

◆ MENDOCINO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION ◆
BOARD OF RETIREMENT MEETING MINUTES
◆ APRIL 19, 2017 AT 8:30 A.M. ◆

CALL TO ORDER

Dan Gjerde, 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: Shari Schapmire, Patrick Sullivan, Kathryn Cavness, Lee Parker, Ted Stephens, Tim Knudsen, Jeri Harris, Richard Shoemaker 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.

Public Comment: None

1) MINUTES OF THE BOARD MEETING HELD MARCH 15, 2017

Presenter/s: Chair Gjerde referenced the March 15, 2017 minutes. Dr. Wilbanks explained that the minutes show Mr. Stephens as present, absent, and arriving at 8:41 am, and will be amended by staff to reflect his arrival at 8:41 am. The amended minutes were approved by unanimous consent.

2) CONSENT AGENDA

- March 2017 Retirement Report
- Quarterly Trustee Education and Training Report

Presenter/s: Chair Gjerde referenced the consent agenda which was approved by unanimous consent.

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

None

4) DISCUSSION AND POSSIBLE ACTION REGARDING INVESTMENT REPORT

- U.S. Equity Manager Structure
- International Equity Emerging Markets Manager Search
- International Equity Small Cap Manager Search
- Monthly Investment Report
- Investment Manager Status Update: Royce Total Return, Morgan Stanley, RS Investments, PIMCO

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Presenter/s: Greg DeForrest of Callan Associates referenced the March board meeting where five U.S. Equity structures were presented. Following that discussion four additional alternative structures were prepared for the board's consideration. These alternative were based on board direction to maintain Mid Cap and Small Cap over weights, look at risk premium over large cap stocks, simplify structure by reducing the number of managers, and to eliminate underperforming managers.

Mr. DeForrest provided an overview of the four new alternative structures. Mr. Stephens expressed interest in alternative 2. Mr. Shoemaker and Ms. Schapmire agreed. Dr. Wilbanks provided his opinion and explained how decisions are made to take funds from investments to raise cash and rebalance to the target asset allocation.

Board Action: Motion was made by Mr. Stephens to adopt the U.S. Equity structure alternative 2. Ms. Harris seconded the motion and it was approved by the following vote: Ayes: Shari Schapmire, Patrick Sullivan, Kathryn Cavness, Lee Parker, Ted Stephens, Tim Knudsen, Jeri Harris, and Dan Gjerde. Noes: 0. Abstain: 0. Absent: Craig Walker.

Mr. DeForrest summarized the recent International Equity Emerging Market and Small Cap manager searches for MCERA. The top 3 Emerging Market candidates will be interviewed by the board and a manager will be chosen at the May meeting. The Small Cap manager interviews will be scheduled for the June meeting. Discussion included the size of the investment, fees, and monthly vs daily liquidity. Dr. Wilbanks explained the candidate review process.

Board Direction: Staff will work with Callan to schedule investment manager presentations during the May and June board meetings.

Mr. DeForrest referenced the preliminary investment report for March 2017. Fund value was up to \$468 million which is up 1.4% for the month, 5.4% year to date, and with higher than expected returns.

5) DISCUSSION AND POSSIBLE ACTION REGARDING THE 2017 ACTUARIAL TRIENNIAL EXPERIENCE STUDY (SEGAL CONSULTING)

Presenter/s: Paul Angelo and Andy Yeung of Segal Consulting referenced the Actuarial Experience Study for the period of July 1, 2013 through June 30, 2016. Mr. Angelo explained that this study measures plan experience over the last 3 years and discussed the process of changing assumptions over time. Mr. Yeung added that this study is done per the board's policy to review assumptions every three years.

Mr. Angelo provided an overview of recommended assumption changes. He then discussed recommended changes to economic assumptions in detail, including an explanation of the

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inflation assumption calculation, Cost of Living Adjustments (COLA), COLA banking, salary increases and the recommended rate of investment return. The Board asked both Segal Consulting and Callan Associates several questions regarding the recommended economic assumption changes.

Ms. Cavness moved to accept the Segal valuation report and adopt all of the recommended assumptions. Mr. Sullivan seconded the motion. Mr. Stephens moved to table the motion to next month for additional review. The tabling motion did not receive a second so the previous motion stood.

Mr. Angelo then reviewed the recommended demographic assumption changes including retirement rates, mortality rates, termination rates, disability rates, sick leave and vacation cash outs. The Board asked Segal Consulting several questions regarding the recommended demographic assumption changes.

Ms. Harris left at 12:00 p.m.

Public Comment: John Dickerson, Stan Anderson, Lenord Swope, and Alan Flora addressed the board.

Board Action: Motion was made by Ms. Cavness to approve the Actuarial Triennial Experience Study for the period of July 1, 2013 through June 30, 2016 and to adopt all of the assumptions recommended by Segal Consulting. Mr. Sullivan seconded the motion and it was approved by the following vote: Ayes: Shari Schapmire, Patrick Sullivan, Kathryn Cavness, and Tim Knudsen. Noes: Lee Parker, Ted Stephens and Dan Gjerde. Abstain: 0. Absent: Craig Walker and Jeri Harris.

Ms. Schapmire addressed the board regarding the confidence level and taking a balanced approach to lowering the assumption rate.

6) DISCUSSION AND POSSIBLE ACTION REGARDING ACTUARIAL PRACTICES AND FUNDING POLICY

Presenter/s: Dr. Wilbanks referenced the draft Actuarial Practices and Funding Policy and explained that this document used the board's existing Statement of Actuarial Funding Policy language. This policy was crafted to implement recommendations from the Unfunded Actuarial Accrued Liability Analysis Report provided to the board in late 2016 and to include language regarding actuarial practices. Mr. Stephens noted a few typographical errors in need of correction.

Board Action: Motion was made by Mr. Knudsen to approve the Actuarial Practices and Funding Policy as corrected. Ms. Cavness seconded the motion and it was approved by the following vote: Ayes: Shari Schapmire, Patrick Sullivan, Kathryn Cavness, Lee Parker, Ted

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Stephens, Tim Knudsen, and Dan Gjerde. Noes: 0. Abstain: 0. Absent: Craig Walker and Jeri Harris.

7) DISCUSSION AND POSSIBLE ACTION REGARDING DESIGNATION OF DISABILITY HEARING OFFICER PANEL

Presenter/s: Chair Gjerde referenced designation of a disability hearing officer panel. Dr. Wilbanks explained that this board is required to designate a panel of hearing officers per the adopted Procedures for Disability Retirement Applications and Formal Hearings. MCERA has used the Arbitration and Mediation Center in the past. They have a panel of 13 hearing officers. The recommendation is to use this panel in alphabetical order.

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

8) MONTHLY FINANCIAL REPORT

Presenter/s: Chair Gjerde referenced the monthly financial report. Dr. Wilbanks stated that the custodial bank report will be provided in a future month.

9) RETIREMENT ADMINISTRATOR REPORT

- **Disability Retirement Application Handbook**
- **Records Digitization - Technology Expense**
- **Retirement Administrator Evaluation**
- **625 Kings Court Maintenance Update**
- **Community Presentations**
- **Administrative and Operations Update**

Presenter/s: Chair Gjerde referenced the retirement administrator's report. Dr. Wilbanks provided his report and mentioned that the most important item is the records digitization. We will move forward with that soon.

10) GENERAL BOARD MEMBER DISCUSSION

Mr. Shoemaker expressed his appreciation to staff and Dr. Wilbanks for the progress made over the last 3 years regarding automation, building maintenance, and outreach to the community.

ADJOURNMENT AND NOTICE OF NEXT BOARD OF RETIREMENT MEETING

- Meeting adjourned at 12:56 p.m.

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- The next regularly scheduled Board of Retirement meeting will be held Wednesday April 19, 2017 at 8:30 a.m. in the Mendocino County Employees' Association Conference Room.