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BOARD OF RETIREMENT MINUTES

January 14, 2009

Members Present: Maria De Anda, Jim De Martini, Darin Gharat, Gordon Ford, Wes Hall, Mike Lynch, Ron Martin, and Clarence Willmon

Alternate Member Absent: Linda Stotts-Burnett (Alternate Retiree Representative)

Member Absent: Mike Fisher

Staff Present: Tom Watson, Retirement Administrator
Kelly Cerny, Board Secretary
Deirdre McGrath, Deputy County Counsel
Michele Silva, StanCERA Benefits Manager
Kathy Herman, StanCERA Special Projects Manager

Others Present: Ed Gingras, Retiree
Michael O’Neal, Retired Employees of Stanislaus County
Dave Thomas, Stanislaus Taxpayers Association
Doris Foster, Stanislaus County Chief Executive Office
Monica Nino, Stanislaus County Chief Executive Office

1. Meeting called to order at 2:00 p.m. by Gordon Ford, Chair

2. Rotation of Officers

Pursuant to Bylaws Section 1.5, Gordon Ford is Chair of the 2009 Board of Retirement, and Maria DeAnda, Vice Chair.

3. Announcements

Kelly Cerny, Board Secretary, announced that Consent Item #5c. Educational Opportunity, it should be noted that in previous years this Fiduciary Forum was presented by the law firm of Steefel, Levitt & Weiss. Steefel, Levitt & Weiss have now combined with the law firm of Manatt, Phelps & Phillips and will operate under the Manatt name. Ms. Cerny noted that Board members have attended this Forum in the past.

Tom Watson, Retirement Administrator, announced the transition to the small cap growth and small cap value investment management was completed. He also stated Marilyn Freeman of Capital Prospects, LLC, informed him she found Deirdre McGrath a pleasure to work with on the contract.
4. **Public Comment**

Ed Gingras, Retiree, addressed the Board regarding the recent *The Modesto Bee* opinion article dated January 9, 2009, entitled, *"We Can’t Afford to Keep Paying Bonuses from County Retirement Fund,"* written by Jim DeMartini. Mr. Gingras expressed that the article was misleading. He shared with the Board his costs for health care and the fact that the amount he receives from the Revocable Health Benefits Subsidy does not cover his medical expenses, and therefore it is not a bonus.

Michael O’Neal, President, Retired Employees of Stanislaus County (RESCO), distributed and read a letter on behalf of RESCO dated January 12, 2009. The letter requested that Board Member, Seat #6, be removed from the Board of Retirement and this item be placed on a future Board of Retirement Agenda. The Board acknowledged receipt of the letter.

5. **Consent Items**

Mr. DeMartini requested that Consent Items #5h., #5i., and #5j., be removed from the Consent Items for discussion.

Motion was made by Maria De Anda and seconded by Wes Hall to approve the following items as listed.

Motion carried

a. Approval of the December 10, 2008, Meeting Minutes

b. Approval of the Retirement Administrator’s 2009 Goals

c. Education: Opportunity – Manatt, Phelps & Phillips Presents the Public Pension Fiduciary Forum – February 27, 2009, San Francisco, CA

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

  1. Rose Castellanos, HSA, Effective 12-23-08
  2. Lillian Croft, CSA, Effective 01-05-09
  3. Elizabeth Dippery, Alliance Worknet, Effective 01-03-09
  4. Jeffrey Higginbotham, City of Ceres, 01-03-09
  5. Benjamin Iniguez, CSA, Effective 12-08-08
  6. Susan List, CSA, Effective 01-03-09
  7. Shirley Weihrich, BHRS, Effective 12-15-08
  8. Manuel Parra, CSA, Effective 12-31-08
  9. Linda Pearce, Sheriff, Effective 12-02-08
  10. Kathryn Richardson, HSA, Effective 01-04-09
  11. David Wolff, CSA, Effective 01-15-09
5. Consent Items (cont.)

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

   1. Richard Allen, District Attorney, Effective 06-20-08
   2. Jasmin Cline, Probation, Effective 10-09-08
   3. Maria De La Rosa, HSA, Effective 12-05-08
   4. Ken Fitzgerald, HSA, Effective 08-15-08
   5. Deanna French-Gloria, HSA, Effective 11-03-08
   6. Greg Galloway, Sheriff, Effective 11-14-08
   7. Kevin Jeffries, Sheriff, Effective 11-30-08
   8. Eulalee Hubble, BHRS, Effective 10-16-08
   9. Janelle Kolding, Sheriff, Effective 11-14-08
  10. Edgar Meraz, Sheriff, Effective 09-30-08
  11. Maria L. Mulcahy, HSA, Effective 12-15-08
  12. Susan Rutherford, HSA, Effective 08-15-08
  13. Tina Saylor-Trammell, DCSS, Effective 11-19-08

   f. Approval of Disability Retirements – Section 31724

   1. Suzanne Whitlock, Superior Court, Non-Service Connected, Effective 07-22-08

   g. Approval of Death Benefit – Section 31781

   1. Thomas W. Mayfield, Deceased December 9, 2008, Active Member, Option Pursuant to Government Code Sections 31726, 31781, 31781.1, and 31781.3

Items Removed from Consent for Discussion

5h. Receipt of Information on StanCERA’s History of Excess Earnings

Mr. Watson gave an overview of his written memorandum dated January 7, 2009. Mr. DeMartini mentioned he needed a better explanation of Exhibit 2, a worksheet detailing the distribution of StanCERA’s investment and excess earnings from 1990 to 2008. He expressed neither he nor the Chief Executive Office finance staff clearly understand the excess earnings philosophy. He requested that education on excess earnings be presented at a future board meeting. Monica Nino, Chief Executive Office, said she had already had one meeting with the Retirement Administrator regarding excess earnings, and they were going to continue meeting so there is a better understanding of the philosophy. Board members reviewed and discussed the memorandum. Mr. Ford commented that the Retirement Administrator will continue to meet with the Chief Executive Office for further clarification of the policy, and bring back updates to the Board.

Motion was made by Jim DeMartini and seconded by Ron Martin for the receipt of the information provided on StanCERA’s history of excess earnings.

Motion carried.
Items Removed from Consent for Discussion (cont.)

5. Receipt of Survey of 1937 Act Retirement Systems' Employer Contribution Rates

Mr. Watson gave an overview of his written memorandum dated January 6, 2009. It was noted that the current employer contribution rates range from 9.86% to 28.39% for the 1937 Act systems that responded to the survey. 19 systems were surveyed, however, only 10 responded. The survey did not take into account possible Pension Obligation Bonds (POBs) or the Other Pension Employee Benefits (OPEBs), such as retiree health insurance that systems may have. Board members requested more information on what other systems with similar demographics are doing in regards to POBs and the OPEB liability.

Motion was made by Mike Lynch and seconded by Maria De Anda for receipt of the informational survey of 1937 Act retirement systems’ employer contribution rates.

Motion carried.

5j. Receipt of Survey of Valley 1937 Act Retirement Boards and Stanislaus County Boards/Commissions' Policies Regarding Mass Media Contact

Mr. Watson gave a brief summary of his memorandum dated January 6, 2009, regarding a mass media policy survey of other valley 1937 Act systems, and local Boards and Commissions. The memorandum included exhibits of the other valley systems’ mass media or communication policies of Kern, Fresno, and San Joaquin county employees’ retirement associations; Stanislaus County Animal Services, Stanislaus Agricultural Commissioner, Alliance Worknet, and the Children and Families Commission.

Jim DeMartini, Trustee, reiterated that when asked, he will share his personal opinion on issues. He mentioned that his January 9, 2009, article in The Modesto Bee, about the Board of Retirement was in response to a November 12, 2008, editorial opinion appearing in The Modesto Bee. This editorial opinion was written by Mr. O’Neal the current President of RESCO. Mr. DeMartini concluded his comments are his own, and he will not speak on behalf of the Board of Retirement. Mr. Gingras asked that as a retiree, if something is written in the media regarding StanCERA, that it be specific and accurate.

Motion was made by Maria De Anda and seconded by Clarence Willmon for receipt of the informational survey of Valley 1937 Act Retirement Boards and Stanislaus County Boards/Commissions’ Policies Regarding Mass Media Contact.

Motion carried.

6. Chair of the Board of Retirement

a. Presentation of the 2009 Standing Committee Assignments

Mr. Ford presented the standing Board of Retirement Committees for 2009. He inquired if there were any objections to the standing committee assignments as presented. There were no changes or discussion on the presented assignments.
7. **Administrator**

a. Discussion and Action on the Draft Recommendation to Support Assembly Bill (AB) 2526 – Alternate Members of the Board of Retirement

Mr. Watson gave a brief summary of his memorandum dated January 7, 2009. AB2526 is before the State Association of County Retirement System’s (SACRS) Legislative Committee for language review and dissemination to its 1937 Act systems members. AB2526 was updated by the California Retired County Employees Retirement Association (CRCEA), and then sent onto SACRS for its review. Member systems were asked for their input.

Motion was made by Wes Hall and seconded by Clarence Willmon to direct the Retirement Administrator to inform SACRS of the following vote on or before the SACRS submission deadline of January 23, 2009:

1) to not support the current AB2526 language if the SACRS Legislative Committee is not open to support with recommendations.

2) If the SACRS Legislative Committee is open to support with recommendations, the Board of Retirement approves support of the most recently drafted language of AB2526 with the amendment to the last part of section 31523(c):

> "If an election...and only one candidate has been duly nominated in accordance with the rules established for the holding of such election, the candidate shall be declared the winner by unanimous ballot in accordance with rules established for elections to the Board." AND,

the maintenance of the language that provides for local rules related to the alternate members of the Board of Retirement, AND,

the wording amended to make all elected positions to the Board of Retirement (including alternates) consistent upon the vacancy of the seat.

Motion carried.

b. Discussion and Action on Recommendation to Continue Efforts Towards the Submission of Governance Documents for an IRS Tax Qualification Determination Letter

Mr. Watson gave a brief overview of his memorandum dated January 7, 2009. In the Fall of 2006 the IRS had informed public pension plans that there would be a deadline to file documentation with the IRS, for an IRS Tax Qualification Determination Letter. The deadline was January 31, 2009. Over the past two years 1937 Act systems and a special sub-committee of the SACRS Legislative Committee worked towards submitting documentation on behalf of its members’ systems. On December 31, 2008, Mr. Watson was informed by Charnel Benner, SACRS Sub-Committee, that the IRS stalled on this issue and a group submission was not acceptable. It is unclear what the 1937 Act systems will do regarding filing.
7. **Administrator (cont.)**

b. Discussion and Action on Recommendation to Continue Efforts Towards the Submission of Governance Documents for an IRS Tax Qualification Determination Letter (cont.)

Motion was made by Wes Hall and seconded by Ron Martin to authorize StanCERA Counsel and staff to continue to work with tax counsel and network with other 1937 Act retirement systems in an effort towards any submission of governance documents to the IRS so that the IRS provides StanCERA with a Tax Qualification Determination letter without jeopardizing StanCERA’s or other 1937 Act retirement systems’ operations in the process.

Motion carried.

c. **Strategic Planning Session Information Update**

Mr. Watson informed Board members three private companies were contacted to facilitate a strategic planning session. All the firms would contact each board member individually by phone prior to the session to determine what Board members would like to accomplish in the session. Ms. McGrath informed Board members that individual contact by telephone is not a Brown Act violation as long as there would be no consensus. Mr. Watson stated that unless the Board thought otherwise, the tentative March 2009 strategic planning session would be postponed until the Fall. This would allow for attention to be focused on the review of the upcoming actuary valuation. The Board had no further comment.

d. **Tyler Technology Project Update by StanCERA Staff**

Ms. Herman distributed an outline and gave the Board a verbal update on the history and status of StanCERA’s public pension software system. Among the highlights are no additional staff was used for implementation and testing; a custom designed system with improvements is in place; the first live payroll was completed January 1, 2009, without exceptions; and costs have been limited to the original contract amount plus changes due to policy or law changes as needed. Ms. Herman answered Board members’ and audience questions.

8. **Correspondence**

a. **Retirees’ Letters of Support of the Board of Retirement and Regarding the Revocable Health Benefits Subsidy**

Mr. Watson stated Board members had received copies of recent letters and emails from retirees, along with his proposed written recommendations on how he will respond to the retirees. The two subjects the retirees wrote about included support for the Board’s sustained positive management of the system; and retirees’ questions, comments, and suggestions, about ad hoc benefits. Mr. Watson informed the Board unless otherwise directed, he would respond to the retirees as proposed. The Board directed Mr. Watson to respond to the retirees’ correspondence as proposed.
8. **Correspondence (cont.)**

a. Retirees' Letters of Support of the Board of Retirement and Regarding the Revocable Health Benefits Subsidy (cont.)

Mr. Dave Thomas, Co-Chair, Executive Committee, Stanislaus Taxpayers Association, asked to address the Board on behalf of the Taxpayers’ Association, on Item #8a. Mr. Thomas informed the Board of his private pension consultant experience and made a request to submit future specific questions to the Board for information and requests for documentation in the view of full disclosure. Mr. Ford, Chair, responded the Board and StanCERA staff welcome all requests or inquiries for public information. He said questions should be directed to the Retirement Administrator.

Mr. Thomas informed the Board the January 9, 2009, editorial opinion in *The Modesto Bee*, by Mr. DeMartini was well-received by the Taxpayers Association. He commented that taxpayers must never be burdened with non-contractual items or issues.

Mr. Ford, Chair, asked Mr. Thomas if he had any questions or comments specifically regarding Item #8a. Mr. Thomas did not have any further questions about Item #8a.

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

Mike Lynch, Trustee, informed those present in the audience, that for those citizens who would like to place items on an Agenda to contact him. He will bring items to the Board on their behalf.

Mr. Lynch commented that he would not support any request to remove either an appointed member, or, elected member from the Board of Retirement. He said he did not think Mr. DeMartini’s January 9, 2009, editorial opinion was inaccurate. He thanked Mr. Watson for pursuing resolution of the actuaries’ differences in reporting. He noted that it is very important to maintain 100% transparency as a system.

Ron Martin, Trustee, said it should be noted that the markets have ended a 20-year bull run and that the recent 18-month collapse of the markets for the United States and globally, should not make people panic for all the wrong reasons. Everyone is committed to ensuring the system is successful.

Mr. DeMartini reiterated a request for additional education on the excess earnings policy and formula.

Darin Gharat, Trustee, requested direction from the Chair to possibly establish a separate ad-hoc committee to review the upcoming actuary report.

Wes Hall, Trustee, said he has been on the Board of Retirement for a long time and is proud of the system.
9. **Members’ Forum (Information and Future Agenda Requests Only) [cont.]**

Ms. Cerny informed Board members the California Association of Public Retirement Systems’ (CALAPRS) annual Principles of Pension Management for Trustees would be held at the Stanford Law School, March 24-27, 2009. Those interested in attending should contact her prior to February 17, 2009.

Mr. Ford requested on a future agenda the consideration of a review of SIS Inc.’s role as the investment consultant to StanCERA. This is to ensure that StanCERA has reviewed its investment consultant as part of an overall review of the investment program.

10. **Adjournment**

Meeting adjourned at 3:39 p.m.

Respectfully submitted,

\[Signature\]

Tom Watson, Retirement Administrator

APPROVED AS TO FORM:

JOHN P. DOERING, COUNTY COUNSEL

\[Signature\]

Deirdre McGrath, Deputy County Counsel