



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

MAY 27, 2003

Members Present: Maria DeAnda, Gary Dial, Darin Gharat, Wes Hall and Tom Watson

Members Absent: Nick Blom, Kent Crawford, Al Sarina and Virgil Thompson

Others Present: Robert Harmon, John Gobel, Karen Gonzales and Victoria Halliday

1. Meeting called to order at 10:10 a.m. by Chair, Tom Watson.

2. ANNOUNCEMENTS

Robert Harmon made a couple of announcements and a request for an agenda change. The first announcement was that Stanislaus County withdrew their request for proposal on audit services due to some staff changes in the Auditor's department. Also, due to a medical emergency, John Barnhart was unable to travel to make his presentation on the request for proposal on audit services and requested to participate via conference call.

Robert requested that Item "A" under the Administrator section be moved and discussed after the announcements.

See Administrator Section for the information concerning Item "A".

A break was taken at 11:02 a.m.
Meeting reconvened at 11:10 a.m.

3. BRIEFING ON AUDIT RFP PRESENTATIONS

Robert Harmon gave a brief description of the two remaining candidates for audit services. Both candidates are qualified to engage in the services requested. Both have experience auditing '37 Act systems and in preparing Comprehensive Annual Financial Statements (CAFR's). The big differentiation between the two firms is their fee. John Barnhart has proposed a fee of \$10,000 while Brown Armstrong has proposed a fee of \$25,000.

4. AUDIT SERVICES PRESENTATIONS

John Barnhart, CPA gave his presentation for audit services via a telephone conference to the Board of Retirement. John emphasized his 14 years of experience with StanCERA. He stated that he has prepared CAFR's for numerous systems and many go on to get the GFOA Award of Excellence and/or certificate from the Municipal Finance Officers Association.

4. **AUDIT SERVICES PRESENTATIONS - Continued**

Andrew J. Paulden, CPA and Amanda Wilson, CPA from Brown Armstrong gave a presentation to the Board of Retirement for audit services. Andrew stressed the size and depth of Brown Armstrong and their many '37 Act clients. He stated that he is on the AICPA Peer Review Committee and that Amanda is joining the committee.

5. **DISCUSSION AND SELECTION OF AUDITOR**

After discussion regarding the two remaining candidates, Maria DeAnda motioned and Wes Hall seconded to engage Brown Armstrong as the new auditors for StanCERA. Robert will request that they include assistance with the State Controllers Report in their "Not To Exceed" fee.

Motion carried.

Meeting was adjourned at 12:35 p.m. for lunch.

Darin Gharat left the meeting at this time and did not return.

Meeting reconvened at 2:00 p.m.

Kent Crawford arrived and attended this portion of the meeting.

6. **PUBLIC COMMENT**

None

7. **CONSENT ITEMS**

Motion was made by Wes Hall and seconded by Maria DeAnda to approve the following items listed.

Motion carried.

a. Approval of the April 22, 2003 Regular Session Minutes

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

1. Robert Boyd, Effective 05-16-03
2. Avis McGinnis, Effective 05-31-03
3. Lawrence Meade, Effective 05-24-03
4. George Murphy, Effective 05-01-03
5. Carol Wright, Effective 05-31-03

7. **CONSENT ITEMS**

-Continued-

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

1. Diana Halcon

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

1. Barbara Goodner, Effective 05-15-03
2. Michael Hill, Effective 02-11-03
3. Terri Lynn Kook, Effective 04-25-03
4. Linda Ann McFadden, Effective 03-12-03
5. Ramon Mendez, Effective 03-12-03
6. JA Phillips, Effective 01-06-03
7. Catherine Venicombe, Effective 01-02-03

8. **Closed Session**

Motion was made by Kent Crawford and seconded by Wes Hall to adjourn to closed session at 2:04 p.m.

Motion carried.

Closed Session Findings:

After returning to regular session at 2:16 p.m., Robert Harmon, Administrator, read the findings of the closed session:

The application of Judy Dalhberg for a service connected disability retirement was denied. The Board of Retirement approved a non-service connected disability retirement (if the member applies) effective November 22, 2002 with appropriate medical call back at the discretion of the Administrator.

The application of Frank Garcia for a service connected disability retirement was approved effective March 29, 2003.

The application of Betty Jewell for a non-service connected disability retirement was approved effective April 7, 2003 with appropriate medical call back at the discretion of the Administrator.

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

Robert Harmon passed out a report on the investment returns for March and April 2003. Robert stated that Dodge & Cox – Equities slightly under performed. He stated that the two new managers had excellent performance for the first three weeks. StanCERA year to date as of February 28, 2003 was –8.02% but should be about 0% with the recent gains in the market. The normal reporting should be back for the June meeting.

10. **Quarterly Investment Report from SIS**

Paul Harte for SIS gave the investment performance analysis for quarter ending March 31, 2003. Paul stated that the U.S. economy remained lethargic. The fourth-quarter GDP grew by only 1.4%. The Consumer Price Index rose 0.3% in March following prior month advances of 0.3% and 0.6% in January and February, respectively. Paul stated the U.S. stock prices had wide swings during the quarter. The S&P 500 Index fell 3.1%. The fixed income markets closed the quarter at a yield of 1.1%. The Lehman Aggregate Bond Index posted a 1.4% return for the first quarter and 11.7% for the twelve months ending March 31, 2003. The Salomon World Government Bond Index returned 3.1% for the quarter. Paul also mentioned that the two new managers came out the door doing well. The allocation by manager type currently is 41.6% Domestic Equity, 9.8% International Equity and 48.6% Domestic Fixed.

The performance summary for the period ending March 31, 2003 was –1.9% in the first quarter and –9.8%, 0.5%, 0.1% and 4.4% for one-year, two-years, three-years and five-years respectively.

11. **Administrator**

a. Presentation of Information System

Robert Harmon gave a technology overview of StanCERA. This item was discussed at the beginning of the meeting. Robert explained to the board information on the current system staff is using and information on what is needed and estimated costs of a new system.

b. Review of Portfolio Transition

Paul Harte of SIS discussed this item with the board. Paul reviewed the BNY Global Transition Management report that was received by Bank of New York. This report was a transition recap and trading cost analysis for April 2003 for the funding of the two new managers.

11. **Administrator**

- Continued -

c. Update on 12th and I Street Building

Robert gave the board a brief update regarding delays in opening bids for the 12th & I Street Project. Robert explained the relationship of this project to the Gallo Center in terms of some common construction techniques, project timing and financing. Robert stated that there has been no new dates set for the delayed bid opening for the 12th and I Street Project. A consultant has been retained to review the plans before a new date is set.

d. Discussion of Presentation Schedule for Managers

Robert informed the board that the two new managers were originally scheduled to make presentations on performance in June and July. However, since these two managers were just funded at the beginning of April, they will not make a presentation until the end of the year. Robert will schedule an education session for the July meeting.

12. **Correspondence**

No correspondence was received, however; questions were raised regarding information on the most recent annual statement prepared for the members.

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

STANDING COMMITTEES

a. Benefits Committee - Wesley Hall, Chair

1. Committee report and approval of committee recommendations from meeting on May 8, 2003

This report was not discussed and will be put on the June 11, 2003 meeting for approval.

Wes Hall, Chair, discussed issues that were brought up at the recent Spring SACRS conference chair and vice-chair roundtable.

b. Bylaws Committee - Maria DeAnda, Chair

No report.

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

STANDING COMMITTEES

-Continued-

- c. Due Diligence Committee – Maria DeAnda, Chair

No Report

- d. Education Committee - Gary Dial, Chair

1. Report on Russell Conference

It was noted that Gary Dial, Chair did not attend this conference and a report will be presented by Robert Harmon at the June 11, 2003 meeting.

AD-HOC COMMITTEES

- e. Independence Committee - Al Sarina, Chair

No report.

- f. Disability Retirement Accountability Committee - Kent Crawford, Chair

No report.

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

Wes Hall questioned why the department and years of service have been removed from the agenda. Robert and Vicki explained that this is due to information learned at the most recent SACRS. This information is not considered public information. Robert will work with RESCO to provide them the information they need for their newsletter.

John Gobel informed the board that he had received two phone calls regarding SB 670, alternate spouse. It was noted that this issue had previously been discussed with the Board of Retirement and it was the consensus of the board not to adopt this code section.

Victoria Halliday requested a closed session item for the board meeting on June 11, 2003 regarding an update on the Ventura case.

Karen Gonzales informed the board that Jamie Borba will be filling in for her at the next meeting.

15. **Adjournment**

Meeting adjourned at 3:56 p.m.

Respectfully submitted,

Robert Harmon, Administrator

APPROVED AS TO FORM:
MICHAEL KRAUSNICK
County Counsel

Victoria Halliday, Deputy County Counsel