



STANISLAUS COUNTY  
EMPLOYEES' RETIREMENT ASSOCIATION  
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## PLEASE POST FOR EMPLOYEE VIEWING

### BOARD OF RETIREMENT MINUTES

December 12, 2012

**Members Present:** Gordon Ford, Maria De Anda, Donna Riley, Ron Martin  
Jim DeMartini, Darin Gharat and Michael O'Neal

**Members Absent:** Mike Lynch and Jeff Grover

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

**Staff Present:** Rick Santos, Executive Director  
Luiana Irizarry, Interim Executive Assistant  
Dawn Lea, Benefits Manager  
Kathy Herman, Operations Manager  
Kathy Johnson, Accountant

**Others Present:** Fred Silva, General Legal Counsel  
Paul Harte, Strategic Investment Solutions (SIS), Inc.  
Adam Lawlor & Douglas Porter, Legato Capital Management LLC  
Marilyn Freeman & Elizabeth Knope, Capital Prospects LLC  
Graham Schmidt, EFI Actuaries  
Doris Foster & Stan Risen, County Chief Executive Office  
Deirdre McGrath, County Counsel  
Jeanine Bean, Superior Courts

1. Meeting called to order at 2:02 p.m. by Jim DeMartini, Chair.
2. **Roll Call**
3. **Announcements**

Ms. Lea announced that the December 3, 2012 Retiree Payroll had an issue with the print font. StanCERA reacted immediately on the same day, contacting each member who received a physical check and offered an alternate option.

Mr. Santos announced that a motion made at the November 27, 2012 meeting regarding employer contributions to deferred compensation plans included in pensionable compensation/compensation earnable will have to be revised at the January 2013 meeting.

4. **Public Comment**

None.

5. **Consent Items**

Motion was made by Maria De Anda and seconded by Donna Riley to approve Consent Items 5a, 5e, and 5f as written and Items 5b, 5c, and 5d as revised.

Motion carried.

- a. Approved as written: November 27, 2012, Administrative/Investment Meeting Minutes
- b. Approved with the following revision: Report on StanCERA Earnings Allocation as of June 30, 2012

The word “excess” was used incorrectly to describe the earnings that were allocated to the various valuation reserves. Since the earnings were below the actuarial return, yet still yielded a positive return (0.7%) after expenses, the earnings allocated should have been described as “earnings after administrative, investment and actuarial expenses”.

- c. Approved with the following revision: Resolution Regarding the California Public Employees’ Pension Reform Act (PEPRA) Allowable Pay Elements in the Calculation of Pensionable Compensation for Current Members and New StanCERA Members Hired after December 31, 2012
- d. Approved with the following revision: Leo Douglas Ott changed his date of retirement from December 30, 2012 to December 21, 2012.

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

- 1. Consuelo Alcalá, BHRS, Effective 12-15-12
- 2. Tiny Benjamin, Sheriff, Effective 12-18-12
- 3. Catherine Borba, HSA, Effective 12-15-12
- 4. Cindy Borg, CSA, Effective 12-29-12
- 5. Kelly Cerny, StanCERA, Effective 12-05-12
- 6. Kelli Garcia, CSA, Effective 12-07-12
- 7. Denita Harris, Alliance Worknet, Effective 12-22-12
- 8. Ray Jackson, CEO/OES, Effective 12-22-12
- 9. Eddie Jones, Keyes Community Services, Effective 12-29-12
- 10. Hugo Martinez, CSA, Effective 12-15-12
- 11. Valeri Niskanen, County Counsel, Effective 12-29-12
- 12. Leo Douglas Ott, Fire Warden, Effective 12-21-12
- 13. Brenda Suarez, Sheriff, Effective 12-15-12
- 14. Carolyn Sullivan, CEO/OES, Effective 12-22-12

5. **Consent Items (Cont.)**

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

1. Eli Day, Public Works, Effective 10-09-12

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

1. Judith Escarcega, Sheriff, Service-Connected, Effective 09-02-12

6. **Semi-Annual Performance Report by Legato Capital Management LLC**

Presenters: Adam Lawlor, Senior Vice President  
Douglas Porter, Senior Vice President,

Investment Style: U.S. Small Cap Growth Equity Portfolio  
Legato Capital Management LLC is a Manager of Managers.

Inception: \$26 million Funded on December 22, 2008  
Portfolio Assets: \$62 million as of September 30, 2012  
Total Return: 18.01% gross of fees as of September 30, 2012  
Benchmark: 14.08% - Russell 2000 growth index

7. **Semi-Annual Performance Report by Capital Prospects LLC**

Presenters: Marilyn Freeman Principal and Manager  
Elizabeth Knope, Principal and Manager  
(Via Teleconference)

Investment Style: U.S. Small Cap Value Equity Portfolio  
Capital Prospects is a Manager of Managers

Inception: \$49.1 million funded on December 22, 2008  
Portfolio Assets: \$68 million as of October 31, 2012  
Total Return: 17.28% gross of fees as of October 31, 2012  
Benchmark: 12.93% - Russell 2000 Value Index

8. **EFI Actuaries Presentation on Preliminary Results of the Actuarial Valuation as of June 30, 2012**

Graham Schmidt of EFI Actuaries presented information from the 2012 preliminary actuarial valuation and experience study. The report reflected very little change in demographic experience from the past several years and as a result, Mr. Schmidt recommended minor changes to the demographic assumptions.

Mr. Schmidt further explained a change in the economic assumptions resulting from the November 7, 2012 Asset Liability Study. Based on capital market expectations and portfolio changes directed by the Board, the inflation assumption was reduced from 3.5% to 3.25%, resulting in a nominal discount rate of 7.75% with an unchanged real return of 4.5%. This resulted in an increase in the total employer contribution rate of 1.77%.

8. **EFI Actuaries Presentation on Preliminary Results of the Actuarial Valuation as of June 30, 2012 (Cont.)**

The Board ~~also~~ accepted a recommendation to include an explicit line item increase to the employer contribution rate of 0.98% to account for GASB's recommended explicit reporting of System administration fees as a percent of payroll.

The Board rejected recommendation to migrate to the "funding to final decrement" and the individual entry age normal funding methods, with the acknowledgement that we may have to revisit this issue in the near future. This would have increased contribution rates by 2.12%.

The Board directed Mr. Schmidt to prepare the 2012 actuarial valuation and recent experience study for finalization with these assumptions. The resulting blended employer rate for 2013-2014 is expected to be approximately 20.91%.

9. **Executive Director**

- a. Discussion and Action Regarding New Employer and Employee Contribution Rates for the New Tier 6 (Public Employee Pension Reform Act – PEPR)

Motion was made by Michael O'Neal and seconded by Darin Gharat to adopt a flat rate schedule for all Tier 6 new members hired on or after January 1, 2013. Therefore, all new members will pay the same rate regardless of the age at which they are hired.

Motion carried unanimously.

Motion was made by Michael O'Neal and seconded by Darin Gharat to adopt both member and employer rates based on "funding to final decrement" presented by EFI Actuaries.

Motion carried unanimously.

- b. New Legislation Update

10. **Closed Session**

Motion was made by Darin Gharat and seconded by Michael O'Neal to move into Closed Session at 3:50 p.m.

Motion carried.

Motion was made by Darin Gharat and seconded by Ron Martin to return to Open Session at 3:52 p.m.

Motion carried.

Moved out of closed session prior to discussion of items per the request of Mr. Rakoncza. Mr. Rakoncza expressed his experience through the disability retirement process.

10. **Closed Session (Cont.)**

Motion was made by Darin Gharat and seconded by Michael O'Neal to move into Closed Session at 3:53 p.m.

Motion carried.

Motion was made by Michael O'Neal and seconded by Darin Gharat to return to Open Session at 4:05 p.m.

Motion carried.

Ms. Irizarry read the findings of the Closed Session:

- a. Discussion and Action on Administrative Recommendation on the Application for a Service-Connected Disability Retirement for Keith Rakoncza

Motion was made by Maria De Anda and seconded by Michael O'Neal to set the disability case regarding Keith Rakoncza for hearing.

- b. Conference with Legal Counsel - Anticipated Litigation and/or Anticipated Initiation of Litigation Pursuant to Government Code Section 54956.9(b); One Matter

No Report.

- 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(a)

No Report.

- 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  
Government Code Section 54956.9(b)

No Report.

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

Mr. Santos requested that due to the Opal Public Funds Summit from January 8-10, 2013 in Phoenix, Arizona, the January meetings be combined and take place at 1:00 p.m. on January 22, 2013.

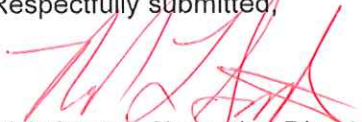
Mr. Santos reminded Board members to let staff know what committee assignments they would like for 2013. If no input is received, staff will consult with the new Chair for 2013. The general consensus is that if no input is received, current assignments will be kept intact with the knowledge that Trustee De Anda and Trustee Martin's seats expire on June 30, 2013. Staff also recommended maintaining the Strategic Planning Committee intact, since that function should be completed by June 30, 2013.

Mr. Gharat thanked Mr. Jim DeMartini for his services as Board Chair for 2012.

12. **Adjournment**

Meeting adjourned at 4:11 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