



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

Phone (209) 525-6393
Fax (209) 525-4334
www.stancera.org
e-mail: retirement@stancera.org

PLEASE POST FOR EMPLOYEE VIEWING

BOARD OF RETIREMENT MINUTES

January 22, 2008

Members Present: Maria De Anda, Jim DeMartini, Mike Fisher, Gordon Ford, Darin Gharat, Wes Hall, Mike Lynch, and Ron Martin

Alternate Member Present: Linda Stotts-Burnett, Alternate Retiree Representative

Member Absent: *Steve Yauch*

Others Present: Kelly Cerny, Natalie Elliott, Paul Harte-Strategic Investment Solutions (SIS), Deirdre McGrath, Andrew Paulden-Brown Armstrong Accountancy Corporation, Hank Skau and Tom Watson

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

2. **Announcements**

Mr. Fisher presented Wes Hall with a framed Resolution naming the Board Room the Wesley W. Hall Board Room. Tom Watson, Retirement Administrator, noted that the same Resolution is also framed and on display on the Board Room wall. Mr. Hall expressed his appreciation and thanked staff and Board members.

Linda Stotts-Burnett arrived at 2:04 p.m.

Jim De Martini arrived at 2:04 p.m.

Mr. Watson informed the Board that the celebratory announcement honoring Mr. Hall, was in the Sunday, January 20, 2008, The Modesto Bee. The announcement was located in the Lifestyle section of the newspaper.

Mr. Fisher mentioned Board members received a memorandum from the State Association of County Retirement Systems (SACRS) dated January 15, 2008. The SACRS Board of Directors are asking for volunteers from the 1937 Act systems to be part of an ad-hoc review committee to fully evaluate the concept of adding a paid Chief Executive Officer to the SACRS organization. The suggested five member committee may include one Affiliate, one Administrator, one elected Trustee, one appointed Trustee, and one retired Trustee. SACRS would like those individuals that may be interested to notify SACRS by Monday, February 11, 2008. Mr. Fisher said for those who may be interested, contact Kelly Cerny, Board Secretary, or Mr. Watson, prior to February 11, 2008.

3. **Public Comment**

None.

4. **Consent Items**

Motion was made by Wes Hall and seconded by Ron Martin to approve the following items as listed.

Motion carried.

- a. Approval of the January 9, 2008, Administrative Meeting Minutes
- b. StanCERA Wire Transfer and Stale Dated Check Policies

5. **Presentation by Brown Armstrong Accountancy Corporation on Audit Committees and Internal Auditing**

Andrew Paulden, Certified Public Accountant, Brown Armstrong Accountancy Corporation, gave a PowerPoint presentation of Audit Committees and Internal Auditing. Mr. Paulden distributed written material to complement the educational presentation. He gave a brief overview of the role, the need, purpose, and benefits of establishing a Board Audit Committee. This included the skill set, work cycle and procedures necessary for establishing an internal audit function. Mr. Paulden emphasized the importance of external auditors being independent from internal auditors. He said not many of the 1937 Act systems have internal auditors. Mr. Paulden provided written samples of an audit committee charter, an audit committee charter matrix, an internal audit risk assessment planning worksheet, and an internal audit plan. Mr. Paulden answered questions from Board members.

Darin Gharat left at 2:35 p.m.

Darin Gharat returned at 2:38 p.m.

6. **Strategic Investment Solutions, Inc. (SIS) Monthly Performance Review for the Month Ending December 31, 2007**

Paul Harte, SIS, presented the monthly performance review for the period ending December 31, 2007. StanCERA's portfolio is \$1.445 billion, a decrease of -0.75% for the month. The fiscal year to date return at six months is 0.79% trailing StanCERA's policy index of 1.68% and below the 8.16% actuarial rate of assumption, which is 4.08% for the six-month period. Although the December 31, 2007 asset figure is \$1.445 billion, the financial markets have turned down and the estimated decrease in value of assets could approach \$100 million at this time. Mr. Harte also gave an overview of index updates for January 2008.

7. **Report, Discussion, and Action on the INVESCO Investment Agreement**

Deirdre McGrath, Deputy County Counsel, gave a summary of her memorandum dated January 18, 2008, that the Board had previously received. The memorandum was an update of interaction between StanCERA and INVESCO regarding a potential investment agreement for investment into global real estate investment trust (REIT) securities.

Ms. McGrath gave a synopsis of discussions and communications with INVESCO that occurred after the Board approved investing in global REITs with INVESCO at its October 27, 2007 Board meeting. StanCERA staff had some questions about some of the agreement requirements INVESCO presented in its initial response to StanCERA's Request for Information (RFI). After research and discussions with INVESCO, the questions were resolved. Ms. McGrath concluded this was now a business decision for the Board.

Motion was made by Ron Martin and seconded by Jim DeMartini to direct staff to enter into INVESCO's Standard Participation Agreement as is, for a commingled global real estate investment trust (REIT) as of March 1, 2008; with an initial amount of \$20 million from StanCERA's Special Situations Fund and an additional amount to be determined at a later date.

Motion carried.

Mike Lynch opposed.

Gordon Ford opposed.

Ron Martin left at 3:23 p.m.

8. **Administrator**

a. StanCERA Complaint Log of October 1, 2007 through December 31, 2007

Tom Watson, Retirement Administrator, noted Board members received staff's written report of StanCERA's complaint log for the fourth quarter 2007. A total of eight complaints were logged this quarter, up three complaints from the previous quarter. Insurance-related complaints are referred to StanCERA's insurance broker. Four of the eight complaints were due to misunderstandings of the retiree health allowance. Mr. Watson stated that as explanations were given to members the confusion dissipated. Darin Gharat, Trustee, inquired if StanCERA's insurance broker is performing the duties for which it was hired. Mr. Watson confirmed the broker is meeting regularly with members at StanCERA's office. Mr. Hall added that the broker also attends the Retired Employees of Stanislaus County's (RESOCO) luncheon meetings to answer questions.

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

Mr. Hall mentioned that as of January 1, 2008, the California Public Employees' Retirement System (CalPERS) will allow all California public agencies to participate in its California Employers' Retiree Benefit Trust Fund for employee health benefits. Prior to January 2008, only public employers that contract with CalPERS for employee health benefits were eligible to participate. This trust fund is a prefunding plan for future retiree health benefits.

Mr. Hall shared a Pensions & Investments article dated September 17, 2007, that cites Orange County Board of Supervisors hiring Strategic Investment Solutions, Inc., to review the Orange County Employees' Retirement System's asset allocation and investment policies, as well as manager selection and monitoring.

Jim DeMartini, Trustee, said The Opal Financial Group's 9th Annual Public Funds Summit, January 16-18, 2008, was interesting to attend.

Mr. Harte, offered to present educational sessions at the May and July 2008 Board of Retirement investment meetings.

Mr. Gharat mentioned he also attended The Opal Financial Group's 9th Public Funds Summit and found it had several educational presentations that were worthwhile.

Mr. Gharat suggested that perhaps on a quarterly basis StanCERA should benchmark itself against other 1937 Act systems that are doing different things.

Ms. Cerny circulated four more notes of appreciation from retirees who received the special supplemental COLA as of January 2, 2008. To date, this brings a total of 16 notes of appreciation.

Ms. Cerny informed Board members they had received a flyer for the State Association of County Retirement Systems' (SACRS) half-day training seminar. The seminar, entitled "SACRS Economic Impact Report: Understanding the Results," is being offered on March 25, or 26, 2008. Ms. Cerny said to contact her for registration.

10. **Adjournment**

Meeting adjourned at 3:45 p.m.

Respectfully submitted,

Tom Watson, Retirement Administrator

APPROVED AS TO FORM:
MICHAEL KRAUSNICK, COUNTY COUNSEL

By: _____
Deirdre McGrath, Deputy County Counsel