

◆MENDOCINO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION◆
BOARD OF RETIREMENT MEETING MINUTES
◆JULY 20, 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, Ted Stephens, Tim Knudsen, Shari Schapmire, and Randy Goodman. Also present: James Wilbanks, Retirement Administrator, Jeff Berk, Legal Counsel, Stan Conwell, Financial Investment Officer, and Judy Zeller, Administrative Assistant. Absent: Jerilyn Harris, Craig Walker, and Richard Shoemaker.

PUBLIC COMMENT: None

1) MINUTES OF THE BOARD MEETINGS HELD JUNE 15, 2016

Presenter/s: Chair Goodman referenced the June 15, 2016 minutes which were approved by unanimous consent, Ms. Schapmire abstained.

2) CONSENT AGENDA

- A. June 2016 Retirement Report**
- B. Quarterly Trustee Education and Training 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

4) DISCUSSION AND POSSIBLE ACTION REGARDING INVESTMENT REPORT

- **Monthly Investment Report**
- **Rebalance Plan**
- **Custodial Bank Update**
- **Investment Manager Status Update: Royce Total Return, Morgan Stanley, RS Investments**

Presenter/s: Dr. Wilbanks presented the Monthly Investment Report, prepared by Callan Associates, which is in a new format that is very similar to previous Monthly Investment Reports prepared by Mr. Conwell. There was a small issue with quarter end close reporting as one real estate fund had not closed for the quarter. Our November report will not have

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reporting as of the October month end due to the November 2nd board meeting date. The board discussed the ability to look at current valuation of investments, not including funds that have not closed for the month/quarter end.

Dr. Wilbanks reported that Callan is working on implementing our new asset allocation which will be followed by a portfolio level review to assist in finding the best mix of managers to suit MCERA needs on a category by category basis. Our goal is to mitigate volatility and lower fees. Fixed income will be looked at closely.

Mr. Knudsen expressed concern regarding the June meeting asset allocation decision which came after two board meetings where Private Equity and Multi Asset Class were discussed. Dr. Wilbanks commented that the new asset allocation was approved by a 4-3 vote. There were two decisions for the board to make, whether to include Private Equity and whether to change our asset allocation. There was no delineation between the two when the motion was made. There would be a benefit to having a discussion regarding Private Equity to see if we are for or against it and a separate discussion regarding changing the asset allocation for higher rates of return.

The board discussed the June meeting vote for the new asset allocation and Dr. Wilbanks suggested revisiting our asset allocation as it is a significant board decision and we must make sure all trustees are on board with the decisions made. Ms. Cavness moved to revisit the asset allocation plan. Mr. Knudsen seconded the motion. Staff will bring this item back in August and will work with Callan to present pertinent information from prior presentations regarding asset allocation. Discussion will include Private Equity, yes or no, real estate allocation change, yes or no, and will include review by asset class. Ms. Cavness modified the motion to delay the rebalance plan to allow review of the asset allocation plan.

Board Action: Motion was made by Ms. Cavness to delay the rebalance plan to allow review of the asset allocation plan at the August board meeting. Mr. Knudsen seconded the motion and it was approved by the following vote: Ayes: Ms. Cavness, Mr. Sakowicz, Supervisor Gjerde, Mr. Stephens, Mr. Knudsen, Ms. Schapmire, and Mr. Goodman. Noes: 0. Abstain:0. Absent: Ms. Harris and Mr. Walker.

Dr. Wilbanks provided an update on the custodial bank and mutual fund fee savings. He outlined some other changes that can be made now that we have a custodial bank and the potential savings. Any future changes will not be made until the portfolio review is complete. There was nothing to report regarding the Investment Manager Status Update.

5) MONTHLY FINANCIAL REPORT

Presenter/s: Dr. Wilbanks presented the Monthly Financial Report.

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6) DISCUSSION AND POSSIBLE ACTION REGARDING 2016 BOARD WORK PLAN

Presenter/s: Dr. Wilbanks referenced the 2016 Board Work Plan. Items discussed were the policy overhaul, the Unfunded Liability analysis, client presentations, MemberDirect, and electronic document imaging. Mr. Stephens inquired as to whether County Counsel had completed a project regarding the adoption of retirement benefits by the Board of Supervisors and the Board of Retirement. Supervisor Gjerde confirmed that County Counsel has been working on that project.

7) APPOINTMENT OF AD HOC COMMITTEE TO REVIEW RETIREMENT ADMINISTRATOR CONTRACT OPTIONS

Presenter/s: Chair Goodman explained that an ad hoc committee will review Retirement Administrator compensation issues and whether the position can be unique from other County departments. Chair Goodman appointed Supervisor Gjerde, John Sakowicz, and Tim Knudsen to the committee which will meet and report back to the board in August.

8) RETIREMENT ADMINISTRATOR'S REPORT

- Pension Administration System Monthly Update
- 625 Kings Court Maintenance Update
- Telework Policy
- Board of Retirement Elections
- Board of Retirement Appointments
- Legislative Update (AB1853 and AB2376)
- SACRS Year 2017 Legislative Timelines
- Administrative and Operations Update

Presenter/s: Dr. Wilbanks referenced his administrative report. Building maintenance is progressing. There are several items out for bid which include carpet, paint, window replacement, removal of the double doors in the conference room, replacement of the main entry doors, and restroom partitions. County Human Resources will be preparing a Telework policy in the near future. Board of Retirement elections will be held this fall for the second and seventh seats and Board of Supervisor appointments for the fourth and sixth seats will be made in January 2017.

The State Association of County Retirement Systems (SACRS) sponsored legislation includes two California State Assembly Bills, AB2376 and AB1853. AB2376 is pending approval of Senate amendments. In this bill SACRS supported electronic signatures. Also included in this bill is the alternate retired member's ability to vote. Board of Retirement composition was discussed and direction was given to staff.

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Board Direction: Staff will provide information regarding Board of Retirement composition and possible legislative change for MCERA in August.

AB1853 was amended in the Senate, was approved, and is back in the Assembly. This bill would give the Board of Retirement the ability to choose their own operating authority model providing for more control over employment contracts. Dr. Wilbanks reminded the board that they took the position not to support either legislative item at the April 2016 board meeting. SACRS has approved sponsoring this legislation and each have been amended several times.

The deadline to submit any new legislative items for consideration of SACRS sponsorship in the 2017 legislative session is September 7th.

Public Comment: Stan Anderson addressed the board.

9) BOARD TRAINING

- **Reciprocity**

Presenter/s: Dr. Wilbanks provided training in Reciprocity to the board. This presentation is also available on the MCERA website.

10) GENERAL BOARD MEMBER DISCUSSION

Dr. Wilbanks stated that Ms. Harris was absent due to an accident. She has had surgery and is recovering, but will be away for some time.

ADJOURNMENT 11:02 a.m.

NOTICE OF NEXT RETIREMENT BOARD MEETING

- **The next regularly scheduled Board of Retirement meeting will be held Wednesday August 17, 2016 at 8:30 a.m. in the Mendocino County Employees' Association Conference Room.**