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Date: July 20, 2016
To: Board of Retirement
From: James Wilbanks, Retirement Administrator
Subject: Rebalance Plan

As you will recall, the Board adopted a new asset allocation at the June 15, 2016 meeting. The next step in the process is typically approval of an amended Investment Policy Statement (IPS). Adoption of the new IPS would then normally trigger rebalancing the portfolio in accordance with the new asset allocation.

We are bringing forward a plan to rebalance in accordance with the new asset allocation before the IPS. There are two reasons for this out of the ordinary approach with rebalancing the portfolio.

First, an updated IPS is not yet ready for review by the Board. Since the IPS has not been reviewed in quite some time, staff and Callan are reviewing the entire document to make sure it is in line with industry best practices. Such a review requires thoughtful consideration and a significant time commitment. We expect to bring the updated IPS to Board at the August meeting.

The second reason we are presenting the attached rebalance plan is that both staff and Callan feel it is important to rebalance the portfolio as soon as possible after deciding the change the asset allocation. This is a prudent step, as the Board has adopted the new asset allocation and should not delay implementation any longer than necessary.

Since we do not have an updated IPS, but face the imperative to move quickly to implement the new asset allocation, we are seeking Board approval to rebalance the investment portfolio in accordance with the new asset allocation with an effective date of August 1, 2016. The attached rebalance plan, prepared by Callan provides an idea of what the rebalance would transpire as of the date on the spreadsheet, although it should be noted that changes may occur between that date and the end of July.

In accordance with the above, I recommend the Board approve the following motion:

Approve the rebalance of the investment portfolio in accordance with the new asset allocation with an effective date of August 1, 2016 and authorize staff to make the transfers necessary to effect the portfolio rebalance.

**MCERA Market Value Worksheet
July 12, 2016**

Asset Class	Estimated	Current % Allocation	Target	Sub-Asset Class Weight	% Difference Current - Target	\$ Value Difference New Target - Current	Target Range	Proposed Rebalancing	Post Rebalance	Appx New % Allocation	Target
	Market Value 07/12/2016										
Total Fixed Income	\$ 118,341,317	27.2%	22.0%	100%	5.2%	\$ (22,501,122)	17% to 27%		\$ 95,741,317	22.0%	22.0%
DODGE & COX INCOME	58,857,406	13.5%	11.0%	50%	2.5%	\$(10,737,309)		\$ (10,800,000)	\$ 47,857,406	11.0%	11.0%
PIMCO	59,883,911	13.7%	11.0%	50%	2.7%	\$(11,763,814)		\$ (11,800,000)	\$ 47,883,911	11.0%	11.0%
US Equity	\$ 169,681,190	39.0%	38.0%	100%	1.0%	\$ (4,139,035)	33% to 43%		\$ 165,881,190	38.1%	38.0%
<i>Large Cap Value</i>	<i>\$ 46,704,058</i>	<i>10.7%</i>	<i>10.6%</i>	<i>28.0%</i>	<i>0.1%</i>	<i>\$(352,255)</i>			<i>\$ 46,704,058</i>	<i>10.7%</i>	<i>10.6%</i>
DODGE & COX	22,573,655	5.2%	5.3%	14.0%	-0.1%	\$ 602,247			\$ 22,573,655	5.2%	5.3%
BOSTON PARTNERS	24,130,403	5.5%	5.3%	14.0%	-0.2%	\$(954,501)			\$ 24,130,403	5.5%	5.3%
<i>Large Cap Growth</i>	<i>\$ 46,909,563</i>	<i>10.8%</i>	<i>10.6%</i>	<i>28.0%</i>	<i>0.1%</i>	<i>\$(557,760)</i>			<i>\$ 46,909,563</i>	<i>10.8%</i>	<i>10.6%</i>
HARBOR CAP APPRE	23,025,807	5.3%	5.3%	14.0%	0.0%	\$ 150,095			\$ 23,025,807	5.3%	5.3%
JANUS RESEARCH	23,883,756	5.5%	5.3%	14.0%	0.2%	\$(707,854)			\$ 23,883,756	5.5%	5.3%
<i>Large Cap Core</i>	<i>\$ 23,407,131</i>	<i>5.4%</i>	<i>4.9%</i>	<i>13.0%</i>	<i>0.4%</i>	<i>\$(1,886,651)</i>			<i>\$ 21,207,131</i>	<i>4.9%</i>	<i>4.9%</i>
S&P 500 FUND	23,407,131	5.4%	4.9%	13.0%	0.4%	\$(1,886,651)		\$ (2,200,000)	\$ 21,207,131	4.9%	4.9%
<i>Mid Cap Value</i>	<i>\$ 10,067,155</i>	<i>2.3%</i>	<i>2.3%</i>	<i>6.0%</i>	<i>0.0%</i>	<i>\$(134,626)</i>			<i>\$ 10,067,155</i>	<i>2.3%</i>	<i>2.3%</i>
FIDILITY LP STCK	5,110,894	1.2%	1.1%	3.0%	0.0%	\$(144,629)			\$ 5,110,894	1.2%	1.1%
ROYCE TOTAL RTN	4,956,261	1.1%	1.1%	3.0%	0.0%	\$ 10,004			\$ 4,956,261	1.1%	1.1%
<i>Mid Cap Growth</i>	<i>\$ 10,092,152</i>	<i>2.3%</i>	<i>2.3%</i>	<i>6.0%</i>	<i>0.0%</i>	<i>\$(159,623)</i>			<i>\$ 10,092,152</i>	<i>2.3%</i>	<i>2.3%</i>
MORGAN STANLEY	4,364,990	1.0%	1.1%	3.0%	-0.1%	\$ 601,275			\$ 4,364,990	1.0%	1.1%
JANUS ENTERPRISE	5,727,162	1.3%	1.1%	3.0%	0.2%	\$(760,897)			\$ 5,727,162	1.3%	1.1%
<i>Small Cap Value</i>	<i>\$ 13,005,489</i>	<i>3.0%</i>	<i>2.7%</i>	<i>7.0%</i>	<i>0.3%</i>	<i>\$(1,417,538)</i>			<i>\$ 11,405,489</i>	<i>2.6%</i>	<i>2.7%</i>
PRUDENTIAL	13,005,489	3.0%	2.7%	7.0%	0.3%	\$(1,417,538)		\$ (1,600,000)	\$ 11,405,489	2.6%	2.7%
<i>Small Cap Growth</i>	<i>\$ 11,447,559</i>	<i>2.6%</i>	<i>2.7%</i>	<i>7.0%</i>	<i>0.0%</i>	<i>\$ 140,392</i>			<i>\$ 11,447,559</i>	<i>2.6%</i>	<i>2.7%</i>
AB	6,583,127	1.5%	1.5%	4.0%	0.0%	\$ 38,559			\$ 6,583,127	1.5%	1.5%
RS EMERGING	4,864,432	1.1%	1.1%	3.0%	0.0%	\$ 101,833			\$ 4,864,432	1.1%	1.1%
<i>Micro Cap</i>	<i>\$ 8,048,083</i>	<i>1.8%</i>	<i>1.9%</i>	<i>5.0%</i>	<i>-0.1%</i>	<i>\$ 229,025</i>			<i>\$ 8,048,083</i>	<i>1.8%</i>	<i>1.9%</i>
AMG MANAGERS EM OPP	8,048,083	1.8%	1.9%	5.0%	-0.1%	\$ 229,025			\$ 8,048,083	1.8%	1.9%
Non-US Equity	\$ 99,047,669	22.7%	29.0%	100.0%	-6.3%	\$ 27,287,133.50	24% to 34%		\$ 125,947,669	28.9%	29.0%
<i>International Value</i>	<i>\$ 23,303,092</i>	<i>5.3%</i>	<i>6.380%</i>	<i>22.0%</i>	<i>-1.0%</i>	<i>\$ 4,490,565</i>			<i>\$ 27,703,092</i>	<i>6.4%</i>	<i>6.4%</i>
MONDRIAN	23,303,092	5.3%	6.380%	22.0%	-1.0%	\$ 4,490,565		\$ 4,400,000	\$ 27,703,092	6.4%	6.4%
<i>International Growth</i>	<i>\$ 22,352,503</i>	<i>5.1%</i>	<i>6.380%</i>	<i>22.0%</i>	<i>-1.2%</i>	<i>\$ 5,441,154</i>			<i>\$ 27,752,503</i>	<i>6.4%</i>	<i>6.4%</i>
EUROPACIFIC	22,352,503	5.1%	6.380%	22.0%	-1.2%	\$ 5,441,154		\$ 5,400,000	\$ 27,752,503	6.4%	6.4%
<i>International Core</i>	<i>\$ 42,326,795</i>	<i>9.7%</i>	<i>12.8%</i>	<i>44.0%</i>	<i>-3.0%</i>	<i>\$ 13,260,518</i>			<i>\$ 55,426,795</i>	<i>12.7%</i>	<i>12.8%</i>
OAKMARK	20,303,638	4.7%	6.380%	22.0%	-1.7%	\$ 7,490,019		\$ 7,400,000	\$ 27,703,638	6.4%	6.4%
HARBOR INTL	22,023,157	5.1%	6.380%	22.0%	-1.3%	\$ 5,770,500		\$ 5,700,000	\$ 27,723,157	6.4%	6.4%
<i>International Small Cap</i>	<i>\$ 11,065,279</i>	<i>2.5%</i>	<i>3.48%</i>	<i>12.0%</i>	<i>-0.9%</i>	<i>\$ 4,094,897</i>			<i>\$ 15,065,279</i>	<i>3.5%</i>	<i>3.5%</i>
ACORN INTL	11,065,279	2.5%	3.5%	12.0%	-0.9%	\$ 4,094,897		\$ 4,000,000	\$ 15,065,279	3.5%	3.5%
REAL ESTATE	\$ 44,301,613	10.2%	11.0%	100%	-0.8%	\$ 3,618,485	6% to 16%		\$ 46,801,613	10.7%	11.0%
RREEF PUBLIC	8,793,951	2.0%	2.2%	20%	-0.1%	\$ 617,269			\$ 8,793,951	2.0%	2.2%
RREEF America II	19,167,370	4.4%	4.3%	40%	0.1%	\$(344,931)			\$ 19,167,370	4.4%	4.3%
Cornerstone Patriot Fund	15,476,292	3.6%	4.3%	40%	-0.8%	\$ 3,346,147		\$ 2,500,000	\$ 17,976,292	4.1%	4.3%
625 B KINGS COURT	864,000	0.2%	0.2%	0%	0.0%	\$ -			\$ 864,000	0.2%	0.2%
Short-Term Cash*	4,265,461	1.0%	0.0%		1.0%	\$ (4,265,461)		\$ (3,000,000)	\$ 1,265,461	0.3%	0.0%
Total MCERA Pension Plan	\$ 435,637,250	100.0%						\$ -	\$ 435,637,250	100.0%	

All MFs: 5/31 shares (adjusted for Div Reinv in June) * 7/12 eod price
exception - D&C funds & PIMCO (div paid out): 5/31 shares * 7/12 eod price
D&C Income Fund: (5/31 shares * 7/12 eod price) - 7/31 redemption of \$1.5m
Robeco: 5/31 EMV adjusted by R1V (5/31-7/12): +3.03%
Mondrian & Oakmark: 6/30 EMV adjusted by MSC ACWIXUS (6/30-7/12): +2.02%
RREEF Public: 6/30 EMV adjusted by NAREIT (6/30-7/12): +1.90%
RREEF America II: 3/31 EMV - 7/31 redemption of \$1.5m
Cornerstone: 6/30 EMV
Cash: 5/31 EMV + ~\$0.7m from Paid out divs in June + \$3m (from DODIX & RREEF America II)

Subscription / Redemption Guidelines

Robeco - At its discretion, the Trustee may accept securities or other assets on an in-kind basis in connection with a Participating Plan's investment in the Trust. An Eligible Plan will be admitted on any Business Day that the Trustee is open for business after its Application is accepted by the Trustee. As used herein, a "Business Day" means a day other than a Saturday, Sunday, or legal holiday for banking institutions in the State of New Hampshire. An Eligible Plan that has been admitted may, in the discretion of the Trustee, make additional investments on subsequent Business Days that a Fund is open for subscriptions and redemptions.

The Trustee intends to make withdrawals available to Participating Plans on a daily basis, on each Business Day that the Trustee is open for business, however, the Trustee reserves the right to require five (5) Business Days' advance written notice from a Withdrawing Participating Plan (as defined in the Declaration of Trust) for any withdrawal.

Mondrian - All activity occurs on the first business day of the month, on a monthly basis. Notice for subscriptions/redemptions is required by the 15th day of the month prior.

RREEF Public - subscriptions/redemptions take place at month end. 10 days written notice for redemptions is required. For subscriptions - securities team requests 10 days formally, but they have been known to accommodate, if they can, subscriptions with one day notice - assuming notice a day in advance happens early in the day.

RREEF America II - a letter is required for both subscriptions/redemptions. Subscription activity will occur on the first day of the quarter. For redemptions, notice must be given at least 45 days prior to quarter end, provide the number of shares or dollar amount to be redeemed and bank account information if different than previously submitted. There isn't a date requirement for subscriptions, notification earlier rather than later would be helpful.

Cornerstone - A redemption request must be received 30 days prior to quarter end. For subscription - sign an amendment to current subscription. Activity is quarterly, occurs on the first day of the quarter, and the deadline would be roughly two weeks prior to quarter end to have the paperwork completed.