AGENDA

BOARD OF RETIREMENT
832 12th Street, Suite 600 – Wesley W. Hall Board Room
Modesto, CA 95354

March 13, 2013
2:00 p.m.

The Board of Retirement welcomes you to its meetings, which are regularly held on the second Wednesday and the fourth Tuesday of each month. Your interest is encouraged and appreciated.

CONSENT ITEMS: These matters include routine administrative actions and are identified under the Consent Items heading.

PUBLIC COMMENT: Matters under jurisdiction of the Board, may be addressed by the general public before or during the regular agenda. However, California law prohibits the Board from taking action on any matter which is not on the posted agenda unless it is determined an emergency by the Board of Retirement. Any member of the public wishing to address the Board during the “Public Comment,” period shall be permitted to be heard once up to three minutes. Please complete a Public Comment Form and give it to the Chair of the Board. Any person wishing to make a presentation to the Board must submit the presentation in written form, with copies furnished to all Board members. Presentations are limited to three minutes.

BOARD AGENDAS & MINUTES: Board agendas, Minutes and copies of items to be considered by the Board of Retirement are customarily posted on the Internet by Friday afternoon preceding a meeting at the following website: www.stancera.org.

Materials related to an item on this Agenda submitted to the Board after distribution of the agenda packet are available for public inspection at StanCERA, 832 12th Street, Suite 600, Modesto, CA 95354, during normal business hours.

AUDIO: All Board of Retirement regular meetings are audio recorded. Audio recordings of the meetings are available after the meetings at http://www.stancera.org/sections/aboutus/agendas.

NOTICE REGARDING NON-ENGLISH SPEAKERS: Board of Retirement meetings are conducted in English and translation to other languages is not provided. Please make arrangements for an interpreter if necessary.

REASONABLE ACCOMMODATIONS: In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, please contact the Board Secretary at (209) 525-6393. Notification 72 hours prior to the meeting will enable StanCERA to make reasonable arrangements to ensure accessibility to this meeting.

1. Meeting Called to Order

2. Roll Call

3. Announcements

4. Public Comment

5. Consent Items

   a. Approval of the February 26, 2013 Investment Meeting Minutes

   b. One Year Extension of Investment Consultant Service Contract with Strategic Investment Solutions (SIS) Primary Consultant - Paul Harte
5. **Consent Items (Cont.)**

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

1. Carol Baker, CSA Effective 3/30/2013
2. Laurie Barton, Public Works, Effective 03-30-2013
3. Gerard Begen, District Attorney, Effective 03-30-2013
4. Gary Caseri, Ag Commissioner, Effective 03-02-2013
5. Mary Clendenen, CSA, Effective 03-02-2013
6. Cynthia Colenbaugh, CSA, Effective 03-19-2013
7. Mark Copeland, Sheriff, Effective 03-22-2013
8. Fay Craft, CEO, Effective 03-02-2013
9. Anne Marie Danhoff, CSA Effective 3/30/2013
10. Joyce DI Menco, BHRS, Effective 03-30-2013
11. Carol Gaska-Elsayed, CSA, Effective 03-09-2013
12. Eva Hepler, CSA, Effective 03-30-2013
13. Samuel Houston, BHRS, Effective 03-30-2013
14. Margaret Howell, HSA Effective 3/1/2013
15. Bryan Hunt, City Of Ceres, Effective 03-17-2013
16. Cynthia Jim, Library, Effective 03-29-2013
17. David Lawrence Jones, Environmental Resources, Effective 03-23-2013
18. Jean Jones, City Of Ceres, Effective 03-30-2013
19. Shelley Krepela, Child Support Services, Effective 03-01-2013
20. James Kwartz, CEO Effective 3/30/2013
21. Manuel Martinez JR, Sheriff, Effective 03-29-2013
22. Helen Merrick, HSA, Effective 03-23-2013
23. Maria Munoz, Sheriff, Effective 03-08-2013
24. Sary Man, CSA, Effective 03-30-2013
25. Mary Oakes, BHRS, Effective 03-30-2013
26. Charlotte Paden, District Attorney, Effective 03-01-2013
27. Marjorie Peters, HSA, Effective 03-30-2013
28. Donna Robinson, District Attorney, Effective 03-30-2013
31. Judith Swisher, Courts, Effective 03-30-2013
32. Pamela Tennis, Courts, Effective 03-29-2013
33. Michael Tozzi, Courts, Effective 03-30-2013
34. Mary Elizabeth Tryon, Public Defender, Effective 03-01-2013
35. Dennis Underwood, Sheriff, Effective 03-03-2013
36. Janice Weatherill, Courts, Effective 03-30-2013
37. Celeste Wheeler, Courts, Effective 03-30-2013
5. **Consent Items (Cont.)**

38. Leslie Wilkinson, Stanislaus Regional 911 Effective 03-23-2013  
39. Nancy Williamsen, Courts, Effective 03-30-2013  
40. Michael Wilson, Public Works Effective 3/30/2013  
41. Jacquelyn Yard, Courts, Effective 03-30-2013  

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

1. Scott Criswell, Sheriff, Effective 2-15-2013  
2. Christopher Espino, CSA, Effective 2-9-2013  
4. Gregory Gaudio, Alliance WorkNet, Effective 2-2-2013  
5. Christopher Michaels, Agricultural Commissioner, Effective 2-2-2013  
6. Juan Munoz, Courts, Effective 1-12-2013  
7. Brandi Schultz Corvey, BHRS, Effective 9-8-2012  
8. Peter Villalobos, Ceres, Effective 2-2-2013  

6. **Executive Director**

a. **New Legislation Update**

b. Discussion and Action on the State Association of County Retirement System’ (SACRS) May 13-17, 2013, Spring Conference Voting Proxy Form [View](#)  
c. Discussion and Action on the State Association of County Retirement System’ (SACRS) Nominating Committee’s Recommended Ballot for the Board of Directors’ Elections at the May 17, 2013 Business Meeting [View](#)  

d. **Update on Direct Lending Fund Candidate Review** [View](#)

7. **Closed Session**

a. Conference with Legal Counsel – Personnel Matter Pursuant to Government Code Section 54957(b)  

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)
7. **Closed Session (Cont.)**

   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)

   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(d)(1)

8. **Executive Director Review Committee**

   a. Discussion and Action Regarding Report from Executive Director’s Review
      Committee – Darin Gharat, Chair

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

10. **Adjournment**
PLEASE POST FOR EMPLOYEE VIEWING

BOARD OF RETIREMENT MINUTES

February 26, 2013

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

Members Absent: None

Alternate Member Absent: Joan Clendenin, Alternate Retiree Representative

Staff Present: Rick Santos, Executive Director
              Kellie Gomes, Executive Board Secretary
              Luiana Irizarry, Investment/Accounting Technician
              Dawn Lea, Benefits Manager
              Kathy Herman, Operations Manager

Others Present: Fred Silva, General Legal Counsel
               Nate Pratt, Strategic Investment Solutions (SIS), Inc.
               Doris Foster, County Chief Executive Office
               Jeanine Bean, Superior Court

1. Meeting called to order at 2:00 p.m. by Darin Gharat, Chair.

2. Meeting Called to Order

2. Roll Call

3. Announcements

   Director Rick Santos announced that an informative article appeared in the February 26th edition of the Wall Street Journal describing how low interest rates are affecting pension plan funding of benefits.

4. Public Comment

   None.
5. **Consent Items**

Motion was made by Maria DeAnda and seconded by Micheal O’Neal to approve the following Items:

a. Approval of the February 13, 2013 Administrative/Investment Meeting Minutes

b. StanCERA Investment Managers Peer Rankings for Quarter Ending December 31, 2012

6. **Semi-Annual Performance Report by Dodge & Cox - Fixed Income and Large Cap Value Equity Securities**

Tom Dugan and Wendell Birkhofer presented performance review and future prospects for both StanCERA’s fixed income and equity portfolio under D&C management.

D&C’s equity portfolio had a very sharp rebound in alpha and excess return for the latter half of 2012.

The fixed income portfolio performed nearly as well over this same period. The fixed income portfolio attributes its success to an overweight in corporates and expects this trend to continue.

7. **Semi-Annual Performance Report by PIMCO – Core Fixed Income**

Todd Staley and Matt Clark presented performance information and prospects for StanCERA’s fixed income portfolio under PIMCO management. PIMCO’s relative performance remains very strong over all reported measurement periods since inception.

PIMCO is taking a slightly more conservative approach to risk management in today’s current economic environment and is carefully monitoring the duration in anticipation of a potential rise in interest rates in the future.

8. **Strategic Investment Solutions (SIS), Inc.**

Nathan Pratt presented quarterly investment performance, monthly performance, manager review list and top 10 holdings. Notable performance measures include:

**Quarterly Performance Report**

- Total Fund: 2.0% gross (1.4% bench)
- Fiscal YTD: 7.6% gross (6.1% bench).
- Calendar year 14.3% gross (12.1% bench).

**Monthly Performance**

- Total Fund: 3.38%, alpha = 0.48%
- January outperformers: Delaware, Capital Prospects, D&C Fixed Income, PIMCO, LSV and Pyramis
- January underperformers: D&C Equities, Legato
8. **Strategic Investment Solutions (SIS), Inc. (Cont)**

   Return Peer Ranking Percentile (1% being best, 50% average)
   - Recent quarter – 27%
   - Fiscal YTD – 13%
   - 1 year – 5%
   - 2 Year – 34%
   - 3 Year - 28%
   - 5 Year – 61%

   c. StanCERA Investment Managers Review List for Quarter Ending December 31, 2012
   e. Update on Direct lending Fund Candidate Legal Review

      Nathan Pratt presented a brief update on the transition to direct lending. He also reported we should be funding Raven Capital at the end of March and Medley in April, pending legal review, side letter agreement and principal background checks

9. **Executive Director**

   a. New Legislation Update

      None

   b. Active Manager Value Added and Historical Fee Analysis Update

      Director Rick Santos presented updated information on Value Added and Fee Analysis which included information from the first 2 quarters of the current fiscal year. Some notable measures included:

      - 4.5 years of value added of over $16 million when including all terminated managers
      - All active asset classes added value over this period (excluding terminated managers)
      - D&C Equity, Legato and Pyramis have detracted from value. D&C’s detraction can be explained by their own performance, while Legato and Pyramis’ alpha were not able to cover expenses
      - Fee analysis revealed high relative costs attributed to Legato, Pyramis and Capital Prospects.
      - Pyramis had high relative custodial costs due mainly to custodial fees (booking fees) associated with trading foreign securities.
9. Executive Director (Cont.)

The consensus of the Board was that these reports be presented as a regular quarterly update under the Executive Director section of the agenda. It was also requested that a “trend” analysis be developed as well and that the term “alpha” be used instead of “excess return.”

10. Closed Session

None

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

Trustee DeMartini requested that the due diligence trips be planned as soon as possible and that dates for the trips be scheduled so as to avoid the fall or harvest period.

12. Adjournment

Meeting adjourned at 4:10 p.m.

Respectfully submitted,

Rick Santos, Executive Director

APPROVED AS TO FORM:  
FRED A. SILVA, GENERAL LEGAL COUNSEL
For the Retirement Board meeting  
Held on March 13, 2013

TO: Retirement Board

FROM: Kathy Herman, Operations Manager

I. SUBJECT: One Year Extension of Investment Consultant Service Contract with Strategic Investment Solutions (SIS) Primary Consultant – Paul Harte

II. RECOMMENDATION: Extend contract for one year with an option for two more years.

III. ANALYSIS: The current three year contract for investment consultant services performed by Strategic Investment Solutions, Inc. (SIS) expires on June 30, 2013. This contract, unchanged from prior years, includes the caveat that the fee schedule would not change during the contract period, provided that no significant changes involving the addition of new investment managers occurred. On November 7, 2012 the Board of Retirement adopted a different asset mix that includes a 7.5% allocation in Direct Lending and a 3% allocation in Infrastructure. This is a significant change to StanCERA’s future investment manager structure. To implement the Board’s decision SIS quickly put several of the following steps into motion.

- Identify potential managers
- Due diligence
- Negotiating fees
- Consult with attorney on side letters and contracts
- Investment policy updates
- Determine cash transfer timeline and process.
- Monitor the new managers.

It is estimated that full implementation of the new asset mix will take at least 12 months to complete and SIS will then continue to monitor the new managers.

Changing consultants prior to the completion of this process is not recommended. SIS has agreed to extend the current contract for one year for an additional $15,000. Further, StanCERA will have the option of extending the contract at these terms for two additional years if it desires. Extending the contract will also allow staff to conduct a formal request for proposal in the future, (should the Board so desire) in a time frame that will facilitate continuity of services.

<table>
<thead>
<tr>
<th>Year</th>
<th>Total fees paid to SIS</th>
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<tbody>
<tr>
<td>FY 2010-2011</td>
<td>$150,000</td>
</tr>
<tr>
<td>FY 2011-2012</td>
<td>$152,000</td>
</tr>
<tr>
<td>FY 2012-2013</td>
<td>$155,000</td>
</tr>
<tr>
<td>Projected FY 2013-2014</td>
<td>$170,000</td>
</tr>
</tbody>
</table>

IV. RISK: Not extending this contract could cause a disruption in the implementation of the approved asset allocation.
For the Retirement Board meeting  
Held on March 13, 2013

V. STRATEGIC PLAN: Goal 1, Strategy A, Explore options for a more flexible investment policy with greater diversification. Strategy C, Review investment decisions regularly and ensure that the Board has a full range of information to make informed decisions regarding investment policy. Continually refine the expected rate of return and other actuarial assumptions to ensure that they are realistic and achievable.

VI. BUDGET IMPACT: Pursuant to Government Code section 31596.1, fees for the investment consultant are not included in the administrative budget, however staff expects the impact to the portfolio return to be nominal.

Kathy Herman, Operations Manager

Rick Santos, Executive Director
SACRS VOTING PROXY FORM

The following are authorized by the _________________________ County Retirement Board to vote on behalf of the County Retirement System at the upcoming SACRS Conference (if you have more than one alternate, please attach the list of alternates in priority order):

______________________________ Voting Delegate

______________________________ Alternate Voting Delegate

These delegates were approved by the Retirement Board on _____ / _____ / _____.

The person authorized to fill out this form on behalf of the Retirement Board:

Signature: ________________________________

Print Name: ________________________________

Position: ________________________________

Date: ________________________________

Please send your system’s voting proxy by April 1, 2013 to:

SACRS
Attn: Sulema H. Peterson, SACRS Administrator
1415 L Street, Suite 1000
Sacramento, CA 95814
Tel: (916) 441-1850 / FAX: (916) 441-6178 / E-mail: sacrs@sacrs.org
SACRS MEMORANDUM

March 1, 2013

Attn: SACRS Administrators

From: Raymond McCray, SACRS Nominating Committee Chair
SACRS Nominating Committee

Re: SACRS Board of Director Elections – Recommended Ballot

Per SACRS Bylaws, Article VI ~ Section 2 – Election, Qualification and Term of Office

“The officers of SACRS shall be regular members of SACRS. The officers shall be elected by majority vote of the quorum of delegates and alternate delegates present at the first meeting in each calendar year and shall hold office for one (1) year and until a successor is elected.”

Per SACRS Bylaws, Article VI – Section 4 - Officer Elections

“...The Board of any regular member County Retirement System may submit write-in candidates to be included in the Nominating Committee’s final ballot provided the Nominating Committee receives those write-in candidates prior to March 25th.

The Nominating Committee will report a final ballot to each regular member County Retirement System prior to April 1.

The Administrator of each regular member County Retirement System shall be responsible for communicating the Nominating Committee’s recommended ballot and final ballot to each trustee and placing the election of SACRS Officers on his or her Board agenda. The Administrator shall acknowledge the completion of these responsibilities with the Nominating Committee...”

Listed below is SACRS Nominating Committees recommended ballot for the annual SACRS Board of Directors elections. The elections will be held at the upcoming SACRS Spring Conference May 14-17, 2013 at the Napa Valley Marriott Hotel & Spa, Napa, CA. Elections will be held during the Annual Business meeting on Friday, May 17th, 2013 at 10 a.m.

Please distribute the following list to all standing/eligible board members for approval of the recommended ballot. As stated above, Administrators are required to send acknowledgement of completion to our office at sulema@sacrs.org.

If your Board chooses to submit a write-in candidate, the Nominating Committee needs to receive notice prior to March 25th for consideration. The final ballot will be distributed prior to April 1, 2013.
SACRS Nominating Committee Recommended 2013-2014 Nominees/Candidates:

President        Doug Rose, San Diego CERA
Vice President    Yves Chery, Los Angeles CERA
Treasurer         Tom Ford, Sonoma CERA
Secretary         John Kelley, Sacramento CERS

If you have any questions or require assistance, please contact me directly at 209-468-2163 or raym1@sbcglobal.net. Thank you for your prompt attention to this timely matter.

Sincerely,

Raymond McCray

Raymond McCray, San Joaquin County
SACRS Nominating Committee Chair

CC: SACRS Board of Directors
SACRS Nominating Committee Members
Sulema H. Peterson, SACRS Administrator

RMC:shp
Strategic Investment Solutions and StanCERA staff continue to stay in contact with Scott Smith external counsel with Hanson Bridgett and the three direct lending firms (Raven, Medley and White Oak).

The following email (March 6th) is from Scott Smith on the expected timing on his review timeline:

Hi Paul, I should have our review matrix and draft side letter for Raven together next Tuesday. I’d then suggest we schedule a call for next Wednesday, Thursday or Friday to go through both, and then I should be able to forward the draft side letter to Fund counsel by the end of next week.

I may have everything together for Medley even sooner since as I indicated previously, we’ve reviewed Medley funds for other investors previously (and can leverage off of some of this work). I know Raven is the first priority but I should be able to get drafts out by the end of this week.

I will shoot to get drafts of White Oak by the end of next week or early the week following.

Please let me know if these time-lines work ok.

Thank you,

Scott

SCOTT C. SMITH
Partner
ssmith@hansonbridgett.com
(415) 995-5892 Direct
(415) 995-3493 Fax

Hanson Bridgett LLP
425 Market Street, 26th Floor
San Francisco, CA 94105
San Francisco | Sacramento | North Bay

Scott is on schedule or ahead of schedule in his review of these three direct lending funds.
We have also worked with staff to get an idea on the timing of capital calls in calendar year 2013 if the Board gives approval to invest in Raven, Medley and/or White Oak.

The following are emails from the three firms giving us an indication on capital call based upon a $40 million investment with Raven and White Oak and a $30 million investment with Medley Capital:

**Raven**

Paul- please find below the StanCERA estimates relating to Raven’s final fund closing. Please reach out with any questions.

Regards,

Brandon

**Subsequent Close Assumptions:**
- Final fund closing on April 1st
- No additional capital calls through April 1st
- Includes current income through Q1’2013 (amounts for Q1’13 are estimated)
- Based on total AUM at April 1st of $132.475mm
- Cash due from subsequent close will be due to Raven in May 2013

<table>
<thead>
<tr>
<th>Life-to-Date Contributions</th>
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<tbody>
<tr>
<td>Fund Total</td>
</tr>
<tr>
<td>StanCERA</td>
</tr>
<tr>
<td>% of Commitment</td>
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</tbody>
</table>

<table>
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<tr>
<th>Life-to-Date Distributions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fund Total</td>
</tr>
<tr>
<td>StanCERA</td>
</tr>
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</table>

<table>
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<tr>
<th>Cash Flow Due From Subsequent Close</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment/Expense Contributions *</td>
</tr>
<tr>
<td>Income Through Q1’13</td>
</tr>
<tr>
<td>8% Interest Penalty</td>
</tr>
<tr>
<td>Total Cash Due</td>
</tr>
</tbody>
</table>

* Mgmt fees (~$873,080) through Q2 2013 will be paid to investment manager through the Fund’s cash on hand.

Approximately 70% of the current uncalled capital of ~$27,929,281 will be invested throughout the year 2013. Remaining uncalled capital to be invested in Q1 2014.

Brandon A. Doerr
O: (212) 966-7926
C: (908) 875-4113
White Oak

Paul,

Thank you for stopping by yesterday. We also hope that you are pleased with the considerations that were discussed. Please note below the anticipated capital projector from our vantage point today:

We are anticipating 10-20% of the allocation to be called per quarter given our current assets under management level.

<table>
<thead>
<tr>
<th>Quarter</th>
<th>(10% - 20%)</th>
<th>Average: 15%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q3 – 2013</td>
<td>$4.0m - $8.0m</td>
<td>$6.0m</td>
</tr>
<tr>
<td>Q4 – 2013</td>
<td>$8.0m - $16.0m</td>
<td>$12m</td>
</tr>
<tr>
<td>Q1 – 2014</td>
<td>$12m – $24m</td>
<td>$18m</td>
</tr>
<tr>
<td>Q2 – 2014</td>
<td>$16m – $32m</td>
<td>$24m</td>
</tr>
<tr>
<td>Q3 – 2014</td>
<td>$20m – 40m</td>
<td>$30m</td>
</tr>
<tr>
<td>Q4 – 2014</td>
<td>$24m - NA</td>
<td>$36m</td>
</tr>
<tr>
<td>Q1 -2015</td>
<td>$30m – NA</td>
<td>$40m</td>
</tr>
<tr>
<td>Q2 – 2015</td>
<td>$34m – NA</td>
<td>NA</td>
</tr>
<tr>
<td>Q3 – 2015</td>
<td>$36m – NA</td>
<td>NA</td>
</tr>
<tr>
<td>Q4 – 2015</td>
<td>$40m – NA</td>
<td>NA</td>
</tr>
</tbody>
</table>

Andre A. Hakkak
Managing Partner
White Oak Global Advisors, LLC
88 Kearny Street, 4th Floor
San Francisco, CA 94108
Direct (415) 644-4111
Fax (415) 276-1751
Cell (415) 497-6777
Email: andre@whiteoaksf.com
Medley Capital

Paul,

Based upon our current assumptions, following are the 2013 projected capital calls:

Initial Call and Q2 2013: $21.1M  
Q3 2013: $2.3M  
Q4 2013: $2.2M

Take care,

Seth

Seth Taube
Medley
600 Montgomery St., 39th Floor
San Francisco, CA 94111
415.601.6600
seth@medleycapital.com

Strategic Investment Solutions based upon the indications of expected capital call from the three firms above will create a flows table to present to the StanCERA Board at the March financial meeting.

It should be noted that we have negotiated with Raven a reduction in their performance fee carry from 15.0% to 12.5%. Raven has also granted StanCERA an advisory seat to the fund. We are in the process of finalizing negotiations with White Oak to reduce their management fee from 1.75% to 1.50%. Strategic Investment Solutions is in the process of negotiating with Medley their fund terms.