



**PRESENTATION  
TO THE**



**MENDOCINO COUNTY EMPLOYEES  
RETIREMENT ASSOCIATION**

*December 12, 2018*

**Nick Erickson, CFA, CAIA**  
*Vice President*

**Mika Malone, CAIA**  
*Managing Principal*

**Paola Nealon**  
*Senior Vice President*

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**M E K E T A   I N V E S T M E N T   G R O U P**

BOSTON  
MASSACHUSETTS

CHICAGO  
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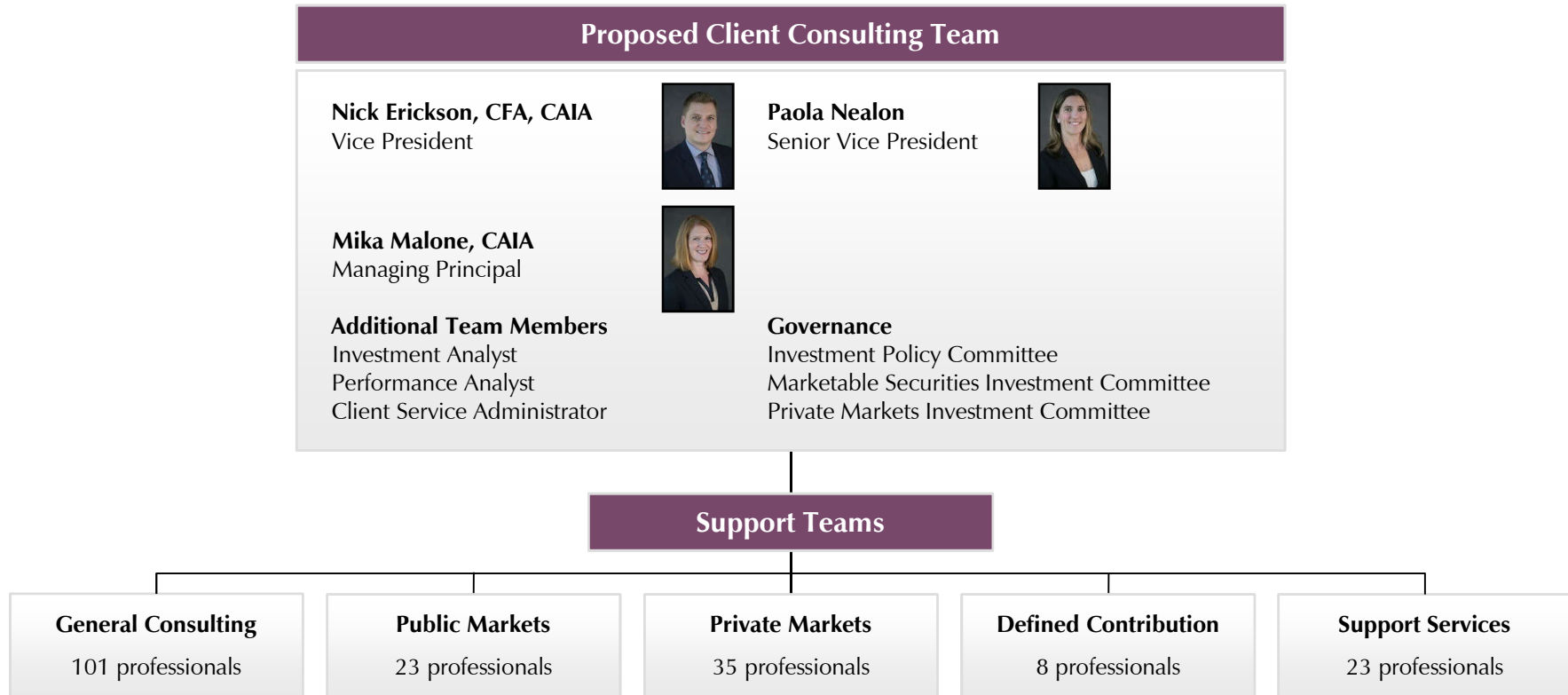
SAN DIEGO  
CALIFORNIA

LONDON  
UNITED KINGDOM

[www.meketagroup.com](http://www.meketagroup.com)

**Firm Overview ..... 1**  
**Consulting Services Overview ..... 2**  
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## We Are Staffed to Provide an Intensive Level of Client Service



- Each of our clients is serviced by a team of consultants, analysts, and support staff.
- We strive to provide timely and detailed responses to all inquiries from our clients.

Note: General Consulting, Public Markets, Private Markets, and Defined Contribution counts include overlap of professionals and includes support staff.

As of September 30, 2018.

## Meketa Investment Group

Mendocino County Employees Retirement Association

## Proposed Consulting Team



**Nick Erickson, CFA, CAIA**  
Vice President

- 18 years' industry experience
- Joined the firm in 2013
- Consultant on various public, non-profit, and Taft-Hartley pension funds
- Prior to joining the firm, he worked at Brandes Investment Partners in various positions, including operations, portfolio management as well as conducting research for the Brandes Institute
- BS in Management Science from the University of California, San Diego



**Paola M. Nealon**  
Senior Vice President

- 13 years' industry experience
- Joined the firm in 2017
- Consultant on endowments & foundations, public funds, and Taft-Hartley funds; consulting work includes investment policy design, asset allocation modeling, fund performance analysis, and asset class education.
- Prior to joining the firm, she was an Investment Officer at Oregon State Treasury, which manages the \$75B Oregon Public Employees Retirement Fund.
- MBA from Thunderbird School of Management at Arizona State University; BA from Colgate University



**Mika Malone, CAIA**  
Managing Principal

- 17 years' industry experience
- Joined the firm in 2003, Shareholder
- Manages the firm's Portland, Oregon office
- Lead consultant on select public and private pension funds, endowments, and defined contribution plans
- Speaker at numerous industry events
- Co-Chair of the firm's Compliance Committee and member of the firm's Global Macroeconomic, ESG and Defined Contribution Committees
- MBA in Finance from the University of San Diego; BA in Literature, with honors, from the University of Maryland

## Firm Overview

**Experienced, Stable, and Independent Consulting Firm**

- Since 1978, Meketa Investment Group has served as an independent fiduciary.
- Today, we are a full service investment consulting and advisory firm.
- We are 100% independently owned by senior professionals of the firm.
- We currently work with 175 clients and advise on over \$640 billion.
- We operate from six offices: Boston, Chicago, Miami, Portland, San Diego, and London.

**Our Services**

- Our Non-Discretionary services fall into two primary categories:

**General Consulting Services**

- Initial Fund Review
- Investment Policy Design
- Asset Allocation
- Liability & Liquidity Studies
- Manager Evaluation & Selection
- Fund Coordination
- Fund Reporting & Analysis
- Client Education

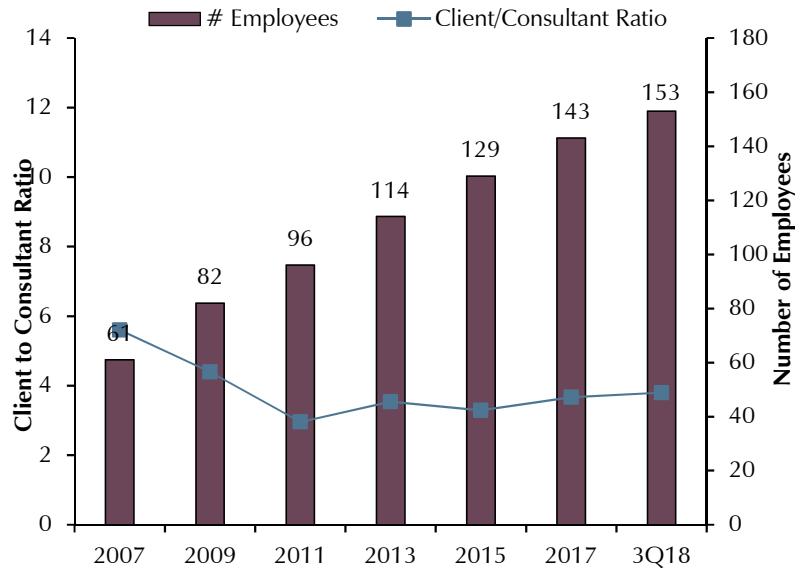
**Private Markets Advisory Services**

- Strategic Planning
- Pacing Analysis
- Partnership Analysis
- Legal Review
- Cash Flow Coordination
- Program Monitoring & Review
- Client Education

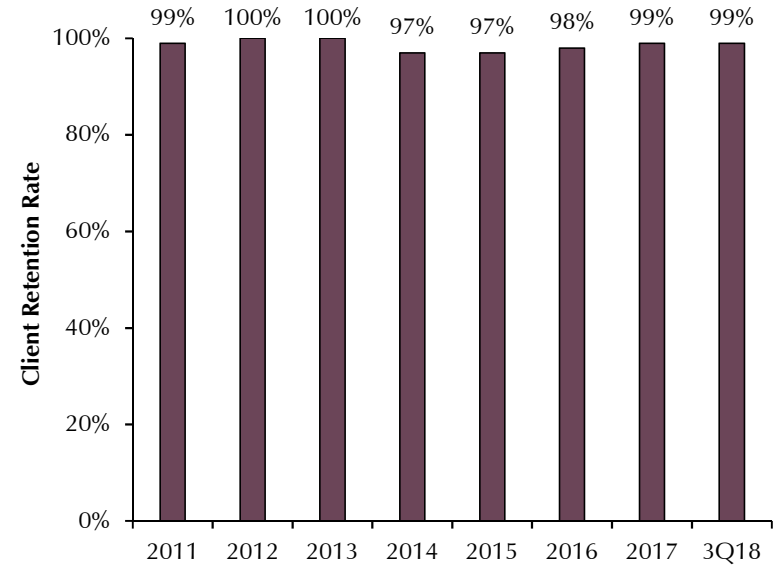
## Deep & Growing Team

- We have experienced consistent and controlled growth.
- Staff of 153, including 101 investment professionals.
- 44 consultants with an average of 10 years with the firm and 20 years in the industry.
- Highly experienced staff, including: 31 CFA Charterholders, 21 CAIAs, 1 FSA, 21 MBAs, 13 Masters, 1 PhD, and 1 JD.
- We maintain a low client to employee ratio, contributing to high client retention.

**Client to Consultant Ratio**



**Client Retention Rate\***



\* Client Retention Rate is one minus the number of clients lost divided by the number clients at prior year end.

# Consulting Services Overview



## **Comprehensive Initial Fund Review**

- Examines existing Investment Policy Statement, asset allocation policy, and structure.
- Results in a useful guide for discussions and decision-making.
- Provides current status of the Retirement Association, recommendations, and priorities.

## **Investment Policy Development**

- Investment policy represents one of the most important governance tools for an asset pool.
  - Investment objectives and constraints are key elements to Investment Policy.
- Well-developed investment policy represents the intersection of client-specific goals and concerns with the realities of the capital markets.
- Investment policy development includes:
  - Defining the objectives of the Retirement Association (i.e., the purpose of the Retirement Association's assets).
  - Defining the return and risk parameters.
  - Identifying Retirement Association-specific constraints.
  - Defining governance structure.

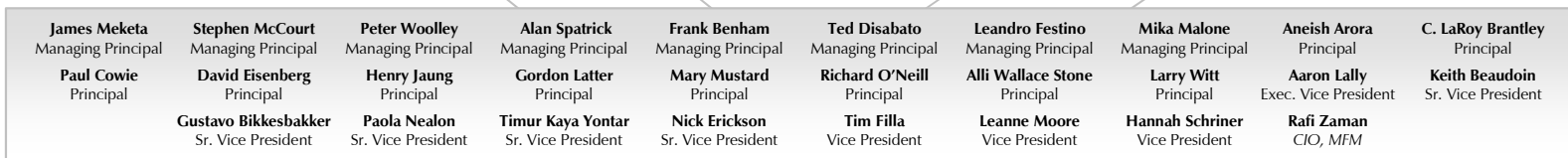
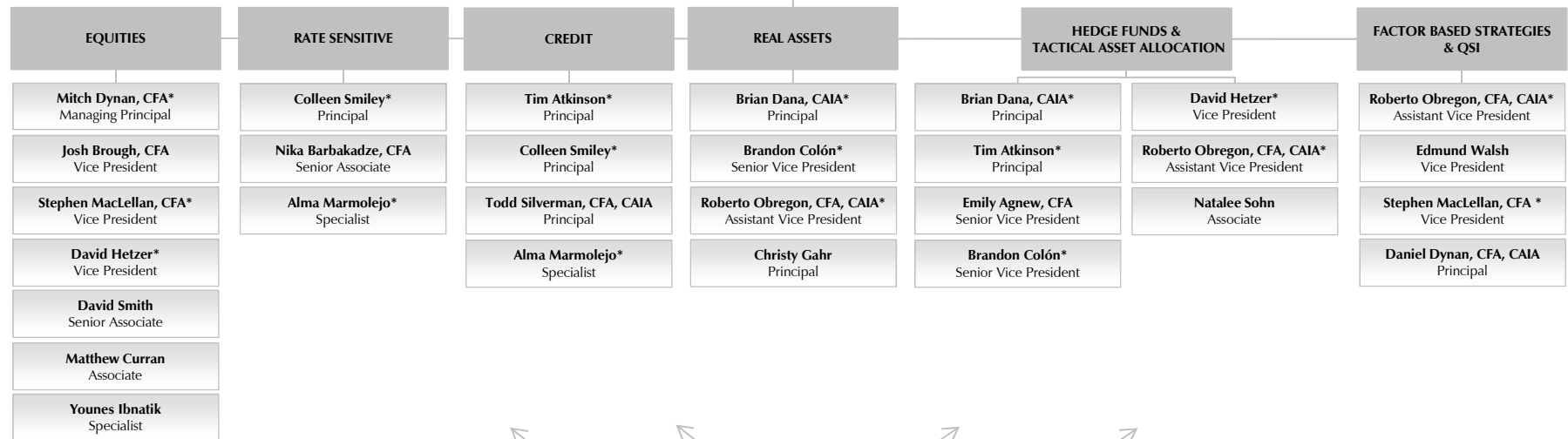
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## **Asset Allocation and Risk Management**

- Asset Allocation represents the conscious decision to accept and manage risk.
  - Hence, asset allocation and risk management should be intricately linked with one another.
- The real world risks and objectives faced by investors are complex and often conflicting.
  - These cannot be summarized in a single statistic.
  - Rather, we use a variety of tools to build a more complete picture.
- Our staff has access to both the best tools used in the industry, as well as proprietary tools developed by our internal team:
  - Mean-Variance Optimization
  - Risk Budgeting
  - Scenario Analysis
  - Factor Analysis
  - Liquidity Analysis
  - Tracking Error Analysis
  - Economic Regime Analysis
  - High Dimension Optimization
  - Big Data Simulations

**Public Markets Manager Research Organization**

- 23-person research team
- Organized by asset class
- Analysts build knowledge of specific universe
- Compare and contrast to ID strongest managers
- Leverage knowledge of Consultants
- MSIC oversees manager selection and monitoring



\* Denotes an individual with multiple roles among public asset classes.

As of October 2018.



## The Five Key Areas of the Meketa Investment Manager Evaluation Process

### Organization

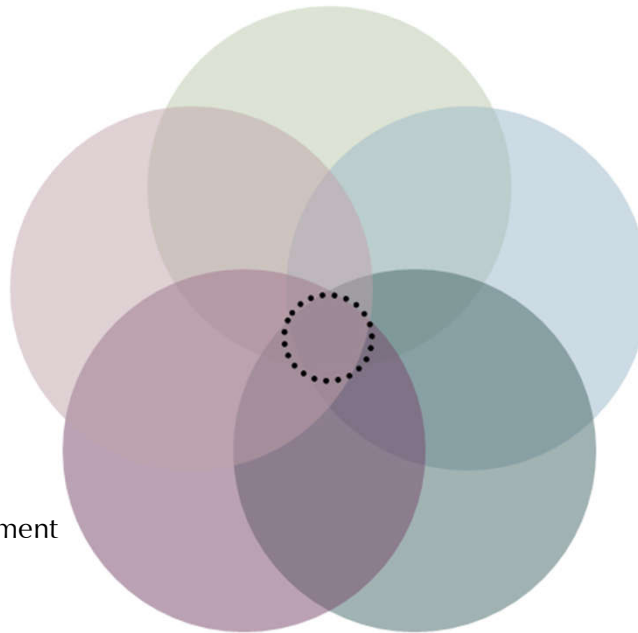
- Stability
- Focus
- Employee ownership
- Investment driven culture
- Operationally sound

### Performance & Fees

- Validates process
- Long-term record
- Risk-adjusted returns
- Reasonable fees

### Investment Process & Risk Management

- Straightforward
- Level of due diligence
- Thought process assessment
- Communication
- Decision-making and portfolio construction
- Self-evaluation / lessons learned
- Risk controls



### Investment Team

- Experience
- Depth of resources
- Team-oriented, performance driven
- Stock selection ability
- Investment intuition

### Investment Philosophy

- Set of beliefs
- Stock price determinants
- Reasons for mispricings
- How to add value
- Competitive edge

## **Why Meketa Investment Group?**

### **Why Is Meketa a Good Partner for MCERA?**

- Experienced, full-service consulting firm – providing all of the services that MCERA needs to succeed. Ability to work collaboratively with specialist consultants.
- Strong organization – financially, organizationally, and operationally.
- Objective, independent advice – no canned recommendations.
- Investment recommendations, solutions and programs – customized, proactive and created exclusively for MCERA.
- Significant Public Fund and '37 Act experience
  - We have worked with public funds for 20 years and currently advise on \$545 billion for 49 public fund clients including \$60 billion for '37 Act funds and \$250 billion for other California-based public fund clients.
- Low client to consultant ratio – MCERA will receive personal attention from the client team.
  - We are proud of our high client satisfaction which has resulted in very high retention (~99%). Relationships are important to us and we want every client relationship to last the test of time as a partnership including MCERA's.
- Research Focused – Industry thought leaders, forward-thinking, producing value-added original research.

**MCERA Scope of Work**

Scope of Work	Why Meketa Investment Group?
Investment Policy, Strategic Asset Allocation and Asset/Liability Studies	Customized asset allocation framework, thought leadership, deep team and proactive recommendations. Significant experience developing policy for public fund clients. Considerable experience conducting Asset Allocation Reviews for clients, and collaborating with actuaries and specialty consultants. Use of Mean-Variance Optimization (MVO), stress testing, scenario analysis in addition to proprietary modeling tools such as High Dimension Optimization (HDO), and Big Data simulations.
Investment Manager Search, Selection and Ongoing Monitoring	Deep and broad research team of specialists covering public and private markets. Demonstrated success in fee negotiation on behalf of our clients. Ability to conduct public searches to MCERA’s specifications as necessary.
Performance Evaluation and Reporting	Simple transition using InvestorForce; ability to create custom slides and risk analysis, including peer ranking and manager monitor comparisons.
Client Service and Education	We pride ourselves in always being available to our clients. Success in creating offsite and onsite customized educational presentations. Ongoing education and proactive dissemination of investment content as we believe educated clients make better decisions.
Review, Selection, and Search for Other Investment-Related Vendors	Significant experience in custodian, transition manager, and commission recapture searches. Demonstrated success in fee negotiation with third party vendors on behalf of our clients.
Communication	Excellent reputation for strong working relationships with Staff and Boards, desire to constantly raise the bar. Annual Survey to allow direct client feedback.

**How Can Meketa Help MCERA Build for the Future?**

MCERA Today	MCERA Tomorrow
<p>Limited Credit exposure. No dedicated exposure to EM Debt, High Yield, and/ or Bank Loans</p>	<p>Consider diversifying credit exposure across portfolio. Dedicated credit managers can add diversification and return potential within the fixed income allocation.</p>
<p>Limited Passive Index Investing</p>	<p>Reduce costs in efficient markets by increasing passive exposure, especially in U.S. Equities.</p>
<p>High exposure to Public Equity markets</p>	<p>Consider reducing home country bias by shifting exposure to outside the U.S. Consider re-allocating a portion of overall public equity market to private markets.</p>
<p>100% use of active management within U.S. Fixed Income</p>	<p>Consider passive indexing for government/treasury exposure.</p>
<p>Consider increasing small cap U.S. Equity exposure</p>	<p>Over long time periods, we believe small cap equity will outperform and should have an above market weight.</p>
<p>International Equity Roster could be enhanced. Emerging Market Equity allocation at approximately of 3% of total Fund.</p>	<p>Consider increasing EM Equity as a return enhancement to the portfolio. Consider EM Small Cap. Consider a review of international equity managers.</p>
<p>No dedicated TIPS (or other inflation sensitive asset)</p>	<p>Consider TIPS within the portfolio to further diversification, particularly Short-Term TIPS given the current rising rate environment. Can be accessed via low-cost passive investments.</p>



*Thank you for the opportunity to meet with you and present our capabilities.*

*We are excited about the prospect of serving the*



*and believe we would be a great fit for your organization.*

*It would be an honor and a privilege to serve as your investment consultant.*

## Meketa Investment Group

Mendocino County Employees Retirement Association

## Representative Client List

### Public

City of Ann Arbor Employees' Retirement System (MI)  
Arizona State Retirement System  
Austin Fire Fighters Relief & Retirement Fund (TX)  
Bloomington Fire Department Relief Association Pension Fund, MN  
California Public Employees' Retirement System  
California State Teachers' Retirement System  
California's Valued Trust  
District of Columbia Retirement Board  
El Paso Firemen & Policemen's Pension Fund (TX)  
Employees' Retirement System of the Government of the Virgin Islands  
Fire and Police Retiree Health Care Fund, San Antonio (TX)  
Hingham Contributory Retirement System (MA)  
Illinois State Board of Investment  
Industrial Commission of Arizona  
Los Angeles County Employees Retirement Association (CA)  
City of Marlborough Contributory Retirement System (MA)  
Maryland State Retirement and Pension System  
Massachusetts Housing Finance Agency Employees' Retirement System  
Merced County Employees Retirement Association  
Metropolitan Water District of Southern California  
Municipal Employees' Retirement System of Louisiana  
New Mexico Public Employees Retirement Association  
Orange County Employees Retirement System (CA)  
City of Phoenix Employees' Retirement System (AZ)  
Plymouth County Retirement Association (MA)  
City of Quincy Retirement System (MA)  
Rhode Island Resource Recovery Corporation  
City and County of San Francisco Retiree Health Care Trust Fund (CA)  
San Jose Federated City Employees' Retirement System (CA)  
South Carolina Retirement System Investment Commission  
Washington State Investment Board  
Worcester Retirement System (MA)  
State of Wyoming, Wyoming Retirement System

### Endowment, Foundation, and Non-Profit

Albuquerque Academy  
Arizona's Permanent State Land Funds Endowment  
Arizona State University  
Coe College  
Community College League of California  
Gumpert Foundation  
Illinois Wesleyan University  
Jacksonville University  
Joint Center for Radiation Therapy Foundation, Inc.  
League of Voluntary Hospitals and Homes of New York Retired Employees  
Massachusetts Medical Society  
Neighborhood Health Plans of Rhode Island, Inc.  
Pfaffinger Foundation  
Rady Children's Hospital and Health Center  
South Shore Hospital  
USA Volleyball Foundation  
United States Polo Association  
University of Wyoming Foundation  
Utah State University  
Utah Valley University  
Warren Wilson College  
Wells College

### Corporate and Other For Profit

Argon Medical Devices, Inc.  
Dedert Corporation  
Fitch Even Tabin & Flannery  
Gemalto, Inc.  
The Marnell Companies, LLC  
Marnell Sher Companies Associates, Inc.  
The O'Connell Companies, Inc.  
Solymar, Inc.



## Meketa Investment Group

Mendocino County Employees Retirement Association

## Representative Client List

### Multi-Employer and Taft-Hartley

I.A.T.S.E. Local 33  
I.A.T.S.E. National Benefit Funds  
Airconditioning and Refrigeration Industry  
Alaska United Food and Commercial Workers  
American Federation of Musicians and Employers  
American Federation of Television and Radio Artists  
Building Service 32BJ  
Communication Workers of America  
Five Rivers Carpenters  
Heat & Frost Insulators Local 6  
Heat and Frost Insulators and Allied Workers Local 25  
Heat and Frost Insulators and Allied Workers Local 47  
IBEW Local 117  
IBEW Local No. 9 and Line Clearance Contractors  
IBEW Local Union No. 461  
International Brotherhood of Electrical Workers Local No. 150  
International Union of Operating Engineers Local No. 98  
Iron Workers of Western Pennsylvania  
Laborers' District Council and Contractors of Ohio  
Local 6 Club Employees  
Local Union No. 131 International Brotherhood of Electrical Workers  
Lucent Supplemental Healthcare Benefits Trust  
for Formerly Represented Retirees  
Massachusetts Construction Advancement Program  
Massachusetts Laborers  
Michigan Laborers  
Minnesota Laborers  
Minnesota Teamsters Construction Division  
NECA-IBEW Local 364  
New England Carpenters  
New York State Nurses Association  
New York State Teamsters

### Multi-Employer and Taft-Hartley, (cont.)

New York State Teamsters Council –  
United Parcel Service Retiree Health Fund  
Northwest Ohio Carpenters  
OCU Pension and Health & Welfare Trusts  
Painters and Allied Trades District Council No. 35  
Plumbers & Pipefitters, Local Union #51  
Plumbers Local Union No. 1  
Producer-Writers Guild of America  
Retail Food Employers and UFCW Local 711  
Service Employees 32BJ North  
Sheet Metal Workers' Local No. 9  
Sheet Metal Local 10  
Sheet Metal Workers' Local 219  
Social Service Employees Union Local 371  
Southern California Pipe Trades  
Southern California Plastering Institute  
Southern California United Food & Commercial Workers Unions  
Southern Nevada Carpenters  
Southern New England Carpenters  
Teamsters Local 251  
Teamsters Union 25  
Teamsters Union Local 170  
Twin City Iron Workers  
UA Local 125  
UNITE HERE Local 25 and Hotel Association of Washington, D.C.  
Western States Insulators and Allied Workers

### VEBA

Goodyear Retiree Healthcare Trust  
National Steel Retiree VEBA Benefit Plan  
VEBA for Retirees of Kaiser Aluminum  
Union Pacific Railroad Employee Health Systems

**Meketa Investment Group**

Mendocino County Employees Retirement Association

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