

Date: March 21, 2018
To: Board of Retirement
From: James Wilbanks, Ph.D., Retirement Administrator
Subject: Administrator Report

Form 700 Reminder

This is a reminder that Trustees' Form 700 filing is due to Judy Zeller by Monday, April 2, 2018.

SACRS Spring Conference

The SACRS Spring conference will be May 15-18, 2018 at the Anaheim Marriott. Please let Judy Zeller know as soon as possible if you would like to attend, she can also assist with travel arrangements if you would like.

Investment Program Future Plans

I wanted to remind the Board of the current project plans for the MCERA investment program over the coming months. Based on the Board Work Plan adopted through the Strategic Planning process, the only scheduled significant investment project on the Board Work Plan for the remainder of calendar year 2018 is the Investment Consultant Request for Proposals (RFP). We expect to initiate the RFP process in the third quarter of calendar 2018 and complete the process in the fourth quarter.

While the Investment Consultant RFP is the only significant investment project on the Board Work Plan that is scheduled for the remainder of 2018, there are other projects currently underway in the investment space. For example, staff is working to develop and implement an investment manager review and monitoring program where we meet with the current lineup of investment managers on a regular basis.

Additionally, a significant amount of staff time is currently directed to completing a host of other projects including: actuarial audit, actuarial analysis of alternate economic scenarios, development of a communication strategy and several communication pieces, 2019 legislative proposals and completing the Disaster Recovery/Business Continuity (DR/BC) Plan. My plan is to complete these projects in 2018 which will allow more of my time to be directed to the investment program in 2019.

After the completion of the Investment Consultant RFP, we plan to begin a strategic review of the investment program in its totality. I envision this review being somewhat similar to the review we conducted for the overall organization during which we built the MCERA Strategic Plan. I expect the investment program review to involve less time because of the progress the Board has made toward employing a policy-focused governance model.

Our overall investment approach as stated in the MCERA Strategic Plan is "We invest strategically by focusing on asset allocation." I will remind the Board that we choose this approach very intentionally since asset allocation is the single most important determinant of long-run return. While there is debate in the academic and financial literature as to how much of the total return is determined by asset allocation, the debate focuses on whether it accounts for 80%, 96% or somewhere in between. Wherever in this range the true number lies, any Board with investment responsibility should focus its investment efforts on this critical success factor as MCERA does.