



STANISLAUS COUNTY
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BOARD OF RETIREMENT MINUTES



April 28, 2009

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

Members Absent: None

Alternate Member Absent: *Linda Stotts-Burnett, Alternate Retiree Representative*

Staff Present: Tom Watson, Retirement Administrator
Hank Skau Operations Manager
Kelly Cerny, Executive Secretary

Counsel Present: Deirdre McGrath, Deputy County Counsel
Jeffrey Rieger, Esq., Reed Smith

Others Present: Stephen Masarik, Strategic Investment Solutions, (SIS) Inc.,
Graham Schmidt, EFI Actuaries
Patrick McTighe, BMTI Services

1. Meeting called to order at the Foster Theater, Gallo Center, Modesto, at 2:00 p.m. by Gordon Ford, Chair.
2. **Roll Call**
3. **Announcements**

Mr. Watson announced the Public Comment format. Today's meeting will be audio recorded and available on StanCERA's website, www.stancera.org. He announced that people who want to view today's Agenda attachments, they are available on the website to view and/or print.

Mr. Watson said today's Closed Session Items #11a and b are deferred to a future meeting.

Mr. Ford noted for the record that the Foster Theater had several seats available, plenty of room for the public as opposed to the April 8, 2009 meeting at the Salida Library.

4. **Public Comment**

Linda Bradley, Retiree; Joe Maxwell, Active Member (Employee); Dennis Nasrawi, Retiree; Doug Estes, Retiree; and Lyn Bettencourt, Retiree; addressed the Board with various comments and concerns relating to the Board of Retirement and its fiduciary duties.

Mr. Watson responded to Mr. Nasrawi that today the Board members were in receipt of the second position paper entitled, "A Position Paper on the Application of the Fiduciary Duties of the Stanislaus County Employees' Retirement Association Board Members."

Upon Mr. Estes' request, staff and others present on the stage introduced themselves.

5. **Consent Items**

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

Motion carried.

- a. Report on the Retirement Administrator's Goals as of March 31, 2009
- b. StanCERA Complaint Log of January 1, 2009, through March 31, 2009

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

- a. Monthly Performance Review for the Month Ending March 31, 2009

Mr. Masarik presented the monthly investment performance review for the period ending March 31, 2009. StanCERA's portfolio is \$914 million, a 4.60% increase from the prior month, up \$40 million from the prior month, down by \$397 million from the prior year. The overall rate of return for this fiscal year to date is -28.84% below the policy index of -27.82% and the assumed rate of 6.11%, and actuary rate of inflation of 3.00%. StanCERA's portfolio returned 4.96% for the month. In general, stock markets were up 8.5-9% for the month. It was noted that with the recently approved rebalancing of StanCERA's portfolio, out of the fixed income assets into the equity portfolios will improve the overall balance of the portfolio. Mr. Ford inquired when the rebalancing would occur. Mr. Masarik responded most likely within a month, as the contracts are still in review. SIS, Inc., will bring back an exact answer to the Board.

Mr. Lynch inquired if the portfolio is on track to maintain the -25% loss of for the fiscal year ending June 30, 2009. Mr. Masarik responded that the portfolio is still in the range.

6. **Strategic Investment Solutions, (SIS) Inc. [Cont.]**

b. Spreadsheet of StanCERA's Investments' Rebalancing

Mr. Masarik gave an overview of the spreadsheet provided to quantify the rebalancing that was done as of January 1, 2009. The spreadsheet included the rebalanced equity portfolios with the index returns from January 5, 2009 through March 31, 2009 and April 17, 2009, respectively. As of March 31, 2009 those equity portfolios lost approximately \$-5.5 million, as a result of the rebalancing. However, as of April 17, 2009, the loss was just under \$-2 million.

Mr. Masarik addressed Mr. Bettencourt's question regarding StanCERA's 8.16% actuarial rate of assumption. Mr. Masarik informed the Board that per SIS, Inc., it may be prudent to perform another asset liability study after the actuarial valuation is finalized and the financial markets are re-assessed.

7. **Administrator**

a. Discussion and Action on the Actuarial Review and Analysis as of June 30, 2008

Mr. Schmidt was present to answer Board members questions on the Actuarial Review and Analysis as of June 30, 2008. The Board discussed and reviewed the various options presented at the April 24, 2009 Special Board of Retirement meeting. Upon Board members' request, Mr. Schmidt shared the modeling process again as was also done at the April 24, 2009 Special Board of Retirement meeting.

Public Comment on Item #7

Sarah Ragsdale, Active Member; Mr. Nasrawi, and Mr. Bettencourt, addressed the Board with concerns and comments regarding the actuarial review and analysis as of June 30, 2008.

Mr. Schmidt, Mr. Rieger, and Mr. Watson, addressed Ms. Ragsdale's questions on the City of Ceres employer contribution rates.

Motion was made by Darin Gharat and seconded by Maria De Anda to accept the actuarial review and analysis as of June 30, 2008 with the following changes: 1) transfer \$50 million from the non-valuation reserves to the valuation reserves; 2) change the unfunded liability amortization period from a rolling 20 years to 30 years as a percentage of payroll, to be reviewed again by the Board of Retirement in 2011; 3) transfer \$10 million from the non-valuation reserves to the valuation reserves as an employer contribution in July 2009.

Motion carried.

Clarence Willmon opposed.

Wes Hall opposed.

Public Comment Item on Item #8

Marjorie Carlson, Retiree; Ed Washington, Retiree, Mr. Estes, Mr. Breshears, Retiree; Mr. Nasrawi, and Mr. Bettencourt, along with several other members of the audience expressed comments and concerns relating to Items #8a.i.-iv.

8. **Committee Reports and Recommendations for Action**

STANDING COMMITTEES

a. Retiree Benefits Committee – Darin Gharat, Chair

i. Revocable Health Benefits Subsidy Payments

Mr. Gharat gave an overview of the Retiree Benefits Committee's written recommendations to the Board dated April 21, 2009. There were four written recommendations for consideration. These included: a recommendation for the revocable health benefits subsidy payments; direct staff and counsel to investigate further any alternatives there are for the ad hoc benefit reserves to be used to offset plan sponsor costs; develop a policy linking retiree ad hoc benefits to the retirement system's funding level (Item #8a.iv.); and the supplemental or special cost of living adjustment (COLA) for 2009 (Item #8a.iii.).

Mr. Gharat reiterated the revocable health benefits subsidy is reviewed annually. Board members reviewed and discussed the first recommendation. Mr. Watson and Ms. McGrath answered the Board's various questions.

Motion was made by Mike Lynch and seconded by Darin Gharat to direct staff to initiate communication with the Retired Employees of Stanislaus County's (RESCO) Board of Directors that there is a potential for the Revocable Health Benefits Subsidy payments to cease as of January 1, 2010 (last payment made December 1, 2009), with a response from RESCO by June 30, 2009.

Motion carried.

Wes Hall opposed.

8. **Committee Reports and Recommendations for Action (Cont.)**

STANDING COMMITTEES (cont.)

a. Retiree Benefits Committee – Darin Gharat, Chair (cont.)

i. Revocable Health Benefits Subsidy Payments (cont.)

Further discussion ensued on the second recommendation listed in the Committee's written recommendations of April 21, 2009. Board members discussed whether to have staff and counsel investigate further what alternatives may be available for the ad hoc benefit reserves, including the use to offset plan sponsor costs, and to bring back recommendations to the Board.

Motion was made by Darin Gharat and seconded by Mike Fisher to direct staff and counsel to investigate further what alternatives there are for the ad hoc benefit reserves, including the use to offset the plan sponsor costs and to bring back recommendations to the Board.

Motion carried.

Item #8a.iv. Heard Out of Order

iv. Initiation of Development of Policy Linking Retiree Ad Hoc Benefits to Retirement System Funded Status

Board members discussed how 1937 Act systems are leaning towards the development of policies related to retiree ad hoc benefits being tied in some way to the system's funding.

Motion was made by Darin Gharat and seconded by Ron Martin to direct staff and deputy counsel to develop a policy that links retiree ad hoc benefits to the system's funded status and to survey other 1937 Act retirement systems that have such a policy, including excess earnings policies and bring back information to the Retiree Health Benefits and Internal Governance Committees.

Motion carried.

8. **Committee Reports and Recommendations for Action (Cont.)**

STANDING COMMITTEES (cont.)

a. Retiree Benefits Committee – Darin Gharat, Chair (cont.)

ii. Administrative Costs for Retiree Health Insurance Procured Through BMTI Services

Board members discussed and considered a recommendation for retirees to begin paying the BMTI Services administrative costs as part of the health insurance premiums beginning with the January 2, 2010 payroll. Currently, the administrative cost is \$9 per person enrolled, \$15,000 a month, or, \$180,000 per year. The retirement system is currently paying this administrative cost.

Mr. McTighe, President, BMTI Services, addressed the Board. He thanked the Board and County for the working relationship over the past 15 years. He clarified that the administrative cost includes administering the monthly benefit, client communication, open enrollment, negotiating benefits and more. BMTI has provided formulas and recommendations in the past on administrative fees. He requested an opportunity to provide the Board with a recommendation/formula to manage the administrative fee for the retirees in an equitable manner prior to the 2010 insurance open enrollment.

Motion was made by Darin Gharat and seconded by Jim DeMartini for retirees to begin paying the administrative cost of the retiree health insurance as part of the health insurance premium effective January 1, 2010.

Motion carried.

iii. Supplemental (Special) Cost of Living Adjustment (COLA) Paid Pursuant to Government Code Section 31874.3(b)

The Board reviewed and discussed the Committee's recommendation to suspend the COLA for the calendar year 2009.

Motion was made by Darin Gharat and seconded by Jim DeMartini to suspend the 2009 calendar year supplemental or special cost of living adjustment for retirees with 20% or more in accumulated unpaid inflation credits and to be reviewed again in 2010.

Motion carried.

Maria De Anda opposed.

Wes Hall opposed.

Clarence Willmon opposed.

Mike Fisher abstained.

Item #8a.iv Heard Out of Order

9. Correspondence

a. Prima Capital Advisors LLC Email Update as of April 6, 2009

Mr. Watson noted this is the monthly update from Prima Capital Advisors regarding the commercial mortgage backed securities (CMBS) market and Prima Capital's market performance.

b. Retiree Dennis Nasrawi's Letter Dated April 17, 2009, and Position Paper on Supplemental Benefits (Healthcare Premium Assistance) For Members Of the Stanislaus County Employees' Retirement Association

Mr. Watson announced all Board members were in receipt of a letter and position paper delivered to the StanCERA office on Friday, April 17, 2009.

Mr. Watson reiterated that Board members today received the second letter and position paper from Mr. Nasrawi, delivered to the StanCERA office on Friday, April 24, 2009. The second position paper is entitled, "A Position Paper on the Application of the Fiduciary Duties of the Stanislaus County Employees' Retirement Association Board Members."

c. Retirees' Emails Received in Support of Mr. Nasrawi's Position Paper, and in Support of Ad Hoc Benefits from:

Janet Bailey, Hillari Delgado, Elizabeth Kling, Elizabeth McDonald, Kathy Matt, Patricia Quigley, Judy Shurtz, Ecco Stotts, Beverly Swan, Jack Tucker, and John and Patti Warren.

Mr. Watson reported Mr. Nasrawi's position papers and the retiree emails will be included with the letter to the RESCO Board of Directors for RESCO's response regarding the potential for the Revocable Health Benefits Subsidy payments to cease as of January 1, 2010.

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

None.

11. Closed Session

Items #11a. and #11b. are deferred to a future meeting.

12. Adjournment

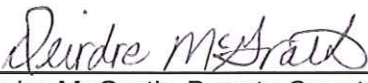
Meeting adjourned at 5:35 p.m.

Respectfully submitted,



Tom Watson, Retirement Administrator

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

By: 
Deirdre McGrath, Deputy County Counsel