

◆MENDOCINO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION◆
BOARD OF RETIREMENT MEETING MINUTES
◆FEBRUARY 15, 2017 AT 8:30 A.M.◆

CALL TO ORDER

Dan Gjerde, Board Chair, called the meeting to order at 8:35 a.m.

ROLL CALL AND PLEDGE OF ALLEGIANCE

Roll call was conducted with the following members present: Kathryn Cavness, Lee Parker, Patrick Sullivan, Ted Stephens, Tim Knudsen, Jeri Harris, Shari Schapmire, and Dan Gjerde. 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. Absent: Craig Walker and Richard Shoemaker.

PUBLIC COMMENT: None

1) MINUTES OF THE BOARD MEETING HELD JANUARY 18, 2017

Presenter/s: Chair Gjerde referenced the January 18, 2017 minutes.

Board Action: Motion was made by Ms. Harris to approve the January 18, 2017 minutes. Ms. Cavness seconded the motion and it was approved by the following vote: Ayes: Kathryn Cavness, Patrick Sullivan, Ted Stephens, Tim Knudsen, Jeri Harris, Shari Schapmire and Dan Gjerde. Noes: 0. Abstain: Lee Parker. Absent: Craig Walker.

2) CONSENT AGENDA

- January 2017 Retirement Report

Presenter/s: Chair Gjerde referenced the consent agenda.

Board Action: Motion was made by Ms. Schapmire to approve the consent agenda. Ms. Cavness seconded the motion and it was approved by the following vote: Ayes: Kathryn Cavness, Lee Parker, Patrick Sullivan, Ted Stephens, Tim Knudsen, Jeri Harris, Shari Schapmire and Dan Gjerde. Noes: 0. Abstain: 0. Absent: Craig Walker.

3) DISCUSSION AND POSSIBLE ACTION REGARDING INVESTMENT REPORT

- Quarterly Investment Report
- Monthly Investment Report
- Capital Markets Expectations Update, Callan Associates
- Investment Manager Status Update: Royce Total Return, Morgan Stanley, RS Investments, PIMCO

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Presenter/s: Greg DeForrest of Callan Associates began with a presentation on capital market expectations. He explained the Callan report which included long term strategic projections of investments. Discussion included broad asset classes, stocks and bonds, the unemployment rate, the gross domestic product (GDP), inflation, treasury rates, and volatility.

Mr. Walker entered the meeting at 9:32 am.

Mr. DeForrest referenced the quarterly review of investments for the period ending December 31, 2016. September market values of investments were \$445 million. December was similar, but it is important to note that on December 20th \$7.5 million was liquidated to fund the Barings Core Property Fund which was called on January 2nd. That is not included in this report but is included in the monthly flash report. Funds in transition will be footnoted in the quarterly reports going forward. Dodge and Cox, Boston Partners, and Prudential all had strong returns. We will continue to watch Royce Total Return and Morgan Stanley. Domestic equity structure will be reviewed next month and will include alternatives to consider in this area.

Mr. DeForrest referenced the monthly investment report for January 2017. Market value of investments was \$454 million which is a \$10 million increase during the 1st quarter and a 2% increase since the first of the year.

4) DISCUSSION AND POSSIBLE ACTION REGARDING APPROVAL OF ANNUAL COST OF LIVING ADJUSTMENT (COLA) AS OF APRIL 1, 2017

Presenter/s: Chair Gjerde referenced information regarding the April 1, 2017 COLA including a letter of recommendation from Segal Consulting and an updated version of the COLA research report which had been presented to the board on January 18, 2017. Dr. Wilbanks explained his additional COLA research and recommended approval of the COLA recommendation prepared by Segal Consulting. Review of the COLA has been added to the policy review schedule.

Board Action: Motion was made by Mr. Knudsen to approve the recommended COLA as of April 1, 2017. Ms. Harris seconded the motion and it was approved by the following vote:
Ayes: Kathryn Cavness, Lee Parker, Patrick Sullivan, Ted Stephens, Craig Walker, Tim Knudsen, Jeri Harris, Shari Schapmire and Dan Gjerde. Noes: 0. Abstain: 0. Absent: 0.

12) STATE ASSOCIATION OF COUNTY RETIREMENT SYSTEMS (SACRS) PRESENTATION BY GABE RODRIGUES, SACRS VICE PRESIDENT

Presenter/s: Chair Gjerde introduced Gabe Rodrigues, SACRS Vice President, who provided information regarding the SACRS organization.

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Mr. Rodrigues explained that the purpose of SACRS is educational. SACRS has a board of five directors which are working on building relationships with all 37 Act counties. During this process they will be looking for assistance in evaluating how to help SACRS improve. He recommended upcoming SACRS programs to new and existing trustees and provided a brief overview of the upcoming spring conference schedule. Board discussion included conference locations, legislative issues, SACRS elections, conference breakout sessions, and allowing for conference closed session discussions if necessary.

Chair Gjerde expressed concern regarding the number of sales representatives at SACRS events. Mr. Rodrigues stated that SACRS is trying to discourage any sales at conferences and restrictions are in place. Additional discussion included Public Employee Pension Reform Act (PEPRA) and the CA Rule. SACRS will continue to remain in an educational position as air time and pension spiking will be a topic of concern for a number of years. Ms. Schapmire requested changes to legislation regarding 37 Act COLA language.

5) MONTHLY FINANCIAL REPORT

Presenter/s: Dr. Wilbanks referenced the monthly financial report.

6) QUARTERLY BUDGET UPDATE

Presenter/s: Dr. Wilbanks referenced the quarterly budget update. The board discussed payment of the GASB 68 report invoice and negative cash flow.

7) DISCUSSION AND POSSIBLE ACTION REGARDING BUDGET REVISION FOR EXPERIENCE STUDY

Presenter/s: Chair Gjerde referenced a proposed budget revision for a change in actuarial fees due to the upcoming triennial experience study. Dr. Wilbanks explained that the board had made a decision to change the experience study schedule in December 2016. This cost was not included in the current contract with our actuary. Segal Consulting has reported on the cost for the study which requires budget amendment and approval is recommended.

Board Action: Motion was made by Mr. Knudsen to approve the budget revision for the change in actuary fees for the triennial experience study. Mr. Walker seconded the motion and it was approved by the following vote: Ayes: Kathryn Cavness, Lee Parker, Patrick Sullivan, Ted Stephens, Craig Walker, Tim Knudsen, Jeri Harris, Shari Schapmire and Dan Gjerde. Noes: 0. Abstain: 0. Absent: 0.

8) DISCUSSION AND POSSIBLE ACTION REGARDING REQUEST FOR PROPOSAL (RFP) FOR INDEPENDENT AUDITING SERVICES

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Presenter/s: Chair Gjerde referenced information regarding independent auditing services. Dr. Wilbanks explained that the current agreement with Gallina, LLP will end June 30, 2017 and they have merged with another firm, CliftonLarsonAllen, LLP. Due to the contract expiration and the merger the board was asked to authorize staff to prepare and issue a RFP for independent auditing services. The RFP will be released publicly on the MCERA website and will be sent directly to auditing firms with public retirement system experience.

Public Comment: Kendall Smith addressed the board.

Board Action: Motion was made by Mr. Stephens to authorize staff to prepare and release an RFP for independent auditing services. Ms. Cavness seconded the motion and it was approved by the following vote: Ayes: Kathryn Cavness, Lee Parker, Patrick Sullivan, Ted Stephens, Craig Walker, Tim Knudsen, Jeri Harris, Shari Schapmire and Dan Gjerde. Noes: 0. Abstain: 0. Absent: 0.

9) DISCUSSION AND POSSIBLE ACTION REGARDING DISABILITY APPEALS LEGAL COUNSEL

Presenter/s: Chair Gjerde referenced information regarding disability appeals legal counsel. Dr. Wilbanks stated that our current disability appeals legal counsel, Anthony Graham, declined to represent the board in a recent disability appeal. Staff reached out to Sonoma County Counsel. They have an attorney that handles disability appeals such as this for SCERA and is willing to contract for the disability appeals work. Dr. Wilbanks recommended beginning the process of contracting with Sonoma County Counsel immediately for disability appeals legal counsel since we have a case on appeal currently. Mr. Berk explained counsel's role when reporting to the board in disability cases. The board asked Dr. Wilbanks to contact Mr. Graham regarding his letter and to discuss his concerns.

Board Direction: Staff will contact Mr. Graham regarding his letter.

Board Action: Motion was made by Ms. Harris to authorize staff to contract with Sonoma County Counsel to represent the board in disability appeals. Ms. Cavness seconded the motion and it was approved by the following vote: Ayes: Kathryn Cavness, Lee Parker, Patrick Sullivan, Ted Stephens, Craig Walker, Tim Knudsen, Jeri Harris, Shari Schapmire and Dan Gjerde. Noes: 0. Abstain: 0. Absent: 0.

10) DISCUSSION AND POSSIBLE ACTION REGARDING BOARD COMMUNICATIONS POLICY

Presenter/s: Chair Gjerde referenced the Board Communications Policy. Dr. Wilbanks explained that the policy was up for review and there were no significant changes.

Board Action: Motion was made by Mr. Walker to approve the Board Communications Policy. Mr. Sullivan seconded the motion and it was approved by the following vote: Ayes:

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Kathryn Cavness, Lee Parker, Patrick Sullivan, Ted Stephens, Craig Walker, Tim Knudsen, Jeri Harris, Shari Schapmire and Dan Gjerde. Noes: 0. Abstain: 0. Absent: 0.

11) DISCUSSION AND POSSIBLE ACTION REGARDING STATE ASSOCIATION OF COUNTY RETIREMENT SYSTEMS (SACRS) VOTING AUTHORITY POLICY

Presenter/s: Chair Gjerde referenced the SACRS Voting Authority Policy. Dr. Wilbanks explained that the policy was up for review and there were no significant changes.

Board Action: Motion was made by Mr. Sullivan to approve the SACRS Voting Authority Policy. Mr. Walker seconded the motion and it was approved by the following vote: Ayes: Kathryn Cavness, Lee Parker, Patrick Sullivan, Ted Stephens, Craig Walker, Tim Knudsen, Jeri Harris, Shari Schapmire and Dan Gjerde. Noes: 0. Abstain: 0. Absent: 0.

13) RETIREMENT ADMINISTRATOR REPORT

- Form 700 Filing
- 625 Kings Court Maintenance Update
- Administrative and Operations Update

Presenter/s: Chair Gjerde referenced the retirement administrator report. Dr. Wilbanks reported that Board of Retirement trustees are not required to file with the County Clerk Recorder. There are a few exceptions per County policy, but original Form 700 filings must be submitted to MCERA per the Conflict of Interest Policy. MCERA is not required to file form 700s with the FPPC, but are required to allow public access to the documents. If MCERA does not receive your form 700s we are required to notify the FPPC. Dr. Wilbanks also provided an update on Kings Court maintenance and announced that interviews for the Retirement Specialist 1 position, currently filled by Nora Morgan, are being held this week.

15) GENERAL BOARD MEMBER DISCUSSION

Dr. Wilbanks explained that there is a vacancy on the Audit and Budget Committee. Currently the committee has three members and our policy recommends four. Committee appointments will be agenzized for our next meeting.

14) CLOSED SESSION

- Tiffany Biaggi, Child Support Specialist, Non-Service Connected Disability Application
- Brett Stone, Corrections Deputy, Service Connected Disability Application
- Torsten Werner, Animal Control Officer, Service Connected Disability Application
- Kevin Tyrell, Corrections Deputy, Service Connected Disability Application

REPORT OUT FROM CLOSED SESSION

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Board Action: Motion was made by Ms. Schapmire to approve Tiffany Biaggi for a Non-Service Connected Disability Retirement. Ms. Cavness seconded the motion and it was approved by the following vote: Ayes: Kathryn Cavness, Patrick Sullivan, Ted Stephens, Craig Walker, Tim Knudsen, Shari Schapmire, and Dan Gjerde. Noes: 0. Abstain: Lee Parker and Jeri Harris. Absent: 0.

Board Action: Motion was made by Mr. Sullivan to approve Brett Stone for a Service Connected Disability Retirement. Ms. Schapmire seconded the motion and it was approved by the following vote: Ayes: Kathryn Cavness, Patrick Sullivan, Ted Stephens, Craig Walker, Tim Knudsen, Shari Schapmire, and Dan Gjerde. Noes: 0. Abstain: Lee Parker and Jeri Harris. Absent: 0.

Board Action: Motion was made by Ms. Schapmire to approve Torsten Werner for a Service Connected Disability Retirement. Mr. Sullivan seconded the motion and it was approved by the following vote: Ayes: Kathryn Cavness, Patrick Sullivan, Ted Stephens, Craig Walker, Tim Knudsen, Shari Schapmire, and Dan Gjerde. Noes: 0. Abstain: Lee Parker and Jeri Harris. Absent: 0.

Board Action: Motion was made by Ms. Schapmire to approve Kevin Tyrell for a Service Connected Disability Retirement. Mr. Stephens seconded the motion and it was approved by the following vote: Ayes: Kathryn Cavness, Patrick Sullivan, Ted Stephens, Craig Walker, Tim Knudsen, Shari Schapmire, and Dan Gjerde. Noes: 0. Abstain: Lee Parker and Jeri Harris. Absent: 0.

ADJOURNMENT AND NOTICE OF NEXT BOARD OF RETIREMENT MEETING

- The next regularly scheduled Board of Retirement meeting will be held Wednesday March 15, 2017 at 8:30 a.m. in the Mendocino County Employees' Association Conference Room.