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BOARD OF RETIREMENT MINUTES

December 13, 2000

Members Present: Lyn Bettencourt, Kent Crawford, Maria DeAnda, Wes Hall, Al Sarina, Virgil Thompson, Steve Yauch, and Tom Watson

Members Absent: Nick Blom

Others Present: Victoria Halliday, Robert Harmon, Lois Ertel; John McLaughlin of Capital Resource Advisors; Patty Gillihan, CEO's Office

1. Meeting called to order at 2:00 p.m. by Chairman Lyn Bettencourt.

2. **ANNOUNCEMENTS**

Tom Watson announced that ID number 820036 or giving the operator Steve McDonald's name would be needed for the conference call with TCW on Friday, December 15, 2000.

Lois Ertel received a phone message from John McLaughlin that his flight had been delayed due to icing conditions in Oregon. He extended apologies to the Board because he would be late for the meeting.

3. **PUBLIC COMMENT**

Lyn Bettencourt reported on an article in Pension & Investments on Ennis Knupp & Associates which made him wonder what their "independence" rating would be after becoming involved in "managing managers".

4. **CONSENT ITEMS**

Motion was made by Wesley Hall and seconded by Steve Yauch to approve the following items as listed.

Motion carried.

a. Approval of the November 28, 2000 Regular and Closed Session Minutes.

b. Approval of Service Retirement(s) - Sections 31760.1 and 31810

1. Marianne Mayerle, Health Services Agency, Effective 12-05-00

2. Marjorie Patzer, Mental Health (Deferred), Effective 12-06-00
3. Vivian Bias, Community Service Agency (Deferred), Effective 12-17-00

4. **CONSENT ITEMS-Continued**

b. Approval of Service Retirement(s) - Sections 31760.1 and 31810-Continued

4. Earl Stevens, Mgmt. Information Systems (Deferred), Effective 12-19-00
5. Loretta Young-Sutherland, Health Services Agency (Deferred), Effective 12-23-00
6. Edith Adams, Purchasing (Deferred), Effective 12-31-00

c. Approval of Deferred Retirement(s) - Section 31700

1. Matthew R. Badgley, Sheriff's Office, Effective 11-11-00
2. Teresa R. Parker, Sheriff's Office, Effective 11-11-00

Item "c" under Administrator was taken out of order at this time as a courtesy to Patty Gillihan of the CEO's office.

- c. At the January 12, 2000 Board meeting, Joan Donlon was granted an extension of time to December 15, 2000 for the refund of "intermittent part time service" she had purchased. Because of two court cases (San Diego and Marin County), her member status was changed and this purchase disallowed. It was hoped that by this time the County would have completed cost studies to determine whether they would recommend the Board of Supervisors approve Government Code Section 31641.56 allowing the purchase of intermittent part time service.

Patty Gillihan was present to report the actuarial study to determine cost of the approval of Government Code Section 31641.56 had not been completed, the data necessary is difficult to obtain, and they would like an extension of time to better prepare a fair study. They don't feel the data to date is a true representation of members affected by this situation and would like an opportunity to contact all County members via payroll to obtain a better picture. She formally requested the Retirement Board grant a continuance of 90 days as they think this will be adequate to complete the study so that the CEO can make a recommendation to the Board of Supervisors. They would not want Ms. Donlon to "suffer any unnecessary tax consequences due to the delay in the study" and ask that the Board consider a further extension of time prior to a refund.

Steve Yauch moved to refund Joan Donlon in January, 2001 to eliminate the possibility of tax consequences until this issue is resolved, and after discussion, retracted his motion.

Motion was then made by Wesley Hall and seconded by Maria DeAnda to postpone the decision on the refund to Joan Donlon until the Retirement Board meeting on April 24, 2001.

Motion carried.

Administrator's item "c" continued:

Victoria Halliday, Deputy County Counsel, advised staff to write Joan Donlon to be sure she understood these funds were on deposit only and did not represent service time.

Al Sarina arrived at 2:15 p.m.

The remainder of the agenda was taken in order as follows.

5. **STAFF REPORT OF MONTHLY INVESTMENT PERFORMANCE FOR OCTOBER 2000**

Robert Harmon reported that although investments were pretty bleak for November and the market value of the fund had dropped \$27 million, he included the current status showing the recovery of that \$27 million by 12/12/00. The rate of return for this month was -2.15% and 5.90% for the year. Other year to date portfolio income for securities lending and commission recapture is \$156,498.

John McLaughlin arrived at 2:30 p.m.

6. **ADMINISTRATOR**

- a. After review of proposed Board Meeting Calendar and Continuing Education Calendar, motion was made by Virgil Thompson and seconded by Steve Yauch to approve them as presented, with the exception of the deletion of November 14, 2001 which is traditionally a SACRS Conference week.

Motion carried.

- b. After review and discussion, motion was made by Al Sarina and seconded by Wesley Hall to approve the proposed "Request for Proposal to Perform an Independent Actuarial Audit and Review".

Robert Harmon reported the request would be on our web site, in Pension & Investments, and sent to a list of several firms.

Motion carried.

Important considerations upon receipt of audit report are as follows: 1) to be sure it is understood, possibly with consultant present, 2) copy should be provided to Buck Consultants, Inc. and 3) meet with both actuary firms together.

- d. The Auditor's office has provided figures for the cost to the Retirement Association for office space at 10th Street Place. We occupy 2,791 square feet at a cost of .42 per square foot for an annual cost of \$13,931.

6. **ADMINISTRATOR-Continued**

- e. The Board will be meeting on January 4 and 16 at Diablo Grande for a planning retreat. It was recommended the Board should wrap up where they have been and discuss the issues not completed from their last strategic planning sessions in 1998. Other topics would include our own quarters/independence, media education (who speaks for the Board), information from John McLaughlin on a Board finance committee, and information on strategic planning provided by Victoria Halliday from the NAPPA Conference she attended. Forty five minutes is to be allocated at the start of the session for Robert Harmon to present the speech he is giving at the conferences he has and will be attending and tell the Board what he sees down the road. Group transportation will be provided.

The due diligence committee report, item "c" under committee reports, was taken at this time.

- c. Due Diligence Committee-Wesley Hall, Chairman

A written report of the committee's meeting with Cooper Consultants on December 5, 2000 was provided to Board members. The report included a brief description of the consultant firms on the short list recommendation, with the full presentation material also provided. A schedule of events for the process of selecting an investment consultant and a recap of the conference call with John McLaughlin was included.

The committee recommends the Board: 1) accept the short list of five candidates plus back up firms, 2) authorize Cooper Consultants to issue an RFP to those firms, subject to legal review and approval by the Due Diligence Committee, 3) ask the Chairman to call a special meeting on March 22, 2001 for the finalists' presentations.

Motion was made by Wesley Hall and seconded by Tom Watson to accept and approve the committee's recommendation as listed above and the schedule of events as presented. A special meeting of the Board will be held on March 22, 2001 to hear finalist's presentations.

Motion carried.

John McLaughlin provided a revised Capital Resource Advisors' work plan of the October 23, 2000 proposal, based on the conference call he had with the due diligence committee on December 5, 2000. He also provided a written recommendation for refinements to the Board's Investment Policy.

John McLaughlin reported a session on governance at the last SACRS Conference was very good and an important issue. He suggested the Board look at roles of staff, an investment committee, finance committee, role of consultant, and the Board's philosophy on this. It would be important to define where they want to

Committee Reports item "c" - Continued

go, what the gain would be, and possibly prepare a statement of beliefs.

In response to concerns over how our investments are being monitored for possible losses, Robert Harmon informed the Board that the Association does get recovery and receives class action information. The CALAPRS General Assembly in March plans to cover this issue with two law firms represented.

7. **CAPITAL RESOURCE ADVISORS REPORT OF PERFORMANCE FOR QUARTER ENDING SEPTEMBER 30, 2000**

John McLaughlin reported the investment performance for the quarter ending September 30, 2000 indicated that the entire portfolio returned 14.44% for the year, 9.54% annually compounded over the past 3 years and 13.13% per year compounded for the past 5 years (these are market rates of return). It was also reported that the US dollar is holding up against all major world currencies during this quarter. (A copy of the complete report is available in the retirement office.)

8. **COMMITTEE REPORTS AND RECOMMENDATIONS FOR ACTION**

a. Benefits Committee-Wesley Hall, Chairman

Motion was made by Steve Yauch and seconded by Maria DeAanda to approve the payment of a Special COLA to those retirees with an excess of 25% in their cost of living accounts (in a lump sum amount for the year) on the January 2, 2001 paycheck.

Motion carried

b. Bylaws Committee-Steve Yauch, Chairman

No report.

d. Education Committee-Virgil Thompson, Chairman

The Board accepted the report from Victoria Halliday, Deputy County Counsel, on the NAPPA Conference she attended in June.

Virgil Thompson gave a brief review of the conference he attended in San Francisco, which concluded at 4:00 p.m. yesterday, and will provide a written report next month. Written reports are still needed from Robert Harmon/Steve Yauch and Lyn Bettencourt.

9. **MEMBERS FORUM (Information and Future Agenda Requests Only)**

Victoria Halliday told the Board they could obtain copies from retirement staff of the Strategic Planning section in the NAPPA Conference binder in the retirement office library.

Victoria Halliday and Maria DeAnda were thanked for the treats they had brought in celebration of the holidays.

Robert Harmon reported he is to be a speaker at conferences in January (Phoenix, AZ) and February (New Orleans, LA).

It was suggested staff contact San Joaquin County Employees' Retirement Association to find out what the dates are for the advanced trustee training planned for next year.

Steve Yauch said Robert Harmon had volunteered to do the report on the conference they attended in October, but he probably would not be able to provide this until June, 2001.

Al Sarina apologized for being late as this was his third board meeting today.

Lyn Bettencourt suggested the gift (slinky in a box) he and Nick Blom received from GE Asset Consultants be donated to the Sheriff's Employees Foundation for their holiday distributions to under privileged children. A letter of thank you with advisement of the charitable contribution should be sent to the donor.

Lyn Bettencourt expressed his opinion that the Board members are a "great group" to work with and retirement staff should be recognized for the "good job" they do.

10. **ADJOURNMENT**

Meeting adjourned at 4:30 p.m.