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## PLEASE POST FOR EMPLOYEE VIEWING

### BOARD OF RETIREMENT MINUTES

July 25, 2006

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

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

**Members Absent:** Mike Fisher and Gordon Ford

**Others Present:** Kelly Cerny, Paul Harte and Marc Gesell-Strategic Investment Solutions (SIS), Denise Krisko and Art Londos-The Bank of New York, Deirdre McGrath, 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 the Board Room had acquired a large clock to be mounted to the wall.

3. **Public Comment**

None.

4. **Consent Items**

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

Motion carried.

a. Approval of the July 12, 2006 Minutes

5. **Annual S&P 500 Index Fund Performance Report by The Bank of New York**

Art Londos, Vice President, Investor Services, introduced Denise Krisko, Managing Director, Index Fund Management, to present the annual review of StanCERA's S&P 500 index fund performance managed by The Bank of New York. Ms. Krisko gave a detailed overview, portfolio review, and a market economic and investment

5. **Annual S&P 500 Index Fund Performance Report by The Bank of New York (cont.)**

perspective as of July 2006. For the period ending June 30, 2006, returns for The Bank of New York's S&P 500 Index fund were .14%, 1.43%, 8.68%, 11.28% and 2.57%, for the one-month, three-month, one-year, three-year and five-years, respectively. These figures were 0.00%, 0.01%, 0.05%, 0.06% and 0.08% over the S&P Index return. Ms. Krisko answered questions the Board members had regarding the market's future outlook.

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

Paul Harte presented the monthly performance review for the period ending June 30, 2006. As of June 30, 2006, StanCERA's portfolio was \$1.26 billion, a decrease of 0.87% for the month. Asset allocation remains on target. The fiscal year return is 9.26%, above StanCERA's policy index of 9.01%, and 1.16% above the actuarial assumed rate of return of 8.16%

7. **Strategic Investment Solutions, Inc. (SIS) Asset Liability Study Presentation**

Paul Harte introduced Marc Gesell, Vice President of SIS. Paul reviewed StanCERA's current asset allocation and presented two potential changes with three different asset mixes for each change. The first change involved adding 5% to the international equity investments and altering other asset classes to varying degrees. The second major change presented was the addition of a special situations fund of 5% of assets that would be comprised of alternative assets – real estate, private equity, venture capital – and only funded as SIS would bring recommended investment ideas to the Retirement Board for approval.

Marc gave a presentation of a study of projections for StanCERA's assets and liabilities. Asset projections, liability projections, and comparisons of asset-liability projections were provided. Board members discussed the various asset mixes and requested SIS to bring this material back for further consideration at the August 22, 2006 Investment Meeting.

8. **Administrator**

a. Discussion and Action on the Proposed Revised Investment Policy  
as of July 2006

Tom Watson reported that SIS made two revisions to StanCERA's Investment Policy per a request from the Board of Retirement. These revisions include an increase of the maximum limit in any economic sector to 20% of any portfolio's market value; and to address possible fluctuations of this limit due to market actions or actions of the managers which cause the limits to be exceeded. Another revision updates the performance expectations section of the Investment Policy to include StanCERA's new investment managers, Delaware Investments, Fidelity Management Trust Company, and Loomis Sayles & Company.

8. **Administrator (cont.)**

- a. Discussion and Action on the Proposed Revised Investment Policy as of July 2006 (cont.)

Wes Hall inquired whether the Board will receive an annual report of proxy votes from the investment managers, per the Investment Policy. Hank Skau responded the managers send proxy-voting reports on a regular basis. Steve Yauch recalled discussing these reports in past meetings and the reports were found to be quite broad. Wes asked if the managers are reporting their derivatives. Hank did not believe current investments had been made in derivatives and would research this and bring back information to the Board. The Board discussed options of reviewing the votes. Paul Harte said he will also look into what is being done by the managers and report back to the Board.

Motion was made by Ron Martin and seconded by Steve Yauch to adopt the Statement of Investment Policy revised as of July 2006.

Motion carried.

- b. Discussion and Action on the Board of Retirement Resolution No. 2006-02 Recognizing Delaware Investments' Concentrated Strategy To Be Exempt From Economic Sector Limitations

Tom Watson briefly summarized that Resolution 2006-02 was created to acknowledge Delaware Investments Large Cap Growth equity investment assignment as a concentrated portfolio and exempts Delaware Investments from StanCERA's Investment Policy Diversification-Economic Sector maximum limitations.

Motion was made by Wes Hall and seconded by Ron Martin to adopt the Board of Retirement Resolution No. 2006-02 Recognizing Delaware Investments' Concentrated Strategy to be Exempt from Economic Sectors.

Motion carried.

- c. StanCERA Complaint Log of April 1-June 30, 2006

Hank Skau, Operations Manager, gave a brief summary of StanCERA's complaint log for the second quarter of 2006. There was a reduction in complaints from previous quarters. Hank added that per the Board's direction at the June 27, 2006 meeting, staff had looked at developing a policy to handle customers using abusive language. Kelly Cerny, Secretary, reported she contacted eight of the larger county departments to ascertain what policies they may have in place. The departments who responded generally use the same techniques currently used by StanCERA staff. Board members reiterated that staff should not tolerate abusive language from customers.

8. **Administrator (cont.)**

c. StanCERA Complaint Log of April 1-June 30, 2006 (cont.)

Discussion was held regarding Ronald Lloyd's complaint. Tom Watson and Darin Gharat handled the complaint. Mr. Lloyd ultimately bought his military time with the County, picking up its portion in accordance with the bargaining unit's memorandum of understanding. Deirdre McGrath, Deputy County Counsel, noted County Counsel was not asked for its opinion on this matter.

d. BMTI Complaint/Contact Log of April 1-June 30, 2006

Hank Skau gave a brief update of StanCERA's insurance consultant's complaint/contact log for the second quarter of 2006. For this quarter BMTI's complaint /contacts are down. Using StanCERA's additional quality control measure of randomly contacting one or two customers, illustrates customers are satisfied with BMTI's service.

9. **Correspondence**

a. Letter from Charlotte Capital Dated June 30, 2006, Regarding Under Review Status

Tom Watson noted that Board members received a copy of the letter of response from Charlotte Capital addressing its under review status. The letter explains there was improved performance as of May 2006.

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

STANDING COMMITTEES

a. Due Diligence Committee-Wes Hall, Chair

i. Discussion and Action on Proposed 2006 Due Diligence Visits

Wes Hall, Chair, stated the Due Diligence Committee will visit the newly hired investment managers, Delaware Investments, San Francisco; and Loomis Sayles & Company, Boston. Wes requested SIS to formulate the questionnaires to send to the investment managers. The trip is planned for Thursday, September 28, through Saturday, September 30, 2006. Paul Harte suggested adding Fidelity Investments, also located in Boston. Board members recommended adding one day to allow for travel and the addition of visiting Fidelity Investments.

Motion was made by Mike Lynch and seconded by Maria DeAnda to approve the 2006 Due Diligence Visits to Delaware Investments in San Francisco, and Fidelity Investments and Loomis Sayles & Company in Boston.

Motion carried.

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

Kelly Cerny stated Board members could now obtain photos for the new proximity cards for 832 12<sup>th</sup> Street. Contact Kelly for an appointment.

Jim DeMartini said there was an upcoming Defined Contribution conference in San Francisco that may be of interest. He will have the information for the conference at the next Board meeting.

Tom Watson said that Barbara Cooper, Chief Executive Office-Risk Management Division, and Patrick McTighe, StanCERA's insurance consultant, were working with Pacific Business Group on Health (PBGH) to obtain insurance rates for the retirees that include being pooled with active members for the health insurance premium determination.

12. **Adjournment**

Meeting adjourned at 4:36 p.m.

Respectfully submitted,

Tom Watson, Administrator

APPROVED AS TO FORM:  
MICHAEL KRAUSNICK, COUNTY COUNSEL

By: \_\_\_\_\_  
Deirdre McGrath, Deputy County Counsel