ 306,602,014.26	\$ 306,602,014.26

James M. Andersen
Retirement Administrator



Telephone: (707) 463-4328
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Fax: (707) 467-6472

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

Date: October 24, 2011
To: Board of Retirement
From: Jim Andersen, Retirement Administrator
Jeff Berk, General Counsel
Subject: Discussion and Possible Action to Adopt a Placement Agent Disclosure Policy and Placement Agent Disclosure Form

Introduction

In 2009, AB 1584 was enacted requiring all systems to adopt a disclosure policy for all "placement agents" engaged by "external" investment managers to solicit a share of investible assets of state and local pension funds. The bill also required disclosure of all campaign contributions and gifts, and adoption of a disclosure policy by June 30, 2010. AB 1743 was passed in 2010 which broadened the definition of placement agents to include in-house marketing staff (not engaged in asset management at least 1/3 of their time), included lobbying disclosure if any occurred, and created a "safe harbor" for those who were: (1) SEC registered investment advisors or broker-dealers; (2) secured the investment proceeds through competitive bidding; or (3) were subject to the fiduciary standards imposed on public employee pension fund trustees. Most recently, SB 398 was signed into law on October 9, 2011, as an urgency statute. SB 398 is intended to carry forward the regulations intended to create transparency in pension investing in the aftermath of "pay to play" allegations. It includes in the definition of placement agents managers of funds, sellers of "ownership interest" in an investment fund entity (e.g. LLC), and extends the lobbying exemptions contained in SB 1743 for local pension funds (like MCERA) to state pension funds.

Discussion

Given that MCERA is late in establishing a placement agent policy and requiring disclosures of its fund managers, there are well established policies and forms in the other 1937 Act retirement systems from which MCERA can evaluate policy language. Given that the Sonoma County Employees' Retirement Association (SCERA) has a placement agent policy in place, including amendments for the recently adopted SB 398, and that MCERA and SCERA both receive legal counsel from the Sonoma County Counsel's Office, it seemed appropriate and efficient to draw from SCERA's policy.

Recommended Motion/Action

1. Adopt the attached Placement Agent Disclosure Policy and Placement Agent Disclosure Form; and
2. Direct staff to send the policy and form to all existing fund managers, and to include the policy in the solicitation of and contracts with all future managers.
3. Direct that the policy be brought back to the Board for review no later than two (2) years from its adoption.

We will be happy to respond to any questions or comments you may have.

JA/JB

Attachment

Copy Greg Ungerman, Callan Associates

Greg DeForrest, Callan Associates

MENDOCINO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

PLACEMENT AGENT DISCLOSURE POLICY

I. PURPOSE

This Policy describes the circumstances under which the Mendocino County Employees' Retirement Association ("MCERA") shall require the disclosure of payments to Placement Agents in connection with MCERA investments in or through External Managers. This Policy is intended to apply broadly to all of the types of investment partners with whom MCERA does business. MCERA adopts this Policy to require broad, timely, and updated disclosure of all Placement Agent relationships, compensation and fees. The goal of this Policy is to help ensure that MCERA's investment decisions are made solely on the merits of the investment opportunity, are reasonable and prudent from a fiduciary perspective, and are consistent with MCERA'S investment policy objectives.

II. GLOSSARY OF TERMS

Consultant

Person(s) or firm(s) including key personnel of such firm(s), who are contractually retained by MCERA to provide advice to MCERA on investments, External Manager selection and monitoring, and other services, but who do not exercise investment discretion, generally.

External Manager (As defined in Government Code section 7513.8(b))

(1) A person who is seeking to be, or is, retained by [The MCERA Board of Retirement or an Investment Vehicle] to manage a portfolio of securities or other assets for compensation.

(2) A person who manages an Investment Fund and who offers or sells, or has offered or sold an ownership interest in the Investment Fund to [The MCERA Board of Retirement or an Investment Vehicle].

Investment Fund (As defined in Government Code section 7513.8(c))

(c) (1) "Investment Fund" means a private equity fund, public equity fund, venture capital fund, hedge fund, fixed income fund, real estate fund, infrastructure fund, or similar pooled investment entity that is, or holds itself out as being, engaged primarily, or proposes to engage primarily, in the business of investing, reinvesting, owning, holding, or trading securities or other assets.

(2) Notwithstanding paragraph (1), an investment company that is registered with the Securities and Exchange Commission pursuant to the Investment Company Act of 1940 (15 U.S.C. Sec. 80a-1 et seq.) and that makes a public offering of its securities is not an Investment Fund.

Investment Vehicle (As defined in Government Code section 7513.8(d))

A corporation, partnership, limited partnership, limited liability company, association, or other entity, either domestic or foreign, constituting or managed by an External Manager in which [The MCERA Board of Retirement] is the majority investor and that is organized in order to invest with, or retain the investment management services of, other External Managers.

Placement Agent (As defined in Government Code section 7513.8(f))

(1) Any person directly or indirectly hired, engaged, or retained by, or serving for the benefit of or on behalf of, an external manager, or an Investment Fund managed by an External Manager, and who acts or has acted for compensation as a finder, solicitor, marketer, consultant, broker, or other intermediary in connection with the offer or sale to [The MCERA Board of Retirement] or an Investment Vehicle, either of the following:

(A) In the case of an External Manager within the meaning of paragraph (1) of 7513.8(b), the investment management services of the external manager.

(B) In the case of an External Manager within the meaning of paragraph (2) of 7513.8(b), an ownership interest in an Investment Fund managed by the External Manager.

(2) Notwithstanding paragraph (1), an individual who is an employee, officer, director, equity holder, partner, member, or trustee of an External Manager and who spends one-third or more of his or her time, during a calendar year, managing the securities or assets owned, controlled, invested, or held by the External Manager is not a Placement Agent.

III. APPLICATION

This Policy shall apply to all current MCERA investment managers and all investment managers being considered by MCERA for an investment management engagement.

IV. RESPONSIBILITIES

A. Each External Manager is responsible for:

1. Providing the following information (collectively, the "Placement Agent Disclosure Form") to Staff promptly upon request.
 - a. A statement whether the External Manager, or any of its principals, employees, agents or affiliates has compensated or agreed to compensate, directly or indirectly, any person (whether or not employed by the External Manager) or entity to act as a Placement Agent in connection with any investment by MCERA.
 - b. A resume for each officer, partner or principal of the Placement Agent (and any employee providing similar services) detailing the person's education, professional designations, regulatory licenses and investment and work experience. If any such person is a current or former MCERA Board member, employee or Consultant, or a member of the immediate family of any such person, this fact shall be specifically noted.
 - c. A description of any and all compensation of any kind provided or agreed to be provided to a Placement Agent, including the general structure and timing of such compensation.
 - d. A description of the services to be performed by the Placement Agent.
 - e. A copy of any and all agreements between the External Manager and any third-party (non-employee) Placement Agent(s).
 - f. A statement as to whether the Placement Agent is utilized by the External Manager with all clients or prospective clients or with only a subset of clients or prospective clients.
 - g. Whether any current or former MCERA Board Member, employee or Consultant suggested the retention of the Placement Agent.
 - h. A statement whether the Placement Agent or any of its affiliates are registered as a lobbyist with any state or national government, or with the Securities and Exchange Commission or the Financial Industry Regulatory Association or any similar regulatory agent in a country other than the United States and the details of such registration or explanation of why no registration is required.
 - i. Representing to MCERA that the External Manager is solely responsible for any fees, compensation or expenses for any

Placement Agent and that MCERA will not pay any such items.

- j. A statement that the External Manager agrees and understands that, for two years after leaving their position, former board members or administrators shall not receive compensation for appearing before or communicating with a MCERA Board member or staff for the purpose of influencing the Board to take certain action regarding investments.
- k. Representing to MCERA that the External Manager understands and agrees that all of the information provided to MCERA pursuant to this Policy is public information and subject to disclosure under the Public Records Act.

- 2. Providing an update of any changes to any of the information included in the Placement Agent Disclosure Form within 30 days of the occurrence of the change in information.
- 3. Causing its engaged Placement Agent, prior to acting as a Placement Agent with regard to MCERA, to disclose to Staff any campaign contribution, gift or other item of value made or given to any member of the MCERA Board or Staff or Consultant during the prior twenty-four month period.
- 4. Causing its engaged Placement Agent, during the time it is receiving compensation in connection with a MCERA investment, to disclose to Staff any campaign contribution, gift or other item of value made or given to any member of the MCERA Board or Staff or Consultant, during such period.

B. Staff is responsible for all of the following:

- 1. Assure that an agreement to comply with this Policy is incorporated in all current and future investment management agreements.
- 2. Assure that all existing External Managers complete and submit the Placement Agent Information Disclosure to MCERA in a timely manner.
- 3. Assure that an External Manager candidate completes and submits the disclosure information to MCERA before consideration by the Investment Committee for an investment management engagement.
- 4. Provide the Board with the disclosure information before any investment decision by the MCERA Board with respect to that manager.

5. Promptly advise the Board of any material violation of this Policy.
- C. Sanctions in the event of a material omission or inaccuracy in the Disclosure can include, but are not limited to:
1. For failure to disclose a relationship with a third party Placement Agent the reimbursement to MCERA of an amount equal to the amounts paid or promised to be paid to that Placement Agent in connection with any investment by MCERA.
 2. Immediate termination of the investment management engagement without penalty, or withdrawal without penalty from the limited partnership, limited liability company, or other investment vehicle, or suspension of any further capital contributions (and any fees on these re-called commitments) to limited partnership, limited liability company, or other investment vehicle.
 3. A prohibition on the External Manager or Placement Agent from soliciting new investment from MCERA for five (5) years. This prohibition may be reduced by a majority vote of the Board upon a showing of good cause.
 4. The MCERA Board shall determine which, if any, sanctions will apply in a given case based on the nature of the violation and any other relevant legal parameters.
- D. All parties responsible for implementing, monitoring and complying with this Policy should consider the spirit as well as the literal expression of the Policy. In cases where there is uncertainty whether a disclosure should be made, the Policy should be interpreted to require such disclosure.

V. POLICY REVIEW

The Board shall review this Policy at least every three years.

VI. HISTORY

This policy was adopted by the Board on November 9, 2011.

MENDOCINO COUNTY EMPLOYEES RETIREMENT ASSOCIATION

PLACEMENT AGENT DISCLOSURE FORM

The Retirement Board (“Board”) of the Mendocino County Employees Retirement Association (“MCERA”) has adopted a Placement Agent Disclosure Policy (“Policy”), a copy of which is attached as Attachment No.1. Under the Policy, each External Manager¹ must complete and deliver this Disclosure Form to MCERA.

For purposes of this disclosure, “you” means the External Manager identified below and its affiliates, including the External Manager’s and affiliates’ respective officers, directors, partners, members, employees, contractors, and agents.

Name of External Manager: _____

Contact information for External Manager:

Address: _____

Contact Person: _____

Contact Information: _____
(email/phone/fax) _____

¹ See Glossary of Terms in Policy.

1. Have you used a Placement Agent² in connection with managing or seeking to manage assets for MCERA in connection with a proposed or current investment?

Yes _____ No _____

If “Yes”, complete the remainder of the Disclosure Form. If “No”, skip the remaining items and sign on page 5.

2. The name(s) of the Placement Agent(s) used is:

_____.

3. Please describe the relationship between you and the Placement Agent, and include whether the Placement Agent(s) is used with all of your clients or prospective clients or only a subset of your clients or prospective clients. If applicable, describe this subset of clients.

_____.

4. Please attach a resume for each Placement Agent(s) detailing the person’s education, professional designations, regulatory licenses, and investment and work experience. Please identify below all persons whose resumes are attached.

_____.

² See Glossary of Terms in Policy.

5. Please describe any and all compensation of any kind provided, or agreed to be provided, to the Placement Agent(s) or to a third party at the behest of the Placement Agent(s), in connection with the Placement Agent's work for the External Manager on the Proposed Investment. This description should include the general structure and timing of such compensation, and we are not expecting specific dollar amounts or percentages.

6. Please describe in detail the services performed and/or to be performed by the Placement Agent(s) in connection with the Proposed Investment and attach a copy of any and all agreements between you and any third-party (non-employee) Placement Agent(s).

7. a. Is External Manager solely responsible for payment of the Placement Agent's fee, or providing the compensation if not a monetary fee?

Yes _____ No _____

If "No", explain:

b. Will any part of the fee or other compensation be paid or provided directly or indirectly by MCERA, the investment vehicle, or any investor(s) in the investment vehicle?

Yes _____ No _____

If "Yes", explain:

8. Please list the name(s) of all current and former MCERA board members, employees, and consultants, or a member of the immediate family of any such person that are either employed or receiving compensation of any kind provided, or agreed to be provided, directly or indirectly from the Placement Agent(s) in connection with the Proposed Investment. If none, enter "none" below.

9. Please list the name(s) of any current or former MCERA Board members, employees, and consultants, or a member of the immediate family of any such person, who suggested the retention of the Placement Agent(s) in connection with the Proposed Investment. If none, enter "none" below.

10. Please state whether the Placement Agent(s), or any of its affiliates, is registered with the Securities and Exchange Commission or the Financial Industry Regulatory Association or any similar state regulatory agency, or any similar regulatory agency in a country other than the United States. Also include any CFA (Chartered Financial Analyst) registrations conferred by the CFA Institute. Please describe the details of all registrations. If the Placement Agent(s) is not registered with any regulatory agency, please provide explanation as to why no registration is required.

11. Please state whether the Placement Agent, or any of its affiliates, is registered (or is required to be registered as of a date certain) as a lobbyist with any state or national government. Please describe all such registrations.

Any External Manager or Placement Agent that violates the Policy shall not solicit new investments from MCERA for five years after the violation was committed. However, this prohibition may be reduced by a majority vote of the Board at a public session upon a showing of good cause.

Sanctions in the event of a material omission or inaccuracy in the Disclosure can include, but are not limited to:

1. For failure to disclose a relationship with a third party Placement Agent, the reimbursement to MCERA of an amount equal to the amounts paid or promised to be paid to that Placement Agent in connection with any investment by MCERA.

2. Immediate termination of the investment management engagement without penalty, or withdrawal without penalty from the limited partnership, limited liability company, or other investment vehicle, or suspension of any further capital contributions (and any fees on these re-called commitments) to limited partnership, limited liability company, or other investment vehicle.

Your attention is drawn to California Government Code section relating to Placement Agents. Please note, there may be other laws relevant to Placement Agents, and you and any Placement Agent you engage with respect to managing or seeking to manage MCERA assets are strongly encouraged to consult your own legal counsel.

California Government Code section 7513.9:

(a) Any placement agent, prior to acting as a placement agent in connection with any potential system investment, shall disclose to the board all campaign contributions made by the placement agent to any elected member of the board during the prior 24-month period. Additionally, any subsequent campaign contribution made by the placement agent to an elected member of the board during the time the placement agent is receiving compensation in connection with a system investment shall also be disclosed.

(b) Any Placement Agent, prior to acting as a Placement Agent in connection with any potential system investment, shall disclose to the board all gifts, as defined in Section 82028, given by the Placement Agent to any member of the board during the prior 24-month period. Additionally, any subsequent gift given by the Placement Agent to any member of the board during the time the placement agent is receiving compensation in connection with a system investment shall also be disclosed.

By signing below, you acknowledge and agree to comply with MCERA's Placement Agent Disclosure Policy (attached) and that the Policy will be incorporated into and made a part of any contract or other agreement pursuant to which you manage assets for MCERA. You also represent and warrant that the above information, and information attached is true and correct. You agree to all of the following:

1. To provide an update of any changes to any of the information included in this questionnaire response within 30 days of the occurrence of the change in information.
2. That for two years after leaving their position, former board members or administrators shall not receive compensation for appearing before or communicating with a MCERA Board member or staff for the purpose of influencing the Board to take certain action regarding investments.
3. That all of the information provided to MCERA pursuant to this Policy is public information and subject to disclosure under the Public Records Act.
4. That you will cause your engaged Placement Agent(s), prior to and during the time they are receiving compensation in connection with a MCERA investment, to disclose to Staff any campaign contribution, gift or other item of value made or given to any member of the MCERA Board or Staff or Consultant during the prior twenty-four month period.

Name of External Manager: _____

By: _____

Name: _____

Title: _____

Date: _____

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 26, 2011
To: Board of Retirement
From: Jim Andersen, Retirement Administrator 
Jeff Berk, General Counsel
Subject: Project Status Report and Possible Action Regarding "Correction of Contribution Rates" Project

Introduction

At its October 2011 meeting, the Board approved a project charter entitled Correction of Contribution Rates (attached). The project is intended to correct erroneous employee contribution rates calculated by Buck Consultants and applied from the beginning of the 2009/10 fiscal year (pay period 15) until amended in January of 2012 (pay period 2). The Board also established an ad hoc committee of members Goodman and Walker and approved contracts or amended contracts with The Segal Company (Segal), Hanson Bridgett, and Peter Stalder to provide specialized assistance with the project. Staff communicated that they would place a project status update on the Board's agenda each month.

Discussion

Page 5, 6 and 7 of the project charter have been updated to reflect staff's confidence level in meeting upcoming milestones (page 5) and to provide specific updates on which milestones have been or are in the process of being completed (pages 6 and 7). At this time, there are no milestones where staff believes there is a moderate or high concern about meeting the objective or the timeline.

Action Item

Milestone number 4 is to determine the procedures for reimbursing overpayments and collecting under-payments by employees, which includes the need to determine the earnings/interest rate, if any, that would be applied to employee over/under contributions. During fiscal year 2009/10, MCERA posted 1.8% in net realized income to reserves, including employee reserves. In 2010/11, MCERA posted 4% to reserves, and has yet to post to reserves for 2011/12, though a 1% posting can be reasonably assumed. Given that the aggregate employee overpayments for those fiscal years were relatively small, 0.4% (.004), 0.4% (.004), and 0.7% (.007), respectively, and interest posted to employee accounts was also significantly below the actuarial assumed rate, staff believes that the interest posting should be considered *de minimus*, or immaterial, and that

the actual overpayment be reimbursed and actual underpayment be recouped without the application of earnings/interest.

Staff believes that it is important to explain that overpayments by members did result excess, though *de minimus*, earnings posted to their accounts. This excess amount could be deducted from their reimbursement. Again, given the *de minimus* amount and the extra work and cost involved in determining the earnings offset/addition for each member, staff is recommending that the variance between the actual contribution and the corrected contribution be refunded or recouped without regard to earnings/interest. The aggregate earnings for the 2 ½ fiscal year period are estimated to be less than \$17,000 for roughly 1,200 to 1,300 members.

Finally, once the variances for 2009/10 and 2010/11 are calculated, which is estimated to occur by December 9, 2011, staff can work with contractor Peter Stalder to confirm the *de minimus* nature of the variances.

Recommended Motion/Action

1. Accept the project status report.
2. Direct that no (0.00%) earnings/interest will be deducted from reimbursements for employee over-contributions or added to recoupment for employee under-contributions.

Alternatives

Apply the rate of earnings to over and under payments, or apply another rate such as the actuarial assumed earnings rate, portfolio return rate for each period, or the legal rate of interest. Not recommended. As noted above, the earnings rate is *de minimus*, and the actuarial assumed rate, portfolio return rate and legal interest rate are not reflective of the aggregate impact on employees contributing to the fund during this period.

Staff will be happy to respond to any questions or comments you may have.

JA/JB

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

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 (mo/day/year)	Confidence Level (high, medium, or low)
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	High
Board of Retirement adopt corrected rate for 2011/12	12/12/2011	High
Board of Supervisors adopt corrected rate for 2011/12	12/13/2011	High
Actuarial sampling and Quality Assurance of variance calculations through June 30, 2011	12/30/2011	
Implement corrected rate for the balance of 2011/12	01/08/2012	
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	Moderate
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.

- o **Milestone 1 – Completed.** That the Board establishes an ad hoc committee for staff guidance between meetings. On October 19th the Board established an ad hoc committee of Goodman and Walker. Staff was authorized to create a technical advisory committee (TAC) as needed.
- o **Milestone 2 – Completed.** That County IS set up a secured FTP site on October 24th for transferring information between authorized project participants. Staff identified all individuals who would need access to the site, and IS established a security system and list of users.
- o **Milestone 3 – In Process.** Segal has calculated correct employee and employer contribution rates for FY 2009/10, 2010/11, and 2011/12. Given that Segal is completing its experience study for MCERA, the correct rates will receive a final review, transmittal letter, and be sent by the close of business on November 4th.
- o **Milestone 4 – Recommendation Ready for Board Action.** Staff has conferred with counsel on alternative rates to apply to over and underpayments by members. The most defensible rate to use is the actual earnings posted to reserves during accounting periods in which the errors occurred. Given that: (1) that earnings posted for the three fiscal years were 1.8%, 4% and 1%, respectively; (2) that the interest can be considered *de minimus* or immaterial; and (3) that

the *de minimus* interest has been posted and would have to be deducted from the refunds of overpayments; and (4) that there is a cost associated with calculating the deduction and amending ledgers appropriately; staff is recommending that no previously posted earnings be deducted for member overpayments or collected for member under-payments, and that no other earnings or interest rates be applied (e.g., actuarial assumed rate, legal rate, etc.).

- **Milestone 5 – In process.** Contracted consultant Peter Stalder has identified all fields of information necessary to calculate the variance between actual member contributions and corrected member contributions and to populate relevant fields of information on correspondence with members. Staff is constructing the report for 2009/10 and 2010/11, and will transmit the data to Peter by November 4th. As stated in Milestone 3, Segal will provide corrected rates by November 4th. Peter should have all the data he needs to calculate the variance for two fiscal years and create the member database.
- **Milestone 6 – 12/12/2011.** Segal will provide corrected employee and employer contribution rates to be effective January 8, 2012. The rate will be available November 4th. The Board is expected to take action to adopt the new rates prior to its joint meeting with the Board of Supervisors and thereby halt the continuation of the incorrect calculation by Buck.
- **Milestone 7 – 12/13/2011.** Staff will prepare an agenda item for the Board of Supervisors to adopt the corrected employee and employer contribution rates.
- **Milestone 16 – 12/12/2011.** Determination on the manner in which plan sponsors will correct underpayments. Staff is requesting a legal opinion from Hanson Bridgett regarding alternative sources of financing reimbursement of employee overpayments and under-payments (if collected), including the pension trust and the County treasury. Legal Counsel will review the IRS allowances and barriers, as well as other pros and cons associated with both financing sources for each unique recipient group (i.e. active, deferred and retired members). The goal is to have the opinion completed in time to discuss with the Board of Supervisors at the joint meeting on December 12, 2011.

Additional milestones will be addressed in the December project update.

Comments:

The initial steps of the project are going very well, and all parties (MCERA, County, Courts and contractors) are working well together.