



STANISLAUS COUNTY
EMPLOYEES' RETIREMENT ASSOCIATION
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BOARD OF RETIREMENT MINUTES

OCTOBER 26, 2004

Members Present: Kent Crawford, Maria DeAnda, Gary Dial, Darin Gharat, Wes Hall, Ron Martin, Linda Stotts-Burnett and Tom Watson

Members Absent: Nick Blom and Mike Fisher

Others Present: Victoria Halliday, Hank Skau, Jamie Borba, Patrick Thomas of SIS, Andrew Paulden of Brown Armstrong CPA's, Rick Harris and Carolyn Hughes of Putnam Investments and Rick Robinson, Chief Executive Officer of Stanislaus County

1. Meeting called to order at 2:00 p.m. by Chair, Maria DeAnda.

2. **Announcements**

Tom Watson reminded the board that StanCERA is a member of NCPERS and all Retirement Board members and staff are welcome to attend seminars. He also provided members with a copy of Bank of New York's assessment of the upcoming change to the S & P 500 index due to "float" factors. He discussed the time change on the revised agenda for the October 29, 2004 Special Board Meeting to begin at 10:00 a.m.

Jamie distributed new travel life insurance cards to all board members.

Maria DeAnda introduced the new Chief Executive Officer (CEO) of Stanislaus County, Rick Robinson.

Linda Stotts-Burnett arrived at 2:05 p.m.

3. **Public Comments**

None

4. **Consent Items**

Motion was made by Wes Hall and seconded by Kent Crawford to approve the following items listed.

Motion carried.

a. Approval of the October 13, 2004 Regular and Closed Session Minutes

b. Approval of Death Benefit – Section 31781

4. **Consent Items cont'd**

b. Approval of Death Benefit – Section 31781 cont'd

- i) Robert Kawasaki, Deceased October 2, 2004, Deferred Member, Lump Sum Return of Contributions

5. **Discussion and Action on the Audit of Financial Statements and Related Reports for the Fiscal Year Ending June 30, 2004 by Brown Armstrong, CPA**

Andrew Paulden briefly discussed the outline of the audit process. He stated that StanCERA did very well this year. He broke down the audit process and how they assess risks. StanCERA received an unqualified (or “clean”) opinion.

Andrew stated that StanCERA was compliant in all areas. Two minor issues were addressed. He briefly went through the “Draft” copy of the Comprehensive Annual Financial Report (CAFR) and discussed some of the figures from 2002/03 verses 2003/04.

Andrew thanked Hank Skau and staff for all of their help in getting information to Brown Armstrong in a timely manner to get the report complete.

After discussion, motion was made by Kent Crawford and seconded by Wes Hall to accept the Audit of Financial Statements and Related Reports for the Fiscal Year Ending June 30, 2004 by Brown Armstrong, CPA

Motion carried.

6. **Monthly Performance Report for the Period Ending September 30, 2004**

Patrick Thomas gave the monthly performance report for the period ending September 30, 2004. Patrick stated as of September 30, 2004, StanCERA’s portfolio was \$1.093 billion, which was up slightly from the prior month. Patrick stated that the managers continue to stay on target and that there has been growth over the last twelve months. For the month ending September 30, 2004, the Plan had a 1.89% return.

7. **Semi-Annual Performance Report from Putnam Investments**

Rick Harris (from Putnam’s San Francisco office) and Carolyn Hughes (from Putnam’s Boston office) were both here to present StanCERA’s semi-annual performance report. Rick stated that Putnam has done well with their choices. For the 3rd quarter 2004 StanCERA’s portfolio was up 45 basis points (0.45%). Since Putnam was hired in 1997 the portfolio is up by 3½ %. Rick discussed some actions taken by Putnam, such as, adopting Mutual Fund Protection Principals. He briefly discussed the relationship between Putnam and Marsh & McLennan (that is under New York State Attorney General investigation for insurance business issues).

Rick stated that in the third quarter international markets posted mixed results. While the Japanese markets weakened, the European markets gained amid rising oil prices and higher interest rates.

7. **Semi-Annual Performance Report from Putnam Investments cont'd**

Carolyn discussed the stock selections made and felt they were good ones. She briefly went through the performance and portfolio review. She stated that Putnam has been underweight in Financials and Insurance, but hopes that will turn around soon. She advised the board members that Putnam has also changed some of their employment policies and now has an employee on the International Team located in a London office.

Patrick Thomas stated some of his concerns regarding Marsh & McLennan owning 82% of Putnam. Rick tried to reassure Patrick that Putnam does not need (and has not received any) revenues from Marsh & McLennan.

Kent Crawford requested that in the next report that the returns be shown as both gross and net of fees.

8. **Administrator**

a. Discussion and Action on Updated Board Committee Assignments

Maria DeAnda, Chair, has the authority to appoint members to the committees and she added Ron Martin to the Due Diligence Committee and Education Committee.

b. Discussion and Action on Purchasing Card Expenditures for StanCERA

Due to StanCERA undergoing an internal audit of its Purchasing Card expenditures by the Stanislaus County Auditor/Controller's office this year, the board felt that there was no need to perform another audit or review. The board requested that when StanCERA receives the final report from the Auditor/Controllers that a copy be forwarded to the Board.

c. Discussion and Action on SACRS 2004 Legislative Proposals

i) LACERA Legislative Proposal #1
Amendment to the Ralph M. Brown Act and the Public Records Act

Motion was made by Tom Watson and seconded by Wes Hall to support the inclusion of the LACERA Legislative Proposal #1 into the SACRS 2005 Legislative Platform.

Motion carried.

ii) LACERA Legislative Proposal #2
Collection of Overpayments – Errors or Omissions

Motion was made by Tom Watson and seconded by Kent Crawford to support the inclusion of the LACERA Legislative Proposal #2 into the SACRS 2005 Legislative Platform.

Motion carried.

8. **Administrator cont'd**

a. Discussion and Action on SACRS 2004 Legislative Proposals cont'd

- iii) LACERA Legislative Proposal #3
Amendment to Government Code Sections 31486.3, 31490.5 and 31494.3
Los Angeles, Santa Barbara, Merced and Stanislaus Noncontributory Plans
Cleanup of AB 2234/Chapter 533, Statutes of 2004

Motion was made by Tom Watson and seconded by Kent Crawford to support the inclusion of the LACERA Legislative Proposal #3 into the SACRS 2005 Legislative Platform.

Motion carried.

- iv) LACERA Legislative Proposal #4
Amendment to Government Code Section 31452.5
Authority to Make Deductions From Retirement Allowance for retiree organization dues

Motion was made by Tom Watson and seconded by Kent Crawford to support the inclusion of the LACERA Proposal #4 into the SACRS 2005 Legislative Platform.

Motion carried.

- v) LACERA Legislative Proposal #5
Technical Revision to Correct Government Code Section Reference
(typographical error)

Motion was made by Tom Watson and seconded by Kent Crawford to support the inclusion of the LACERA Proposal #5 into the SACRS 2005 Legislative Platform.

Motion carried.

- vi) San Bernardino County Legislative Proposal #1
Amendment to Government Code Section 31720 to more accurately define
"disability retirement"

Victoria Halliday gave a brief explanation of this proposal.

Motion was made by Tom Watson and seconded by Wes Hall to support the inclusion of the San Bernardino County Legislative Proposal #1 into the SACRS 2005 Legislative Platform.

Motion carried.

8. **Administrator cont'd**

a. Discussion and Action on SACRS 2004 Legislative Proposals cont'd

vii) San Bernardino County Legislative Proposal #2

Status of Retirement Association staff as employees of the Association, similar to other "Special District" employment status

Victoria Halliday and Tom Watson gave a brief description of this proposal and the affects of it.

Motion was made by Kent Crawford and seconded by Tom Watson to support the San Bernardino County Legislative Proposal #2 inclusion into the SACRS 2005 Legislative Platform with the stipulation that Stanislaus County be added into the proposal.

Motion carried.

viii) Ventura County Proposal #1

Amendment to Current Provisions for the Payment of a Vested Supplemental Benefit

Motion was made by Tom Watson and seconded by Kent Crawford to oppose the inclusion of the Ventura County Legislative Proposal #1 in the SACRS 2005 Legislative Platform because the proposal only affects the Ventura County Employees' Retirement Association.

Motion carried.

9. **Correspondence**

Tom Watson discussed a proposed SACRS Constitutional Amendment that was sent on SACRS letterhead.

Maria discussed the responses received from a memo sent to the Chief Executive Office. No action was needed at this time.

Tom mentioned that a copy of the memo that SIS sent to Mazama was sent to all Retirement Board members.

Tom also mentioned that a copy was given to all board members of the News Scan newsletter from the actuarial consulting firm of Gabriel, Roeder, Smith & Company.

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

Maria requested that the Retirement Administrator interviews be moved from room 6424 (6th floor) to the Law Library (6th floor) in County Counsel.

Darin Gharat is pleased with Rick Robinson, the new CEO of Stanislaus County.

Kent Crawford asked Patrick Thomas about other reporting and measurements we could be using. Patrick stated that SIS is in the process of updating and making changes to reports, so now is a good time to request any additions or changes to our report format.

Patrick Thomas recommends that the Foreign Managers use the All Counties World Index (ACWI) verses EAFE index as a benchmark for International Equity Investment performance.

11. **Adjournment**

Meeting adjourned at 4:05 p.m.

Respectfully submitted,

Tom Watson, Acting Retirement Administrator

APPROVED AS TO FORM:
MICHAEL KRAUSNICK
County Counsel

Victoria Halliday, Deputy County Counsel