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## PLEASE POST FOR EMPLOYEE VIEWING

### BOARD OF RETIREMENT MINUTES

October 23, 2007

**Members Present:** Maria De Anda, Gordon Ford, Mike Fisher, Darin Gharat, Mike Lynch, Ron Martin, and Steve Yauch

**Members Absent:** *Jim DeMartini, and Wes Hall*

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

**Others Present:** Kelly Cerny, Natalie Elliott, Paul Harte-Strategic Investment Solutions (SIS), Joe Harvey, Steve Dunn-Cohen & Steers, Joe Rodriguez, Max Swango-INVESCO Realty Advisors, Deirdre McGrath, Hank Skau, and Tom Watson

1. Meeting called to order at 2:00 p.m. by Mike Fisher, Vice-Chair.

2. **Announcements**

None.

3. **Public Comment**

None.

4. **Consent Items**

Motion was made by Maria De Anda and seconded by Steve Yauch to approve the following items as listed.

Motion carried.

- a. Approval of the October 10, 2007, Meeting Minutes
- b. Acceptance of the September 19, 2007, Board Governance Workshop Materials From Cortex Applied Research for Future Strategic Planning

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

1. Jeff McCarthy, Service-Connected, Sheriff, Effective 10-24-07

5. **Brown Armstrong Auditors Presentation of the June 30, 2007, Financial Statements Audit Results**

Andrew Paulden, Certified Public Accountant, gave a brief overview of StanCERA's draft annual audit results, including the audit process, significant audit areas, and audit reports. He expressed appreciation for staff who again provided thorough information to complete the audit timely. Mr. Paulden noted the audits disclosed no instances of noncompliance or other matters that are required to be reported under the Government Auditing Standards.

Mr. Paulden discussed the draft StanCERA Comprehensive Annual Financial Report (CAFR) for the fiscal years ended June 30, 2007 and 2006. Board members had previously received the draft report for review. He congratulated staff on the report as it is better each year. Mr. Paulden stated the report was again being submitted to the Government Financial Officers Association (GFOA) Award Program for Excellence in Financial Reporting – wherein StanCERA's previous year's report won an award.

Steve Yauch, Trustee, asked staff to ensure the final CAFR report be sent to the County's union groups, in addition to the various copies that are distributed each year.

6. **Presentation by Cohen & Steers of Investment Management Services for a Global Real Estate Investment Trust (REIT) Portfolio**

Joe Harvey, President, Chief Investment Officer and Lead Portfolio Manager, along with Steve Dunn, Director of Institutional Marketing, gave a presentation of global REIT management.

Mr. Dunn gave a summary of the written report board members had previously reviewed. Mr. Dunn shared the history and philosophy of Cohen & Steers. Cohen & Steers was founded in 1986 as a manager of high-income equity portfolios, with a focus on global real estate securities. The firm has a large investment team of 32 dedicated real estate securities investment professionals located in New York, London, Brussels, and Hong Kong. As of June 30, 2007, Cohen & Steers manages \$34.6 billion in assets, with \$26 billion in real estate assets. Their broad equity ownership results in continuity of management and investment professionals, with a staff of 35 throughout the four offices. Cohen & Steers uses a standardized approach to company research and valuation across countries. A price-to-net asset value and multiple-to-growth ratio are primary valuation metrics that are used. Mr. Dunn noted a coordinated, bottom-up portfolio construction process is used with a team approach with global and regional portfolio managers using a global valuation model for weighting decisions. They have a multitude of clients, and to date, none have left Cohen & Steers.

Board members discussed the written report, with Mr. Harvey and Mr. Dunn answering various questions.

7. **Presentation by INVESCO Realty Advisors of Investment Management Services for a Global Real Estate Investment Trust (REIT) Portfolio**

Recessed at 3:15 p.m.

Reconvened at 3:24 p.m.

Joe Rodriguez, Lead Portfolio Manager, and Max Swango, Partner, gave a presentation of global REIT investment management. Mr. Swango began with an overview of the written report that board members had previously reviewed. Established in 1983, INVESCO Real Estate manages investments in both direct property and real estate securities in the United States and Europe. The group focuses on top-down fundamentals combined with bottom-up local market intelligence. Senior members of the management team have worked together for more than 14 years, contributing to the consistent implementation of INVESCO's investment strategy and resulting performance. Mr. Swango mentioned INVESCO has several California 1937 Act counties as clients.

Mr. Rodriguez shared that INVESCO Real Estate is headquartered in Dallas, Texas, and manages approximately \$31.5 billion as of June 30, 2007, in direct real estate assets and publicly traded real estate securities, primarily the equity REITs. This total represents approximately \$11.9 billion in United States direct real estate portfolios, \$10.5 billion in European direct real estate portfolios, approximately \$7 billion in United States real estate securities portfolios, and \$2.1 billion in global real estate securities portfolios.

Board members discussed the report, with Mr. Rodriguez and Mr. Swango answering various questions. Mr. Swango distributed additional written material to the board related to INVESCO's global property stock overview and a summary of INVESCO's United States REIT performance indicators for the fourth quarter 2007.

8. **Discussion and Action on the Special Situations Fund - Global Real Estate Investment Trust (REIT) Manager Candidates and Funding**

Mike Lynch left at 4:17 p.m.

Board members reviewed and discussed the global REIT manager candidates and the funding for this Special Situations Fund potential investment.

Mike Lynch returned at 4:24 p.m.

Motion was made by Maria De Anda and seconded by Ron Martin to approve INVESCO Real Estate as a manager for the Special Situations Fund's global real estate investment trust portfolio with an initial allocation of 1.5% up to 3% within 180 days pending agreement of terms and conditions.

Motion carried.

Gordon Ford opposed.

9. **Strategic Investment Solutions, Inc. (SIS) Monthly Investment Performance Review for the Month Ending September 30, 2007**

Paul Harte, presented the monthly performance review for the period ending September 30, 2007. As of September 30, 2007, StanCERA's portfolio is \$1.47 billion, a 2.97% increase from the prior month. The fiscal year to date return is 1.84%. This return is below StanCERA's policy index of 2.4% and the 2.04% needed to meet the actuarial assumed rate of return of 8.16% for the year. Mr. Harte mentioned all managers are close to the policy target and well within their ranges.

10. **Administrator**

a. StanCERA Complaint Log of July 1–September 30, 2007

Hank Skau, Operations Manager, stated Board members received his written report of StanCERA's complaint log for the third quarter of 2007. Mr. Skau reported there were only two complaints for this quarter, a decrease from six complaints during the second quarter.

b BMTI Services' Complaint/Contact Log of July 1-September 30, 2007

Mr. Skau noted board members received his written report of BMTI's complaint/contact log for the third quarter of 2007. He informed board members as a general quality control, 1 or 2 names from BMTI's detail log are selected, and sent letters inquiring about BMTI's quality of service. There were no negative responses from the letters sent for the third quarter.

c. Discussion and Action on the StanCERA Record Retention and Destruction Policy

Tom Watson, Retirement Administrator, informed Board members a written policy they had previously received was developed by staff and could be reviewed annually for revisions. He made a recommendation for the Board to adopt the written policy. Mr. Skau explained County Counsel had asked all county departments for a records retention policy and if there was no formal policy to develop one. StanCERA staff developed a policy to meet StanCERA's needs and to comply with Counsel's request.

Deirdre McGrath, Deputy County Counsel, requested the Board not go forward with the policy, for the reasons listed in a written memorandum she distributed, dated October 23, 2007. Ms. McGrath requested the Board direct staff to forward the policy to her for legal review of state and federal statutory authority where applicable. Mr. Watson mentioned the 1937 Act law allows for a policy, but is not specific of its contents. The policy presented is based on an industrywide retirement system standard.

Board members discussed the policy and asked Ms. McGrath how long it would take for legal review of the policy. Ms. McGrath responded that without her prior review of the policy it is uncertain as to the length of time for legal review.

10. **Administrator (cont.)**

c. Discussion and Action on the StanCERA Record Retention and Destruction Policy (cont.)

Motion was made by Steve Yauch and seconded by Ron Martin to approve the draft StanCERA Record Retention and Destruction Policy as presented; direct staff to forward the policy to Deputy County Counsel for review and recommendations and Counsel to bring back an update at the next administrative Board of Retirement meeting; and delay destruction of any records until the final policy is adopted.

Motion carried.

Maria De Anda opposed.

Gordon Ford opposed.

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

Maria De Anda requested the Board Governance Workshop materials from Cortex Applied Research be sent electronically if possible. Kelly Cerny, Secretary said this was possible.

Ron Martin requested the Bylaws Revision Committee look at including an audit committee in the next bylaws review. Mr. Martin noted this was a recommendation brought forth from the Board of Retirement's Board Governance Workshop in September 2007.

12. **Adjournment**

Meeting adjourned at 5:07 p.m.

Respectfully submitted,

Tom Watson, Retirement Administrator

APPROVED AS TO FORM:  
MICHAEL KRAUSNICK, COUNTY COUNSEL

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