



STANISLAUS COUNTY
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BOARD OF RETIREMENT MINUTES

November 27, 2007

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

Alternate Member Absent: *Linda Stotts-Burnett (Alternate Retiree Representative)*

Members Absent: *None.*

Others Present: Cathy Blair-Purchasing, Kelly Cerny, Natalie Elliott, Paul Harte-SIS, Inc., Mark Loeser-Chief Executive Office, Deirdre McGrath, Michele Silva, Wally Morrow-Retiree, Hank Skau and Tom Watson

1. Meeting called to order at 2:00 p.m. by Wes Hall, Chair

2. **Announcements**

Tom Watson, Retirement Administrator, announced Darin Gharat, Safety Representative, was unanimously re-elected to Seat #7. Lt. Gharat will serve a three-year term, beginning January 1, 2008, through December 31, 2010. Wes Hall, Chair, also announced that Lt. Gharat was recently appointed as the Chief of Police of Waterford.

Mr. Watson offered an apology to Deputy County Counsel and the Board regarding his contentious behavior at the end of the October 23, 2007, Board of Retirement meeting.

Mr. Watson informed the Board that two of the Board Room walls had been painted, along with the underneath front counter in the StanCERA office.

Hank Skau, Operations Manager, informed board members the third quarter proxy votes from the investment managers were available for review.

Mike Lynch arrived at 2:03 p.m.

Gordon Ford, Ex-Officio, informed the Board of some recent news articles about the arrest of the Redlands County Treasurer for a deficit of nearly \$38,000 in the office petty cash fund; and the Orange County Treasurer-Tax Collector asked to resign for some apparent misdeeds.

3. **Public Comment**

None.

4. **Consent Items**

Gordon Ford requested Consent Item 4b. be removed from the Consent Items for discussion.

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

Motion carried.

- a. Approval of the October 23, 2007, Meeting Minutes
- c. Acceptance of the Comprehensive Annual Financial Report for the Fiscal Years Ended June 30 2007, and 2006
- d Approval of Service Retirement(s) – **Sections 31499.14, 31670, 31662.2 & 31810**
 1. Marcia Bosma, BHRS, Effective 11-01-07
 2. Darlene Connelly, Superior Court, Effective 11-01-07
 3. Barbara Hamilton, Auditor-Controller, Effective 11-02-07
 4. Linda Hamilton, Superior Court, Effective 11-01-07
 5. Paramjit Hans, BHRS, Effective 11-01-07
 6. Cheryl Harlan, HSA, Effective 11-20-07
 7. Lucy Stephenson, Fire, 11-09-07
 8. Arthur Voortman, Sheriff, Effective 11-17-07
 9. Elizabeth Welsch, Superior Court, Effective 11-01-07
 10. Petrilla Wright, CSA, Effective 11-27-07
- e. Approval of Deferred Retirement(s) – **Section 31700**
 1. Darlene Leonard, Sheriff, Effective 11-10-07
 2. Nicole Pollack, CSA, Effective 10-03-07
 3. Douglas Riggs, CSA, Effective 9-15-07
 4. Ronna Uliana, Superior Court, Effective 10-26-07
 5. Jennifer Wesley, Sheriff, Effective 07-07-07
- f. Approval of Deferred Retirement Refund(s) **Section 31701**
 1. Elizabeth Erickson
 2. Lori Eszlinger
- g. Approval of Disability Retirements – Section 31724
 1. Michael Rash, Service-Connected, Sheriff, Effective 04-06-07
 2. Phillip Ward, Service-Connected, Sheriff, Effective 09-28-07

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

- h. Approval to RESCIND Deferred Retirement – **Section 31700**
- i. Diane L. Lake, Sheriff, Effective 01-13-07 (RESCIND Deferred Approval of 04-11-07)

5. **Discussion and Action on Renewal of Strategic Investment Solution's, Inc. (SIS) 2007-2010 Contract**

(Previously Consent Item 4b)

Mr. Ford asked for clarification of the language on Page 2, Paragraph 2 of the SIS, Inc., 2007-2010 contract. Specifically, what education SIS, Inc. provides the Board of Retirement. Paul Harte, Vice President, said the language of the contract is correct and that the role of SIS, Inc. is to provide education to the Board following the Board of Retirement's Statement of Investment Policy. Mr. Harte also stated that SIS, Inc., provides the Board with monthly market reports and regularly schedules educational sessions as requested. Board members concurred with the contract's written language.

Motion was made by Darin Gharat and seconded by Mike Fisher to renew the Strategic Investment Solutions, Inc., 2007-2010 contract.

Motion carried.

6. **Strategic Investments Solutions (SIS), Inc.**

- a. Investment Performance Analysis for the Third Quarter Ending September 30, 2007

Paul Harte presented the third quarter investment performance through September 30, 2007. The composite fund returned 1.8% and ranked in the 65th percentile among other public funds greater than \$100 million. The median return was 2.2%. Longer term, the three, and five year returns of 12.7% and 13.7%, were slightly under and at the median among total public plans, 12.8% and 13.7%, respectively. Mr. Harte mentioned that growth is outperforming value. The small and mid cap growth equity short term performance is not good due to the recent volatility of the market in the past several months and the weakening of the U.S. dollar.

- b. Monthly Performance Review for the Month Ending October 31, 2007

Paul Harte, presented the monthly performance review for the period ending October 31, 2007. As of October 31, 2007, StanCERA's portfolio is \$1.5 billion, a 2.20% increase from the prior month. The fiscal year to date return is 4.29%, below StanCERA's policy index of 4.79%, yet above the fiscal year to date actuarial assumed rate of 2.70%.

Mr. Ford distributed a copy of the Merrill Lynch Interest Rate Committee Forecast dated November 19, 2007.

6. **Strategic Investments Solutions (SIS), Inc. (cont.)**

- c. Discussion and Action on the Potential Active Management Search for a Small Cap Value Equity Portfolio

Mr. Harte gave a summary and update of small cap value equity managers the Board had considered adding to the portfolio. Board members reviewed and discussed the style, performance, risk, and returns of the various managers presented. No action was taken.

7. **The Chair's Report on the State Association of County Retirement Systems' (SACRS) Fall 2007 Conference Business Meeting**

Wes Hall, Chair, gave an overview of the SACRS conference and business meeting. Mr. Hall said the conference was good as usual. Mr. Hall informed board members that written materials from each session of the conference were available to peruse for those interested, or, those who were unable to attend the conference. The Chair and Vice-Chair meeting was not a roundtable as is customary. Instead, four attorneys were invited to speak about four current law cases of significance to retirement systems. Mr. Hall said that of particular interest was a RVKuhns & Associates, Inc., Public Fund Universe Analysis Report with 19 of the 20 1937 Act counties included in the analysis. He noted that he voted at the business meeting as the Board had directed at the October 10, 2007, Board of Retirement administrative meeting. Mr. Hall said Deirdre McGrath, Deputy County Counsel, participated as the Parliamentarian at the SACRS business meeting. Ms. McGrath will provide the Board with a legislation update from the business meeting at the January 9, 2008, Board of Retirement administrative meeting.

8. **County Counsel**

- a. Update on the INVESCO Agreement

Deirdre McGrath, Deputy County Counsel, informed the Board that the negotiation of fees process was in progress for the standard participation agreement with INVESCO. A counter demand of lowering fees was made. A side letter was submitted to INVESCO on November 21, 2007, with terms to add to the agreement. She is awaiting a response from INVESCO. Jim DeMartini, Trustee, mentioned the agreement should be contingent upon the agreement of fees.

- b. Update on the StanCERA Records Retention and Destruction Policy

Ms. McGrath stated she has received the written materials from StanCERA staff that were used to produce the draft policy. She is beginning to review the materials along with other county counsel staff.

9. **Administrator**

a. Discussion and Action on the Retiree Health Insurance Consultant Agreement

Mr. Watson gave a brief overview of his memorandum Board members received dated November 27, 2007, along with a memorandum from Michele Silva, Benefits Manager, dated October 25, 2007, regarding the Request for Proposal (RFP) for a StanCERA retiree health insurance consultant.

Mr. Watson explained that Cathy Blair, from Stanislaus County's General Services Agency, oversaw the RFP process and an RFP Evaluation Committee was formed to evaluate and rate the RFPs. The committee was comprised of five people: a StanCERA manager, a Stanislaus County Risk Management representative, a Merced County Risk Management representative and two StanCERA retirees. Mr. Watson stated there were 10 invitation letters mailed and 13 hits on the website for the RFP. Only one response was submitted, and two declined to submit.

On October 25, 2007, the committee met to evaluate and rate the single response from BMTI Services. The Board reviewed the ratings and recommendations of the committee.

Motion was made by Maria De Anda and seconded by Mike Fisher to accept the committee's ratings and recommendations to hire BMTI Services at a cost of \$187,164 annually, with a monthly billing of \$9 per subscriber; and BMTI Services assumes all responsibilities related to the retiree health insurance program. The Board of Retirement will annually review StanCERA's retiree health insurance consultant contract.

Motion carried.

b. Report on Investment Earnings Allocations for the Year Ending June 30, 2007

Mr. Watson gave an overview of his report on the investment earnings allocations for the year ending June 30, 2007. The report was given to allow Board members to consider future optional designations for the approximately \$11,293,801 that remains undesignated for the year ending June 30, 2007. This is money that remains after the allocation of dollars is made in the accordance with the policies and the memorandums of understanding (MOUs). Ms. McGrath mentioned there would be legal considerations as well, once the Board re-evaluates this in the future.

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

STANDING COMMITTEES

a. Strategic Plan Actuarial Assumed Rate of Return Committee -
Mike Fisher, Chair

i. Discussion and Action on the Final Report of the Findings on Review
of the Actuarial Assumed Rate of Return

Mike Fisher gave a brief overview of the Committee's report on the review of the actuarial assumed rate of return. Mr. Fisher stated that as one of the Board of Retirement's strategic planning objectives, the Committee was formed and met throughout the year. They reviewed information on investment return rates from a variety of sources to determine if the current 8.16% annual rate of return that is assumed by the actuary, is an appropriate investment earnings rate of return on a long term basis. Information was gathered from the actuary, investment consultant, a sampling of StanCERA's investment managers, and a survey of other 1937 Act retirement systems similar in size to StanCERA.

Mr. Fisher said the Committee concluded that the 8.16% investment rate of return appears to be an appropriate long term rate of return, given StanCERA's investment allocations. The committee recommends there be an annual meeting established for review of the actuarial assumed rate of return with the actual (market) rate of return following the close of each fiscal year, perhaps in August when figures become available.

Motion was made by Ron Martin and seconded by Steve Yauch to accept the Committee's Final Report of the Findings on Review of the Actuarial Assumed Rate of Return; retain the current 8.16% annual rate of return; and annually review the actuarial assumed rate of return.

Motion carried.

b. Strategic Plan Improving Communications Committee - Maria De Anda, Chair

i. Communication Survey's Responses Results

Maria De Anda, Chair, gave a summary of the Communication Survey Response that board members had received. A communication survey was circulated among 47 members of leadership teams within the County, City of Ceres, StanCOG and Superior Court. 28% of the leadership responded. Of that percentage, 60% listed email, the StanCERA website, and the semi-annual member statement as the preferred way to receive information from and about StanCERA. The StanCERA quarterly newsletter and group meetings followed with 54%. Ms. De Anda said the next step would be a survey going to retirees and active members regarding how they prefer accessing retirement information.

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

STANDING COMMITTEES (cont.)

c. Education Committee - Gordon Ford, Chair

- i. Discussion and Action on Attendance and Travel Costs for The National Seminars Group's "Implementing Effective Internal Controls," Training, January 7, 2008, Modesto, California

Mr. Ford informed the Board there was interest to attend this training and it met the Board's strategic objective to implement internal controls. The registration cost is \$249 per person. If four people attend, the fourth person would attend free. Board members reviewed the brochure. Mr. Ford stated no travel costs would be incurred as the seminar is in Modesto.

Motion was made by Darin Gharat and seconded by Steve Yauch to approve attendance and registration fees for the The National Seminar Group's "Implementing Effective Internal Controls," Training, January 7, 2008, Modesto, California.

Motion carried.

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

Paul Harte commented he does not know of any other system that goes to the extent that StanCERA does to strive to meet the retirees' health insurance needs.

Lt. Darin Gharat mentioned the Orange County Sheriff had been indicted on corruption charges.

Wes Hall thanked staff and board members for all their hard work on the committees in which they serve.

Wally Morrow, retiree, thanked the Board of Retirement for the outstanding job they do for StanCERA.

Tom Watson mentioned that Bob Thompson, of Dodge & Cox would be at the December 12, 2007, meeting to give the board an informational presentation on Structured Investment Vehicles (SIVs). Mr. Watson distributed information received electronically from Mr. Thompson regarding the credit rating agencies' role in SIV investments.

12. **Adjournment**

Meeting adjourned at 3:58 p.m.

Respectfully submitted,

Tom Watson, Retirement Administrator

APPROVED AS TO FORM:
MICHAEL KRAUSNICK, COUNTY COUNSEL

Deirdre McGrath, Deputy County Counsel