



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

**August 26, 2003**

**Members Present:** Nick Blom, Kent Crawford, Maria DeAnda, Gary Dial, Mike Fisher, Darin Gharat, Wes Hall, and Tom Watson

**Members Absent:** Al Sarina

**Others Present:** Robert Harmon, John Gobel, Victoria Halliday, Karen Gonzales, Paul Harte and Anne Ward from SIS, and Horton Shapiro from Dodge and Cox.

1. Meeting called to order at 2:03 p.m. by Chair, Tom Watson.

2. **Announcements**

Karen passed out SACRS registration forms and requested those attending to complete and return.

Tom announced that a board member would be leaving at 4:15 if the meeting had not adjourned.

3. **Public Comments**

None

4. **Consent Items**

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

Motion carried.

a. Approval of the August 13, 2003 Regular and Closed Session Minutes

5. **Semi-Annual Report by Dodge and Cox**

Horton Shapiro of Dodge and Cox began his report by advising the board that the recent due diligence visit with his firm was very informative. Horton passed out the mid-year report with current updates and stated that the reallocation of assets was smooth. He stated during the first quarter the equity market was weak but rebounded in the second quarter and was up about 15%.

5. **Semi-Annual Report by Dodge and Cox (continued)**

Horton stated that as of June 30, 2003 StanCERA's portfolio for fixed income was over \$334 million and there was estimated annual income of almost \$19 million. The current yield was at 5.7%. Horton stated that on or around April 1, 2003 a significant portion of the portfolio was withdrawn for the reallocation of assets. The Fixed-Income Securities returned 3.5%, 11.4% and 8.2% for the 3 three months, one-year and five years respectively. Horton stated the U.S. Treasury rates dropped year to year and that the short-term rates were set at 1%. He states the economy has started to improve. The portfolio for Equity's as of June 30, 2003 was almost \$168 million with an estimated annual income of \$3.4 million. The estimated income was mostly from stock dividends. Horton stated 1/3 (almost \$75 million) of the Equity portfolio was withdrawn for the reallocation of assets. As of July 31, 2003 the Equity portfolio returned 3.9%, 13.3%, and 14.9% for the one-month, three months and year to date respectively.

It was requested to move the Due Diligence Committee staff report for the visit to Dodge and Cox up for discussion at this time. See comments under Item 9(c).

6. **Quarterly Report by SIS**

Paul Harte of Strategic Investment Solutions, Inc. introduced Anne Ward from his firm and stated she worked in the department that prepares the Investment Performance Analysis reports. Paul stated that for the period ending June 30, 2003, the Fed cut the bank-lending rate for the 13<sup>th</sup> time since January 2000 by 25 bps to 1.0%, which was the lowest rate in 45 years. The First-quarter GDP was revised from 1.9% to 1.4%, and that this information was largely ignored by equity investors. Paul states there should be better times ahead. The rate of capacity utilization measured 74.3% in June – some 7.0% below its average value for the years spanning 1972-2002. Paul stated the U.S. stocks enjoyed the rebound that began in April with the DJIA, NASDAQ and the S&P rising 13.0%, 21.0% and 15.4%, respectively. All industry groups ended the period in positive territory. Paul stated that the allocation by manager type analysis as of June 30, 2003 was almost \$958 million and was on target from the re-allocation. The total fund returned 11.8%, 5.6%, 5.0% and 6.5% for the first quarter, one-year, three-years and five years respectively.

Paul also distributed two additional reports. A Manager Watch List Illustration showing Performance of managers through June 30, 2003 and a report of managers' performance for the period of June 30, 2003 through August 25, 2003.

Robert informed the board that he was unable to provide a staff report at this meeting due to differences in numbers with the SIS report arising from the rebalancing of the portfolio in April 2003. He will provide a report at the next investment meeting once the differences are resolved.

7. **Administrator**

- a. Discussion and Action on Administrative Policy Regarding Refunds of Members Contributions.

Robert informed the board that this issue was put on the agenda at the request of Counsel. Victoria Halliday reviewed Government Code Section 31628 regarding the 'Return of Contributions on Termination' with the board and requested the board give the Administrator the authority to implement the section. This section allows that the board "may" order payment in whole or in part withheld for a period not to exceed six months after date of separation. In certain circumstances, the Administrator needs to hold the refund on contributions while administrative matters between a member and an employer are resolved. Victoria stated that Article IV Section 4 of the Bylaws should be revised to include this as a standard board order.

Motion was made by Nick Blom and seconded by Maria DeAnda to authorize the Administrator to implement Section 31628 of the Government Code and withhold the refund of contributions for up to six (6) months, as needed.

Motion carried.

8. **Correspondence**

None

Nick Blom left the meeting at 3:16 p.m.

9. **Committee Reports and Recommendation for Action**

**STANDING COMMITTEES**

- a. Benefits Committee – Wesley Hall, Chair

1. Review and Approve Committee Recommendation for Changes in Dental Plan Provider.

9. **Committee Reports and Recommendation for Action**

STANDING COMMITTEES (Continued)

Motion was made by Maria DeAnda and seconded by Darin Gharat to approve the Committee recommendation for changes in the dental plan provider and selecting Standard Insurance of Oregon as the new dental provider effective January 1, 2004.

Motion carried.

b. Benefits Committee – Wesley Hall, Chair - Continued

2. Review and Approve Committee Recommendations for 2004 Health Insurance Rates and Providers.

Motion was made by Maria DeAnda and seconded by Darin Gharat to approve the committee recommendations for the 2004 Health Insurance Rates and Providers.

Motion carried.

3. Discussion of Committee Recommendation for Changes to the Health Insurance Allowance Ad-Hoc benefit.

The committee presented and discussed with the board recommended changes to the Health Insurance Allowance and Ad-Hoc Benefits that may become effective January 1, 2005.

c. Bylaws Committee – Maria DeAnda, Chair

1. Review and Approve Committee Recommendations as Follows:

a. Amendment to Article IV Section 4 of the Bylaws (Member Refunds)

Motion was made by Darin Gharat and seconded by Kent Crawford to approve recommended amendments to Article IV Section 4 of the Bylaws.

Motion carried.

9. **Committee Reports and Recommendation for Action**

STANDING COMMITTEES – (Continued)

d. Bylaws Committee – Maria DeAnda, Chair

1. Review and Approve Committee Recommendations as Follows:

b. Amendment to Article XIII of Bylaws (Health Insurance)

After discussion of recommended changes by the committee, motion was made by Wes Hall and seconded by Kent Crawford to approve recommended amendments to Article XIII of the Bylaws (Health Insurance).

c. Due Diligence Committee – Maria DeAnda, Chair

1. Staff Report of Due Diligence Visit to Dodge and Cox.

Maria informed the board the outcome of the Due Diligence visit to Dodge and Cox on August 15, 2003. Maria thanked Horton Shapiro and noted that all staff were diligently working and provided information to the attendees'. Maria stated that they took a tour of the building into various departments and felt it was a good meeting. Paul Harte stated that Dodge and Cox gave no surprises and was able to meet with key investment players.

Kent Crawford left the meeting at 4:19 p.m.

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

Maria DeAnda thanked Robert Harmon for taking the time out to meet with her and Debbie Hiebert, President of ASCME on some specific issues. Maria stated that Robert was able to answer the member's questions she had regarding the plan.

Karen reminded everyone attending the Fall SACRS conference to complete their registration forms and return them.

11. **Adjournment**

Meeting adjourned at 4:22 p.m.

Respectfully submitted,

Robert Harmon, Administrator

APPROVED AS TO FORM:  
MICHAEL KRAUSNICK  
County Counsel

Victoria Halliday, Deputy County Counsel