



STANISLAUS COUNTY
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BOARD OF RETIREMENT MINUTES

November 28, 2006

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

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

Members Absent: Maria DeAnda and Jim DeMartini

Others Present: Kelly Cerny, Paul Harte-Strategic Investment Solutions (SIS),
Deirdre McGrath, Hank Skau and Tom Watson

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

2. **Announcements**

Hank Skau, Operations Manager announced the investment managers' voting proxies for the period ending September 30, 2006, were available for viewing.

3. **Public Comment**

Michael O'Neal, President, Retired Employees of Stanislaus County (RESCO) requested that Item #11b. be heard after the Consent Items. Darin Gharat, Chair, granted the request.

4. **Consent Items**

Kelly Cerny, Secretary, stated that for Consent Item #5g. the correct spelling is Maez.

Motion was made by Steve Yauch and seconded by Mike Lynch to approve the following items and corrections as listed and presented.

Motion carried.

- a. Approval of the October 24, 2006 Minutes
- b. Approval of the November 6, 2006 Special Meeting Minutes
- c. Acceptance of the Comprehensive Annual Financial Report (CAFR) for Year Ending June 30, 2006

4. Consent Items (cont.)

d. Approval of Service Retirement(s) – **Sections 31499.14, 31670, 31662.2 & 31810**

1. Barbara Baker, Public Guardian, Effective 11-01-06
2. Christina Erwin, HSA, Effective 10-14-06
3. John Heinze, Sr., GSA, Effective 11-28-06
4. Marilyn Jones, Superior Court, Effective 10-28-06
5. Sorn Kurt, CSA, Effective 10-11-06
6. Diana Nackord, HSA, Effective 10-30-06
7. Donald Rasmussen, Sheriff, Effective 11-04-06
8. Daniel Schloss, District Attorney, Effective 11-25-06

e. Approval of Deferred Retirement(s) – **Section 31700**

1. Dixie Barrigar, HSA, Effective 10-05-06
2. David Brown, Sheriff, Effective 10-03-06
3. Jon D. Campidonica, Public Works, Effective 10-21-06
4. Karen Johnson, Superior Courts, Effective 10-07-06
5. Shannon M. Klimek, Sheriff, Effective 10-05-06
6. Lisa Lorenz, CSA, Effective 07-07-06
7. Nicole R. Machado, Superior Court, Effective 08-23-06
8. Victoria Miller, HSA, Effective 10-08-06
9. Mark A. Puthuff, Sheriff, Effective 10-06-06
10. Susan R. Rogers, CSA, 08-03-06
11. Nadine A. Veloz, Environmental Resources, Effective 09-02-06

f. Approval of Deferred Retirement Refund(s) **Section 31701**

1. April Saldana
2. Marcella Y. Gaines

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

1. Daniel Maez, Sheriff, Service-Connected, Effective 10-03-06

Ron Martin arrived at 2:04 p.m.

Gordon Ford arrived at 2:04 p.m.

Item #10b. Heard Out of Order

10. Correspondence

- b. Discussion and Action on the Retired Employees of Stanislaus County's (RESCO) Letter Dated October 30, 2006

Michael O'Neal, President of RESCO addressed the Board regarding RESCO's letter to the Board dated October 30, 2006. Mr. O'Neal said other counties use independent

Item #10b. Heard Out of Order (cont.)

10. Correspondence (cont.)

- b. Discussion and Action on the Retired Employees of Stanislaus County's (RESCO) Letter Dated October 30, 2006 (cont.)

counsel and it is RESCO's request that StanCERA hire independent counsel. Mike Lynch, Trustee, asked if there were specific problems with the way counsel was currently doing business. Mr. O'Neal said he personally thought current counsel was obstructive to the Board and would like to see things acted upon more quickly. This would include more discussion or the appearance of such with RESCO and/or the Board. Steve Yauch, Trustee, asked if the RESCO Board voted on this request. Mr. O'Neal replied the RESCO Board vote was unanimous among the board members who were present as a quorum for the vote. Mike Lynch inquired if this was a philosophical request or about people. Mr. O'Neal stated it was not about people. Mr. O'Neal said in particular, the retiree representative's recusal from voting on the retiree health allowance changes was a concern, as was the inability to see counsel's memorandum regarding this conflict of interest issue. Mr. O'Neal said RESCO's legal counsel did not think this was appropriate. Deirdre McGrath, Deputy County Counsel, said the memorandum was a legal opinion to the Board, citing attorney/client privilege.

Ms. McGrath mentioned the topic of conflict of interest for board members was discussed at the recent State Association of Retirement Systems (SACRS) Fall 2006 Conference. Darin Gharat added that it was clear from the presentation that StanCERA's legal counsel and Board acted appropriately on their issue of a potential conflict of interest on the retiree health insurance allowance.

Mr. O'Neal said he spoke with a previous board member who is now a retiree who mentioned that for years the Board of Retirement has discussed acquiring independent counsel. Gordon Ford, Trustee, asked if research has been done on what other 1937 Act counties are doing. Mr. O'Neal said that RESCO member Linda Stotts-Burnett would know better as she is involved with the California Retired County Employees Association (CRCEA). Typically the smaller counties use county counsel. Ms. McGrath shared that seven of the 20 1937 Act systems currently use independent counsel or contract with other counsel.

Ms. McGrath said it was unclear from the letter what RESCO's counsel considered the conflict to be. She recommended further discussion be pursued by the Board if desired, before any action is taken and that she would be willing to inform the Board of the relevant statutes. Steve Yauch asked Mike O'Neal if he would have RESCO's counsel put their opinion in writing for the Board's review. Mr. O'Neal agreed. Wes Hall, Trustee, said he wants to ensure there is communication in keeping with previous practice.

Item #10b. Heard Out of Order (cont.)

10. Correspondence (cont.)

- b. Discussion and Action on the Retired Employees of Stanislaus County's (RESCO) Letter Dated October 30, 2006 (cont.)

Steve Yauch requested this issue be kept open for future discussion. Mr. O'Neal expressed his appreciation to the Board for hearing the item out of order.

Motion was made by Mike Lynch and seconded by Ron Martin to direct counsel to conduct research relevant to the statutes and direct staff to compile a report to include the cost data of the other seven counties using independent counsel and bring back to the Board.

Motion carried.

5. Closed Session

Motion was made by Mike Fisher and seconded by Wes Hall to commence to Closed Session at 2:30 p.m.

Motion carried.

After returning to Regular Session at 2:45 p.m., Tom Watson Administrator read the findings of the Closed Session:

The application of Taylene Tipton for a service-connected disability retirement benefit was denied.

6. Discussion and Action on Strategic Investment Solutions' (SIS) Report on the Small Cap Value Manager Search November 2006

Paul Harte gave an overview of the report given to Board members regarding StanCERA's Request for Information (RFI) in the search to replace the small cap value manager. A total of eight managers were asked to respond with only four responding. The four candidates who responded were ranked using qualitative factors. The Board discussed the findings of the short list of candidates and noted that "IWN" Shares appear to currently meet StanCERA's need for small cap value equity because The Russell 2000 Value Index is outperforming most investment managers. Paul reiterated that StanCERA could temporarily remain with The Bank of New York Global Transition Management team approved by the Board at its meeting of November 6, 2006.

Motion was made by Ron Martin and seconded by Gordon Ford to maintain the Exchange Traded Fund (ETF) shares with The Bank of New York and evaluate the performance on a quarterly basis.

Motion carried.

7. Strategic Investment Solutions' (SIS) Third Quarter Investment Performance Analysis Ending September 30, 2006

Paul Harte presented the third quarter investment performance analysis through September 30, 2006. The composite fund returned 3.8% and ranked in the 46th percentile among other public funds greater than \$100 million. The median return was 3.7%. Longer term, the three and five-year returns of 11.8% and 10.0% were slightly under and above the median among total public plans, 11.9% and 9.0%, respectively.

8. Strategic Investment Solutions Monthly Performance Review Ending October 31, 2006

Paul presented the monthly performance review for the period ending October 31, 2006. StanCERA's portfolio is \$1.3 billion, an increase of 2.62% for the month. The fiscal year to date return is 6.48%, below StanCERA's policy index of 6.80%, but above the fiscal year to date actuarial assumed rate of 2.66%.

9. Discussion and Action on the Policy Implementation Program to Manage Cash

Paul gave a synopsis of The Clifton Group's educational presentation given at the October 24, 2006, investment board meeting. Board members reviewed the Policy Implementation Overlay Service (PIOS) Summary Results as of September 30, 2006, of the three 1937 Act counties that currently use this service. The Board discussed the merits of utilizing this type of service. The Board would like to see what the top ten 1937 Act systems with good investment performances are doing. The Board requested SIS to continue bringing investment products to the Board for review to enhance StanCERA's investment returns.

10. Correspondence

a. Mazama Capital Management Inc.'s News Release

The Board received Mazama's news release announcing as of August 28, 2006, Erik K. Wald was appointed to the position of Associate Research Analyst.

Item 10b. Heard Out of Order

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

Mike Lynch and Mike Fisher requested a copy of the Board's fiduciary insurance policy and a presentation by CEO-Risk Management about the policy.

Steve Yauch requested an educational session from the actuary on what is a proper funding ratio.

Wes Hall mentioned that a Pension & Investments special report dated October 30, 2006, ranks SIS as number #5 of the top 25 consultants by U.S. institutional, tax exempt assets, and ranks SIS #7 by worldwide institutional, tax exempt assets.

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

Wes Hall inquired as to the status of the actuary. Tom Watson responded the triennial analysis is due January 2007.

Darin Gharat said the SACRS' Fall Conference was full of good information. topics included methods to improve systems' procedures to save money, such as improving the administration of disability retirements that save systems and counties money.

12. **Adjournment**

Meeting adjourned at 4:08 p.m.

Respectfully submitted,

Tom Watson, Administrator

APPROVED AS TO FORM:
MICHAEL KRAUSNICK, COUNTY COUNSEL

By: _____
Deirdre McGrath, Deputy County Counsel