



STANISLAUS COUNTY
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BOARD OF RETIREMENT MINUTES

DECEMBER 8, 2004

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

Members Absent:

Others Present: Jamie Borba, Victoria Halliday, Michele Silva, Ed Burroughs, Kelly Cerny, Paul Harte of SIS, Art Londos of Bank of New York, Rob Mathai and Ron Saba of Charlotte Capital, Maureen Carr of TACS and Wally Morrow-Retiree

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

2. **Announcements**

Thank you to Art Londos and Victoria Halliday for the holiday cookies.

This is the last meeting with Victoria Halliday and Kent Crawford. Victoria Halliday has resigned effective December 31, 2004 and Kent Crawford's term expires December 31, 2004 and he is not seeking another term.

Victoria Halliday introduced Ed Burroughs from County Counsel as her replacement upon her departure.

3. **Public Comments**

None

4. **Consent Items**

Motion was made by Wes Hall and seconded by Mike Fisher to approve the following items listed.

Motion carried.

a. Approval of the November 23, 2004 Regular and Closed Session Minutes

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

1. Minh Beebout, Effective 12-09-04
2. Beth Bruegger, Effective 12-04-04
3. Shirley Elmore, Effective 12-11-04

4. **Consent Items**
- Continued -

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

4. Stephen Emig, Effective 12-26-04
5. Richard Morris, Effective 12-11-04
6. John Osterman, Effective 12-04-04
7. Sylvia Priola, Effective 12-31-04
8. Ann Stone Smith, Effective 12-31-04
9. Diane Walsh, Effective 12-21-04

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

1. Marvin Dillsaver, Effective 07-13-04
2. Karen Gonzales, Effective 10-23-04

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

1. Janice Robinson

5. **Monthly Performance Report for the Period Ending November 30, 2004**

Paul Harte gave the preliminary monthly performance report for the period ending November 30, 2004. Paul stated that as of November 30, 2004, StanCERA's portfolio was \$1.153 billion, which was up 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 November 30, 2004, the total portfolio had a 3.43% return. Due to major rebalancing from last year, StanCERA is back on target. November was an excellent month and most of the managers out-performed their benchmarks.

6. **Semi-Annual Performance Report from Charlotte Capital**

Rob Mathai and Ron Saba were here representing Charlotte Capital. Rob Mathai started by stating that there has been some ownership change this year. Sanders Morris Harris Group (69%) and the employees (31%) are the current owners of Charlotte Capital. Charlotte Capital has kept the same 8 employees since 2000. Currently StanCERA is the only public fund that they have in their clientele.

Ron Saba discussed Charlotte Capital's Investment Philosophy. "Small capitalization, deep value companies selling at a fraction of their franchise value generate significant long-term results for our clients". He also went through their Investment Process. A business will go through an initial qualitative screening, then through a scoring system, based upon fundamental research and quantitative factors. Some major economic condition must exist that will serve as a catalyst for the business' growth before the stock is put into the portfolio.

6. **Semi-Annual Performance Report from Charlotte Capital
- Continued -**

Ron stated that StanCERA has 97 holdings in their portfolio and that the consumer discretionary and technology areas were overweight against the benchmark in November 2004, but that the financial services area was well underweight. He also stated that StanCERA's annual rate of return while being over 39% since inception was down by 7% against the Russell 3000 Value Index since April 2003 (inception date).

7. **TACS Presentation of New Pension Administration Software**

Maureen Carr from TACS gave a presentation on what the new Pension Administration Software will do and the looks of it. She stated that once the TACS Pera 2000 Series goes live it will replace all of the systems that are currently being used at StanCERA and it will put all information needed into one centralized system.

There were concerns mentioned by some board members of the security of the system, who will be able to access the system and what type of information they could receive from the internet. Maureen stated that because of the system's double firewall security that it is 99.9% safe. A hacker should not be able to get in. She also stated that if somebody were to hack into the system from the internet, the information they would be manipulating is a replicated database, not the original database.

Kent Crawford asked if StanCERA owns the code to the software once the project is completed. Maureen stated that the code is in escrow to protect both sides, TACS and StanCERA.

Mike Fisher asked who is responsible for monitoring TACS employees from stealing information, such as social security numbers, and who is liable. Maureen will to research that and get back to either Kathy Herman or Tom Watson.

Maureen ended by stating that the project must remain on track and the go live date will be January 1, 2006.

Mike Fisher left at 3:27 p.m.

Mike Fisher returned at 3:31 p.m.

A break was taken at 3:40 p.m.

Michele Silva arrived at 3:43 p.m.

Members returned from break at 3:50

8. **Closed Session**

Motion was made by Darin Gharat and seconded by Gary Dial to adjourn to Closed Session at 3:50 p.m.

After returning to regular session at 4:51 p.m., Tom Watson, Acting Retirement Administrator read the findings of the closed session.

8. **Closed Session**
- Continued -

The Board accepted the hearing officer's recommendation to grant Tyra Lori Van Ruiten a Service-Connected Disability Retirement benefit effective November 27, 2003 with medical call back at the discretion of the Administrator.

The application of Luke Salyer for a Service-Connected Disability Retirement benefit was granted effective December 7, 2004 with medical call back at the discretion of the Administrator.

Updated information on two Service-Connected Disability Retirement applications was provided to Retirement Board members.

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

1. Gary Deckard

Potential Litigation was discussed and the Retirement Board approved the transfer from the contingency reserve account to member contributions and retiree annuity reserves to correct buybacks that were erroneously calculated by staff.

Nick Blom left at 4:21 p.m.

Mike Fisher left at 4:42 p.m.

9. **Administrator**

- a. Review and Approve the 2005 Board of Retirement Meeting Calendar (including Investment Manager Performance Meetings)

The Retirement Board reviewed the 2005 Board of Retirement Meeting Calendar (including Investment Manager Performance Meetings). The calendar includes holding regular meetings on the second Wednesday of each month (except in May and November to allow Retirement Board members and staff to attend SACRS conferences) and the fourth Tuesday of each month (except December due to the holidays).

Motion was made by Tom Watson and seconded by Wes Hall to approve the 2005 Board of Retirement Meeting Calendar (including Investment Manager Performance Meetings).

Motion carried.

9. **Administrator**
- Continued -

- b. Review and Approve the 2005 Retirement Board members and staff – Educational Opportunities: SACRS, CALAPRS and NCPERS

The Retirement Board reviewed the 2005 Retirement Board members and staff – Educational Opportunities: SACRS, CALAPRS and NCPERS calendar. It was decided that NAPPA would also be added.

Motion was made by Tom Watson and seconded by Kent Crawford to approve the 2005 Retirement Board members and staff – Educational Opportunities: SACRS, CALAPRS, NCPERS and NAPPA calendar.

Motion carried.

- c. Review and Approve Changes to Bylaws Article 14 Due Diligence and Education Travel Policies

Tom Watson discussed the added language to items in 14.4(a) & (c), 14.6 by adding SACRS, CALAPRS, NCPERS and NAPPA, 14.8 by adding “following each visit” and adding 14.9, Travel Policy, in whole to the Bylaws Article 14, Due Diligence and Education Travel Policies.

Motion was made by Kent Crawford and seconded by Darin Gharat to approve the changes to the Bylaws, Article 14, Due Diligence and Education Travel Policies

Motion carried.

10. **Correspondence**

None

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

STANDING COMMITTEES

- a. Benefits Committee – Wes Hall, Chair

No Report

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

STANDING COMMITTEES

- Continued -

b. Bylaws Committee – Nick Blom, Chair

1. Discussion and Action for a revision to the Bylaws, Article 13.7, Retirees Approved for Service Connected Disability Retirement Benefits.

The Retirement Board discussed the requested revision to the Bylaws, Article 13.7, Retirees Approved for Service Connected Disability Retirement Benefits. Tom gave an example of what this recommendation changes for the retirees. Basically, if a deferred member that has reciprocal service with another system receives a service connected disability retirement based on injury in the other system, the member will not be entitled to receive the minimum of 50% of the maximum amount. The member would be entitled to receive a health allowance computed as the member's StanCERA full years of service multiplied by the monthly health allowance per year of service.

Motion was made by Darin Gharat and seconded by Ron Martin to approve the revisions to the Bylaws, Article 13.7, Retirees Approved for Service Connected Disability Retirement Benefits.

Motion carried.

c. Due Diligence Committee – Gary Dial, Chair

None

d. Education Committee – Mike Fisher, Chair

1. Discussion and Action for legal counsel to attend the National Association of Public Pension Attorney (NAPPA) Winter Section Meeting February 2-3, 2005 in Washington, D.C.

The Board discussed approving Ed Burroughs' attendance at the NAPPA Winter Section in Washington, D.C. as this has been something that was approved in the past for Victoria Halliday and she feels that Ed Burroughs would greatly benefit from it.

Motion was made by Kent Crawford and seconded by Darin Gharat to approve legal counsel to attend the National Association of Public Pension Attorney (NAPPA) Winter Section Meeting February 2-3, 2005 in Washington, D.C.

Motion carried.

11. **Committee Reports and Recommendations for Action
- Continued -**

AD-HOC COMMITTEES

e. Independence Committee – Kent Crawford, Chair

No Report

f. Disability Retirement Accountability Committee – Darin Gharat, Chair

No Report

Darin wanted to thank Lois Ertel for the updates on the disability cases.

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

Victoria Halliday thanked everyone for everything over the years.

Wes Hall thanked Victoria for the cookies and thanked Tom for getting the draft for the bylaws changes done so fast and Kathy Herman for getting the newsletter out.

Gary Dial wished Vicki good luck in Denver.

Ed Burroughs is looking forward to being a part of StanCERA.

Linda thanked Victoria for her services, will miss Kent Crawford, welcomed Ed Burroughs to StanCERA and wished everyone a Merry Christmas.

Paul Harte stated that he would miss both Victoria and Kent and hopes for no changes to staff next year.

Darin Gharat wished Victoria and Kent good luck and that he would not be here for the May 24, 2005 meeting.

Kent Crawford wished Victoria good luck and that he feels good the way he is leaving things (the position of StanCERA) as a trustee.

Michele Silva wished Victoria and Kent good luck. She also thanked the board for getting Joyce Parker from SBT. Joyce Parker has been wonderful and has been able to catch on to things quickly, made changes to the technology system and fixed problems right away. Joyce Parker is very easy to work with and understands that staff are not all computer savvy. Michele Silva also stated that Kathy Herman has done an excellent job in keeping the TACS project going and getting the team back on track to complete the system.

Jamie Borba thanked the board for her time as the Board Secretary and that Kelly Cerny will be the new board secretary as of January 1, 2005. Jamie Borba also wished Victoria and Kent good luck.

12. **Members' Forum (Information and Future Agenda Requests Only
- Continued -**

Kelly Cerny stated that after working for 3 clerk recorders and 1 tax collector, she is looking forward to working in retirement.

Tom Watson stated that he will miss Victoria and Kent and wished everyone a Merry Christmas.

13. **Adjournment**

Meeting adjourned at 5:18 p.m.

Respectfully submitted,

Tom Watson, Acting Retirement Administrator

APPROVED AS TO FORM:
MICHAEL KRAUSNICK
County Counsel

Victoria Halliday, Deputy County Counsel