



STANISLAUS COUNTY
EMPLOYEES' RETIREMENT ASSOCIATION
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BOARD OF RETIREMENT MINUTES

May 23, 2006

Members Present: Maria DeAnda, Jim DeMartini, Gordon Ford, Mike Fisher, Darin Gharat, Wes Hall, Mike Lynch, Ron Martin, and Steve Yauch

Alternate Member: Linda Stotts-Burnett, Alternate Retiree Representative

Members Absent: None

Others Present: Kelly Cerny, David Dolenaar & Peggy Huntsinger–CEO-Risk Management, Paul Harte-Strategic Investment Solutions (SIS), Deirdre McGrath, Hank Skau, and Tom Watson

1. Meeting called to order at 1:59 p.m. by Chair Darin Gharat

2. **Announcements**

Tom Watson, Administrator, introduced staff member Natalie Elliott, StanCERA's Accountant. Tom announced that StanCERA was a recipient of the Award of Excellence in Financial Reporting from the Government Finance Officers Association (GFOA). The plaque was awarded for StanCERA's Comprehensive Annual Financial Report (CAFR) for fiscal year ending June 30, 2005. The award is the highest form of recognition in governmental accounting and financial reporting. Congratulations go to Natalie for her instrumental part in achieving this award. Natalie circulated the plaque for the Board members to view.

Tom Watson announced a copy of The Babson Staff Report, dated April 14, 2006, was distributed to Board members. Tom noted the trustees may find of interest the content of the Report, entitled, "*A Retrospective on Five Essential Truths.*"

Kelly Cerny announced that the actual date of Samuel G. Ryno's Service-Connected Disability Retirement, as listed under Consent Item #4d, is May 24, 2006.

Maria DeAnda arrived at 2:02 p.m.

3. **Public Comment**

None.

Item #9c Heard Out of Order

9. **Administrator**

- c. Written Overview of the SACRS' Other Post Employment Benefits (OPEB) & General Accounting Standards Board (GASB) Statements 43 & 45 Symposium of February 22-23, 2006

Tom Watson informed the Board they had received Natalie Elliott's written summary of her attendance at the February 22-23, 2006, State Association of County Retirement Systems' (SACRS) OPEB and GASB Symposium.

4. **Consent Items**

Motion was made by Maria DeAnda and seconded by Wes Hall to approve the following items as listed, including the actual date of Samuel G. Ryno's Service-Connected-Disability date of May 24, 2006, Item #4d, as announced above.

Motion carried.

- a. Approval of the April 25, 2006 Minutes
- b. Approval of Service Retirement(s) – **Sections 31499.14, 31670, 31662.2 & 31810**
1. Jacqueline Buchanan, BHRS, Effective 05-26-05
 2. Jon Christenson, Env. Resources, Effective 11-03-05
 3. Curtis Coad, CEO, Effective 04-15-06
 4. Richard Hejlik, HSA, Effective 05-02-06
 5. Nellie Ketner, BHRS, Effective 05-30-06
 6. Barbara Gail Lotz, Superior Court, Effective 05-02-06
 7. Linda Stone, CSA, Effective 04-29-06
 8. Lewis Wentz, Public Defender, Effective 04-25-06
- b. Approval of Deferred Retirement(s) – **Section 31700**
1. Eric Andrews, CSA, Effective 04-22-06
 2. Glinda J. Bartlett, HSA, 11-24-05
 3. Tai Bogan, DET, Effective 04-01-06
 4. Beatriz Castro, Probation, Effective 11-24-05
 5. Robert Chalupnik, HSA, Effective 12-24-05
 6. Ashor Enwiya, Sheriff, Effective 03-09-06
 7. Gail Faso, HSA, Effective 12/10/05
 8. Evelyn Hurd, HSA, Effective 03-04-06
 9. Carmina Quadros, HSA, Effective 12-03-05
- c. Approval of Deferred Retirement Refund(s) **Section 31701**
1. Elisabeth Chapman, CSA
 2. Jennifer Hazelbaker, Probation
 3. Michelle Kaback, District Attorney
 4. Kenneth Rinna, Oakdale Rural Fire District

4. **Consent Items (cont.)**

d. Approval of Disability Retirements – **Section 31724**

1. Dennis Dodge, Sheriff, Service-Connected, Effective 05-24-06
2. Sherrill Lubbers, CSA, Non-Service-Connected, Effective 02-15-06
3. Roseanna Myers, BHRS, Non-Service-Connected, Effective 09-06-05
4. Joy Randall, CSA, Service-Connected, Effective 12-02-05
5. Samuel G. Ryno, City of Ceres, Service-Connected, Effective ~~03-04-06~~ 05-24-06

e. Approval of Death Benefits

1. Josefina Flores, Deceased April 25, 2006, Active Member, Options Pursuant to Government Code Section 31781
2. David G. Krediet, Deceased April 14, 2006, Active Member, Options Pursuant to Government Code Section 31781.1

5. **Chief Executive Office – Risk Management Presentation of the Disability Management Program and Request for Funding for Fiscal Year 2006-2007**

David Dolanar, Deputy Executive Officer, and Peggy Huntsinger, Disability Manager, of the Chief Executive Office-Risk Management Division, gave the annual presentation of the County's disability management program for fiscal year 2004-2005. David thanked the Board for the opportunity to provide the report and the request for \$50,000 to fund the program for fiscal year 2006-2007.

David presented statistical information and answered the Board's various questions. In fiscal year 2004-2005, a savings of \$1.125 million was realized for service-connected disability retirements, as a result of bringing employees back to work. Peggy mentioned the average cost of a service-connected disability retirement for an employee in this fiscal year was \$125,000. Past years' service-connected disability retirement costs varied from \$133,000 to \$168,000. The request as in past years, is for \$50,000 and will offset program costs. In the past the request for a contribution to the program included the initial phases of the Job Task Analysis. As the initial phases of the Analysis have been completed, only phase updates will be included in the fund request.

David informed the Board the report represents the sixth year of a positive partnership between StanCERA and the County. The program has generated tremendous savings since its inception, ranging from \$500,000 to \$2.75 million. The program has been used as a benchmark in other counties.

Motion was made by Gordon Ford and seconded by Wes Hall to approve the request for funding of \$50,000 to the CEO-Risk Management's Disability Management Program for fiscal year 2006-2007.

Motion carried.

6. **Closed Session**

Motion was made by Wes Hall and seconded by Maria DeAnda to commence the Closed Session at 2:31 p.m.

Motion carried.

After returning to Regular Session at 2:40 p.m., Darin Gharat, Chair, read the findings of the Closed Session.

The application of Todd L. Brooks for a Service-Connected Disability Retirement benefit is set for hearing before a hearing officer.

Item #8 Heard Out of Order

8. **Strategic Investment Solutions, Inc. (SIS) Investment Performance Analysis for First Quarter Ending March 31, 2006**

Paul Harte presented the first quarter 2006 investment performance analysis ending March 31, 2006. The composite fund returned 5.3% in the first quarter of 2006 and ranked in the 23rd percentile among other public funds greater than \$100 million. The median fund returned 4.7%. The fund beat its policy index (4.3%) during this time period. Longer term, the three and five year returns of 16.6% and 9.9%, respectively, were above median among total public plans (16.0% and 7.4%).

7. **Strategic Investment Solutions, Inc. (SIS) Monthly Performance Review for the Month Ending April 30, 2006**

Paul Harte presented the monthly performance review for the period ending April 30, 2006. As of April 30, 2006, StanCERA's portfolio was \$1.3 billion, an increase of 0.71% for the month, performing above the policy index. Asset allocation continues to be above target, with fixed income below target due to the cash transitions with the change of one of StanCERA's international money managers. The fiscal year to date return is 13.27%, above StanCERA's policy index of 11.33%.

9. **Administrator**

- a. Discussion and Action on the Large Cap Growth Equity Investment Managers Selection and Due Diligence Visitation -- Termination of MFS Institutional Advisors, Inc.

The Board discussed the status of StanCERA's current large cap growth equity manager and the potential managers that made presentations to the Board at the April 25, 2006 meeting.

Motion was made by Ron Martin and seconded by Maria DeAnda to terminate MFS Institutional Advisors as StanCERA's Large Cap Growth Equity Manager.

Motion carried.

9. **Administrator (cont.)**

- a. Discussion and Action on the Large Cap Growth Equity Investment Managers Selection and Due Diligence Visitation -- Termination of MFS Institutional Advisors, Inc. (*cont.*)

The Board briefly discussed the three potential managers who made presentations at the April 25, 2006 Board of Retirement Meeting. The Board decided to transition StanCERA's large cap growth portfolio to two new investment managers.

Motion was made by Gordon Ford and seconded by Maria DeAnda to hire Delaware Investments, San Francisco, to manage 60% and Loomis Sayles & Company, Boston, to manage 40% of StanCERA's large cap growth equity portfolio.

Motion carried.

Mike Lynch left at 3:30 p.m.

- b. Recommend Approval of the Fiscal Year 2006-2007 Administrative Budget

Tom Watson, gave an overview of StanCERA's administrative budget for fiscal year 2006-2007. The budget detailed each line item and totaled \$1,936,380. This line item budget showed an amount of \$60,000 to support the Risk Management disability management program. Tom pointed out the request was for \$50,000, which would then reflect a total annual budget request of \$1,926,380. This budget includes the estimated costs for the new office at 832 12th Street, 6th Floor; and the final payment of the TACS software system. The budget also includes the addition of one position of a Software Developer/Analyst III. The overall budget was at 78% of the maximum, 18 basis points of assets, or 14 basis points.

Motion was made by Wes Hall and seconded by Mike Fisher to approve the Fiscal Year 2006-2007 Administrative Budget of \$1,926,830 as presented.

Motion carried.

Item #9c Heard Out of Order

- d. Recommend Approval of the Action Plans for the Five Objectives Emanating From the Strategic Planning Sessions

The Board determined the Chair of the Board should appoint committee chairs who would then schedule committee meetings and report back to The Board.

9. **Administrator (cont.)**

- e. Administrator's Summary Report of the National Conference on Public Employees' Retirement Systems (NCPERS) Annual Conference, April 30 – May 4, 2006, Hollywood, Florida

Tom Watson informed the Board they had his written summary of his attendance at the May 1-3, 2006 NCPERS Conference in Hollywood Florida. Tom expressed that NCPERS is a worthwhile organization and recommended maintaining membership in NCPERS, as well as participation in its conferences. Wes Hall, Trustee, stated it was a good report.

10. **Correspondence**

- a. Charlotte Capital Letter Dated April 19, 2006

Tom Watson mentioned that Board members had received a letter from Charlotte Capital regarding its under review status. The letter indicated for the first quarter of 2006, StanCERA's small cap value portfolio was up 16.1% versus 13.5% for the Russell 2000 Value Index benchmark.

- b. Dodge & Cox Letter Dated April 28, 2006

Tom Watson informed Board members they had received the April 28, 2006, letter from Dodge & Cox. The letter announced the recent changes to their Investment Policy and International Investment Policy Committees, effective April 5, 2006.

11. **Members' Forum (Information and Future Agenda Requests Only)**

Tom Watson shared that a staff member had videotaped the Public Broadcasting Channel's (PBS) show entitled, "*Frontline: Afford to Retire?*" Tom said it was an informative hour-long program that recently aired on PBS. It is available for viewing in VHS format, for those who may be interested.

Ron Martin, Trustee, expressed that the SACRS Spring 2006 Conference had excellent speakers on financial instruments.

Paul Harte of SIS, Inc., requested the dollar amount of the 12th Street Condominium to add to StanCERA's investment assets records. Paul said an assessment of StanCERA's asset allocation should occur next month. Paul also mentioned that planning of due diligence trips will be forthcoming.

Linda Stotts-Burnett thought the SACRS Spring 2006 Conference was a good conference.

Steve Yauch said StanCERA is the third lowest of the 20 1937 Act retirement systems in contributions paid by the counties employers.

11. **Members' Forum (Information and Future Agenda Requests Only) – cont.**

Jim DeMartini asked how disability and non-disability retirements work. Tom Watson briefly explained there are formulas used for service-connected and non-service-connected disability retirements. Generally, a non-service connected disability retirement benefit is about one-third of a member's final average salary, while a service-connected disability retirement is one-half of a member's salary. Deirdre McGrath, Deputy County Counsel, explained that a service-connected disability retirement is tax-exempt up to 50% of salary, if not due to a heart condition (legal presumption).

12. **Adjournment**

Meeting adjourned at 3:55 p.m.

Respectfully submitted,

Tom Watson, Administrator

APPROVED AS TO FORM:
MICHAEL KRAUSNICK, COUNTY COUNSEL

By: _____
Deirdre McGrath, Deputy County Counsel