



**STANISLAUS COUNTY
EMPLOYEES' RETIREMENT ASSOCIATION**
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BOARD OF RETIREMENT MINUTES

May 23, 2000

Members Present: Lyn Bettencourt, Nick Blom, Wes Hall, Thomas Keating, Joash Paul, Virgil Thompson, Steve Yauch, and Tom Watson

Members Absent: Maria DeAnda, Al Sarina

Others Present: Victoria Halliday, Robert Harmon, Lois Ertel; Mike Moehle, Buck Consultants, Inc., Horton Shapiro, Dodge & Cox, John McLaughlin, Capital Resource Advisors; Paul Konsdorf, OE3, Gail Sullivan, CNA and Carol Grove, CNA

1. Meeting called to order at 2:00 p.m. by Chairman Joash Paul.

2. **ANNOUNCEMENTS**

Victoria Halliday distributed information on the San Diego County litigation regarding tier status and the Ventura decision litigation. She has requested these items be on the June 14, 2000 Board meeting agenda with the Ventura case under closed session.

3. **PUBLIC COMMENT**

None

4. **CONSENT ITEMS**

Motion was made by Wes Hall and seconded by Nick Blom to approve the following items as listed.

Motion carried.

- a. Approval of the April 24 and April 25, 2000 Regular Session Minutes.
- b. Acceptance of Statement of the Retirement System as of April 30, 2000
- c. Acceptance of Report of Investment Activity for April, 2000
- d. Approval of Service Retirement(s) - Sections 31760.1 and 31810
 1. Phyllis Babcock, Board of Supervisors, Effective 05/15/00

4. **CONSENT ITEMS -Continued**

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

1. Kathleen Espinoza, Superior Court, Effective 09-18-98
2. Christina Duncan, Community Services Agency, Effective 07-30-99
3. Denise Gibson, Community Services Agency, Effective 08-05-99
4. William R. Carlson, City of Ceres, Effective 09-24-99
5. Valentina Godoy, Community Services Agency, Effective 10-07-99
6. Dana Darnall Vaughn, District Attorney, Effective 12-03-99
7. Paul O'Donnell, Mental Health, Effective 03-06-00
8. Fernando Carranza, City of Ceres, Effective 03-30-00
9. Matthew Burt, Department of Employment & Training, Effective 02-04-00
10. Tammy L. Drew, Sheriff's Office, Effective 04-13-00

f. Approval of Refund for Deferred Retirement Member(s) - Section 31701

1. Bonnie B. Peters

g. Acceptance of Putnam Investments quarterly report

h. Acceptance of TCW quarterly review

5. **BUCK CONSULTANTS, INC. ACTUARIAL EVALUATION REPORT AS OF 6/30/99**

Mike Moehle of Buck Consultants Inc. reviewed the Actuarial Valuation report of the Retirement Association as of June 30, 1999. Beginning with statistical highlights, it was reported active membership has increased by 6.7% with a payroll increase of 18% and retired members were up by 4.1% with a payroll increase of 9.7%. Inconsistencies found with prior years' information, predominantly in wage increases due to Payroll System changes, resulted in employer rates going up. Demographic shifts resulted in an increase in employee rates. It is anticipated with new data systems currently being put in place, the data prepared for the June, 2000 triennial actuarial valuation will resolve any problems.

Based on the information provided in the report, recommendation was made that the Board adopt the recalculated contribution rates as of June 30, 1999 with economic and noneconomic assumptions remaining the same. It is further recommended that the Board use an 8.0% interest assumption (8.16% compounded semi-annually) with a long-term inflation rate assumption of 4.5%. The employer rates are shown on page 18 of the report and employee rates are shown in Schedule 5 on pages 46 and 47 with the Cost of Living percentage on page 19. (Copies of this report are available in the Retirement Division of the Treasurer/Tax Collector's Office.)

5. **BUCK CONSULTANTS, INC. ACTUARIAL EVALUATION REPORT AS OF 6/30/99**
- Continued

Motion was made by Steve Yauch and seconded by Virgil Thompson to accept the study with approval of the recommendations.

Motion carried.

6. **QUARTERLY REPORT BY DODGE & COX**

Horton Shapiro from our investment manager, Dodge and Cox, presented the regular quarterly report of investment performance for the period ending March 31, 1999. The report indicated that the entire portfolio returned 9.6% for the year, 13.4% annually compounded over the past 3 years and 15.1% per year compounded for the past 5 years (these are market rates of return). It was noted that the Russell 1000 index has been added to the report as a benchmark.

Horton Shapiro stated that inflationary pressures seem to be building and more action from the Federal Reserve can be expected in 2000. Dodge and Cox utilize defensive measures toward inflation with the Fixed Income investments.

A ten minute break was taken at 3:30 p.m.

7. **CLOSED SESSION:**

Motion was made by Virgil Thompson and seconded by Wes Hall to adjourn to closed-session at 3:40 p.m.

Motion carried.

Closed Session Findings:

After returning to regular session at 4:15 p.m., the Administrator read the findings of the closed session:

Pursuant to Government Code Section 31720.6:

- a. The application of Kenneth Madewell for a service connected disability retirement benefit was granted effective September 8, 1998.

Pursuant to Government Code Section 31727:

- b. The application of Judith Hardenbergh for a non-service connected disability retirement benefit was granted effective September 23, 1997.
- c. The application of Shirley Nelson-Saeler for a non-service connected disability retirement benefit was granted effective May 24, 2000.
- d. The application of Barbara Sciabica for a non-service connected disability retirement benefit was approved effective December 29, 1999.

Close Session Findings - Continued:

Pursuant to Government Code Section 31727.4:

- e. The application of David Martinez for a service connected disability retirement benefit was granted effective January 18, 2000, with appropriate medical call back at the Administrator's discretion due to his age, and revision if he is rehabilitated within StanCERA covered employment.

Pursuant to Government Code Section 31725.5

- f. Phyllis Van Tassell was granted a non-service connected disability retirement benefit (pending application for same) effective September 13, 1999. This would be a supplemental payment based on the difference between her prior position and her current position. The application of Phyllis Van Tassell for a service connected disability retirement benefit was set for further investigation.

Steve Yauch left at 4:20 p.m.

8. **ADMINISTRATOR**

- a. BNY ESI (Execution Services Inc.) & Company, a Bank of New York Company, has provided information on their Commission Recapture services. If StanCERA were to participate in these services, an estimate of overall savings based on equity assets with Dodge and Cox and TCW would be \$87,375 per annum. Capital Resource Advisors has also provided information on Commission Recapture services. This is an item to be placed on a future agenda for consideration/action by the Board.
- b. After review of the proposed amendment to the "Diversification" portion of the Investment Policy for StanCERA, motion was made by Virgil Thompson and seconded by Lyn Bettencourt to approve the revision as proposed.

Motion carried.

- c. After discussion of a target funding goal for the new Large Cap Equity Growth Manager, motion was made by Lyn Bettencourt and seconded by Nick Blom to transfer an initial \$50mm to fund this account, with \$5mm increments on a monthly basis until 15% maximum allocation is achieved.

Motion carried.

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

- a. Benefits Committee-Wesley Hall, Chairman
Wes plans to call a meeting of this committee soon to look at some legislation.
- b. Bylaws Committee-Steve Yauch, Chairman
No report.

9. **COMMITTEE REPORTS AND RECOMMENDATIONS FOR ACTION-Continued**

- c. Due Diligence Committee-Lyn Bettencourt, Chairman
Lyn Bettencourt reported due diligence visits were made last week to Capital Resource Advisors in Chicago and Putnam Investments in Boston by Steve Yauch, Robert Harmon and Lyn Bettencourt. He thinks the visits were very worthwhile and they plan to have a detailed report to the Board within 30 days.
- d. Education Committee-Virgil Thompson, Chairman
Robert Harmon announced Putnam Institute is June 15-16, 2000 in Boston and that this has been a valuable educational forum in the past. Motion was made by Virgil Thompson and seconded by Nick Blom to authorize reasonable travel expenses for up to three persons to attend the Putnam Institute on June 15-16, 2000.

Motion carried.

Nick Blom left at 4:50 p.m.

- 10. **MEMBERS FORUM (Information and Future Agenda Requests Only)**
Thomas Keating told the Board he will be unable to attend the next meeting as he will be in training.
- 11. **ADJOURNMENT**

Meeting adjourned at 4:55 p.m.

Respectfully submitted,

Tom Watson, Secretary
Board of Retirement

APPROVED AS TO FORM:
MICHAEL KRAUSNICK
County Counsel

Victoria Halliday, Deputy County Counsel