



STANISLAUS COUNTY
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BOARD OF RETIREMENT MINUTES

JUNE 24, 2003

Members Present: Kent Crawford, Maria DeAnda, Gary Dial, Darin Gharat, Wes Hall, Al Sarina and Tom Watson

Members Absent: Nick Blom

Others Present: Robert Harmon, John Gobel, Victoria Halliday and Karen Gonzales, Paul Harte and Patrick Thomas from SIS, John Reid and Maureen Carr from TACS, Inc. and Lyn Bettencourt, Retiree

1. Meeting called to order at 2:00 p.m. by Chair, Tom Watson.

2. **Announcements**

None

3. **Public Comments**

None

4. **Consent Items**

Motion was made by Wes Hall and seconded by Maria DeAnda to approve the following items listed. Following the motion and second, Maria DeAnda requested discussion. She wanted to determine whether or not the system required additional legal services from Victoria Halliday and solicit comments from Mick Krausnick at our scheduled July 9, 2003 meeting.

Motion carried.

a. Approval of the June 11, 2003 Regular and Closed Session Minutes

5. **Monthly Staff Report of Investment Performance for Period Ending May 31, 2003**

Robert Harmon reported that at the end of May 2003 the Association was over \$953 million, which was up almost 1% from the prior month. Robert stated that the manager allocation was right on target. Returns for the entire portfolio as of May 31, 2003 were 5.13%, 10.16%, 0.89%, 2.42% and 5.26% for the one month, three months, one, three and five years respectively.

6. **Presentation by TACS, Inc. on PERA2000 Pension Administration Software**

Maureen Carr and John Reidy gave a presentation to the Board on TACS, Inc. and their PERA Series software. Maureen began the presentation by discussing the background of TACS and the experience and education of their employees' that include experience in Retirement Pension plans. She reviewed the system requirements established in the RFP, discussed TACS experience and capabilities, and indicated that the product interfaces with PeopleSoft very smoothly.

During the ensuing Q&A session, Board and staff members questioned system security and the profitability of the low bid submitted by TACS. In response to security questions, Maureen noted that the system has high levels of security and that the accessibility for members would be on a read-only basis. She also noted any member-initiated changes would generate internal reports for staff. With regard to the profitability of the all-inclusive bid submitted by TACS, Maureen stated that initial phase costs would be recouped.

7. **Administrator**

- a. Approval for Administrator to sign necessary documents for purchase and implementation of PERA2000 Software from TACS, inc.

Motion was made by Wes Hall and seconded by Maria DeAnda to authorize the Administrator to sign necessary documents for purchase and implementation of the PERA Series Enterprise Software.

Motion carried.

- b. Presentation by SIS on Manager Review Criteria and Approval to Amend Investment Policy to Include Criteria.

Paul Harte of SIS distributed a Review List Illustration with the status of each manager and a copy of the Russell Canada Monograph of Hiring and Firing Investment Managers. In summary, Paul stated that fiduciaries make two classic mistakes when hiring managers: (1) too much weight is put on high recent returns and (2) good managers with recent poor returns are ignored. Fiduciaries also make two classic mistakes when firing managers: (1) managers are evaluated independently of an established investment strategy and (2) the managers with organizations problems are terminated too late because of good performance in the past.

7. **Administrator**

-Continued-

- b. Presentation by SIS on Manager Review Criteria and Approval to Amend Investment Policy to Include Criteria.

Paul stated that the most difficult investment manager decision faced by pension fiduciaries is the decision of how long systems should stick with a well-regarded, but under-performing manager. The board thanked Paul for his report and insight and requested he provide a similar matrix each quarter.

The board found that the current Investment Policy already includes certain criteria for evaluating Investment Managers. Robert noted that he and Paul were reviewing the current policy and would propose amendments in a few months.

- c. Adopt Government Code Section 31520.5 Alternate Retiree Member and request a list of candidates from RESCO for Alternate Retiree Member. After discussion and request from members with the understanding that staff would develop a description and participation guideline regarding the alternate retiree position. Motion was made by Wes Hall and seconded by Maria DeAnda to adopt Government Code Section 31520.5.

Kent Crawford opposed.

Motion carried.

- d. Authorize the Administrator to negotiate a pre-payment of the County's annual normal contribution. After discussion, motion was made by Al Sarina and seconded by Kent Crawford to authorize the Administrator to negotiate the pre-payment with Stanislaus County.

Motion carried.

8. **Correspondence**

None

9. **Members' Forum (Information And Future Agenda Requests Only)**

Vicki Halliday informed the board that over the last week she had been working on two large items, one the TACS contract and the other a personnel issue. She commended Robert Harmon and John Gobel on their work.

9. **Members' Forum (Information And Future Agenda Requests Only)**

(Continued)

Wes Hall recently found a packet he received at the 1993 SACRS conference from LACERA and wanted to turn over to staff for review. Robert Harmon informed Wes that staff receives packets from LACERA annually, and that this packet was out of date and would be discarded.

Robert Harmon thanked everyone for the support and hiring of TACS. He stated he has a good feeling about TACS and is looking forward to implementing the system. Robert also informed the board that SIS would be making a presentation on Fixed Income in July. In August there will be an open discussion regarding the possibility of a separate Investment committee and/or board.

Robert also informed the board that he would be leaving the following day for Russia.

Lyn Bettencourt, retiree, made a few comments regarding the alternate retiree position. He stated the alternate should participate in closed session and in committee meetings.

Al Sarina asked if any board members were interested in sitting on the Independence Committee to fill Virgil Thompson's vacant position. Kent Crawford stated he would volunteer if needed.

Tom Watson requested the alternate retiree "job description" be delivered at the August 13, 2003 meeting. Tom also provided a couple of news articles from Street Sense/Money Talk magazine, as well as Institutional Investment. He gave these articles to the secretary for distribution.

10. **Adjournment**

Meeting adjourned at 3:49 p.m.

Respectfully submitted,

Robert Harmon, Administrator

APPROVED AS TO FORM:
MICHAEL KRAUSNICK
County Counsel

Victoria Halliday, Deputy County Counsel