



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

Phone (209) 525-6393  
Fax (209) 558-4976  
www.stancera.org  
e-mail: retirement@stancera.org

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## PLEASE POST FOR EMPLOYEE VIEWING

### BOARD OF RETIREMENT MINUTES

July 28, 2009

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

**Alternate Member Absent:**

*Linda Stotts-Burnett, Alternate Retiree Representative*

**Staff Present:**

Tom Watson, Retirement Administrator  
Hank Skau, Operations Manager  
Kelly Cerny, Executive Secretary  
Natalie Elliott, Accountant  
Joyce Parker, I.T. Coordinator

**Others Present:**

Deirdre McGrath, Deputy County Counsel  
Paul Harte, Strategic Investment Solutions (SIS) Inc.  
Kevin Gray & Mark Romano, Pacific Investment Management Co. (PIMCO)  
Patrick McTighe, BMTI Services  
Doris Foster & Monica Nino, County Chief Executive Office

1. Meeting called to order at 2:00 p.m. by Gordon Ford, Chair.

2. **Roll Call**

3. **Announcements**

Mr. Watson announced that Board members received the StanCERA Summer newsletter in their Board packets, along with the Special Notice to Retirees regarding the Revocable Health Benefits subsidy stopping as of January 2010. Mr. Watson also mentioned that a reminder message will appear on the retirees' check/advice notices each month up to January 2010 that there will be no Revocable Health Benefits Subsidy paid in 2010. Retirees will also receive a copy of the three-page Revocable Health Benefits Subsidy Policy sent with the Special Notice to Retirees.

Mr. Watson announced during today's meeting he will be utilizing a laptop computer in the first attempt to go electronic during Board meetings. Instead of using paper copies he will be using the laptop to view the Agenda and its attachments from the website, as they are discussed. The objective is to eventually go to paperless Board meetings, with Board members using computer screens to view the Agenda and its attachments.

4. **Public Comment**

None.

5. **Consent Items**

Motion was made by Darin Gharat and seconded by Mike Fisher to approve the following items as listed

Motion carried.

- a. Approval of the July 8, 2009, Administrative Meeting Minutes
- b. StanCERA's Complaint Log of April 1, 2009 through June 30, 2009
- c. BMTI Services' Complaint/Contact Log of April 1, 2009 through June 30, 2009
- d. Approval of Death Benefits
  1. Needa A. Davis-Fritz, Deceased June 28, 2009, Active Member, Option Pursuant to Government Code Section 31781

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

- a. Paul Harte presented the monthly performance review for the period ending June 30, 2009. StanCERA's portfolio is \$1.05 billion, an -18.54% decrease from the prior year. June was fairly flat with a 0.26% return, and the entire fiscal year saw a -17.55% return. This is -0.28% below StanCERA's policy index return of -17.27%, -25.71% below the actuarial assumed rate of 8.16%, and -21.55% below the actuarial assumed rate of inflation of 4.00%.
- b. Discussion and Action on the Memorandum Dated July 10, 2009, on Barclay Global Investors (BGI) Russell Top 200 Value Index Fund Closure, and Letter from Paul Sauer, BGI, Dated July 6, 2009

Mr. Harte informed Board members that after the Board's approval to place \$35 million in BGI's Russell 200 value index passive commingled fund, BGI closed the fund. To fulfill the Board's request to invest in a passive index fund in large cap value equities, SIS, Inc. recommends investing the \$35 million in BGI's Russell1000 value index commingled fund.

Motion was made by Ron Martin and seconded by Maria De Anda to invest \$35 million in BGI's Russell 1000 Value Index Fund at a fee of 2 basis points, or, 0.02% of assets.

Motion carried.

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

- c. Discussion and Action on the Statement of Investment Policy Changes to Fixed Income Securities

Mr. Harte presented changes to the Statement of Investment Policy related to fixed income investments.

Motion was made by Wes Hall and seconded by Ron Martin to accept the changes as presented to the StanCERA Statement of Investment Policy for fixed income security holdings.

Motion carried.

- d. SIS Inc.'s Whitepaper on Securities Lending (Information only)

Board members acknowledged receipt of the Whitepaper. Mr. Harte said he will report back to the Board at a future meeting on the Bank of New York Mellon's client loss related to securities of Lehman Brothers and provide recommendations.

7. **Committee Reports & Recommendations for Action**

**STANDING COMMITTEES**

- a. Due Diligence Committee – Maria De Anda, Chair
- i. SIS, Inc.'s Memorandum Dated July 8, 2009 – Delaware Investments Due Diligence On-Site Visit June 15, 2009
- ii. Delaware Investments Due Diligence Questionnaire Response Dated June 15, 2009, Performance Attribution as of December 31, 2008 through May 29, 2009 and Code of Ethics

Ms. De Anda gave an overview of the due diligence visit written information provided by SIS, Inc. She reiterated the Committee's new cost savings process of having SIS, Inc. meet with local firms, and the Due Diligence Committee to teleconference with managers that require travel. Mr. Harte answered Board members' questions.

8. **Correspondence**

- a. Loomis Sayles & Company's Letter of Response Dated July 1, 2009 on Under Review Status Investment Performance
- b. Prima Capital Advisors Email Dated July 13, 2009
- c. StanCERA's List of Below Investment Grade Holdings with Dodge & Cox as of June 30, 2009
- i. StanCERA's Fixed Income Portfolio Holdings with Dodge & Cox as of June 30, 2009

8. **Correspondence (Cont.)**

- d. Dodge & Cox's Updated Information on Structured Investment Vehicles (SIVs)  
Email Dated July 7, 2009

The Board acknowledged receipt of all correspondence.

9. **Pacific Investment Management Company's (PIMCO) Educational Presentation on High Yield/Emerging Markets Bonds and Bank Loans**

Kevin Gray, Institutional Business Specialist, and Mark Romano, Senior Vice President and Account Manager, gave an educational overview of a written presentation provided on high yield, bank loan, and emerging market debt products. They demonstrated how these can be used in connection with core fixed income to derive some diversification.

10. **Presentation by the Retiree Health Insurance Administrator - BMTI Services, Inc.**

- a. Discussion and Action on Support of BMTI Services, Inc. in the Retiree Health Insurance Program Design Within the Stanislaus County New Health Insurance Structure

Patrick McTighe, President, BMTI Services Inc., addressed the Board with a request for support from the Board of Retirement to assist BMTI Services Inc. in obtaining access to meetings with Stanislaus County staff and their health insurance consultants on a new health insurance structure that the County is considering. Mr. McTighe distributed written material for the Board's review of a sample letter to the County, along with a proposed administrative fee re-alignment for the retiree health insurance premium.

Ms. De Anda out at 4:02 p.m.

Mr. McTighe answered the Board members' various questions.

Ms. De Anda returned at 4:05 p.m.

The Board directed BMTI Services, Inc., to notice the Retired Employees' of Stanislaus County's (RESCO) Committee on Health Insurance for support, and asked the Board of Retirement's Retiree Benefits Committee to meet and bring back recommendations to the Board on BMTI Services, Inc.'s request for realignment of the proposed administrative fee.

11. **Presentation of the Government Finance Officers' Association's (GFOA) Certificate of Achievement for Excellence in Financial Reporting for June 30, 2008**

Recessed at 4:11 p.m.

Reconvened at 4:18 p.m.

Mr. Ford presented Natalie Elliott, CPA, with the GFOA's plaque of the Certificate of Achievement For Excellence in Financial Reporting for June 30, 2008. The award is given to a system and the accountant responsible for preparing the Comprehensive Annual Financial Report (CAFR). This is the fourth consecutive year StanCERA's CAFR and Ms. Elliott qualified for this award. Board members congratulated Ms. Elliott who in turn thanked the Board for the honor to receive the award.

12. **Administrator**

- a. Discussion and Action on the Draft News Release Regarding the GFOA Certificate of Achievement for Excellence in Financial Reporting for June 30, 2008

Motion was made by Mike Lynch and seconded by Clarence Willmon to approve the news release as presented, and direct staff to disseminate the news release to the media.

Motion carried.

- b. Discussion and Action on Recommendation for Seeking General Legal Counsel

Motion was made by Darin Gharat and seconded by Mike Lynch to direct staff to: 1) use the final position description for General Counsel for the potential to hire an individual in-house counsel as an Attorney V; 2) issue a Request for Proposal (RFP) for the potential for legal services to be provided by one or more law firms; and, 3) form an ad hoc Committee comprised of the Board Chair, Vice Chair, and Board of Supervisors' appointee Board member Ron Martin to screen candidates and law firm proposals for a review of final candidates by the Board of Retirement.

Motion carried.

13. **Closed Session**

Motion was made by Darin Gharat and seconded by Mike Fisher to move to Closed Session at 4:26 p.m.

Motion carried.

Ms. Cerny, Ms. Elliott, Ms. Parker, and Mr. Skau left at 4:26 p.m.

- a. Public Employee Performance Evaluation – Title: Retirement Administrator Pursuant to Government Code Section 54957(b)(1)

13. **Closed Session (Cont.)**

- b. Conference with Legal Counsel – Anticipated Litigation - Significant Exposure to Litigation Pursuant to Subdivision (b)(3)(B) of Section 54956.9: One Case The Modesto Bee's Public Records Act Request for Members' Names and Monthly Pension Amounts Greater than \$8,333

The Board returned to Open Session at 5:31 p.m. Mr. Watson read out from Closed Session:

The Board of Retirement determined to deny The Modesto Bee's public records act request for members' names and monthly pension amounts greater than \$8,333.

Roll Call Yes: M. De Anda, M. Fisher, D. Gharat, W. Hall, R. Martin, and C. Willmon

Roll Call No: J. DeMartini, G. Ford, and M. Lynch.

Motion carried.

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

Mr. DeMartini requested the subject of tying retiree ad hoc benefits to the funded level of the retirement plan and not to the excess earnings be placed on a future agenda for review. This subject was first mentioned during the April 28, 2009 Board of Retirement meeting.

15. **Adjournment**

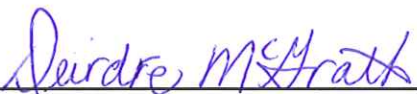
Meeting adjourned at 5:40 p.m.

Respectfully submitted,



Tom Watson, Retirement Administrator

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

By:   
Deirdre McGrath, Deputy County Counsel