



**STANISLAUS COUNTY
EMPLOYEES' RETIREMENT ASSOCIATION**
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BOARD OF RETIREMENT MINUTES

November 26, 2013

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

Alternate Member: Joan Clendenin, Alternate Retiree Representative

Members Absent:

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 1:31p.m. by Gordon Ford, Vice Chair.

2. Roll Call

3. Announcements

Director announced that the original item regarding the custodian bank selection was pulled and rescheduled for December 11th where staff will make a recommendation. The process was delayed when staff asked a couple of the bidders to take a hard look at their prices and resubmit. At that point, staff felt it appropriate to give all the bidders a chance to resubmit.

Kellie Gomes announced that the newsletter went out last week.

Trustee Clendenin suggested that staff include phone numbers for retiree services within the newsletter.

Kellie Gomes reminded Board members to keep her informed on their anticipated attendance to the Opal Summit in January.

4. Public Comment

None

5. Consent Items

Motion was made by Maria DeAnda and seconded by Michael O'Neal to approve the following consent items as presented with the change to Department corrections for C 9 & 10 which are in red below:

Motion Carried

- a. Approval of the October 22, 2013 Investment Meeting Minutes
- b. StanCERA Investment Managers Peer Rankings for Quarter Ending September 30, 2013
- c. Approval of Service Retirement(s) – **Sections 31499.14, 31670, 31662.2 & 31810**
 1. Anthony Andrade, HSA, Effective 11/16/13
 2. Sherry Banuelos, CSA Effective 11/02/13
 3. Dixie Barrigar, CEO – Risk MGMT, Effective 11/05/13
 4. Linda Burk, HSA, Effective 11/02/13
 5. Raymond Byers, PW Roads, Effective 11/03/13
 6. Darlene Engebretsen, CSA, Effective 10/21/13
 7. Michael Handley, Library, Effective 10/21/13
 8. Fred Harper, City of Ceres, Effective 10/17/13
 9. **Janey Heytz**, Probation, Effective 11/02/13 **HSA**
 10. **Calvin Lambert**, HSA, Effective 10/11/13 **Probation**
 11. Arral Phipps, D.A, Effective 11/02/13
 12. John Schaper, HSA, Effective 11/01/13
 13. Gleen Valdez, DCSS, Effective 11/02/13
- d. Approval of Deferred Retirement(s) – **Section 31700**
 1. Bryan Albers, Sheriff, Effective 11/16/2013
 2. Ben Bazar, Assessor, Effective 08/10/2013
 3. Eduardo Camacho, Sheriff, Effective 11/11/2013
 4. Teresa Clevenger, Child Support Svcs, Effective 09/20/2013
 5. Brent Dittman, Probation, Effective 10/05/2013
 6. Kristi Espino, CSA, Effective 09/25/2013
 7. Tom Fara, Sheriff, Effective 10/06/2013
 8. Donna Gonchar, Superior Courts, Effective 09/28/2013
 9. Rosanna L Hall, HSA, Effective 11/02/2013
 10. Janet Harwood, Alliance Worknet, Effective 10/19/2013
 11. Melissa Heckman, HSA, Effective 07/27/2013
 12. Patricia Hinojos, BHRS, Effective 09/12/2013
 13. Francisco Mireles, Jr, Sheriff, Effective 11/17/2013
 14. Mckenna Murphy, CSA, Effective 08/31/2013
 15. Veronica Pehl, HSA, Effective 09/04/2013
 16. Megan Pratt, Superior Courts, Effective 10/26/2013
 17. Alexander Quinlivan, Superior Courts, Effective 09/21/2013
 18. Molly Sims, Regional 911, Effective 11/11/2013
 19. Jennifer Walters, CSA, Effective 09/11/2013

5. Consent Items (Cont.)

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

1. Andrew Hinkle, Sheriff, Service Connected, Effective 11/27/13
2. Robert Johnston, Sheriff, Service Connected, Effective 09/21/13

6. Strategic investment Solutions (SIS), Inc.

SIS Items were heard out of order. The order was d,a,b and c.

1:41pm Trustee Darren Gharat Entered

2:03 pm Trustee Jason Gordo Entered

a. Monthly Performance Review for the Month Ending October 30, 2013

b. Report on “Top 10 Holdings” of StanCERA Investment Managers as of October 30, 2013

c. StanCERA’s Quarterly Manager Review List – Performance Through October 30, 2013

Monthly performance – 3.22%

Fiscal YTD – 8.88%

Fiscal YTD alpha – 1.04%

Total fund value as of October 30, 2013: \$1.667 Billion

d. Investment Performance Analysis for Third Quarter Ending September 30, 2013

Quarterly Total Portfolio Performance Analysis (Return, Benchmark and Peer Ranking.)

- Fiscal YTD: 5.6%, 5.1%, 14
- 1 Year: 15.0%, 12.0%, 9
- 3 Year: 11.1%, 9.7%, 9
- 5 Year: 10.3%, 8.3%, 2

7. Executive Director

a. Transition Haber-Trilix to Pacific Ridge – Marilyn Freeman, Capital Prospects

Marilyn discussed that the founder of Haber Trilix, Bob Haber, was closing the firm in November. As such, our manager at that firm, Jeff Kerrigan, will not be able to continue on. While Marilyn has been quite comfortable with Jeff’s results, there simply isn’t enough time for Jeff to align himself with another firm or start a new one on his own. As such, Marilyn suggests that Capital Prospects and StanCERA must move on. As a result, Cap Prospects has identified HT’s replacement as Pacific Ridge (PR). PR is a micro-cap value manager and has \$114AUM. PR’s strategy is focused on the smallest and most inefficient segment of the U.S. equity market and should be a good fit for StanCERA’s portfolio.

7. Executive Director (Cont.)

b. Discussion and Action Regarding InView Investment Management
Assets Under Management – Marilyn Freeman, Capital Prospects

The Board directed staff to keep watch on the assets under management as a percentage of total StanCERA assets devoted to Inview and to report out any movements.

There was no formal action taken on this item.

c. Discussion and Action Regarding LSV Performance Based Fee Schedule

Director presented the differences between an Ad Valorem fee schedule and a performance based fee schedule. Director noted that he felt the alignment of interests between StanCERA and its managers were better served with a performance based fee schedule.

Motion was made by Jeff Grover and seconded by Maria DeAnda to approve a performance based fee schedule with LSV.

Motion Carried

d. Discussion and Action Regarding Recommendation for Custodian
Bank – Kathy Herman

Item 7.d was pulled and will be presented at the December 11, 2013 meeting.

e. 2013 Quarter 3 Value Added Report –

Director presented the Quarter 3 value added report to the Board. Some notable items from this quarter's results:

1. All managers have added value since June 30, 2008
2. Managers added nearly \$9,000,000 in value added for Quarter 3
3. All managers have demonstrated a greater than 50% ability to earn value in any given month
4. Small Cap Equity is the greatest generator of value added on a relative basis
5. Custodial fees have remained constant
6. Custodial fees for managers that trade more have actually decreased
7. StanCERA pays a total of 35 basis points on average to have its money managed
8. Delaware and Cap Prospects continue to be StanCERA's best performers
9. Dodge and Cox Equity has rebounded quite nicely in the last year

8. Committee Reports and Recommendations for Action

STANDING COMMITTEES

a. Internal Governance Committee

- i. Discussion and Action to Approve the Revised Statement of Investment Policy

Motion was made by Maria DeAnda and seconded by Mike Lynch to approve the Revised Statement of Investment Policy with minor changes that were recommended by the committee.

Motion Carried

- ii. Biennial IT Security Audit - Information Item Only

9. Closed Session

Motion was made by Maria DeAnda and seconded by Jeff Grover to enter into Closed Session.

Motion Carried

a. Discussion and Action Regarding Executive Director Annual Review

Darin Gharat, Chair reported out the following:

Motion was made by Mike Lynch and seconded by Maria DeAnda to accept the recommendation of the committee assigned to review the Executive Director's Annual progress as follows: a 5% pay increase effective November 19, 2013 for the Executive Director.

- b. 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)
- c. 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)

9. Closed Session (Cont.)

- d. 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)

Motion was made by Mike Lynch and seconded by Michael O'Neal to enter into
Open Session.

Motion Carried

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

Trustee Grover gave an update on the Raven fund.

Michael O'Neal congratulated staff on the outstanding service that a spouse
received after a member's death.

Mike Lynch requested staff to draft up a letter regarding StanCERA's
performance contained in the RV Kuhn's report and send out to plan sponsors,
employee groups and media.

11. Adjournment

Meeting adjourned at 3:37 p.m.
Respectfully submitted,



Rick Santos, Executive Director

APPROVED AS TO FORM:
GENERAL LEGAL COUNSEL

By: 
Fred Silva, General Legal Counsel