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## PLEASE POST FOR EMPLOYEE VIEWING

### BOARD OF RETIREMENT MINUTES

June 27, 2006

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

**Alternate Member:** Linda Stotts-Burnett, Alternate Retiree Representative

**Members Absent:** Mike Lynch, Steve Yauch

**Others Present:** Edward Burroughs, Kelly Cerny, Paul Harte and  
Patrick Thomas-Strategic Investment Solutions (SIS),  
Ron Saba-Charlotte Capital, Hank Skau, and Tom Watson

1. Meeting called to order at 2:00 p.m. by Chair Darin Gharat

2. **Announcements**

Tom Watson, Administrator announced this was the first meeting in the new office and board room. Tom gave a brief explanation of the configuration of the office, including two meeting rooms that seat 8 or 12, respectively. Tom stated the rooms are available for committee meetings as needed. Window blinds are scheduled for arrival approximately July 5, 2006, and the remainder of the Board Room table is to arrive in August. Tom mentioned an open house is tentatively scheduled for the end of October, allowing time for construction to end, and the relocation of the District Attorney's Office to three other floors of the building.

3. **Public Comment**

Lyn Bettencourt, retired member, distributed copies of sections of The Brown Act to Deputy County Counsel and to some board members. Mr. Bettencourt said he did not have copies for all present. The sections Mr. Bettencourt distributed pertained to the ways of handling and/or announcing closed sessions. Mr. Bettencourt said although it was not significant for past or present meetings, he thought county counsel should have these sections. Edward Burroughs, Deputy County Counsel said he would pass the material onto Deirdre McGrath, Deputy County Counsel for the Board of Retirement.

4. **Consent Items**

Motion was made by Wes Hall and seconded by Mike Fisher to approve the following item as listed.

Motion carried.

- a. Approval of the June 14, 2006 Minutes

5. **Semi-Annual Performance Report by Charlotte Capital**

Ron Saba, Investment Officer, presented the semi-annual report of StanCERA's small cap value portfolio. Mr. Saba presented a synopsis of Charlotte Capital's investment philosophy, and research process. StanCERA's small cap value portfolio return for the period January 1, 2006 through May 31, 2006, was 10.6%, gross of fees, slightly above the Russell 2000 Value benchmark of 9.1%. StanCERA's annualized performance for the period of April 7, 2003 through May 31, 2006, is 25.0%, with the Russell 2000 Value benchmark at 26.1%, gross of fees.

Paul Harte, Strategic Investment Solutions (SIS), asked how the portfolio has changed since the Due Diligence Committee's visit in October 2005. Mr. Saba said Charlotte Capital lowered risk by selling volatile stocks.

Gordon Ford arrived at 2:15 p.m.

6. **Strategic Investment Solutions, Inc. (SIS) Presentation of StanCERA's Asset Projections for Discussion and Action on Asset Allocation**

Paul Harte, and Patrick Thomas, SIS, presented a summary of StanCERA's asset allocations and offered some observations and projections. StanCERA currently utilizes equity and fixed income asset classes and these have served the portfolio well. Although StanCERA's target portfolio is efficient, SIS recommends looking at more diversification. SIS showed projected asset mixes including real estate and private equity. SIS also showed the Board that it could decide to allocate a small percentage like 5% to alternative investments and then SIS would bring best ideas to the Board that will demonstrate diversification and enhanced returns for the overall fund. StanCERA could allocate 5% initially, and use the actuary return assumption of 8.16% as the benchmark.

Mr. Bettencourt, retired member, inquired as to who manages SIS. Patrick Thomas responded that SIS brings investment managers who manage assets to the Board, and SIS does not manage assets.

7. **Strategic Investment Solutions, Inc. (SIS) Monthly Performance Review for the Month Ending May 31, 2006**

Paul Harte presented the monthly performance review for the period ending May 31, 2006. As of May 31, 2006, StanCERA's portfolio was \$1.27 billion, a decrease of 2.69% for the month, performing below the policy index. Asset allocation continues to be on target, even with the transition of assets between fixed income and the international equity portfolio. The fiscal year to date return is 10.22%, above StanCERA's policy index of 8.58%, and ahead of the actuarial assumed rate for 11 months of 7.48%.

Maria DeAnda arrived at 3:05 p.m.

8. **Administrator**

a. Discussion and Action on Stanislaus County's Annual Prepayment Of Employer Contributions for Fiscal Year 2006-2007 by July 31, 2006

Tom Watson presented a brief overview of how in past years the County pre-pays the annual employer retirement contributions at a discount. This provides the County with some budgetary savings and gives StanCERA the opportunity to increase its earnings from the result of the increase in cash flow. Board members received a detailed worksheet showing the proposed discount and calculations related to the prepayment.

Motion was made by Ron Martin and seconded by Maria DeAnda to approve the County's pre-payment of employer retirement contributions with a 1.96% discount, and a one-time payment before July 30, 2006, of \$20,553,000.

Motion carried.

b. Statistics Report of the Ventura/*Francis* Settlement Applications

Tom Watson gave a verbal update of the processing of claims and costs of the Ventura/*Francis* Settlement. All applications have been processed. Approximately \$3.6 million will be paid September 1, 2006 to retirees for retroactive benefit payments from April 10, 1995 to August 31, 2006. The prospective nearly \$25,000 per month increase in allowances will be paid beginning October 2, 2006. Using a factor of 90 as an estimate for the present value costs of the prospective benefits result in approximately \$2.25 million for a total of cost of \$5.85 million. This figure is lower than the earlier projections of \$6-\$8 million. Data has been sent to the actuary. The actuary will return figures by the end of July 2006.

c. StanCERA Complaint Log – January 1 through March 31, 2006

Hank Skau, Operations Manager, updated the Board on StanCERA's complaint log for the first quarter of 2006. Board members expressed their appreciation to staff for the compilation of the log and commended its use as a constructive tool. Board members directed staff to develop a policy as needed, to diffuse abusive behavior they may encounter from clients.

8. **Administrator (cont.)**

d. BMTI Complaint/Contact Log – January 1 through March 31, 2006

Hank Skau gave an update on StanCERA's insurance consultant's complaint/contact log for the first quarter of 2006. Hank informed the Board that for any issue where it takes the insurance consultant more than 30 days to resolve an issue, StanCERA sends a letter to the member to ask how the member views the service received from the consultant. For additional quality control, one to two members' names from the log are also randomly selected to inquire about the service they have received as well. Responses for this quarter indicate the members are satisfied with the consultant's performance.

9. **Correspondence**

None.

10. **Committee Reports and Recommendations for Action**

STANDING COMMITTEES

a. Benefits Committee-Wes Hall, Chair

i. Discussion and Action on Recommendations for Proposed Changes to the Retiree Health Insurance Program and the Retiree Health Allowance

Wes Hall, Chair, informed Board members they had received the Retiree Benefits Committee's written report on recommendations for proposed changes to the retiree health insurance program and the retiree health insurance allowance for review and input by the Retired Employees of Stanislaus County (RESCO), before final adoption. This report was a result of the Retiree Benefits Committee meeting of June 19, 2006, wherein the background of the study of the retiree health insurance program, the ad hoc committee recommendations and recommendations for retired members were considered and finalized. Wes presented the Committee's final recommendations:

- Approve as proposed the proposed changes to the retiree health allowance recommended by the Retiree Benefits Committee;
- Direct StanCERA staff to provide the summary of the proposed changes to RESCO for review and comment by July 31, 2006; and
- Instruct StanCERA staff to prepare a Recommended Retiree Health Allowance Policy, incorporating the proposed changes for adoption at the August 9, 2006 Retirement Board meeting;
- Instruct StanCERA staff to issue a Request for Proposal (RFP) on Health Insurance Consultant services;
- Repeal Bylaw Article 13 - Retiree Health Insurance Policy - effective with the implementation of the new Retiree Health Allowance Policy;

10. **Committee Reports and Recommendations for Action (cont.)**

STANDING COMMITTEES (cont.)

b. Benefits Committee-Wes Hall, Chair (cont.)

i. Discussion and Action on Recommendations for Proposed Changes to the Retiree Health Insurance Program and the Retiree Health Allowance (cont.)

- Delegate to the Strategic Planning Objectives Committee on Communications to the Board of Supervisors, County Chief Executive Office, and Public, the preparation of a communication to members and StanCERA employers of the rationale and urgency to consider the establishment of a Retiree Medical Trust or other vehicle to help members accumulate money to assist them with the costs of retiree health care.

The Board discussed the recommendations, including an explanation of a Retiree Medical Trust. Darin Gharat, Chair, noted that the recently enacted Memorandum of Understanding (MOU) between StanCERA and the County to pool retirees with employees to allow for obtaining the lowest possible cost of health insurance was a prudent reaction to the rising costs of health insurance, and to protect the retirees. He cited other systems where the insurance premiums far exceeded the monthly insurance allowance and pooling had not been sought by the systems.

After discussion, motion was made by Mike Fisher and seconded by Ron Martin to approve the recommendations of the Retiree Benefits Committee as presented and direct staff to proceed as detailed in the recommendations listed above.

Motion carried.

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

Kelly Cerny informed the Board she had new proximity cards to distribute to board members to park in the new garage.

12. **Adjournment**

Meeting adjourned at 3:46 p.m.

Respectfully submitted,

Tom Watson, Administrator

APPROVED AS TO FORM:  
MICHAEL KRAUSNICK, COUNTY COUNSEL

By: \_\_\_\_\_  
Edward R. Burroughs, Deputy County Counsel