



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

August 27, 2013

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

Members Absent: Jim DeMartini

Alternate Member Joan Clendenin, Alternate Retiree Representative

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
Paul Harte and Nate Pratt, Strategic Investment Solutions (SIS), Inc.
Doris Foster, County Chief Executive Office

1. Meeting Called to Order

Meeting called to order at 2:03 p.m. by Darin Gharat, Chair.

2. Roll Call

3. Announcements

Executive Director Rick Santos announced that White Oak Pinnacle Fund recently requested that StanCERA consent to DMS Offshore Investment Services as the fund's Advisory Committee. After closer review of the request to consent and the DMS firm, more questions have arisen. As a result, White Oak has agreed to give us a few more weeks to do a more in-depth review of DMS. Staff and General Counsel will be talking directly with the principals of the firm to discuss our concerns. Staff will report back to the Board at the September 11th Board meeting.

Kathy Herman gave a brief update on the search for a potentially new Custodian Bank. Kathy reported that BNYM, our current Custodian has indicated they will be bidding. She also reported that we have had 40 different downloads off our website for the RFP. Staff will continue to update the Board on this issue.

4. Public Comment

None

5. Consent Items

Motion was made by Maria De Anda and seconded by Jeff Grover to approve the following Items:

Motion carried

Trustee Clendenin asked if in the future we could have the manager peer rankings taken off consent and included in with SIS' quarterly report.

- a. Approval of the August 14, 2013 Administrative Meeting Minutes
- b. Approval of Service Retirement(s) – **Sections 31499.14, 31670, 31662.2 & 31810**
 1. Doralee Boles, Public Works Effective 08-07-2013
This retirement was omitted on the August 14, 2013 agenda
- c. StanCERA Investment Managers Peer Rankings for Quarter Ending March 31, 2013
- d. Strategic Plan Update

6. Semi-Annual Performance Report by PIMCO –Fixed Income

Presenter by Conference Call : Matt Clark, Senior Vice President and Account Manager

- Initial funding and date: \$75 Million 5/2010
- Ending Value on 7/31/13: \$109 Million

All figures below are as of June 30, 2013

- Recent Quarter Return (Net): -2.9%
- 1 Year Return: -.04%
- 3 Year Return: 4.1%
- Since Inception Return: 4.6%

7. Semi-Annual Performance Report by Dodge & Cox – Fixed Income and U.S. large Cap Value Equity Securities

Presenters: Wendell W. Birkhofer, Vice President
Robert B Thompson, Vice President

Investment Style: Fixed Income

- Initial funding and date: N/A
- Ending Value on 6/30/13: \$403 Million

All figures below are as of June 30, 2013

- Recent Quarter Return (Net): -1.75%
- 1 Year Return: 2.59%
- 3 Year Return: 5.14%
- Since Inception Return: 9.05%

Investment Style: Large Cap Value Equity Securities

- Initial funding and date: N/A
- Ending Value on 6/30/13: \$163 Million

All figures below are as of June 30, 2013

- Recent Quarter Return (Net): 5.0%
- 1 Year Return: 29.7%
- 3 Year Return: 19.4%
- Since Inception Return: 11.6%

8. Strategic Investment Solutions (SIS), Inc.

a. StanCERA's Quarterly Manager Review List – Performance Through June 30, 2013

Paul Harte recommended that Dodge & Cox equity should be taken off the "Under Review" status. The matter will be placed on the next meeting's agenda for discussion and action.

b. Investment Performance Analysis for the Quarter Ending June 30, 2013

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

- 4th Quarter: 0.30%, -0.3%, 38
- Fiscal YTD: 14.5%, 11.5%, 10
- 1 Year: Same as FYTD
- 3 Year: 12.3%, 11.2%, 14
- 5 Year: 6.5%, 5.4%, 8

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

c. Monthly Performance Review for the Month Ending July 31, 2013

Monthly performance – 3.32%

Fiscal YTD – 3.32%

Fiscal YTD alpha – 0.03%

Total fund value as of July 31, 2013: \$1.592 billion

d. Report on “Top 10 Holdings” of StanCERA Investment Managers as of July 31, 2013

9. Executive Director

a. 2013 Quarter 2 Value Added Report

Director Santos presented the aggregate value added, total fee and individual manager value added summaries. It was noted that since June 30, 2008 all active managers have added value after fees. Also, the last fiscal year was an extremely good year as managers added over \$28,000,000 in additional earnings to the fund through active investing.

b. New Legislation Update AB 1380.

Dawn Lea briefed the Board on potential PEPRA clean up that is currently at the Governor's desk. The Clean Up items included:

1. Defining 3 year final average compensation as a 36-month consecutive period.
2. The ability to allow Systems to choose whether the PEPRA member contribution rate should be rounded or not and the elimination of the requirement that normal cost must change at least by 1 percentage point before the member rate can be recalculated.
3. Recommendation that the All Urban Consumers Price Index for the entire country be used to determine the change in annual pensionable compensation for new PEPRA members. This is different than the index used for calculating COLA's

c. Discussion and Action for Approval of Trustee Attendance at the Opal Summit in Santa Barbara.

Motion was made by Gordon Ford and seconded by Jeff Grover to approve trustee travel to this event.

Motion carried (7/1)

10. Closed Session

No Closed Session Items were heard.

- a. 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)
- b. 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)
- c. 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)

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

NONE

12. Adjournment

Meeting adjourned at 3:38p.m.

Respectfully submitted,



Rick Santos, Executive Director

APPROVED AS TO FORM:
FRED A. SILVA, GENERAL LEGAL COUNSEL

By: _____


Fred A. Silva, General Legal Counsel