



STANISLAUS COUNTY
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BOARD OF RETIREMENT MINUTES

July 22, 2008

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

Members Absent: *Ron Martin*

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

Others Present: Edward R. Burroughs, Kelly Cerny, Natalie Elliott, Paul Harte-Strategic Investment Solutions (SIS), Monica Nino-Reid and Kristina Alfaro – Chief Executive Office, Hank Skau, Tom Watson, and Donna Wood

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

2. **Announcements**

Tom Watson, Retirement Administrator, announced that at the August 13, 2008, Board of Retirement meeting there will be a presentation to honor former General Member Representative Steve Yauch's years of service on the Board of Retirement.

Mr. Watson announced that Board members received the State Association of County Retirement Systems' (SACRS) Summer 2008 Magazine. He noted that registration for the Fall 2008 Conference begins August 1, 2008 and for those members interested in attending the November 11-14, 2008 Conference, contact Kelly Cerny, Board Secretary.

Mr. Watson, read aloud a thank-you card to Board members and staff sent by Darin Gharat, Trustee, and his family. The card expressed the family's appreciation for the thoughts and prayers on the recent passing of Mr. Gharat's father.

3. **Public Comment**

None.

4. **Consent Items**

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

Motion carried.

- a. Approval of the July 9, 2008, Administrative Meeting Minutes

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

- a. Monthly Performance Review for the Month Ending June 30, 2008

Mike Lynch arrived at 2:04 p.m.

Paul Harte, presented the monthly performance review for the period ending June 30, 2008. StanCERA's portfolio is \$1.29 billion, a -9.83% decrease from the prior year. The overall rate of return for this fiscal year is -8.22%. This is -3.25% below StanCERA's policy index return of -4.97%. Mr. Harte noted overall the fiscal year was negative with the equity market's poor performance and the struggling economy.

Mr. Harte answered the Board's various questions regarding possible future asset allocations and rebalancing the weaker asset classes. Mr. Watson explained the actuarial asset value will be higher than what the \$1.29 billion in investment assets is at market value because the actuary smoothes asset gains and losses over five years. One year's loss will only appear at 20% just as the prior year's 16% return excess will only appear at 20%. Any unfunded liability is amortized over a 20-year period, so the employer will not have to make up \$50 million in one year's contributions.

The Board directed SIS Inc., to provide:

- Quarterly reviews of StanCERA's investment managers using peer measurement;
- An analysis on where StanCERA's assets may be if there is another negative fiscal year;
- An analysis of the risks and benefits of active management versus passive management.

Board members concluded by discussing the possibility of renegotiating fees for future poor performing managers.

- b. Discussion and Action on Small Cap Value Emerging Manager of Managers Program – Short List Candidates

Mr. Harte gave a verbal summary of the written report to Board members regarding the small cap value manager search for a potential emerging multiple manager program. Three managers responded to StanCERA's Request for Information (RFI). The RFI responses were rated on both quantitative and qualitative factors. Board members reviewed the spreadsheet provided that detailed each manager's program. Mr. Harte answered the Board members' various questions.

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

b. Discussion and Action on Small Cap Value Emerging Manager of Managers Program – Short List Candidates (cont.)

i. Bivium Capital Request for Information Response

Board members reviewed the response and had no further questions.

ii. Capital Prospects LLC Request for Information Response

Board members reviewed the response and had no further questions.

iii. Legato Capital Management LLC Request for Information Response

Board members reviewed the response and had no further questions.

Based on the recommendations of SIS, Inc., motion was made by Darin Gharat and seconded by Wes Hall to direct staff to invite Capital Prospects LLC, and Legato Capital Management LLC, to make presentations to the Board at the October 28, 2008 Board meeting.

Motion carried.

6. **Administrator**

a. StanCERA Complaint Log of April 1, 2008, through June 30, 2008

Mr. Watson noted Board members received the written report of StanCERA's complaint log for the fourth quarter of 2008. Of the two complaints received, one related to retiree health insurance and the other to retiree payroll.

Darin Gharat, Trustee, reiterated that staff should continue to refer all retiree health insurance questions to BMTI Services.

b. BMTI Services' Complaint/Contact Log of April 1, 2008, through June 30, 2008

Mr. Watson noted Board members received the written report of BMTI's complaint/contact log for the fourth quarter of 2008. BMTI logged 795 items for this quarter. This is an increase of 234 calls from the previous quarter, and an increase of 683 calls from the previous year as of June 30, 2007.

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

None.

8. **Adjournment**

Meeting adjourned at 3:06 p.m.

Respectfully submitted,

Tom Watson, Retirement Administrator

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

By: _____
Edward R. Burroughs, Assistant County Counsel