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## PLEASE POST FOR EMPLOYEE VIEWING

BOARD OF RETIREMENT MINUTES

NOVEMBER 23, 2004

**Members Present:** Nick Blom, Maria DeAnda, Gary Dial, Mike Fisher, Darin Gharat, Wes Hall, Ron Martin, Linda Stotts-Burnett and Tom Watson

**Members Absent:** Kent Crawford

**Others Present:** Jamie Borba, Victoria Halliday, Michele Silva, Hank Skau, Lois Ertel; County Counsel Mick Krausnick; Lance Mansbridge and Paul Harte of SIS

1. Meeting called to order at 1:05 p.m. by Chair, Maria DeAnda.

2. **Announcements**

Tom Watson announced that Darin Gharat has won the election for Seat #7 Safety Member.

3. **Public Comments**

None

4. **Consent Items**

Motion was made by Wes Hall and seconded by Gary Dial to approve the following items listed.

Motion carried.

a. Approval of the October 26, 2004 Regular Session Minutes

b. Approval of the October 29, 2004 Regular and Closed Session Minutes

c. Approval of Service Retirement(s) – Sections 31499.14. 31760.1 and 31810

1. Terry Brown, Effective 11-09-04
2. Janet Cearley, Effective 11-16-04
3. Michael Clements, Effective 11-01-04
4. Patsie Elizondo, Effective 10-31-04
5. James Fisher, Effective 11-01-04

4. **Consent Items**  
**- Continued-**

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

1. Donald Campiotti, Effective 09-14-04
1. Elisabeth Chapman, Effective 09-24-04
2. Marvin Dillsaver, Effective 07-13-04
3. Thomas James Douglas, Effective 06-29-04
4. James Wheelless, Effective 10-02-04

e. Approval of Deferred Refund(s) – Section 31700

1. Elizabeth Esparza

f. Approval of Death Benefit – Section 31781

1. Wray Ladine, Deceased October 25, 2004, Deferred Member, Lump-Sum Return of Contributions.
2. Don Miralle, Deceased October 27, 2004, Active Member, Lump-Sum Return of Contributions.

5. **Private Equity Investment Education presented by Strategic Investment Solutions, Inc.**

Paul Harte introduced Lance Mansbridge of Strategic Investment Solutions, Inc. Lance gave a presentation on Private Equity Investment before the board. It was mentioned that 1/3 of clients of Strategic Investment Solutions, Inc invest in private equity. Lance covered the categories of Private Equity: Venture Capital, Buyouts, Debt-Related, Non-U.S. and Special Situations. One of the primary reasons to invest in private markets include median expectation of 300-500 basis points (bps) premium to appropriate public market benchmarks. Top-quartile private market managers expect to outperform public benchmarks by a much wider margin. Focused investment strategy leads to higher returns while over-diversification in private markets leads to median returns. Allowance should be made to invest opportunistically, and to initially capture short-term advantages.

6. **Monthly Performance Report for the Period Ending October 31, 2004**

Paul Harte gave the quarterly performance report for the period ending September 30, 2004. Paul stated the money managers allocations were right on target for the third quarter of 2004. He also noted that TCW was removed as of November 17, 2004 and Mazama Capital was hired for small cap growth equity investment. The period ending September 30, 2004 was a bad quarter for StanCERA with a total portfolio return of -0.4%.

6. **Monthly Performance Report for the Period Ending October 31, 2004**  
**- Continued -**

The major U.S. equity indices posted negative returns for the third quarter. International equity returns were down for the quarter but still showing modest Year-To-Date gains. During the third quarter, Energy was the best performing sector, whereas Information Technology was the worst performing sector.

Paul Harte also gave the monthly performance report for the period ending October 31, 2004. Paul stated as of October 31, 2004, StanCERA's portfolio was \$1.114 billion, which was up slightly from the prior month. Paul stated that the managers continue to stay on target and that there has been growth over the last twelve months. For the month ending October 31, 2004, the total portfolio had a 1.79% return.

Hank Skau left at 2:40 p.m.

A break was taken at 2:40 p.m.

Michele Silva arrived at 2:50 p.m.

Members returned from break at 2:55 p.m.

Item 9b was heard prior to going into closed session.

7. **Closed Session**

The first motion was made by Wes Hall and seconded by Nick Blom to adjourn to Closed Session at 2:55 p.m. Discussion of the need for consultant advice on item 9b was made so a motion was made by Nick Blom and seconded by Wes Hall to immediately go back into open session.

Motion carried.

Motion was made by Wes Hall and seconded by Nick Blom to adjourn to Closed Session at 3:00 p.m.

After returning to regular session at 3:47 p.m., Tom Watson, Acting Retirement Administrator read the findings of the closed session.

The application of Heidi Graybill-Vella for a Service-Connected Disability Retirement benefit was granted effective September 10, 2003.

The application of Luke Salyer for a Service-Connected Disability Retirement benefit was tabled until the December 8, 2004 Board of Retirement meeting.

The application of Johnny Haynes for Non-Service-Connected Disability Retirement benefit was granted, with a benefit limit equal to his regular service retirement, which he has been receiving since September 12, 2004.

7. **Closed Session**  
**- Continued -**

The applications of Virginia Phinney for a Service-Connected Disability Retirement Benefit and a Non-Service Connected Disability Retirement were set for hearing before a hearing officer.

After review of updated medical reports received in response to medical call backs, the Board determined the following disability retirement benefit recipients continue to be disabled:

- |    |                   |     |                      |
|----|-------------------|-----|----------------------|
| 1. | Albert Cardoza    | 9.  | Jakki Strickland     |
| 2. | Judy Credille     | 10. | Donna Temple         |
| 3. | Cheryl Fisher     | 11. | Allen Thomason       |
| 4. | Lyle Gehring      | 12. | Peter Tuchalski      |
| 5. | William Mc Carthy | 13. | Paul Urban           |
| 6. | Kathleen Roots    | 14. | Bounnong Vongsouvanh |
| 7. | Lana Royer        | 15. | Billy Worden         |
| 8. | Diane Saska       | 16. | David Yonan          |

Michele Silva left at 3:47 p.m.

Mick Krausnick arrived at 3:50 p.m.

Item 9d, 9e and 9f were heard at this time.

Hank Skau arrived at 3:52 p.m.

8. **Administrator**

- a. Discussion and Approval of the Draft Internal Audit Report of Board Member and Staff Purchasing Card Expenditures for the 2002/03 Fiscal Year

The Retirement Board reviewed the draft audit report of the Association's Purchasing Card Expenditures prepared by the Internal Audit Division of the Stanislaus County Auditor-Controller's Office. There were some expenditures that exceeded regular County approved ceiling limits, but the Retirement Board members agreed that the expenditures were not out of line for the respective venues.

The board decided that it would like StanCERA to create its own Purchasing Card Policy. Tom Watson will create a draft and present it to the board at the December 8, 2004 Board of Retirement meeting.

Motion was made by Ron Martin and seconded by Nick Blom to approve the Draft Internal Audit Report of Board Member and Staff Purchasing Card Expenditures for the 2002/03 Fiscal Year.

Motion carried.

8. **Administrator**  
**- Continued-**

- b. Discussion and Action to request Foreign Managers use the All Countries World Index (ACWI) verses EAFE index as a benchmark for International Equity Investment performance.

Paul Harte of Strategic Investment Solutions, Inc. recommended that the board make the All Countries World Index ex-United States (ACWI-exUS) the benchmark index for all International Money Managers (currently Putnam and LSV Asset Management).

Motion was made by Gary Dial and seconded by Wes Hall to benchmark all International Money Managers against the All Countries World Index ex-United States (ACWI ex-US).

Motion carried.

- c. Discussion and Approval of Purchasing Card Overages for Board Members and Staff at any out-of-town Conferences

Hank Skau handed out a copy of the list of overages on staff and board members purchasing cards that StanCERA received from the County Auditor's office from the 2002/03 Internal Audit. It was found that there were less than \$200.00 in overages for all cards on a total expenditure of \$59,497.11 for all cards. The Board also noted that venues such as Boston or New York City could create situations in which nominal meal consumption would exceed the normal meal limits.

Motion was made by Mike Fisher and seconded by Nick Blom to approve purchasing card overages for board members and staff at the out-of-town conferences from the 2002/03 audit.

Motion carried.

- d. Discussion and Action on Election of Members of the Board of Directors for the California Association of Public Retirement Systems (CALAPRS)

After reviewing the list of candidates the board decided to vote for all candidates for the Board of Directors for CALAPRS as presented. Jamie Borba will mail the ballot to CALAPRS.

Motion was made by Tom Watson and seconded by Nick Blom to accept the election of all candidates for the Board of Directors of CALAPRS.

Motion carried.

8. **Administrator**  
**- Continued-**

- e. Discussion and Action regarding the SACRS-developed Uniform Trustee Appointment Process

The SACRS-developed Uniform Trustee Appointment Process paper was distributed with the Retirement Board members' agenda packet. The board discussed the value and appropriateness of this set of uniform procedures for the Retirement Board members who are appointed to the Board by the Board of Supervisors. The procedures include application content, applicant qualifications and application rankings.

Motion was made by Tom Watson and seconded by Wes Hall to forward the SACRS-developed Uniform Trustee Appointment Process to the Board of Supervisors for their consideration for adoption and application.

Motion carried.

- f. Discussion and Action on Full Time Counsel

Tom Watson discussed the need for full time legal counsel. Victoria Halliday gave a brief detail of percentage time needed due to current and upcoming projects. Victoria also recommended the creation of a position for legal counsel, even if it will not be filled until after StanCERA's move into the new building. Mick Krausnick stated that he agreed with Victoria Halliday on creating a position for the Retirement Association. He also stated that if StanCERA decided to stay with legal counsel from the County Counsel's office he would guarantee that the position would be available for retirement issues 80% of the time. Mick stated that if StanCERA decides to stay with County Counsel and he is to go to the Board of Supervisors to ask for an additional position for retirement that he would like to have a 1-2 year commitment from StanCERA.

Mick also stated that he has named Ed Burroughs as interim legal counsel for StanCERA until a final decision has been made by the board whether to stay with County Counsel or hire outside legal counsel.

Victoria will bring Ed to the December 8, 2004 board meeting to familiarize him with the Board of Retirement.

Motion was made by Mike Fisher and seconded by Nick Blom to create a legal counsel position and to continue to use the services of the County Counsel's office indefinitely.

Motion carried.

8. **Administrator**  
**- Continued-**

- g. Review and Discussion of the Comprehensive Annual Financial Report (CAFR) for the Fiscal Year Ended June 30, 2004

All Retirement Board members received the final printed version of the Association's CAFR for the fiscal year ending June 30, 2004 with their agenda packet.

After reviewing the finished product, motion was made by Ron Martin and seconded by Darin Gharat to accept the final version of the Comprehensive Annual Financial Report (CAFR) for the fiscal year ending June 30, 2004.

Motion carried.

9. **Correspondence**

- a. Received a "thank you" card from Karen Gonzales (former Executive Secretary)  
b. Received a "thank you" card from Retiree about retiree health insurance

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

**STANDING COMMITTEES**

- a. Benefits Committee – Wes Hall, Chair

No Report

- b. Bylaws Committee – Nick Blom, Chair

The Bylaws Committee met on November 18, 2004 and discussed Bylaw Section 13.7 regarding Service-Connected Disability Retirement recipients' amount of health insurance if the Service-Connected Disability Retirement was based upon service in a reciprocal system. The committee approved language to change the Bylaws to reflect a lower payment to members who receive a Service-Connected Disability Retirement based on service in a reciprocal system who have little StanCERA service. This change in the bylaw will be brought to the December 8, 2004 Board of Retirement meeting for action.

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

**STANDING COMMITTEES**

**- Continued -**

c. Due Diligence Committee – Gary Dial, Chair

1. Discussion and Action on Newly Hired Managers and when their 2-year review begins.

Gary Dial, Vice Chair and Chair of the Due Diligence Committee noted that almost all due diligence visits were in the even years with none during odd years. Given the bylaws biennial review of money managers, this put all travel into one calendar year. There was also a question as to when the 2-year review clock started: Upon the decision of the Retirement Board to hire? Upon signing of the contract? Upon full funding?

The Retirement Board determined that all Due Diligence visits are suspended pending change of language in the bylaws.

d. Education Committee – Mike Fisher, Chair

1. Discussion and Action for Board Members and staff to Attend the 2005 NCPERS Conferences

All Retirement Board members received information in their agenda packets regarding the National Conference of Public Employees Retirement System (NCPERS) upcoming Legislative Conference (February 7-9, 2005) and Trustee Conference (May 6-7, 2005). Victoria Halliday stated that their organization and the conferences were beneficial in updating Trustees and staff on retirement issues on a national level. It was noted again that all Retirement Board members and staff are “regular members” based upon our Association as being a “system” member. Although there is also another conference the week of May 8-12, 2005. Tom Watson noted that this conflicts with the SACRS Spring Conference in Burlingame (May 10-13, 2005).

Motion was made by Mike Fisher and seconded by Nick Blom to approve board members and staff to attend the 2005 NCPERS Legislative and Trustee Conferences (dates noted above).

Motion carried.



**AD-HOC COMMITTEES**

e. Independence Committee – Kent Crawford, Chair

No Report

f. Disability Retirement Accountability Committee – Darin Gharat, Chair

No Report

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

All members wished everyone a Happy Thanksgiving.

Tom Watson stated that Victoria Halliday will be greatly missed.

12. **Adjournment**

Meeting adjourned at 5:00 p.m.

Respectfully submitted,

Tom Watson, Acting Retirement Administrator

APPROVED AS TO FORM:  
MICHAEL KRAUSNICK  
County Counsel

Victoria Halliday, Deputy County Counsel