



STANISLAUS COUNTY
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BOARD OF RETIREMENT MINUTES

NOVEMBER 27, 2001

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

Members Absent: Nick Blom and Maria DeAnda

Others Present: Robert Harmon, Victoria Halliday, Karen Gonzales, John Hallford, Member, Horton Shapiro from Dodge and Cox and Paul Harte from Strategic Investment Solutions, Inc.

1. Meeting called to order at 2:08 p.m. by Chairman Lyn Bettencourt

2. ANNOUNCEMENTS

Robert informed the board that Joann Blaska had withdrawn her service retirement application effective September 29, 2001 which was approved at the October 10, 2001 meeting.

Robert informed the board that the job announcement flyer for the Benefits and Operations Manager had been approved and the recruitment started.

Robert informed the board members that they were invited to a reception luncheon in honor of Steve Yauch, Lyn Bettencourt and Tom Watson on December 12, 2001.

Announcements were made on incorrect information on the Agenda that had been posted. The retirement date of Paul Brown is December 1, 2001. George Brummit died on October 21, 2001 and the correct department of Reuben Sendejas is Environmental Resources.

3. PUBLIC COMMENT

None

4. CONSENT ITEMS

Motion was made by Virgil Thompson and seconded by Wes Hall to approve the following items as listed, with corrections made to the October 23, 2001 regular session minutes.

Motion carried.

a. Approval of the October 23, 2001 Regular and Closed Session Minutes.

4. **Consent Items**

-Continued-

b. Approval of Service Retirement(s) - Sections 31499.14, 31760.1 and 31810

1. Joann Blaska, C S A, Effective 11-18-01
2. Paul W. Brown, B H R S, Effective 12-01-01
3. Thomas Copin, Assessor, Effective 11-14-01
4. James Keylon, Community Services Agency, Effective 11-09-01
5. Ann McGuire, Deferred - B H R S, Effective 11-15-01
6. Karen Mathews, Clerk- Recorder, Effective 09-29-01
7. Dolores Mills, City of Ceres, Effective 11-29-01
8. Janet Roberts, Deferred - H S A, Effective 11-01-01
9. Donald Shephard, Deferred - Ag Comm, Effective 11-24-01

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

1. Agustin Alberto, District Attorney, Effective 08-30-01
2. Marvin Caldwell, M I S, Effective 10-26-01
3. Joy Carpenter, Community Services Agency, Effective 08-16-01
4. Susan Chavez, Community Services Agency, Effective 10-12-01
5. Jorge Guerrero, Sheriff, Effective 10-24-01
6. Harry Hirsch, Sheriff, Effective 10-21-01
7. Wonder Liang, Public Defender, Effective 09-29-01
8. Durena Long, Employment & Training, Effective 09-28-01
9. Teresa Quezada, Health Services Agency, Effective 10-18-01
10. Karen Robertson, Health Services Agency, Effective 09-27-01
11. Reuben Sendejas, Environmental Resources, Effective 11-02-01
12. Eric Sharrock, Juvenile Hall, Effective 07-14-01
13. Brenda Kay Weeks, Community Services Agency, Effective 11-02-01

d. Approval of Death Benefit - Section(s) 31781 and 31781.1

1. Faith E. Taylor, deceased October 18, 2001. The estate named as the beneficiary will receive a lump sum death benefit.
2. Rick Mora, deceased October 31, 2001. The spouse of the member has elected to take a lifetime monthly continuance pursuant to Section 31781.1.

e. Approval of Service Retirement - Sections 31760.1 Pending Resolution of Member's Application for Service Connected Disability Retirement

1. George Brummitt, deceased October 21, 2001. The spouse of the member has elected a service retirement, pending the resolution of the members application for a service connected disability retirement.

4. **Consent Items**

-Continued-

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

1. Sharon Guthrie

5. **Closed Session**

Motion was made by Al Sarina and seconded by Virgil Thompson to adjourn to closed session at 2:14 p.m.

Closed Session Findings:

After returning to regular session at 2:30 p.m., Robert Harmon, Administrator, read the findings of the closed session:

The application of Jimmie Anderson for a service connected disability retirement benefit effective November 28, 2001 was granted with appropriate medical call back at the discretion of the Administrator.

The application of Donna Temple for a service connected disability retirement benefit effective June 16, 2001 was granted with appropriate medical call back at the discretion of the Administrator.

The application of Michael F. Smith for a service connected disability retirement benefit effective November 28, 2001 was granted.

6. **Quarterly Report by Dodge and Cox**

Horton Shapiro presented the Quarterly report for Dodge & Cox as of September 30, 2001. He began by saying that since his last report we have had several upsets in the stock market. The equity market recovery is based on faith. We have had a marvelous recovery and ensuing events in 2002 look good. Horton stated that the fixed income portfolio had a market value of \$371,741,866. The portfolio had an estimated annual income of \$24 million with a realized net gain of \$30.8 million and unrealized net gain of \$13.7 million. The comparative investment results showed that the demise of the 30 year treasury bonds were a factor in the short term. We had good results in our total portfolio for fixed income securities with a quarterly return of 4.1% and one, three and five year returns of 13.9%, 7.0% and 8.4% respectively.

The equity portfolio had a September 30, 2001 market value of \$333,777,083 with an estimated annual income of \$8 million. Horton stated that equity returns have rebounded in October and November but the quarterly return as of September 30, 2001 was -11.3%. The one, three and five year returns are 7.7%, 15.6% and 15.6% respectively. October 2001 had a return of 1.2%.

7. **Reports by Strategic Investment Solutions**

The following items were taken out of order as published on the agenda.

a. Quarterly Performance Report for Quarter Ending September 30, 2001.

Paul Harte began by saying there has been strong performance in the markets since the end of the month. He stated that the US Federal Funds rate has changed nine times since the Fed began lowering interest rates. The third quarter was rough, however Dodge & Cox and Putnam Investments held their own. The allocation by manager type analysis as of September 30, 2001 showed the domestic equity at 51.6% which was slightly above target, the domestic fixed at 41.6% which was also slightly above target however the international equity at 6.8% was below the target. The performance summary for the total fund for the period ending September 30, 2001 showed minus 9.2% for the first quarter, however the two, three and five years were at the 5th percentile. The US equity managers had a rough first quarter. The equity index returns for one year for the Russell 2000 growth at -42.6% and the Russell 1000 was -45.6%. The equity sector returns in a volatile market can change quickly. Technology returns were also down and ended at -61.4%. Utilities sector returns were down -26.1% as was the health care sector by -3.5%. Basic materials was the only sector to have a positive return.

b. Revised report on Asset Class Expectations

Paul Harte reviewed the revised report on the Asset Class Expectations and stated that in the summary of projections that it is a good time to invest in the private markets asset class. On the StanCERA projected portfolio expectations for Mix 3 October 2001 vs. April 2001 the total return (Median) has gone down from 8.44% to 8.33%. The total risk factor has also gone down from 11.63% to 11.37%. It was the consensus of the board to constrain the international equity under 20%.

c. Domestic Equity Manager Structure Review

It was the decision of the board to review the equity manager structure at the meeting in December due to the time and length of the meeting. Paul Harte reviewed the table of contents with the board and requested this issue be listed on the December 12, 2001 meeting for review and discussion.

Robert Harmon gave his staff report out of order at this time. He stated that November has been a good month. As of today the Market Value of the fund was at \$960 Million. The performance review for the period ending October 31, 2001 showed that for Dodge & Cox large cap value was above the target and range at 36.3%. MFS large cap growth was at 10.3% which was under target and range. For TCW small cap growth ended at 5.3% under the 10% target and range between 7 and 13%. Robert reported returns for the total portfolio as of October 31, 2001 of 2.49%, -6.2% and -1.97% for one month, three months and one year respectively. MFS had a 4.27% return and TCW had a 13.10% return for the month.

8. **Administrator**

- a. Robert gave his staff report on the monthly performance for the period ending October 31, 2001. Robert gave this report out of order after one of the reports from Paul Harte of SIS. (See above)

- b. Motion was made by Wes Hall and seconded by Kent Crawford to accept the audit of John Barnhart for the year ending June 30, 2001.

Motion carried with the response that this is an unqualified audit.

- c. Robert informed the board that the County had recently negotiated cost of living increases for unrepresented positions and requested the board approve the increase for the Administrator.

Motion was made by Wes Hall and seconded by Virgil Thompson to approve the salary increases for the Administrator.

Motion carried.

- d. Motion was made by Virgil Thompson and seconded by Tom Watson to approve the resolution in support of the California Tax Law Changes regarding the 401(a) and 457 plan transfers.

Motion carried.

- e. Motion was made by Virgil Thompson and seconded by Kent Crawford to accept the Coroners Special Actuarial Study for coroners to become safety with a retirement benefit of 3% at 50 years of age. No other action was needed.

Motion carried.

8. **Administrator**

- Continued -

- f. Robert informed the board of the theft in 10th Street Place of the Association's digital camera and laptop computer. A report was made with law enforcement agencies and the district attorney due to the value of the contents. The board was informed that the Association's projector was at Robert's home for protection and there was no objections from the board regarding this.
- g. Robert informed the board that only one safety member, John Hallford, submitted a nomination paper by the November 2, 2001 deadline and by a unanimous ballot was therefore, declared the winner for the retirement board seat 7, safety representative. The election results were certified by Tom Watson, Secretary of the Board. Mr. Hallford will begin his new three year term on January 1, 2002.

9. **Correspondence**

- a. Robert reviewed the newspaper article regarding expected health insurance premium increases and stated that this article states there would be an approximate 13% increase in health insurance premiums in the next year. However, at the SACRS conference this November it was noted that the increase may be even more.
- b. Robert reviewed the letter from and response to retired member, Elizabeth Foster. He stated that staff has accommodated Mrs. Foster on other issues and feels staff did their job efficiently. The board responded by saying Robert's response to Mrs. Foster was good. No other action was needed.

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

STANDING COMMITTEES

- a. Benefits Committee - Wesley Hall, Chairman

Wes Hall stated that the health insurance changes are effective January 1, 2002 and that the supplemental COLA is also effective January 1, 2002.

- b. ByLaws Committee - Tom Watson, Chairman

No report

- c. Due Diligence Committee - Wes Hall, Chairman

Wes Hall gave a review of the committee meeting of November 5, 2001 and stated the committee has selected dates and locations for the visits in 2002.

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

STANDING COMMITTEES

- Continued -

- c. Due Diligence Committee - Wes Hall, Chairman

Wes stated that the due diligence visits should be brought up at the January 2002 meeting so that the new board members can request to attend if they are interested.

- d. Education Committee - Virgil Thompson, Chairman

Virgil requested that staff prepare the 2002 board meeting calendar and education possibilities for 2002 for the meeting on December 12, 2001.

Robert informed the board that Delia of TCW stated a workshop had been planned for January 24, 2002 and invitations would be sent out.

- e. Independence Committee - Al Sarina, Chairman

No report

Wes Hall left meeting at 4:50 p.m.

- f. Disability Retirement Accountability Committee - Maria DeAnda, Chairman

No report

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

Vicki Halliday informed the board that letters had been mailed for the SACRS dinner costs and copies forwarded to Robert and Virgil.

Virgil requested Vicki to research the Brown Act regarding posting canceled meetings.

12. **ADJOURNMENT**

Meeting adjourned at 5:08 p.m.

Respectfully submitted,

Robert Harmon, Administrator

APPROVED AS TO FORM:
MICHAEL KRAUSNICK
County Counsel

Victoria Halliday, Deputy County Counsel