



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

DECEMBER 12, 2001

Members Present: Lyn Bettencourt, Nick Blom, Maria DeAnda, Wes Hall, Al Sarina, Virgil Thompson and Tom Watson

Members Absent: Kent Crawford

Others Present: Robert Harmon, Victoria Halliday, Karen Gonzales, John Hallford, Member, Paul Harte and Patrick Thomas from Strategic Investment Solutions, Inc., Art Londos and Bob Dearth from BNY Western Trust

1. Meeting called to order at 2:10 p.m. by Chairman Lyn Bettencourt

2. **ANNOUNCEMENTS**

Wes Hall invited the board members and staff to the RESCO luncheon on December 20, 2001 and thanked everyone for the holiday goodies.

Tom Watson stated that Jeff Jue, Director of the Community Services Agency had expressed his appreciation of the excellent service he received from the retirement staff regarding his upcoming retirement.

Lyn Bettencourt thanked the staff for a job well done and presented awards to the staff.

3. **PRESENTATION**

Robert Harmon presented plaques to Steve Yauch, Lyn Bettencourt and Tom Watson for their service to the Stanislaus County Employees' Retirement Association.

4. **PUBLIC COMMENT**

None

5. **CONSENT ITEMS**

Motion was made by Wes Hall and seconded by Nick Blom to approve the following items as listed with correction made to the November 27, 2001 regular session minutes.

Motion carried.

a. Approval of the November 27, 2001 Regular and Closed Session Minutes.

5. **Consent Items**

-Continued-

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

1. Alamarie Fox, Superior Court, Effective 12-01-01
2. Mary Kailes, Deferred, Probation, Effective 12-26-01
3. Warren Peck, B H R S, Effective 12-15-01
4. Richard Shipley, Probation, Effective 12-18-01
5. Janet Trujillo, B H R S, Effective 12-08-01
6. Lynn Vinson, C S A, Effective 12-01-01

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

1. Shannon Gonzales, Probation, Effective 12-01-01
2. Rose M. Louis, District Attorney, Effective 09-14-01

d. Approval of Death Benefit - Section(s) 31781.1 and 31781.3

1. John Chapman, deceased December 01, 2001. The spouse of the member will have the choice to elect one of the options pursuant to the above code sections.

6. **Staff Report of Monthly Investment Performance**

Robert gave the monthly investment performance report for the month of November 2001. He stated that for the period ending November 30, 2001 our total portfolio was over \$952 million. Robert reported returns for the entire portfolio as of November 30, 2001 of 5.02%, 0.63%, 6.30%, 8.00% and 10.15% for one month, three months, one, three and five years, respectively. Re-balancing of \$8 million a month is continuing and MFS should be within the policy range next month. TCW outperformed their benchmark (Russell 2000 Growth) by 950 basis points in November. Total domestic equities returned 10.07% for the month outperforming the S & P 500 index by 240 basis points.

7. **Closed Session**

Motion was made by Al Sarina and seconded by Maria DeAnda to adjourn to closed session at 2:30 p.m.

Motion carried.

Closed Session Findings:

After returning to regular session at 2:55 p.m., Robert Harmon, Administrator, read the findings of the closed session:

7. **Closed Session**

-Continued-

Victoria Halliday gave an update on the Ventura Judgement and Order.

Nick Blom left meeting at 2:55 p.m.

8. **Report by Strategic Investment Solutions**

- a. Paul Harte and Patrick Thomas of SIS reviewed the Domestic Equity Manager Structure with the board. Their recommended structure prefers active management in both small and large cap value and growth and passive management in large cap core. Introducing a passive manager should lower the predicted tracking error. A Passive Large Cap Core is a very efficient portfolio and therefore, is very inexpensive exposure to the asset class. They would also like to introduce a small cap relative value manager to compliment TCW who has a mid cap bias. The overall goal is to achieve an allocation that performs similar to the Russell 3000 index.

The proposed asset allocation would be: 36% domestic fixed income, 39% large cap equities, 10% small cap equities and 15% International equities.

Paul reviewed our current allocation based on the six-corner Russell style matrix. Our current portfolio style indicates a style risk of 3.9% and this should be under 1%. Our current predicted tracking error is 4.61%. The current target asset allocation is a good viable mix. The current high risk comes from the tactile decision to dollar-cost average into this mix. This has paid off well in the past but carries the higher risk with it.

Paul and Patrick reviewed three alternative style breakdowns within Mix 3. Alternative 2 would lower the style risk to 0.42% and the predicted tracking error to 2.72%. Under all three scenarios, they will be recommending the addition of a Small Cap Relative Value Manager.

Paul requested the following items be listed on the January 2002, agenda:

1. Discuss options for International Equity Managers.
2. Discussion and Adoption of changes to the Asset Allocation Policy and Guidelines. (Recommendation to adopt Mix 3 with International Constrained to 15%)
3. Discussion and Direction in choosing U.S. Equity Manager structure
4. Discussion and Direction to start manager search. (Relative Small Cap Value Manager)
5. Explore options for hiring a Transition Manager

9. **Administrator**

- a. Robert reviewed the calendar of board meetings and the educational opportunities for 2002. Motion was made by Maria DeAnda and seconded by Virgil Thompson to approve the calendars as presented.

Motion carried.

Robert requested authorization to speak at the Investment Educational Symposium sponsored by Opal Group in February and for the Association to pay for travel and lodging expenses. Virgil Thompson motioned and Wes Hall seconded to open the table for discussion and approval of the trip and expenses.

Tom Watson and Virgil Thompson opposed motion.
Maria DeAnda abstained.

Motion carried.

- b. Robert informed the board that the general member election has been completed and the ballots canvassed. Gary Dial received the majority of the votes and is therefore, declared the winner for the retirement board seat 3. The election results were certified by Tom Watson, Secretary of the Board. Mr. Dial will begin his term on January 1, 2002.
- c. Robert updated the board on the progress of the negotiated benefit enhancements and excess earnings sharing agreement . He stated the CEO's office is still targeting March 2002 to begin the benefits changes.
- d. Victoria Halliday informed the board that the Brown Act does not indicate that canceled meetings had to be published. There is no 30-day posting requirement for canceled meetings. She stated if the meeting was canceled due to an unforeseen problem or if there was no quorum, there was a 24 hour posting requirement.

10. **Correspondence**

- a. Robert reviewed the letter that was received by Rachel Puryear's attorney regarding a request to file for a service connected disability retirement. After discussion Tom Watson motioned and Maria DeAnda seconded to grant a service connected death benefit contingent upon the City of Ceres accepting the death as being service related.

Motion carried

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

STANDING COMMITTEES

- a. Benefits Committee - Wesley Hall, Chairman

No report

- b. ByLaws Committee - Tom Watson, Chairman

No report

Lyn Bettencourt recommended the word "chairman" be changed to chair or chairperson.

- c. Due Diligence Committee - Wes Hall, Chairman

No report

- d. Education Committee - Virgil Thompson, Chairman

No report

- e. Independence Committee - Al Sarina, Chairman

No report

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

Maria DeAnda informed the board that there was no report , however, the next meeting is scheduled for December 17, 2001.

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

Virgil Thompson made a recommendation that we move the Closed Session item to the end of the agenda after the members forum.

Tom Watson passed out a copy of an article titled "Squandering the Surplus" to the board.

Al Sarina passed out his report on the Public Fund Boards Forum that he and Maria DeAnda attended.

13. **ADJOURNMENT**

Meeting adjourned at 5:50 p.m.

Respectfully submitted,

Robert Harmon, Administrator

APPROVED AS TO FORM:
MICHAEL KRAUSNICK
County Counsel

Victoria Halliday, Deputy County Counsel