



STANISLAUS COUNTY
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BOARD OF RETIREMENT MINUTES

September 24, 2013

- Members Present:** Gordon Ford, Maria De Anda, Donna Riley, Jeff Grover, Darin Gharat, Jim DeMartini, Michael O'Neal and Jason Gordo
- Members Absent:** Mike Lynch and Joan Clendenin, Alternate Retiree Representative
- Staff Present:** Rick Santos, Executive Director
Kellie Gomes, Executive Board Secretary
Kathy Herman, Operations Manager
Dawn Lea, Benefits Manager
- Others Present:** Fred Silva, General Legal Counsel
Doris Foster, County Chief Executive Office

1. Meeting Called to Order

Meeting called to order at 2:03p.m. by Darin Gharat, Chair.

2. Roll Call

3. Announcements

Fred Silva gave an update on the recent Attorney's Roundtable. Fred reported that the main topics included the General Counsel's role in representing the Board and conflicts of interest.

Executive Director Rick Santos discussed the following:

Dodge & Cox large cap value fund – There had originally been a request to remove D&C from the Watch List. However, after review, it was determined that D&C was never on the watch list.

DMS appointment as Advisory Committee to the White Oak Pinnacle Fund – After review by StanCERA's attorney, Scott Smith from Hanson and Bridgett, it was decided not to consent to the appointment of DMS as the Partnership's Advisory Committee. Mr. Smith cited several reasons including the lack of an enforceable contract and a failure to provide any documentation regarding DMS' duties to the fund. StanCERA still retains its right to a seat on the Advisory Committee as laid out in its Side Letter Agreement with the fund.

3. Announcements (Cont.)

Tax Attorney - Bob Blum from Hanson and Bridgett has left the firm and moved on to another firm. Bob has been StanCERA's tax attorney for quite some time. After conferring with H&B staff, the transition after Bob's departure should be seamless to StanCERA.

Capital Calls - \$20 million in capital calls have been slated or completed recently. The \$20 million went to both Raven and White Oak and brings the total allocated to Direct Lending to \$55 million. This represents half of the total commitment.

4. Public Comment

None

5. Consent Items

Motion was made by Maria De Anda and seconded by Michael O'Neal to approve all the following consent items as presented:

Motion carried

- a. Approval of the September 11, 2013 Administration Meeting Minutes
- b. Approval of Service Retirement(s) – **Sections 31499.14, 31670, 31662.2 & 31810**
 1. Janet Abe-Morimoto, BHRS Effective 9-1-2013
 2. Lois Aldrete, HSA, Effective 9-4-2013
 3. Juan Alonzo, HSA, Effective 9-7-2013 - Withdrawn
 4. Timothy Beck, Sheriff, Effective 9-17-2013
 5. Sheryll Biondolillo, Sheriff, Effective 8-3-2013
 6. Renee Cartier, HSA, Effective 8-4-2013
 7. Sharon Cope, Superior Courts Effective 9-21-2013
 8. Karen Hurley, BHRS, Effective 8-16-2013
 9. James Johnson, BHRS, Effective 8-19-2013
 10. John Kitchell, HSA, Effective 9-26-2013
 11. Donna Leavers, Treasurer/Tax Collector, Effective 9-1-2013
 12. Cynthia Mcleland, City Of Ceres, Effective 9-24-2013
 13. Marjorie Munoz, CSA, Effective 9-19-2013
 14. Lorrinda Parker, District Attorney Effective 8-24-2013
 15. Elizabeth Pereira, Sheriff, Effective 9-7-2013
 16. Margaret Reid, Library, Effective 9-1-2013
 17. Beth Schlemmon, Probation, Effective 9-11-2013

5. Consent Items (Cont.)

Correction to Barbara Pearce-Chiesa, BHRS, Effective 08/16/2013 presented on 8/14/13 Agenda Effective date should be 8/17/2013.

6. Semi-Annual Performance Report by Delaware Investments – Large Cap Growth

Presenter by : Kevin Brown, Vice President, Senior Investment

- Initial funding and date: \$104 Million 8/2006
- Ending Value on 8/31/13: \$130 Million

All figures below are as of June 30, 2013

- Recent Quarter Return (Net): 0.17%
- 1 Year Return: 16.85%
- 3 Year Return: 20.46%
- Since Inception Return: 6.91%

7. Strategic Investment Solutions (SIS), Inc.

a. Monthly Performance Review for the Month Ending August 31, 2013

Monthly performance – (-1.44%)

Fiscal YTD – 1.83%

Fiscal YTD alpha – 0.32%

Total fund value as of August 31, 2013: \$1.565 Billion

b. Report on “Top 10 Holdings” of StanCERA Investment Managers as of August 31, 2013

8. PRIMA - Fixed Income: "Commercial Mortgage Lending"

Greg White Managing Director of Prima Capital Advisors, LLC gave an overview of the firm’s strategy. There are 3 main ideas behind the strategy: Commercial Lending, CMBS purchases and REIT investments. The firm’s main contributor to returns seems to be from Commercial Lending. Current income provides nearly 90% of the strategy’s total return over the long-term. The firm also will securitize its holdings from time to time if it feels that there is economic value in doing so. Also, the use of REITS recently has declined and has become a much smaller portion of the strategy’s exposure.

Trustee Michael O’Neal left at 3:08 pm.

9. PIMCO - Fixed Income: "A Tactical and Unconstrained Strategy"

Todd Staley and Marc Romano gave an overview of the firm's strategy. Essentially, this is a pure fixed income alpha play as most of the uncertainty or risk in the returns comes from manager risk (idiosyncratic or manager specific). Currently, the firm focuses on duration management to achieve its alpha, since the common belief is that interest rates must trend upwards. The firm just doesn't try to efficiently minimize duration, it takes active bets against those assets that may be more susceptible to an increase in rates. It accomplishes this by taking short positions in these securities, using mainly interest rate swaps and futures to achieve its results.

Trustee Jeff Grover left at 3:39 pm

10. Closed Session

- a. Conference with Legal Counsel – Pending Litigation – One Case:
Stanislaus County Employees' Retirement Association v. Buck Consultants, LLC,
Mediation Pursuant to Evidence Code Sections 1115, 1119, 1152
Government Code Section 54956.9(d)(4)
- b. Conference with Legal Counsel – Pending Litigation – One Case:
O'Neal et al v. Stanislaus County Employees' Retirement Association
Stanislaus County Superior Court Case No. 648469
Government Code Section 54956.9(d)(1)
- c. Conference with Legal Counsel – Pending Litigation – One Case:
Nasrawi et al v. Buck Consultants, LLC, et.al, Santa Clara County
Superior Court Case No. 1-11-CV202224; Court of Appeal, Sixth Appellate
District, Case No. H038894
Government Code Section 54956.9(d)(1)

No Closed Session Items to Report

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

The Board introduced itself to its newest Trustee, Jason Gordo

Trustee Riley asked for an update on the risk metric reporting. Staff intends to include the basis and reasons for these types of metrics in its reporting in both the Strategic Plan and the Investment Policy Statement. After these two documents are complete, Staff will begin working on the format for reporting out and explaining these metrics. It was noted that Staff has been working diligently on this task and has accomplished quite a bit, however, staff is not yet ready to formalize the process for delivery and explanation of this information. It is staff's intent to present the information in such a way that gives the Board a level of comfort and understanding with the information and how to process and best use it going forward.

12. Adjournment

Meeting adjourned at 4:37 p.m

Respectfully submitted,



Rick Santos, Executive Director

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

By: 
Fred A. Silva, General Legal Counsel