

◆MENDOCINO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION◆  
BOARD OF RETIREMENT MEETING MINUTES  
◆MAY 18, 2016 AT 8:30 A.M.◆

**CALL TO ORDER**

Randy Goodman, Board Chair, called the meeting to order at 8:30 a.m.

**ROLL CALL AND PLEDGE OF ALLEGIANCE**

Roll call was conducted with the following members present: Kathryn Cavness, Supervisor Dan Gjerde, Craig Walker, Tim Knudsen, Shari Schapmire and Randy Goodman. Also present: James Wilbanks, Retirement Administrator, Jeff Berk, Legal Counsel, Stan Conwell, Financial Investment Officer, Judy Zeller, Administrative Assistant, and Greg DeForrest, John Pirone, and Alina Vartanyan of Callan Associates. Absent: Jerilyn Harris, John Sakowicz, Ted Stephens, and Richard Shoemaker.

**PUBLIC COMMENT:** None

**1) MINUTES OF THE BOARD MEETINGS HELD APRIL 20, 2016**

**Presenter/s:** Chair Goodman referenced the April 20, 2016 minutes which were approved by unanimous consent.

**2) CONSENT AGENDA**

**A. April 2016 Retirement Report**

**Presenter/s:** Chair Goodman referenced the Consent Agenda which was approved by unanimous consent.

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

None

Mr. Sakowicz entered the meeting at 8:40 a.m.

**4) DISCUSSION AND POSSIBLE ACTION REGARDING QUARTERLY INVESTMENT REPORT**

- **Quarterly Investment Performance Report, Callan Associates**
- **Private Equity and Multi Asset Class Discussion, Callan Associates**
- **Monthly Investment Report**
- **Investment Manager Status Update: Royce Total Return, Morgan Stanley**

**Presenter/s:** Greg De Forrest and John Pirone of Callan Associates referenced information regarding Private Equity and Multi-Asset Class investing.

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Private equity discussion included a description of fund-of-fund managers and information on the complexity of private equity investing. Diversification, illiquidity, long term investing, fees, risk, and returns on investment were also discussed.

Multi Asset Class (MAC) discussion included review of the three MAC categories; MAC Absolute Return, Risk Parity, and MAC Long Biased. Risk, return on investment, and diversification with MAC investing were also discussed.

Mr. De Forrest suggested the board consider adding Private Equity to their portfolio of investments. If adding MAC is also considered, the plan could invest a higher amount in Private Equity. If only choosing one option, Callan's recommendation would be to add Private Equity to the portfolio, otherwise continue with the current asset categories.

**Direction:** Callan will return next board meeting with recommended asset allocation mixes including Private Equity investment for MCERA to consider.

Mr. De Forrest referenced the quarterly performance report. The fund value was \$423 million with zero return for the quarter, underperforming for both the quarter and the year. Royce Total Return was up 5% and the best performer for the quarter. Morgan Stanley has not done well for the last year. Callan will continue to follow them closely. RS Investments had a tough quarter/year and have been acquired by Victory Capital Management. Callan will research and follow them as well. Overall the plan had good performance relative to other plans and is on its target allocation.

Dr. Wilbanks presented the Monthly Investment Report and explained that we are currently working on receiving monthly investment reporting from the Custodial Bank which will then be sent to Callan. This will eliminate our usual monthly report and should be available soon.

**5) DISCUSSION AND POSSIBLE ACTION REGARDING REQUEST BY MEMBER DAVID PELSER TO REVIEW HIS RETIREMENT BENEFIT AND THE APPLICATION OF RECIPROCITY**

**Presenter/s:** Dr. Wilbanks referenced information regarding member David Pelsler's request to review his retirement benefit. Mr. Pelsler addressed the board and stated his position. Mr. Berk referenced the memo prepared by Dr. Wilbanks and explained that reciprocity has a specific time limit of six months. A longer period between employments is inconsistent with the law and Contra Costa County agrees with MCERA's position.

**Board Action:** Motion was made by Supervisor Gjerde to uphold the staff recommendation. Mr. Sakowicz seconded the motion and it was approved by the following vote: Ayes: Mr. Sakowicz, Supervisor Gjerde, Mr. Walker, Mr. Knudsen, Ms. Schapmire, and Mr. Goodman. Noes: 0. Abstain: Ms. Cavness. Absent: Ms. Harris and Mr. Stephens.

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6) MONTHLY FINANCIAL REPORT

**Presenter/s:** Dr. Wilbanks presented the Monthly Financial Report.

7) QUARTERLY BUDGET UPDATE

**Presenter/s:** Dr. Wilbanks presented the Quarterly Budget Update. Year to date the budget is under target and under the prior year budget. The Audit and Budget Committee meeting scheduled today may be rescheduled due to the absence of the Chair. The proposed budget for fiscal year 2017 was to be discussed at that meeting.

We expect technology expense to increase and we continue to work on saving and finding ways to work more efficiently. Disability is an area that is unpredictable and hearings would make up most of the expense. Cost to process applications with Managed Medical Review Organization (MMRO) will be much less than prior years.

Mr. Sakowicz noted that the board training expense is below budget and he reminded trustees to take advantage of California Association of Public Retirement Systems (CALAPRS) trainings.

8) DISCUSSION AND POSSIBLE ACTION REGARDING RESOLUTION 2016-01  
DEFINING COMPENSATION EARNABLE PURSUANT TO GOVERNMENT CODE  
SECTION 31461 FOR MEMBERS WHO ARE NOT SUBJECT TO GOVERNMENT CODE  
SECTION 7522.34

**Presenter/s:** Dr. Wilbanks referenced Resolution 2016-01 defining compensation earnable per Government Code Section 31461, Non-Public Employee Pension Reform Act (PEPRA) members. He explained that an audit of pay codes resulted in the need to include additional pay codes in our compensation earnable resolutions. A few new pay codes were included as compensation earnable to be consistent with other pay codes previously included in Bargaining Unit Memorandums of Understanding (MOUs) and so that our legacy members would be treated consistently.

**Board Action:** Motion was made by Mr. Walker to adopt Resolution 2016-01. Mr. Knudsen seconded the motion and it was approved by the following vote: Ayes: Ms. Cavness, Mr. Sakowicz, Supervisor Gjerde, Mr. Walker, Mr. Knudsen, Ms. Schapmire, and Mr. Goodman. Noes: 0. Abstain: 0. Absent: Ms. Harris and Mr. Stephens.

9) DISCUSSION AND POSSIBLE ACTION REGARDING RESOLUTION 2016-02  
DEFINING COMPENSATION EARNABLE PURSUANT TO GOVERNMENT CODE

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**SECTION 7522.34 FOR MEMBERS WHO ARE NOT SUBJECT TO GOVERNMENT CODE SECTION 31461**

**Presenter/s:** Dr. Wilbanks referenced Resolution 2016-02 defining compensation earnable per Government Code Section 7522.34, PEPRA members. He stated that changes are slightly different for PEPRA members as only three pay codes needed to be included in the resolution. The new pay codes do not apply to PEPRA members.

**Board Action:** Motion was made by Mr. Knudsen to adopt Resolution 2016-02. Mr. Sakowicz seconded the motion and it was approved by the following vote: Ayes: Ms. Cavness, Mr. Sakowicz, Supervisor Gjerde, Mr. Knudsen, Ms. Schapmire, and Mr. Goodman. Noes: 0. Abstain: Mr. Walker. Absent: Ms. Harris and Mr. Stephens.

**10) DISCUSSION AND POSSIBLE ACTION REGARDING ASSESSMENT AND DETERMINATION OF COMPENSATION POLICY**

**Presenter/s:** Dr. Wilbanks referenced the Assessment and Determination of Compensation Policy. He did not recommend any significant changes. Edits were only needed to bring this policy up to date.

**Board Action:** Motion was made by Mr. Sakowicz to approve the Assessment and Determination of Compensation Policy. Mr. Walker seconded the motion and it was approved by the following vote: Ayes: Ms. Cavness, Mr. Sakowicz, Supervisor Gjerde, Mr. Walker, Mr. Knudsen, Ms. Schapmire, and Mr. Goodman. Noes: 0. Abstain: 0. Absent: Ms. Harris and Mr. Stephens.

**11) DISCUSSION AND POSSIBLE ACTION REGARDING RECORDS RETENTION POLICY**

**Presenter/s:** Dr. Wilbanks referenced a draft Records Retention Policy. This is a new policy to MCERA which provides an overall framework for our retention schedule. This language was borrowed from Sonoma County and has been edited for our needs. Please note that if there is no disposition for a record it will be kept forever.

Mr. Sakowicz referenced a recent Grand Jury report on record retention and suggested that we be consistent with that report.

**Public Comment:** Dennis Liberty addressed the board.

**Board Action:** Motion was made by Ms. Schapmire to approve the Records Retention Policy. Mr. Sakowicz seconded the motion and it was approved by the following vote: Ayes: Ms. Cavness, Mr. Sakowicz, Supervisor Gjerde, Mr. Walker, Mr. Knudsen, Ms. Schapmire, and Mr. Goodman. Noes: 0. Abstain: 0. Absent: Ms. Harris and Mr. Stephens.

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**12) DISCUSSION AND POSSIBLE ACTION REGARDING RETIREMENT BOARD CHARTER**

**Presenter/s:** Dr. Wilbanks referenced the Retirement Board Charter. This policy was edited to bring it up to date and to include reference to the strategic plan.

**Board Action:** Motion was made by Supervisor Gjerde to approve the Retirement Board Charter. Ms. Cavness seconded the motion and it was approved by the following vote: Ayes: Ms. Cavness, Mr. Sakowicz, Supervisor Gjerde, Mr. Walker, Mr. Knudsen, Ms. Schapmire, and Mr. Goodman. Noes: 0. Abstain: 0. Absent: Ms. Harris and Mr. Stephens.

**13) DISCUSSION AND POSSIBLE ACTION REGARDING RETIREMENT ADMINISTRATOR CHARTER**

**Presenter/s:** Dr. Wilbanks referenced the Retirement Administrator Charter. Edits were made to update the policy and add reference to the strategic plan.

**Board Action:** Motion was made by Ms. Cavness to approve the Retirement Administrator Charter. Supervisor Gjerde seconded the motion and it was approved by the following vote: Ayes: Ms. Cavness, Mr. Sakowicz, Supervisor Gjerde, Mr. Walker, Mr. Knudsen, Ms. Schapmire, and Mr. Goodman. Noes: 0. Abstain: 0. Absent: Ms. Harris and Mr. Stephens.

**14) DISCUSSION AND POSSIBLE ACTION REGARDING AUDIT AND BUDGET COMMITTEE CHARTER**

**Presenter/s:** Dr. Wilbanks referenced the draft Audit and Budget Committee Charter. Changes were mostly in format.

**Board Action:** Motion was made by Mr. Sakowicz to approve the Audit and Budget Committee Charter. Mr. Knudsen seconded the motion and it was approved by the following vote: Ayes: Ms. Cavness, Mr. Sakowicz, Supervisor Gjerde, Mr. Walker, Mr. Knudsen, Ms. Schapmire, and Mr. Goodman. Noes: 0. Abstain: 0. Absent: Ms. Harris and Mr. Stephens.

**15) DISCUSSION AND POSSIBLE ACTION REGARDING POLICY REVIEW SCHEDULE**

**Presenter/s:** Dr. Wilbanks referenced the Policy Review Schedule and explained that this schedule outlines the next twelve years. There are only four policies outstanding. We are consulting with the Actuary regarding the timeframe for the funding policy. Normally it has been done every three years with the experience study. The recommendation may be to do on a five to ten year cycle.

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**Board Action:** Motion was made by Mr. Walker to accept the Policy Review Schedule as outlined. Ms. Schapmire seconded the motion and it was approved by the following vote: Ayes: Ms. Cavness, Mr. Sakowicz, Supervisor Gjerde, Mr. Walker, Mr. Knudsen, Ms. Schapmire, and Mr. Goodman. Noes: 0. Abstain: 0. Absent: Ms. Harris and Mr. Stephens.

Mr. Walker left the meeting at 11:45 a.m.

**16) RETIREMENT ADMINISTRATOR'S REPORT**

- Pension Administration System Monthly Update
- 625 Kings Court Maintenance Update
- Client Presentation Update
- SACRS Update
- Possible Update Regarding SACRS Legislative Agenda (AB 1853 and AB 2376)
- Administrative and Operations Update
- Retirement Administrator Evaluation Form Distribution

**Presenter/s:** Dr. Wilbanks referenced his administrative report. Document imaging has begun and Member Direct will be available this summer. Member presentations will continue quarterly and the next meeting will be held for Court employees in June. Presentation evaluation results are positive and the County plans to add a deferred compensation presentation to follow the retirement presentation going forward.

Dr. Wilbanks reported on his attendance at the Spring SACRS Conference and he provided an update on legislative items. He introduced our new summer intern, Abraham Rawles, who will be assisting with the Unfunded Liability (UL) project. Retirement Administrator Evaluations were distributed to the board. The completed evaluations must be returned to the Chair by June 1st.

Kings Court has much deferred maintenance and there are two major improvement projects that need to be completed immediately; painting the exterior of the building and carpeting the entire space. Replacement of windows with failed seals and removal of the double doors in the conference room must be considered before painting can begin. Carpeting throughout cost is significant due to excess moisture in the concrete slab which must be sealed before new carpet can be installed. Relocation, temporarily, may need to be considered. Adding a secure entry at the front of the office is also must be considered. All of these items will be discussed further with the proposed budget for fiscal year 2017.

**Board Direction:** Staff will obtain more information regarding cost of window replacements, double door removal, and the addition of a secure entry for discussion.

**17) GENERAL BOARD MEMBER DISCUSSION**

John Sakowicz recommended following the work of UBS Bank, Macquarie Team.

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ADJOURNMENT 12:35 p.m.

**NOTICE OF NEXT RETIREMENT BOARD MEETING**

- The next regularly scheduled Board of Retirement meeting will be held Wednesday June 15, 2016 at 8:30 a.m. in the Mendocino County Employees' Association Conference Room.