



STANISLAUS COUNTY
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BOARD OF RETIREMENT MINUTES

January 27, 2009

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

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

Members Absent: *Mike Fisher, and Ron Martin*

Staff Present: Tom Watson, Retirement Administrator
Kelly Cerny, Board Secretary
Hank Skau, Operations Manager
Deirdre McGrath, Deputy County Counsel

Others Present: Paul Harte-Strategic Investment Solutions (SIS) Inc.

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

2. **Announcements**

Mr. Ford shared an excerpt from an article in the American Academy of Actuaries January-February 2009 Contingencies magazine, entitled, "*The Current Financial Crisis and Sticky Luck*." Mr. Ford read, "...alpha performance (i.e., skill-based returns that exceed risk-free levels) is either undetectable or nonexistent. While we can never prove that alpha doesn't exist (because market luck is so sticky, available data always fall short) we can also never demonstrate that it *does* exist. This alone seems a fantastic claim, made in the face of an enormous and sophisticated industry. As a first defense, and trying not to sound too cynical, the industry is unarguably successful in delivering a desired service for a fee. If a client believes in alpha and is prepared to pay for it, then we cannot blame an industry for attempting its best to deliver it."

3. **Public Comment**

None.

4. **Consent Items**

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

Motion carried.

4. **Consent Items (cont.)**

- a. Approval of the January 14, 2009, Administrative Meeting Minutes
- b. Approval of the Retiree Annual Cost of Living Adjustment – **Section 31870.1**

Board members requested additional information be brought back to the Board as to why the Consumer Price Index (CPI) for the metropolitan San Francisco Bay Area of 0.02% is used for the cost of living adjustment for Stanislaus County. Board members also requested additional information as to why the CPI percentage differs from the Social Security's 5% cost of living adjustment.

Motion carried.

Wes Hall opposed.
Mike Lynch opposed.

5. **Strategic Investment Solutions, Inc. (SIS) Monthly Performance Review for the Month Ending December 31, 2008**

Paul Harte, SIS, Inc., presented the monthly performance review for the period ending December 31, 2008. December was a slightly positive month with StanCERA's portfolio at \$984 million, an increase of 4.76% for the month. However, the fiscal year to date return at six months is -23.07%, trailing StanCERA's policy index of -21.87%, and well below the 8.16% actuarial rate of assumption of 4.08% for the six-month period. He noted that there was a historic decrease from the prior year of -31.07%. Mr. Harte also gave a brief overview of index updates for January 2009.

6. **Receipt of Request for Information (RFI) – Barclay Global Investors - Russell Top 200 Index**

Mr. Harte distributed to Board members the December 30, 2008, RFI received from Barclay Global Investors for a review of their passive index fund investment manager services. SIS, Inc., will provide a short analysis report on the RFI at the March 24, 2009, Board of Retirement Investment meeting.

7. **Receipt of Request for Information (RFI) – State Street Corporation - Russell Top 200 Index**

Mr. Harte distributed to Board members the December 30, 2008, RFI received from State Street Global Advisors for a review of their passive index fund investment management services. SIS, Inc., will provide a short analysis report on the RFI at the March 24, 2009, Board of Retirement Investment meeting.

8. **Administrator**

a. StanCERA Complaint Log of October 1, 2008 through -December 31, 2008

Mr. Skau informed Board members they had received the written report of StanCERA's complaint log for the 2008 fourth quarter that totaled seven complaints. This is an increase from zero complaints from the 2008 third quarter. Board members inquired as to the tone of the complaints. Mr. Skau noted all members were polite. Mr. Skau noted that insurance-related calls are referred to StanCERA's insurance broker, BMTI Services.

b. BMTI Services' Complaint/Contact Log – September 1, 2008, through December 31, 2008

Mr. Skau noted Board members also received the written report from BMTI Services of their complaint/contact log for September 1, through December 31, 2008. During this time period, BMTI logged 1,796 items. He informed Board members that for any issue that takes BMTI longer than 30 days to resolve, StanCERA sends a follow-up letter to the member to survey BMTI's service. In addition, as general quality control, one or two names are randomly chosen from BMTI's detail log and letters are sent to survey BMTI's service in resolving a complaint. There were no negative responses from letters sent during this time period.

Mr. Ed Gingras, Retiree, asked to address the Board. He informed the Board that there were four occasions where BMTI Services assisted him and successfully handled insurance cost issues with the insurance companies, where he had failed. Mr. Gingras said retirees are fortunate to have such an organization to assist retirees to ensure they receive the benefits that are due them and for which they pay.

9. **Correspondence**

a. Receipt of Buck Consultants' Response Dated January 14, 2009 – Milliman Actuarial Audit Report

Mr. Watson reported that in response to the Board's request, Board members had received Buck Consultants' written response to questions that the Milliman actuarial audit raised about Buck's actuarial methods and assumptions.

Board members reviewed and discussed the response. Board members determined to hold any additional questions they may have for the upcoming EFI Actuaries report.

b. Prima Capital Advisors, LLC, E-Mail Dated January 7, 2009 – Prima Capital Update

Mr. Watson informed the Board, that the copy of the email Board members received was in response to the Board's request to send updates of Prima's market performance. Prima Capital Advisors also included a New York Times article dated January 5, 2009, regarding the status of the commercial mortgage market.

9. **Correspondence (cont.)**

- c. Prima Capital Advisors, LLC, E-Mail Dated January 14, 2009 –
December 2008 Estimated Returns

Mr. Watson informed the Board they had received a second email update of Prima Capital Advisors commercial mortgage market performance for the month of December 2008. The Board reviewed and discussed the email update.

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

Mr. Ford requested staff obtain a report dated January 9, 2009, regarding an update on Structured Investment Vehicles (SIV). He provided staff with written information and cost to obtain the report from Standard & Poor's Credit Research.

Mr. Lynch complimented staff on the Winter newsletter.

Mr. DeMartini inquired when the Board would receive the actuarial report. Mr. Watson responded the report should be completed by early to mid-March, due to the extraordinary modeling being done, and to address the actuary audit's concerns. Once the Board receives and reviews the report, it will be presented at the April 8, 2009, Board of Retirement meeting.

Mr. Harte, SIS, Inc., reminded Board members to please contact SIS, Inc. for any educational topics they may be interested in having presented.

11. **Adjournment**

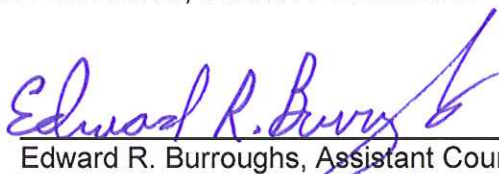
Meeting adjourned at 3:01 p.m.

Respectfully submitted,



Tom Watson, Retirement Administrator

APPROVED AS TO FORM:
JOHN P. DOERING, COUNTY COUNSEL

By: 
Edward R. Burroughs, Assistant County Counsel