

◆ MENDOCINO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION ◆  
BOARD OF RETIREMENT MEETING MINUTES  
◆ AUGUST 17, 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, John Sakowicz, Supervisor Dan Gjerde, Tim Knudsen, Shari Schapmire, Randy Goodman and Richard Shoemaker. Also present: James Wilbanks, Retirement Administrator, Jeff Berk, Legal Counsel, Stan Conwell, Financial Investment Officer, Greg DeForrest and Alina Vartanyan of Callan Associates, and Judy Zeller, Administrative Assistant. Jerilyn Harris participated by teleconference. Absent: Ted Stephens and Craig Walker.

**PUBLIC COMMENT:** None

**1) MINUTES OF THE BOARD MEETING HELD JULY 20, 2016**

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

**2) CONSENT AGENDA**

- June 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. Stephens entered the meeting at 8:36 a.m.

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

- Asset Allocation, Callan Associates
- Quarterly Investment Performance Report, Callan Associates
- MCERA Performance vs Public Fund Sponsor Database Period Ending June 30, 2016
- Investment Manager Status Update: Royce Total Return, Morgan Stanley, RS Investments
- Monthly Investment Report

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**Presenter/s:** Greg DeForrest of Callan Associates referenced the asset allocation decision made at the June Board meeting. He provided a brief recap of the discussions regarding Private Equity and the Asset Liability Study. Members of the board stated their position on Private Equity. The consensus was unfavorable and it was suggested that Private Equity be discussed again in a few years.

Mr. DeForrest referred to page 28 of the 2016 MCERA Asset Liability Study. In July the board voted 4-3 to choose mix 4. Discussion included currency volatility, stocks, risk, and expectations. The board affirmed their decision to vote for mix 4. Mr. DeForrest will begin working with staff on implementing the rebalance plan.

Mr. DeForrest presented the quarterly investment report. The Brexit vote had a direct impact on the market. United Kingdom (UK) stocks were down, bond yields and currencies dropped and have continued to stay down. Surprisingly the US stock market had all-time highs and the bond market had above average returns. The fund's market value at the quarter end was \$426 million. Discussion included relative returns, absolute returns, real estate, active management, and stocks.

Fund performance compared to the Russell 500 Index was disappointing. In the near future the Board will discuss each asset category, their structure and performance. Page 41 shows total fund performance relative to a peer group of Callan and non-Callan funds. MCERA ranks low which may be due to the current asset allocation in the short term, as long term has always worked well for MCERA. The board discussed fiduciary duty.

Mr. DeForrest presented the monthly investment report. Asset classes will be reviewed over the next 3 to 5 months. He also referenced a report of MCERA performance vs a public database which illustrates calendar year performance since 2005.

## 5) MONTHLY FINANCIAL REPORT

**Presenter/s:** Dr. Wilbanks presented the Monthly Financial Report. Negative cash was due to a delayed redemption with one investor. There will be a very low interest cost. Contributions are higher than the prior year due to contribution rate increases.

Mr. Shoemaker requested information and discussion on the actuarial rate of return prior to our next valuation study and adoption.

## 6) QUARTERLY BUDGET UPDATE

**Presenter/s:** Dr. Wilbanks presented the Quarterly Budget Update. Personnel costs were below budget due to an empty position. Administrative costs were below budget due to staff's inability to attend trainings due to the Pension Gold implementation. Legal expense

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was also below budget due to the smaller than expected IRS filing costs, little need for fiduciary counsel, and less use of Sonoma County Counsel. The building improvement bids appear to be less than projected and there will be no increase in investment fees. The budget can be revised mid-year if necessary.

**7) DISCUSSION AND POSSIBLE ACTION REGARDING POTENTIAL SUBMISSION OF LEGISLATIVE PROPOSAL FOR STATE ASSOCIATION OF COUNTY RETIREMENT SYSTEMS (SACRS) SPONSORSHIP**

- Board Composition

**Presenter/s:** Dr. Wilbanks referenced the potential submission of a legislative proposal to SACRS regarding board composition and memo to the board.

Ms. Harris stated that she would appreciate having an alternate trustee at meeting who could take her place in the event she misses a board meeting. This alternate would provide support to the trustees appointed by Board of Supervisors (BOS). Supervisor Gjerde agreed to take the issue to the BOS. Mr. Berk explained that it is better for the BOS to oversee the proposed legislation. Two other 37 Act systems have this type of legislation which was proposed by their counties.

**Board Action:** Motion was made by Mr. Stephens to make recommendation to the Mendocino County Board of Supervisors (BOS) to pursue legislation for Mendocino County to allow for an appointed alternate trustee. Mr. Sakowicz seconded the motion and it was approved by the following vote: Ayes: Kathryn Cavness, John Sakowicz, Supervisor Dan Gjerde, Ted Stephens, Tim Knudsen, Shari Schapmire, and Randy Goodman. Noes: 0. Abstain:0. Absent: Craig Walker.

**8) RETIREMENT ADMINISTRATOR REPORT**

- July Benefit Paper Check Mailing
- Pension Administration System Monthly Update
- Government Finance Officers Association Certificate of Achievement for Excellence in Financial Reporting
- 625 Kings Court Maintenance Update
- Administrative and Operations Update
- Legislative Update (AB1853 and AB2376)

**Presenter/s:** Dr. Wilbanks presented his administrative report which included the July check mailing postal issue which is resolving, soft release of MemberDirect, the Government Finance Officers Association (GFOA) certificate of excellence award for the 2015 Comprehensive Annual Financial Report (CAFR), building maintenance update, update on the Unfunded Actuarial Accrued Liability (UAAL) project, and a legislative update.

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Mr. Stephens asked to bring his ideas forward regarding the UAAL in a future agenda item.

**Public comment:** Neelam Salmen addressed the board.

**9) RETIREMENT ADMINISTRATOR CONTRACT AD HOC COMMITTEE REPORT AND DISCUSSION AND POSSIBLE ACTION ON APPOINTMENT OF LABOR NEGOTIATOR**

**Presenter/s:** Supervisor Gjerde, committee chair, reported on the committee's discussion regarding the Retirement Administrator contract options. The committee recommended appointing a negotiator, or negotiators, consisting of a few board members, to meet in closed session over a few meetings. Mr. Berk explained the process and that it is allowed by the Brown Act. Once negotiations are complete a finished contract, which is a public document, will be approved in open session. Mr. Goodman appointed Supervisor Gjerde, Tim Knudsen, John Sakowicz, and Shari Schapmire as negotiators.

Supervisor Gjerde requested moving to agenda item 11, General Board Member Discussion, before going into closed session.

**11) GENERAL BOARD MEMBER DISCUSSION**

Supervisor Gjerde provided an update on the County Counsel review of prior BOS actions regarding retirement plan benefits. This will go before the supervisors in September and will include a history of past actions, a legal analysis of whether they were done legally, and if there are any actions that can be reconsidered.

Mr. Stephens expressed concern regarding waiting until Segal Consulting provides our annual valuation to discuss funding and the UAAL. He requested a pre-valuation board discussion coordinated with the UAAL report regarding any change in the assumed rate of return and funding levels.

**Board Direction:** Mr. Stephens will work with staff and legal counsel on creating an agenda item for this pre-valuation discussion coordinated with the UAAL report.

Mr. Sakowicz recommend review of a document written by Chris Waddell, Senior Attorney of the Law Offices of Olson, Hagel, and Fishburn LLP, regarding fiduciary duty and Mr. Knudsen recommend having the government code sections ready for this discussion.

Dr. Wilbanks stated that the Cost of Living Adjustment (COLA) item will be coming soon.

**10) CLOSED SESSION**

- Conference with Labor Negotiator Regarding Retirement Administrator - Pursuant to Government Code Section 54957.6

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**REPORT OUT OF CLOSED SESSION**

Direction was given to the negotiators and legal counsel on how to proceed.

**ADJOURNMENT AND NOTICE OF NEXT BOARD OF RETIREMENT MEETING**

- The next regularly scheduled Board of Retirement meeting will be held Wednesday September 21, 2016 at 8:30 a.m. in the Mendocino County Employees' Association Conference Room.