



STANISLAUS COUNTY
EMPLOYEES' RETIREMENT ASSOCIATION
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BOARD OF RETIREMENT MINUTES

December 14, 2011

Members Present: Maria De Anda, Jim DeMartini, Gordon Ford, Darin Gharat, Jeff Grover, Mike Lynch, Michael O'Neal, and Donna Riley

Members Absent: Ron Martin

Alternate Member Present: Joan Clendenin, Alternate Retiree Representative

Staff Present: Rick Santos, Executive Director
Kelly Cerny, Executive Secretary
Kathy Herman, Operations Manager
Dawn Lea, Retirement Specialist
Luiana Irizarry, Administrative Assistant
Kathy Johnson, Accountant

Others Present: Fred Silva, General Legal Counsel
Paul Harte, & Nathan Pratt, Strategic Investment Solutions (SIS), Inc.
Marilyn Freeman & Elizabeth Knope, Capital Prospects via teleconference
Victor Hymes & Adam Lawlor, Legato Capital Management
Doris Foster & Stan Risen, County Chief Executive Office

1. Meeting called to order at 2:00 p.m. by Mike Lynch, Chair

2. **Roll Call**

3. **Announcements**

Ms. Cerny announced that Item #8b should be Item #8a.

Mr. Santos informed the Board that the DVD for the State Association of County Retirement Systems (SACRS) Fall 2011 Conference is now available for review.

Mr. DeMartini commented on a legal opinion provided by StanCERA's General Legal Counsel.

Mr. Silva replied to Mr. DeMartini's comment.

4. **Public Comment**

None.

5. **Consent Items**

Mr. Ford requested to pull Consent Item #5c. for discussion.

Mr. O'Neal requested to pull Consent Item #5f. for discussion.

Consent Items Pulled for Discussion

J. Clendenin arrived at 2:06 p.m.

- 5c. Receipt of the June 30, 2011, and 2010, Comprehensive Annual Financial Report (CAFR), and the Popular Annual Financial Report (PAFR) for Fiscal Years Ended June 30, 2011 and 2010 (PAFR)

Mr. Ford requested staff to lay out the definition of Final Average Salary (FAS). Mr. Ford further requested staff to verify if there was a 91% increase in the Securities lending portfolio.

Motion was made by Gordon Ford and seconded by Maria De Anda to approve the June 30, 2011, and 2010, CAFR and PAFR for Fiscal Years Ended June 30, 2011, and 2010 with corrections on pages 27 and 33 respectively.

Motion carried.

- 5f. Approval of Service Retirement(s) – Sections 31499.14, 31670, 31662.2 & 31810

1. Rose Ann Alfaro, Superior Courts, Effective 12-17-11
2. Richard Allen, CSA, Effective 12-03-11
3. Darian Bashaw, HSA, Effective 12-31-11
4. Christine Bitonti, BHRS, Effective 12-17-11
5. Cheryl Guinard, HSA, Effective 12-13-11
6. Kenneth Hedrick, Sheriff, Effective 12-29-11
7. Barbara Jackson, SBT, Effective 12-17-11
8. Linda Juarez, CSA, Effective 12-17-11
9. Walter Kruse, Env. Resources, Effective 12-27-11
10. Kipp Loving, District Attorney, Effective 12-28-11
11. Steve Perales, Auditor-Controller, Effective 12-27-11
12. Scott Pettygrove, CSA Effective 12-17-11
13. Richard Robinson, CEO, Effective 12-30-11
14. Linda Tucker, CSA, Effective 12-01-11
15. Laura Wilcoxson, Sheriff, Effective 12-16-11

Motion was made by Darin Gharat and seconded by Michael O'Neal to approve the Service Retirement(s) – Sections 31499.14, 31670, 31662.2 & 31810.

Motion carried.

5. **Consent Items (Cont.)**

Motion was made by Jeff Grover and seconded by Maria DeAnda to approve the following items.

Motion carried.

- a. Approval of the November 22, 2011 Meeting Minutes
- b. Approval of the 2012 Calendar of Board of Retirement Meetings Including Investment Managers' Reporting Schedule
- d. Receipt of StanCERA's Audited Financial Statements and Management Comments by Macias, Gini & O'Connell (MGO) Certified Public Accountants, for Fiscal Year Ended June 30, 2011
- e. Receipt of the Annual Audit Update on the Operational Audit by Vavrinek, Trine, Day & Co. (VTD)
- g. Approval of Deferred Retirement(s) – **Section 31700**
 1. Sokea Kiep, HSA, Effective 10-01-11
 2. Melissa Lee, CSA, Effective 11-19-11
 3. Susana Mascorro, HSA, Effective 10-01-11
 4. Patricia Wirowek, Probation, Effective 09-24-11

6. **Presentation by Capital Prospects LLC of the Small Cap Value Equity Portfolio Semi-Annual Performance Report**

Via teleconference, Marilyn Freeman and Elizabeth Knope, Principals and Managers, presented the semi-annual investment performance report of StanCERA's U.S. small cap value equity portfolio. Capital Prospects is a manager of managers with six managers in the portfolio. Since inception as of January 1, 2009, the portfolio started with \$49.1 million. Investment performance through October 31, 2011, is 14.58% net of fees, and since inception, is 437 basis points higher than the Russell 2000 value index benchmark. As of October 31, 2011, total assets are approximately \$58 million.

7. **Presentation by Legato Capital Management LLC of the Small Cap Growth Equity Portfolio Semi-Annual Performance Report**

Victor Hymes, Chief Executive Officer and Chief Investment Officer, and Adam Lawlor, Senior Vice President, presented the semi-annual investment performance report of StanCERA's U.S. small cap growth equity portfolio. Legato Capital is a manager of managers with five managers in the portfolio. Since inception as of December 22, 2008, and as of September 30, 2011, the portfolio has returned 17.31% gross of fees, above the Russell 2000 growth index benchmark return of 15.62%. As of September 30, 2011, the portfolio assets are \$46 million.

8. Strategic Investment Solutions (SIS), Inc.

a. Verbal Update on BNY Mellon Securities Lending

Mr. Harte explained that the previously quoted percentage of StanCERA securities lent was in relation to the portion of the portfolio that is actually "lendable" (commingled and passive funds aren't available for lending). This led to a percentage greater than 10%. Mr. Harte reported when you compare the amount of securities lent to the total portfolio, the percentage drops to about 9.2%. Trustees are satisfied with this percentage for the time being.

Trustees requested a future agenda item for a Research Affiliates Fundamental Index (RAFI) representative to come for discussion and potential action on their disposition.

9. Executive Director

a. Executive Director's Verbal Report on Meetings with County Chief Executive Staff

Mr. Santos reported the main focus of employer meetings centered around pension risk and contribution levels going forward.

b. Executive Director's Discussion on Harvard Law School's Infrastructure Survey

Mr. Santos informed Board members they had received a survey on infrastructure to complete and return to Harvard Law School if they were interested in doing so.

10. Closed Session

Motion was made by Darin Gharat and seconded by Michael O'Neal to commence to Closed Session at 3:25 p.m.

Motion was made by Darin Gharat and seconded by Michael O'Neal to return to Open Session at 3:40 p.m.

a. Conference with Legal Counsel – Potential Litigation Pursuant to Government Code Section 54956.9(b)(1)

No Report.

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

Mr. Lynch requested a future agenda item from General Legal Counsel to discuss The Brown Act and in particular, its impact on Board member communications and its relation to Board member attendance at conferences and seminars.

Mr. Santos updated Board members on the rental status of the 6th floor vacant space. Raymond James, a prospective tenant, has taken up temporary residence in an office property on Standiford and Carver. They are renting on a month to month basis.

Mr. Santos informed the Board that staff is meeting with County Risk Management on Friday, December 16, 2011, on the "Modified Work Arrangements" process for disabled members.

Mr. Santos informed the Board that he is working with StanCERA system employers to come up with some assumptions on payroll and future salary increases. This information is needed for the 2011 actuarial valuation which will set rates for 2012-2013.

14. **Adjournment**

Meeting adjourned at 3:44 p.m.

Respectfully submitted,



Rick Santos, Executive Director

APPROVED AS TO FORM:
FRED A. SILVA, GENERAL LEGAL COUNSEL


Fred A. Silva, General Legal Counsel