



STANISLAUS COUNTY
EMPLOYEES' RETIREMENT ASSOCIATION
832 12th Street, Suite 600
Modesto, CA 95354
Mail: P.O. Box 3150 95353-3150

Phone (209) 525-6393
Fax (209) 525-4334
www.stancera.org
e-mail: retirement@stancera.org

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BOARD OF RETIREMENT MINUTES

May 27, 2008

- Members Present:** Maria De Anda, Jim DeMartini, Mike Fisher, Gordon Ford, Wes Hall, Mike Lynch, Ron Martin and Steve Yauch
- Members Absent:** *Darin Gharat*
- Alternate Member Present:** Linda Stotts-Burnett, Alternate Retiree Representative
- Others Present:** Kelly Cerny, Paul Harte-Strategic Investment Solutions (SIS), Inc., Deirdre McGrath, Patrick McTighe- BMTI, Hank Skau, and Tom Watson

1. Meeting called to order at 2:00 p.m. by Mike Fisher, Chair.

2. **Announcements**

Tom Watson, Retirement Administrator announced that Wes Hall, Retiree Representative, and Linda Stotts-Burnett, Alternate Retiree Representative, were unanimously elected to another three-year term effective July 1, 2008.

Hank Skau, Operations Manager, announced that the first quarter 2008 investment managers' stock voting proxies are available for review.

3. **Public Comment**

None.

4. **Consent Items**

Kelly Cerny, Board Secretary, noted the following revisions to the April 22, 2008, Investment Meeting Minutes.

Item #6, Paragraph 2, Line 3 should read, "are."

Item #7, Paragraph 3, Line 1, should read, "Legato Capital Management serves"

Item #8, Line 2 should read, "\$1.33 billion."

4. **Consent Items (cont.)**

Motion was made by Wes Hall and seconded by Steve Yauch to approve the following items as presented and amended here.

Motion carried.

- a. Approval of the April 22, 2008 Investment Meeting Minutes (as amended).
- b. Approval of Service Retirement(s) – **Sections 31499.14, 31670, 31662.2 & 31810**
 1. Connie Alvarez, CSA, Effective 04-30-08
 2. Linda Bedoy, BHRS, Effective 05-18-08
 3. Rick Dunn, CSA, Effective 05-07-08
 4. Patricia Hull, CSA, Effective 05-03-08
 5. Katrina Test, Superior Court, Effective 05-03-08
 6. James Watson, Sr., Public Defender, Effective 05-01-08
 7. Carol Park, Keyes Community Services, Effective 04-26-08
- c. Approval of Deferred Retirement(s) – **Section 31700**
 1. Nathalie Confiac, HSA, Effective 10-31-07
 2. Jeffrey Fairbanks, Sheriff, Effective 03-21-08
 3. Angeline Hamilton, Dept. of Env. Resources, Effective 12-04-07
 4. Carol Locke, BHRS, Effective 05-10-08
 5. Sara Deanne Minter, DCSS, Effective 03-28-08
 6. William Ramirez, Probation, Effective 03-07-08
- d. Approval of Death Benefits
 1. P. Rochelle Evans, Deceased May 1, 2008, Active Member, Option Pursuant to Government Code Section 31781

Linda Stotts-Burnett arrived at 2:04 p.m.

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

- a. Investment Performance Analysis for First Quarter Ending March 31, 2008

Paul Harte presented the first quarter investment performance analysis through March 31, 2008. The composite fund returned -7.5% and ranked in the 98th percentile among other public funds greater than \$100 million. The median return was -5.3%. Longer term, the three, and five year returns of 6.9% and 11.2%, ranked below median among total public plans, 8.0% and 11.6%, respectively. Mr. Harte gave an overview of the market for this first quarter, noting the widening of the trade deficit, the decline of the U.S. dollar, and the rise in the Consumer Price Index (CPI) of 0.7% and the overall inflation rate held steady at an elevated 4.0% in March. Stock prices also fell during this first quarter and the combination of the economic weakness and overall financial distress had a negative impact. StanCERA's investment managers also underperformed for this first quarter. Mr. Harte reminded Board members

5. **Strategic Investment Solutions, Inc. (SIS) [cont.]**

a. Investment Performance Analysis for First Quarter Ending March 31, 2008 (cont.)

that although this first quarter was volatile, investments should be looked at for the long-term. The Board needs to be patient. Mr. Harte answered Board members' questions. He offered to present different investment structures at a future Board meeting. Ron Martin, Trustee noted that for the past five years, the portfolio is on target. Mr. Harte noted that this particular quarter is the worst in 20 years.

b. Monthly Performance Review for the Month Ending April 30, 2008

Mr. Harte presented the monthly performance review for the period ending April 30, 2008. StanCERA's portfolio is \$1.38 billion, a 3.83% increase from the prior month. StanCERA's portfolio return for the month of April was 4.06%, above the policy index of 3.43%. The overall rate of return for this fiscal year to date is -3.21%, under StanCERA's fiscal year to date policy index of -0.67%. StanCERA's investment managers are close to the asset allocation targets and well within their ranges.

Mr. Harte informed Board members that a Due Diligence trip is planned for the first part of June to The Bank of New York Mellon Corporation in Los Angeles; Dodge & Cox, and to SIS, Inc., in San Francisco.

c. StanCERA U.S. Equity Small Cap Presentation

Mr. Harte gave a brief overview of the U.S. equity small cap educational presentation that was previously given at the March 25, 2008, Board of Retirement. Board members reviewed and explored more processes and information related to the potential use of a multiple managers' program, especially in the small cap equity investment area.

d. Discussion and Action on a Potential Active Management Search for a Multiple Manager Program for a U.S. Equity Small Cap Portfolio

Board members reviewed and discussed the evaluation list of manager of managers previously distributed. Mr. Harte answered Board members various questions.

Motion was made by Ron Martin and seconded by Mike Lynch to direct SIS, Inc. to prepare a Request for Information (RFI) to three firms, Bivium Capital Partners, Capital Prospects, LLC., and Legato Capital Management, LLC.

Motion carried.

5. **Strategic Investment Solutions, Inc. (SIS) [cont.]**

- e. Discussion and Action on a Proposed Revision to the Statement of Investment Policy

Item 7b. Heard Out of Order

- b. Pyramis Global Advisors' Letter Dated April 17, 2008 – Request for Potential Revision to the StanCERA Statement of Investment Policy

Mr. Harte stated the Board had received a letter from Pyramis Global Advisors (Item #7b), requesting a potential revision to StanCERA's Statement of Investment Policy. Specifically, the new language would revise the policy of the non-U.S. equity security holdings guideline to allow up to a 5% over or under weighting of emerging markets relative to their benchmark position. Pyramis noted that market movements have dramatically increased the weight of the emerging markets within the MSCI All Country World Index ex-US index (MSCI ACWI ex-US). The investment policy's current guideline does not allow for a 5% over or underweighting of emerging markets relative to the benchmark.

Motion was made by Wes Hall and seconded by Maria De Anda to approve the proposed revision to the Statement of Investment Policy as presented.

Motion carried.

Gordon Ford opposed.

6. **Administrator**

- a. BMTI Services' Complaint/Contact Log of January 1, 2008 through March 31, 2008

Hank Skau, Operations Manager, introduced Patrick McTighe, insurance consultant/owner of BMTI. Mr. Skau gave a summary of BMTI's complaint/contact log for the first quarter, January 1, 2008, through March 31, 2008. BMTI logged 561 items, the six major concerns, or, 82%, of the calls included premium, claim, eligibility, and identification card inquiries. Mr. Skau mentioned that StanCERA's quality control check of sending letters to randomly selected retirees, revealed no negative responses related to BMTI.

Gordon Ford, Trustee, asked Mr. McTighe how was BMTI's customer service received. Mr. McTighe responded that telephone calls were usually about assisting the retiree in understanding the health insurance coverage. Once this was established, the level of frustration of the retirees diminished. Mr. McTighe believes the volume of calls for the next quarters will be flat.

6. **Administrator (cont.)**

- a. BMTI Services' Complaint/Contact Log of January 1, 2008 through March 31, 2008 (cont.)

He mentioned as of January 2008, the Fresno County Employees' Retirement Association (FCERA) contracted with BMTI for insurance consulting. BMTI increased staff to approximately 10 employees, with six employees handling customer service. The combined confidence with BMTI's service and additional staff has dramatically reduced the number of telephone calls he was personally receiving.

7. **Correspondence**

- a. BMTI Services' Guidelines for Participation in the StanCERA Retiree Health Insurance Program

Mr. McTighe informed Board members they had received the written BMTI guidelines for the retiree health insurance program. One of BMTI's duties was to develop and implement guidelines to replace the Interim Retiree Health Insurance Guidelines Policy. Mr. McTighe stated the BMTI guidelines have been in effect as of January 1, 2008. The guidelines were created with the assistance of the Retired Employees of Stanislaus County (RESCO) organization. Mr. McTighe mentioned that a section of the guidelines addresses the need for an insurance policy committee comprised of BMTI senior staff and retired members appointed by RESCO to be formed and meet as required to hear all appeals to the guidelines or other requests within a 45-day period.

Item 7b. Heard Out of Order

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

Gordon Ford, Vice-Chair, mentioned that a topic of interest at the recent State Association of County Retirement Systems (SACRS) Spring Conference was the change of venue to Los Angeles for the Orange County lawsuit against the Orange County retirement system.

Maria De Anda, Trustee, said she attended the National Conference on Public Employees' Retirement Systems (NCPERS) Annual 2008 Conference, May 18-22, 2008. Ms. De Anda stated NCPERS always is an informative, and educational conference. She said that nationally, retirement systems are following the lawsuits against the City of San Diego regarding the potential employer underfunding of the retirement system.

Steve Yauch, Trustee, said he was pleased with the turnout of StanCERA trustees who attended the recent State Association of County Retirement Systems (SACRS) Spring 2008 Conference, May 13-16, 2008.

8. **Members' Forum (Information and Future Agenda Requests Only) [cont.]**

Wes Hall, Trustee, said he brought back various reference materials from the SACRS 2008 Spring Conference Ethics Training. For interested Board members and staff the materials will be available in StanCERA's reference library.

Linda Stotts-Burnett said her attendance at the SACRS Spring 2008 Conference and the NCPERS Annual Conference was informative and educational.

9. **Adjournment**

Meeting adjourned at 3:42 p.m.

Respectfully submitted,

Tom Watson, Retirement Administrator

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

By: _____
Deirdre McGrath, Deputy County Counsel