



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

March 27, 2001

Members Present: Lyn Bettencourt, Nick Blom, Maria DeAnda, Wes Hall, Virgil Thompson, Steve Yauch, and Tom Watson

Members Absent: Kent Crawford, Al Sarina

Others Present: Victoria Halliday, Robert Harmon, Lois Ertel, Karen Valdez; John McLaughlin of Capital Resource Advisors; Leroy Gilsdorf, SACRS President

1. Meeting called to order at 2:01 p.m. by Vice-Chairman Wesley Hall

2. **ANNOUNCEMENTS**

FPPC forms are needed by Friday, March 30, from Lyn Bettencourt, Nick Blom and Robert Harmon.

Art Londos, VP of BNY, has extended an invitation for dinner at SACRS on Tuesday, May 8, 2001, to all Board members and administrative staff. Details to follow at a later time. Please advise Karen Valdez of your acceptance or not so that she can RSVP as soon as possible.

Lyn Bettencourt said that his wife Kathleen had broken her knee cap and had been in a lot of pain. She is doing better now, going in for therapy and surgery may be a possibility.

Lyn Bettencourt arrive at 2:04 p.m. and chaired the remainder of the meeting.

John McLaughlin arrived at 2:05 p.m.

3. **PUBLIC COMMENT**

None

4. **CONSENT ITEMS**

Motion was made by Wesley Hall and seconded by Steve Yauch to approve the minutes for 3-14-01 with the following correction to the Regular Session under the Education Committee. The Consultants Roundtable attended by Steve Yauch and Robert Harmon was incorrectly listed as a Public Funds Forum on Consultants and the date as December, 2000 instead of October, 2000.

Motion carried.

a. Approval of the March 14, 2001 Regular and Closed Session Minutes.

5. **GREETINGS FROM LEROY GILSDORF, PRESIDENT OF SACRS**

Leroy Gilsdorf thanked the Board for allowing him to visit and speak at this meeting. He plans to visit all SACRS member counties by the end of the year. He wants to encourage all members to attend the conferences and see if there is a need which SACRS could meet. A good program is planned for the SACRS Spring Conference. They need a chairperson for the Trustee Breakout as the current chairman is in Bosnia. His visit was a first for us as nobody could remember ever having a visit from the SACRS president.

Motion was made at this time by Virgil Thompson and seconded by Nick Blom to take Independence Committee agenda items, starting with “b”, out of order at this time .

Motion carried.

Staff members present were asked to leave for a while so that a candid discussion could be conducted on issues the committee would like for the Board to consider. At 2:15 p.m. staff members Robert Harmon, Lois Ertel, and Karen Valdez did not object to leaving until invited back.

6. **INDEPENDENCE COMMITTEE**

- a. At 2:40 p.m. staff were invited back to the meeting to hear the findings of the Board on the issues of a full time administrator. The committee thinks that if we are to pursue independence, a full time Administrator should be hired. The question before the Board was if they wanted to do a recruitment for this position or offer the position to Robert Harmon. Discussion revealed that most considered Robert Harmon well qualified for the position and that with the growth of the Association, a full time Administrator was needed. A concern for “people skills” could be resolved by assigning management of staff to an Assistant Administrator and taking a survey of staff for their input. Bylaws would need to be changed as they now state the Treasurer/Tax Collector is to serve as Administrator. The Treasurer/Tax Collector would still serve on the Board of Retirement as an ex-officio member.

Motion was made by Virgil Thompson and seconded by Nick Blom for the committee to be authorized to negotiate with Robert Harmon for the “conditions of hire” with a recommendation to be brought back to the Board for their approval.

Motion carried.

The committee also thought it advisable to hire Counsel separate from the County for legal issues solely related to the independence of the Retirement Association. Victoria Halliday informed the Board that the Board of Supervisors had recently approved the hiring of another deputy county counsel which would relieve her of the responsibility of advising County departments on employment laws. This is a very time consuming part of her current responsibilities and would allow more time for her other assignments.

6. **INDEPENDENCE COMMITTEE-Continued**

Motion was made by Virgil Thompson and seconded by Wesley Hall to authorize outside Counsel for Independence issues only.

Motion carried.

- b. Motion was made by Virgil Thompson and seconded by Tom Watson to begin the process of independence.

Motion carried.

- c. The committee is authorized to develop a position paper to bring back to the Board as soon as possible.

7. **CAPITAL RESOURCE ADVISORS REPORT OF PERFORMANCE FOR QUARTER ENDING DECEMBER 31, 2000**

John McLaughlin had received a message from Jennifer Cooper with the information the Board had chosen two other firms for consideration as a consultant. He expressed the depth of his feelings after serving as the consultant for 20 years. He wanted to know if the Board thought his advice had been good or bad. Various Board members expressed their appreciation of the assistance he had provided over the years with good advice as the system has grown. The decision was not personal, but expressed the dissatisfaction of the Board with the company, Capital Resource Advisors. A due diligence visit made them aware of areas they thought could create a conflict of interest and the only response by Kevin Lanier, President, to questions about this concern referred them to a code of ethics. This was not considered an answer to this concern. There have also been a number of changes within the company with ownership and personnel that have caused concern. John McLaughlin asked if someone would write to CRA with the concerns expressed today. The Chairman will compose such a letter for review and approval of the Board.

In the interest of time, a brief review was done of the performance report for the quarter ending on December 31, 2000. The investment performance for the quarter indicated that the entire portfolio returned 5.26% for the year, 10.06% annually compounded over the past 3 years and 12.60% per year compounded for the past 5 years (these are market rates of return). John McLaughlin said that over the years our fund has done very well.

- a. Because we will have a new consultant that will want to review our Investment Policy, it was decided not to discuss refinement issues to a full extent

Motion was made by Nick Blom and seconded by Tom Watson to clarify the style asset allocation and change the benchmark for TCW from the S & P 600 Small Cap Index to the Russell 2000 Growth Index.

Motion carried.

7. **CAPITAL RESOURCE ADVISORS REPORT OF PERFORMANCE FOR QUARTER ENDING DECEMBER 31, 2000-Continued**

- b. John McLaughlin provided a proposed Proxy Voting Policy, which can be very detailed or generic. The suggested policy was thought to be very good and the suggestion to check with money managers before adoption to clarify any potential problems will be followed. This issue will also be covered with the new consultant.
- c. Rebalancing guidelines were provided, but will also be reviewed with the new consultant. John McLaughlin recommended accelerating the funding of MFS.

8. **STAFF REPORT OF QUARTERLY FUND PERFORMANCE FOR PERIOD ENDING DECEMBER 31, 2000**

Robert Harmon gave a brief review of the quarterly performance with discussion of a couple of items. He plans to do some rebalancing on the first of the month which should bring our fixed income closer to our target allocation. He then reviewed the Statement of Assets, Liabilities & Reserves as well as others items relevant to the administration of StanCERA. Out total portfolio assets as of 12/31/00 were \$942,475,043 and as of 3/26/01, the balance was \$935 million. Robert Harmon reviewed each of the reserve accounts which have a total of \$269,645,067. He particularly noted the balance with interest of the fund for employee benefit negotiations is \$10,531,348. The report showed income for securities lending and commission recapture was \$99,272 for the six month period ending 12/31/00. Charts depicting membership for the last ten years in various categories was also reviewed.

A copy of this detailed report is available in the retirement office.

9. **ADMINISTRATOR**

- a. A concern with fraud, class action suits, and potential improprieties/misconduct of money managers, their employees, and securities litigation was discussed. Robert Harmon reported on conversations he had with our money managers on the subject of class action suits and the degree of involvement they would consider. MFS and TCW said they would join in but would not initiate such action. Dodge and Cox would not initiate or join in. There is a concern by managers to have a reputation which would allow them access to the management personnel of a company. This is a vital part of their research for investment purposes. Money managers are aware of problems a brokerage might have and could be asked to notify us of such incidents. Although Virgil Thompson feels strongly that we should take a stand against fraud which results in losses for stock holders, to file a class action suit would result in a degree of loss. A better action might be to sell the stock. Virgil Thompson had requested a discussion on this topic and has said he is satisfied there is no need for a policy.

Nick Blom left at 3:45 p.m.

9. **ADMINISTRATOR-Continued**

- b. The Administrator, Tom Watson, announced the members of the Ad Hoc Disability Accountability Committee have been established as follows: Kent Crawford, Maria DeAnda, Tom Watson, Dawn Lea, Peggy Huntsinger, and Ted Cabral. Maria DeAnda inquired about the possibility of this committee meeting after regular Board meetings and was told this probably would not work for everyone on the committee.

10. **MEMBERS' FORUM (Information and Future Agenda Requests Only)**

Wesley Hall reported on an interesting article in California County magazine which had a nice quote from Nick Blom.

Steve Yauch reported on the TCW conference call. Issues discussed were much the same as have been previously covered. TCW hopes we are getting close to the end of market drops and technology sectors should recover within six months. Steve Yauch also requested a draft of the proposed "Mass Media Policy" be on the next agenda.

Maria DeAnda may be out of town for the next meeting.

Karen Valdez said she was looking forward to working with the Board and taking minutes at their meetings.

Lois Ertel told the Board she had enjoyed her years with them in a secretarial capacity and was appreciative of all that she had learned. Members of the Board are some of the nicest and most supportive people she has ever worked with and she will miss seeing them on a regular basis.

11. **ADJOURNMENT**

Meeting adjourned at 4:05 p.m.

Respectfully submitted,

Tom Watson, Secretary
Board of Retirement

APPROVED AS TO FORM:
MICHAEL KRAUSNICK
County Counsel

Victoria Halliday, Deputy County Counsel