



**STANISLAUS COUNTY  
EMPLOYEES' RETIREMENT ASSOCIATION**  
832 12th Street, Suite 600  
Modesto, CA 95354  
MAIL: P.O. Box 3150 Modesto 95353-3150

Phone (209) 525-6393  
Fax (209) 558-5976  
www.stancera.org  
e-mail: retirement@stancera.org

## AGENDA

BOARD OF RETIREMENT  
832 12<sup>th</sup> Street, Suite 600 – Wesley W. Hall Board Room  
Modesto, CA 95354

**April 09, 2014  
2:00 p.m.**

The Board of Retirement welcomes you to its meetings, which are regularly held on the second Wednesday and the fourth Tuesday of each month. Your interest is encouraged and appreciated.

**CONSENT ITEMS:** These matters include routine administrative actions and are identified under the Consent Items heading.

**PUBLIC COMMENT:** Matters under jurisdiction of the Board, may be addressed by the general public before or during the regular agenda. However, California law prohibits the Board from taking action on any matter which is not on the posted agenda unless it is determined an emergency by the Board of Retirement. Any member of the public wishing to address the Board during the "Public Comment," period shall be permitted to be heard once up to three minutes. Please complete a Public Comment Form and give it to the Chair of the Board. Any person wishing to make a presentation to the Board must submit the presentation in written form, with copies furnished to all Board members. Presentations are limited to three minutes.

**BOARD AGENDAS & MINUTES:** Board agendas, Minutes and copies of items to be considered by the Board of Retirement are customarily posted on the Internet by Friday afternoon preceding a meeting at the following website: [www.stancera.org](http://www.stancera.org).

Materials related to an item on this Agenda submitted to the Board after distribution of the agenda packet are available for public inspection at StanCERA, 832 12th Street, Suite 600, Modesto, CA 95354, during normal business hours.

**AUDIO:** All Board of Retirement regular meetings are audio recorded. Audio recordings of the meetings are available after the meetings at <http://www.stancera.org/sections/aboutus/agendas>.

**NOTICE REGARDING NON-ENGLISH SPEAKERS:** Board of Retirement meetings are conducted in English and translation to other languages is not provided. Please make arrangements for an interpreter if necessary.

**REASONABLE ACCOMMODATIONS:** In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, please contact the Board Secretary at (209) 525-6393. Notification 72 hours prior to the meeting will enable StanCERA to make reasonable arrangements to ensure accessibility to this meeting.

1. Meeting Called to Order
2. Roll Call
3. Announcements
4. Public Comment
5. Consent Items
  - a. Approval of the March 25, 2014 Investment Meeting Minutes [View](#)
  - b. Executive Director Goals Update Quarter 1 2014 [View](#)
  - c. Correspondence – White Oak Pinnacle Fund, L.P.

d. Approval of Service Retirement(s) – **Sections 31499.14, 31670, 31662.2 & 31810**

1. Alvord, Kirsten - Alliance Worknet - Effective 04-21-2014
2. Christopherson, Laurann - HSA - Effective 03-29-2014
3. Ellenburg, Judy - Sheriff - Effective 05-02-2014
4. Griepsma, Judy - Stan Reg 911 - Effective 03-26-2014
5. Jackson, Charlene – BHRS - Effective 03-29-2014
6. Maner, Douglas - District Attorney - Effective 03-12-2014
7. Raya, Soledad – Sheriff - Effective 03-29-2014
8. Wright, Wm. Dean - County Counsel - Effective 03-29-2014

e. Approval of Deferred Retirement(s) – **Section 31700**

1. Hedrick, Amanda – CSA - Effective 10-03-13
2. Kinnear-Hughes - Marci, CSA - Effective 01-18-14
3. Mallory, Dionetta, - CSA - Effective 03-21-14
4. Porter, Curtis – Sheriff - Effective 03-05-14
5. Saini, Preet – DCSS - Effective 05-19-10

f. Approval of Disability Retirement – **Section 31724**

1. Griffin, Neal - BHRS - Non-Service Connected - Effective 04-10-14

6. Executive Director

- a. StanCERA Monthly Staff Report [View](#)

7. 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)

8. Members’ Forum (Information and Future Agenda Requests Only)

9. Adjournment



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## PLEASE POST FOR EMPLOYEE VIEWING

### BOARD OF RETIREMENT MINUTES

March 25, 2014

**Members Present:** Gordon Ford, Donna Riley, Jason Gordo  
Mike Lynch, Darin Gharat, Michael O'Neal, Jeff Grover  
Jim DeMartini

**Alternate Member:** Joan Clendenin, Alternate Retiree Representative

**Members Absent:** Maria De Anda

**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 2:01p.m. by Gordon Ford, Chair.

2. Roll Call

3. Announcements

Executive Director announced that there are new Brown Act Reporting Requirements. Specifically, legislation now "requires legislative bodies to verify the vote or abstention of each member and publicly announce the action taken and the vote or abstention of each member."

It was agreed that staff will implement the new requirements as follows:  
A voice call vote will be called first, and if the vote is not unanimous, a roll call vote will then be taken. If, prior to any vote, Board members alert the rest of the Board of their intention to vote "no" on a motion, then a roll call vote will be taken first. Absent notification by a Board member of intention to vote "no," the Board secretary will call for a voice vote first.

Kellie Gomes noted a correction has been made to the minutes to reflect Melinda Martinez, effective date change to 03/29/2014.

4. Public Comment

5. Consent Items

- a. Approval of the March 12, 2014 Administrative Meeting Minutes
- b. Correspondence – White Oak Pinnacle Fund, L.P.
- c. Correspondence – Medley Opportunity Fund II LP
- d. Northern Trust, Global Custody, Securities Lending and Related Services Signature Resolution

Motion was made by Jeff Grover and seconded by Michael O’Neal to approve the above consent items with the above revisions to the March 12, 2014 minutes.

Motion Carried

6. CHEIRON (Formerly EFI)

- a. Discussion and Action on CHEIRON Actuaries Presentation of the 2013 Final Actuarial Valuation

Rick Santos presented on behalf of Graham Schmidt the 2013 Final Actuarial Valuation. Motion was made by Darin Gharat and seconded by Donna Riley to accept the 2013 Valuation and the resulting employer and employee rates for fiscal year 2014-2015.

Roll Call Vote was as follows:

Gordon Ford	Yes	Jim DeMartini	Yes
Donna Riley	Yes	Jason Gordo	Yes
Mike Lynch	Yes	Michael O’Neal	No
Jeff Grover	Yes	Darin Gharat	Yes

Vote Passes 7 to 1

7. Annual Update Direct Lending Report – Medley Opportunity Fund II LP

Seth Taube from Medley Opportunity gave an update on the fund, briefly explaining StanCERA’s position in the fund and discussing some of the investments within the fund and how they are performing. Seth noted that StanCERA has funded \$23.6 million of its \$30 million commitment. The investment period for the Medley Fund II closes in June of 2014.

8. StanCERA's Real Estate Asset Class

- a. Discussion and Action Regarding New Investment Commitments to StanCERA's Real Estate Asset Class
  - i. Presentation by American Realty Advisors
  - ii. Presentation by Greenfield partners, LLC

The Board recommended that staff bring back this item to the Board for an allocation decision pending further due diligence. This item will be placed on the April 22, 2014 agenda.

9. Strategic Investment Solutions (SIS), Inc.

- a. Monthly Performance Review for the Month Ending February 28, 2014

Monthly Return: 3.41%

Fiscal YTD: 14.12%

Fiscal YTD alpha: 1.94%

Total Fund Value as of January 31, 2014: \$1,735,527,260

- b. Report on "Top 10 Holdings" of StanCERA Investment Managers as of February 28, 2014

10. Executive Director

- a. Discussion and Action Regarding an Investment Policy Change

The Board requested this item return to the Board after SIS gathered additional information from PIMCO.

- b. Update on Assets Under Management by Inview

The Director gave an update on the amount of Inview's total assets under management that can be attributed to StanCERA. Inview currently manages approximately \$85 million. Of that, \$21.2 million can be attributed to StanCERA. Consequently, StanCERA's assets as a % of Inview's total represent approximately 24.8%.

- c. Discussion and Action Regarding the Extension of the Investment Contract with Strategic Investment Solutions, Inc

Motion was made by Darin Gharat and seconded by Jeff Grover to approve the extension of the Investment Contract with SIS as recommended by staff through the 2014-2015 fiscal year.

11. Closed Session

Motion was made by Darin Gharat and seconded by Donna Riley to enter into closed session at 4:50 p.m.

11. Closed Session (Cont.)

- 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:  
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- c. Conference with Legal Counsel – Pending Litigation – One Case:  
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Superior Court Case No. 1-11-CV202224; Court of Appeal, Sixth Appellate  
District, Case No. H038894 Government Code Section 54956.9(d)(1)

Motion was made by Darin Gharat and seconded by Jeff Grover to enter into open session at 4:57p.m.

No items to Report out from Closed Session

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

None

13. Adjournment

Meeting adjourned at 4:57 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



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04/09/14

Item# 5.b

For the Retirement Board Meeting

Held on April 9, 2014

TO: StanCERA Board of Retirement

FROM: Rick Santos, Executive Director

- I. SUBJECT: Executive Director Goals Update Quarter 1 2014
- II. ITEM TYPE: Consent
- III. RECOMMENDATION: Approve progress on Executive Director Goals for Quarter 1
- IV. ANALYSIS: This is the first quarter update on the Executive Director Goals for 2014. For the past couple years, the Executive Director has put out both a Strategic Plan and Executive Director Goal update each quarter. This was in keeping with past historical practice for the Organization. However, because of the implementation of the new Strategic Plan effective January 1, 2014 and the fact that the Executive Director Goals are explicitly intertwined with the Strategic Plan, this past practice of dual reporting will be replaced by this one report.

Attachment 1 gives the Quarter 1 progress on the goals for 2014. Progress is highlighted in blue. The document breaks out tasks that are ongoing or required to be completed in 2014 from those tasks that are explicitly tied to the Strategic Plan.

For those tasks that are ongoing or required to be completed this year, considerable time has been spent recently monitoring lawsuits, transitioning to our new custodial bank and the transition and monitoring of our alternative investments.

For those tasks that are tied to the Strategic Plan, considerable progress has been made on the implementation of an asset/liability management (glide path) program at StanCERA. Staff has developed a way to analyze the costs to fully or partially implement a program based on several variables. Staff is also near completion on a policy that defines StanCERA's approach to managing its pension risk.

- V. RISK: None
- VI. STRATEGIC PLAN: Refine StanCERA's business and policy practices in ways that enhance stakeholder awareness, the delivery of member services and the ability of the Organization to administer the System effectively and efficiently.
- VII. ADMINISTRATIVE BUDGET: No impact

Rick Santos, Executive Director

Kathy Herman, Operations Manager



## **Ongoing/Required Items**

1. Continued communication, outreach and transparency with major stakeholders such as County, County BOS, Local Governments, Special Districts and Employee Groups
  - *Meeting with Safety Employee Groups regarding salary impacts on pension costs*
  - *Discussions with Ceres regarding projected pension costs*
  - *Discussions with Ceres regarding salary increase impacts on pension costs*
  - *Discussions with County Exec Staff regarding projected pension costs*
  - *Discussions with County Department heads regarding retired annuitants*
  
2. Facilitate completion of the transition to alternative investments
  - *Legal due diligence and review on PRIMA*
  - *Respond to requests from Trustees regarding alternatives*
  - *Legal review on AIV Structures*
  - *Review ongoing potential new investments*
  - *Ongoing facilitation of capital calls*
  - *Facilitation of money movement between accounts*
  
3. Complete Custodial Bank Transition
  - *Continual negotiations regarding custodial and securities lending agreement*
  - *Multiple meetings with attorneys regarding contract agreements*
  - *Facilitate liquidation of securities lending portfolio*
  
4. Complete Trustee Elections
5. Complete intermediate and long-term Organizational Structure Review
  - *Internal strategy sessions to investigate StanCERA's long-term needs*
  - *Strategic Realignment 5 to 7 year plan complete pending Board approval*
  
6. Continued monitoring of StanCERA lawsuits
  - *Respond to multiple requests for information from Reed/Smith*
  - *Respond to correspondence and requests from general counsel and actuaries*
  - *Multiple meetings with attorneys to discuss strategies*





## 7. Director Professional Development

- *Pension De-risking Summit*

## 8. Facilitate RFP for an Investment Consultant (postponed until

## 9. Oversee and complete day to day administrative functions

- *Disabilities; There has always been an Organizational goal of 18 or less outstanding disabilities at any one time. Disability staff has been working hard to streamline the process over the past year and there are now currently 14 outstanding disabilities. Director note: we will be exploring the idea of lowering our goal of 18 outstanding disabilities soon*
- *Agenda and minute production for all Board and Committee Meetings*
- *Facilitation of Board and Staff travel*
- *All retiree payrolls completed on time*
- *Member contributions and refunds up to date*
- *Complete 2 Public Records Act Requests*
- *Continue compliance monitoring of Voluntary Correction Program and certification of tax qualifying status for the IRS*
- *Monitoring of Investment Policy and Bylaws*
- *Daily monitoring of pension issues in media*
- *Ongoing and regular meetings with Investment Managers*

### **Items Explicitly Tied to the 2014-2016 Strategic Plan**

#### 1. Strategic Plan Objective #1

##### a. Task: Create a StanCERA cash flow projection program

- *Creation of a program that allows the user to pull cash flow data by source from different user-defined periods for analysis*

##### b. Task: Create a valuation program to determine the cost to immunize StanCERA liabilities

- *Creation of a program that allows the user to:*
  - *price on a present value basis, the cost to insure or fully fund StanCERA's future liabilities for any year(s) in the future*
  - *compute what the increase in plan sponsor contributions and resulting funded ratio would be in each instance*
  - *compute the reduction in pension risk in each instance*



- c. Task: Contract with specialists in the area of asset-liability management
  - d. Ongoing: Enhance the knowledge base of StanCERA staff regarding asset-liability management
  - e. Task: Board education sessions
    - 1. Futures
    - 2. Options
    - 3. Portfolio Insurance
  - f. Task: Develop policy that defines and describes StanCERA's philosophy and approach to minimizing pension risk
    - *Policy near completion*
  - g. Task: Create a glide path approach that defines the conditions when it is appropriate for StanCERA to migrate into risk reducing assets
2. Strategic Plan Objective #2
- a. Develop policy and processes for:
    - 1. Onsite Active Manager visits to StanCERA
    - 2. Trustee directed investment opportunities
  - b. Develop objective criteria for determining whether a new investment is suitable for StanCERA
  - c. Develop criteria for procedures at onsite due diligence trips
3. Strategic Plan Objective #3
- a. Continue to cross train staff while establishing multiple levels of backup
  - b. Establish in-house training opportunities for staff
  - c. Standardize all StanCERA documents (agenda items, external communication, etc.)
4. Strategic Plan Objective #4
- a. Develop long-range solution for StanCERA Pension Management System and software
  - b. Develop long-range technology requirements for StanCERA
    - *Initial discussions and development of knowledge management solutions and long-range technology needs*



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For the Board of Retirement meeting  
Held on April 9, 2014

04/09/14  
Item# 6.a

TO: Board of Retirement

FROM: Rick Santos, Executive Director

- I. SUBJECT: StanCERA Monthly Staff Report
- II. ITEM TYPE: Recurring; Information only
- III. STAFF RECOMMENDATION: None
- IV. ANALYSIS: The monthly staff report's intent is to report out to the Board of Retirement the 5 most important issues/tasks staff has been working on over the past month.
  - a. *Benefit Services* – Benefits staff has been very busy handling an increased number of retirements this past March. Also, staff reports there has been a 30% increase recently in counseling sessions due to anticipated retirements in one year (the average counseling session lasts approximately 45 minutes)
  - b. *Custodian Bank Transition* – Operations staff has been engaged in constant discussions and contact with both Custodian banks, StanCERA investment managers and international agents regarding the transition of assets and supporting documentation that needs to be completed prior to transition
  - c. *Alternative Investment* – During this initial funding phase of our alternative investment class, operations and executive staff have been spending approximately 15% their time devoted to administering cash calls, documentation, information gathering and research on new or existing investments
  - d. *StanCERA Lawsuits* – There have been numerous requests for information and data gathering as StanCERA's current lawsuits progress
  - e. *Asset Liability Management Process* – Recently, staff has been working to develop policy and analytical models to project costs to implement an Asset/Liability Management program (glide path).
- V. RISK: None
- VI. STRATEGIC PLAN: Refine StanCERA's business and policy practices in ways that enhance stakeholder awareness, the delivery of member services and the ability of the Organization to administer the System effectively and efficiently.
- VII. ADMINISTRATIVE BUDGET IMPACT: None

Rick Santos, Executive Director

Kathy Herman, Operations Manager