



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

SEPTEMBER 25, 2001

Members Present: Nick Blom, Kent Crawford, Maria DeAnda, Wes Hall, Al Sarina, Virgil Thompson and Tom Watson

Members Absent: Lyn Bettencourt

Others Present: Robert Harmon, Victoria Halliday, Karen Gonzales, Paul S. Harte, Patrick Thomas and Mark Gesell of SIS. John Hallford, member.

1. Meeting called to order at 2:00 p.m. by Vice-Chairman Wes Hall

2. **ANNOUNCEMENTS**

Victoria Halliday thanked the board for authorizing her and Robert to attend the Guns and Hoses conference in Las Vegas. However, due to the horrific attack on America September 11, 2001, the conference was canceled after they arrived in Las Vegas. Victoria has requested authorization to attend the re-scheduled conference be placed on the next agenda.

Robert Harmon informed the board that John Descamp had resigned from the SACRS Legislative committee effective immediately.

Robert Harmon also informed the board that Steve Yauch has resigned from the Board of Retirement effective immediately and that this issue is on the agenda for discussion later in the meeting.

3. **PUBLIC COMMENT**

None

4. **CONSENT ITEMS**

Motion was made by Virgil Thompson and seconded by Al Sarina to approve the following items as listed.

Motion carried.

a. Approval of the September 12, 2001 Regular and Closed Session Minutes.

5. **STAFF REPORT OF INVESTMENT PERFORMANCE FOR THE MONTH ENDING AUGUST 31, 2001**

Robert Harmon informed the board that due to technical difficulties with the computer no report is available to be presented. Robert however, gave a brief report as of Friday, September 21, 2001 the association was at \$909 million which was down approximately 8% from pre September 11, 2001 figures.

Wes Hall requested this issue be put on the next agenda for review.

6. **ASSET LIABILITY STUDY FROM STRATEGIC INVESTMENT SOLUTIONS, INC**

Patrick Thomas introduced Mark Gesell of SIS and started by informing the board that there has been quite a significant impact on the market due to the horrific attack on America September 11, 2001. He stated the markets are quite negative for holders in the short-term and in the long-term it is hard to say what the final impact will be.

Paul Harte did a recap of the meeting in July regarding the asset liability model and how to model asset companies and what the liability projections would be. In the preliminary report he stated that they need more specific information in order to redefine or fine tune asset classes.

The preliminary asset and liability projections report went over the capital market assumptions as of April 2001 and capital market projections and correlations between asset classes. Paul Harte suggested that the association explore different options. He stated the private markets data goes back about ten years however they feel it was more important to look forward than looking back at the data. They used several scenarios like 3 by 2 or mixed 75-15-10. 75 for investment, 15 for non-US Fixed Income and 10 for the high yield. In comparing the current target, in case 1 the Association fell in the number 2 asset mix alternatives for the basic mix. The asset mix alternatives are rated 1 to 5 with 5 being the riskiest. The board would need to choose which asset classes to pick from. The median versus 90% level. In case 2 (basic plus real estate) the association again fell in the number 2 asset mix although there was really no difference from Case 1 under SIS expectations. The standard deviation for case 3 (basic plus real estate and private markets) asset mix is still number 2 and Paul stated adding the private markets class does benefit.

Asset classes that SIS recommends are the basic mix and the basic plus private markets but they are open to suggestions or changes. After a long discussion regarding these asset classes it was the consensus of the board that education is needed on real estate and private markets. It was also noted that the board may need to revisit some constraints on bonds and the pressing need to include high yield or non-US bonds.

7. **ADMINISTRATOR**

- a. Robert informed the board that the issue of health insurance benefits for retirees was listed on the agenda for discussion. However, changes that were made to the County's active members did not roll over to affect the retirement association sponsored health insurance plans so no action or discussion was necessary.

At this time Robert also informed the board regarding the pre-retirement seminar that was held on September 20, 2001. He informed the board that the seminar was very well received and will present survey results at the next meeting.

8. **CORRESPONDENCE**

- a. The Administrator reviewed correspondence received from Jim Lites, Lobbyist for SACRS in support of Senate Joint Resolution 4. Robert stated that this was for informational purposes only and no action would be taken by the association however, individual members may act if they would like to.
- b. The Administrator reviewed the resignation letter received from board member, Steve Yauch. He informed the board that due to family and professional obligations, Steve Yauch has resigned from his elected position on the board effective immediately. Robert also mentioned that this item will be placed on the next agenda for further discussion and direction.

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

Kent Crawford asked SIS if they were in a position to lay out the pro's and con's on having an independent investment committee or independent investment board.

Wes Hall informed the board that Helen Rich who passed away recently served on the San Joaquin County Board of Retirement for a number of years and he attended the potluck picnic memorial.

Paul Harte of SIS stated he hopes to have the liability study completed by next month.

11. **ADJOURNMENT**

Meeting adjourned at 4:14 p.m.

Respectfully submitted,

Robert Harmon, Administrator

APPROVED AS TO FORM:
MICHAEL KRAUSNICK
County Counsel

Victoria Halliday, Deputy County Counsel