



STANISLAUS COUNTY
EMPLOYEES' RETIREMENT ASSOCIATION
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BOARD OF RETIREMENT MINUTES

NOVEMBER 22, 2005

Members Present: Maria DeAnda, Jim DeMartini, Gordon Ford, Darin Gharat, Wes Hall, Ron Martin and Steve Yauch

Members Absent: Mike Fisher and Mike Lynch

Alternate Members Absent: Linda Stotts-Burnett (Retiree Representative)

Others Present: Kelly Cerny, Deirdre McGrath, Michele Silva and Tom Watson

1. Meeting called to order at 2:00 p.m. by Chair Steve Yauch

2. **Announcements**

Tom Watson, Administrator, shared a thank-you note sent to the Board from Nick Blom.

3. **Public Comment**

None.

4. **Consent Items**

Wes Hall asked staff to add the name of the department to the name of the retiree on each agenda. Darin Gharat asked if this could be a breach of confidentiality. Deirdre McGrath, Deputy County Counsel, said she would research it. Chair Steve Yauch asked for a response to be brought back to the Board.

Motion was made by Ron Martin and seconded by Wes Hall to approve the following items as listed.

Motion carried.

a. Approval of the October 25, 2005 Minutes

b. Acceptance of the Comprehensive Annual Financial Report (CAFR)
For Year Ending June 30, 2005

4. **Consent Items (cont.)**

c. Approval of Service Retirement(s) – Sections 31499.14, 31760.1, 31662.2 & 31810

1. Agnes Amerine, Effective 10-08-05
2. Linda Cardoza, Effective 11-09-05
3. Glenda Carella, Effective 11-15-05
4. William Chew, Effective 11-02-05
5. Susan Fox, Effective 11-02-05
6. Robert Graves, Effective 10-21-05
7. Michael Grice, Effective 07-15-05
8. Jennie Harnden, Effective 11-29-05
9. Ronald Johnson, Effective 11-01-05
10. Goldie Kerr, Effective 11-04-05
11. Virginia Phinney, Effective 11-08-05
12. Laurel Sage, Effective 11-01-05
13. Margaret Taylor, Effective 11-02-05
14. Jean Woo, Effective 10-21-05

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

1. Frank Babaian, Effective 10-15-05
2. Marcella Y. Gaines, Effective 10-08-05
3. Gerald M. Grandon, Effective 09-26-05
4. Randall Hatch, Effective 10-21-05
5. Julie D. Moyer, Effective 6-15-05
6. Beverly Ann Romeo, Effective 10-25-05
7. Jamie Powers, Effective 8-18-05
8. Neil R. Stambaugh, Effective 9-17-05
9. Christie Sullivan, Effective 7-23-05
10. Jaci Tumbarello, Effective 7-01-05

e. Approval of Deferred Retirement Refund(s) **Section 31701**

1. Kimberly Hoagland
2. Julie C. Lockwood

5. **Closed Session**

Motion was made by Maria DeAnda and seconded by Darin Gharat to commence the Closed Session at 2:03 p.m.

After returning to Regular Session at 2:08 p.m., Tom Watson, Administrator read the findings of the Closed Session.

The application of Cheryl Barbee for a Service-Connected Disability Retirement benefit was denied.

5. **Closed Session (cont.)**

The application of Kristin Black for a Service-Connected Disability Retirement benefit was denied.

The withdrawal of Patricia Brazelton's application for a Service-Connected Disability Retirement benefit was accepted.

The withdrawal of Travis Pilcher's application for Service-Connected Disability Retirement benefit was accepted.

6. **Strategic Investment Solutions, Inc. (SIS) Monthly Performance Review for the Month Ending October 31, 2005**

Paul Harte presented the monthly performance review for the period ending October 31, 2005. As of October 31, 2005, StanCERA's portfolio was \$1.19 billion, a -1.65% decrease for the month. Although October saw a decrease, the first four months of this fiscal year have been strong with a return of 2.48%, gross of fees.

7. **Strategic Investment Solutions, Inc. (SIS) Third Quarter Investment Performance Analysis & Manager Review List Ending September 30, 2005**

Paul Harte also gave a presentation on the third quarter investment performance report that Board members received. The composite fund returned 4.2% in the third quarter ending September 30, 2005. It ranked in the 29th percentile among other public funds greater than \$100 million (3.8% median). The fund beat its policy index (3.5%) during this time period. Longer term, the three and five-year returns of 14.7% and 7.8% respectively, were well above the median among total public plans (14.3% and 4.5%, respectively).

Paul gave a brief summary of the Investment Manager Review List through September 30, 2005. MFS Institutional Advisors (large cap growth), Charlotte Capital (small cap value), and Putnam Investments (international equity) still remain under review.

8. **Administrator**

a. Memorandum of Potential Trading Costs of Transitioning "Under Review" Portfolios

Tom Watson, Administrator, shared his memorandum regarding what the potential trading costs could be of trading out of the investment portfolios of StanCERA's investment managers who are under review. Information about the implementation costs was provided by Lynch Jones Ryan, a subsidiary of The Bank of New York. The forecast of total costs to liquidate Charlotte Capital's portfolio would be 287 basis points; MFS Institutional Advisors' cost would be 5 basis points; and Putnam Investments' cost would be 27 basis points.

8. **Administrator (cont.)**

b. Discussion and Action on Investment Managers "Under Review" to Begin Investment Manager Search Process

Paul Harte gave an overview of his memorandum to the Board about the analysis of the three investment managers under review.

Discussion was held concerning whether to pursue a Request for Proposal (RFP) or a Request for Information (RFI) for potential new managers. Paul Harte's recommendation was to perform an RFI. Paul explained this allows for more efficient use of time to look for qualified candidates.

Motion was made by Maria DeAnda and seconded by Ron Martin to accept the consultant's recommendation to maintain Charlotte Capital, MFS and Putnam investment managers under review and direct the consultant to explore the RFI process.

Motion carried.

c. Discussion and Approval of the Performance Based Fee Structure for Charlotte Capital

Paul Harte presented to the Board two proposed performance-based fee structures for Charlotte Capital. Option A had a performance-based fee structure of a base of 40 basis points, with a maximum fee of 115 basis points that could be earned. Option B had a performance-based fee structure of a base of 50 basis points, with a maximum fee of 110 basis points that could be earned. The fees would be calculated on a rolling 3-year basis and paid quarterly.

Motion was made by Maria DeAnda and seconded by Darin Gharat to adopt the Performance-Based Fee Structure Option B for Charlotte Capital effective October 1, 2005.

Motion carried.

d. Discussion and Approval to Direct SIS to Prepare a Written Recommendation of the Portfolio Managed by Putnam Investments for the January 24, 2006, Retirement Board Meeting

The Board directed Paul Harte, SIS, to prepare a written recommendation of Putnam Investments' management of StanCERA's portfolio to present to the Board.

e. Pre-Retirement Seminar and Retiree Open Enrollment October 2005 Participant Survey Results

The Board received survey results of the October Pre-Retirement seminar and Retiree Open Enrollment sessions conducted by staff and insurance representatives. Tom Watson, Administrator, gave a brief overview of the results.

8. **Administrator (cont.)**

- f. Discussion and Approval of the Stanislaus County Employees Retirement Association's (StanCERA's) Mission and Vision Statement

Motion was made by Wes Hall and seconded by Darin Gharat to approve StanCERA's Mission and Vision Statement.

Motion carried.

- g. Discussion and Approval to Direct SIS to Prepare an Asset/Liability Study to Present at the July 12, 2006 Retirement Board Meeting

At the September 28, 2005 Investment Strategic Planning session, the consultant offered to prepare an asset/liability study in 2006 for the Board.

To formally adopt this recommendation, the Board needs to direct Paul Harte, SIS, to prepare and present this study at the July 25, 2006, Retirement Board Investment meeting.

Motion was made by Darin Gharat and seconded by Wes Hall to direct SIS to prepare an Asset/Liability Study to present to the Board at the July 25, 2006, Retirement Board meeting.

Motion carried.

- h. Discussion and Approval for Staff to Prepare Action Plans by May 10, 2006 of Five Objectives

Motion was made by Darin Gharat and seconded by Maria DeAnda to direct staff to prepare action plans by May 10, 2006, of the five objectives resulting from the Retirement Board's 2005 Strategic Planning Session. These objectives are:

1. Review of the Actuarial Assumption Rate of Return
2. Sustainability of a Defined Benefit Plan's Cost & Benefit vs. a Defined Contribution Plan
3. Seeking Positive Partnerships - Improve Communication with the County Chief Executive Office, Board of Supervisors, and Public
4. Alternative Investments with Emphasis on Real Estate and Specifically Financing County Buildings
5. Review for Potential Changes - Retiree Health Insurance Funding & Delivery Mechanisms

Motion carried.

9. **Correspondence**

Darin Gharat left at 3:25 p.m.

- a. Action on Letter from Dodge & Cox to Waive The New Economic Sector Restriction for Technology Stocks Outside the Policy Index

9. **Correspondence (cont.)**

Darin Gharat returned at 3:30 p.m.

Motion was made by Ron Martin and seconded by Maria DeAnda to allow Dodge & Cox to waive the new economic sector restriction for technology stocks outside the Policy Index.

Gordon Ford opposed.

Motion carried.

- b. Action on Letter from the California Association of Public Retirement Systems (CALAPRS) for Election of Members of the Board of Directors

Motion was made by Wes Hall and seconded by Ron Martin to vote for the five (5) nominees of the CALAPRS 2006-2007 Board of Directors.

Motion carried.

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

STANDING COMMITTEES

- a. Retiree Benefits Committee - Wes Hall, Chair

- i. Retiree Benefits Committee Report – Update on Committee Activity

Wes Hall, Chair, gave a verbal update of the Committee's actions. The Retirement Board reviewed a written account of the Committee's October 12, 2005, meeting. Wes stated the Committee met today and would be sharing its recommendations at the December 14, 2005, Retirement Board meeting.

- b. Bylaws Committee – Ron Martin, Chair

Ron Martin, Chair, informed the Board that the Committee met today. Recommendations for a variety of changes to the Bylaws are being considered and are under review. An update will be shared at the December 14, 2005, Retirement Board meeting, before recommendations are presented to the Retirement Board and the Board of Supervisors.

- c. Due Diligence Committee – Darin Gharat, Chair

No Report.

- d. Education Committee, Maria DeAnda, Chair

No Report.

10. **Committee Reports and Recommendations for Action (cont.)**

AD-HOC COMMITTEES

a. Independence Committee – Darin Gharat, Chair

No Report.

b. Disability Retirement Accountability Committee – Mike Fisher, Chair

No Report.

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

Wes Hall mentioned he brought back material from a presentation about Defined Benefits vs. Defined Contribution Plans presented at the SACRS Fall Conference. For those interested in reviewing the material, contact Wes or staff.

Darin Gharat said he attended a presentation at the SACRS Fall Conference regarding the new Governmental Accounting Standard Board's (GASB) regulations 43 & 45. Darin would like to see the Board and/or staff begin dialog between the Retirement System and the County regarding these regulations, and how they will effect the implicit cost of the reporting of any liability related to retiree health insurance.

Maria DeAnda requested staff to obtain additional National Conference on Public Employee Retirement Systems (NCPERS) "Retiree Medical Trust" booklets to re-distribute to the Board.

12. **Adjournment**

Meeting adjourned at 3:54 p.m.

Respectfully submitted,

Michele Silva, Benefits Manager
FOR: Tom Watson, Administrator

APPROVED AS TO FORM:
MICHAEL KRAUSNICK, COUNTY COUNSEL

Deirdre McGrath, Deputy County Counsel