



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) 525-4334  
www.stancera.org  
e-mail: retirement@stancera.org

## PLEASE POST FOR EMPLOYEE VIEWING

*Amended*

### BOARD OF RETIREMENT MINUTES

February 27, 2007

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

**Members Absent:** None

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

**Others Present:** Kelly Cerny, Natalie Elliott, Paul Harte-Strategic Investment Solutions (SIS), Deirdre McGrath, Hank Skau, and Bob Thompson-Dodge & Cox

1. Meeting called to order at 2:01 p.m. by Chair Wes Hall.

2. **Announcements**

Darin Gharat, Trustee, asked for a moment of silence for the passing of long-time staff member Lois Ertel on February 17, 2007.

3. **Public Comment**

None.

4. **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 February 14, 2007 Minutes
- b. Approval of a Notice of Election 2007 - Seat #2 General
- c. StanCERA's Customer Service Survey Report – August 2005 to February 2007

5. **Semi-Annual Performance Report by Dodge & Cox**

Bob Thompson, Vice President, distributed the semi-annual report for the period ending December 31, 2006. Mr. Thompson presented StanCERA's equity and fixed income portfolio performance summaries.

Mr. Thompson presented StanCERA's equity portfolio performance summary for the period ending December 31, 2006. Stocks were valued at over \$260 million with an estimated annual income of over \$4 million. The total rates of return for the stock portfolio for the period ending December 31, 2006 were 6.7%, 19.4%, 16.7%, and 13.8%, compounded for the three-months, one, three and five years, respectively. The total rates of return for the stock portfolio for the period ending January 31, 2007, were 2.3%, 5.9%, 16.9%, 15.9%, and 14.3%, for the one-month, three-months, one, three and five years, respectively.

StanCERA's fixed income portfolio for the period ending December 31, 2006 totaled over \$440 million with an estimated income of over \$25 million. The rates of return for fixed income securities for the period ending December 31, 2006, were 1.78%, 5.76%, 4.16%, and 5.95%, for three-months, one, three, and five years respectively. The total rates of return for fixed income securities for the period ending January 31, 2007, were 0.17%, 1.18%, 5.56%, 3.90%, and 5.89% for the one-month, three-months, one, three and five years, respectively. Inflation was 2.5% as of December 2006, down substantially from 3.8% as of August 2006.

6. **Strategic Investment Solutions, Inc. (SIS) Investment Performance Analysis for Fourth Quarter Ending December 31, 2006**

Paul reviewed the investment performance analysis for the quarter ending December 31, 2006. The composite fund returned 5.8% in the fourth quarter of 2006 and ranked in the 56<sup>th</sup> percentile among other public funds greater than \$100 million. The median fund returned 5.8%. The fund trailed its policy index (6.0%) during this time period. Longer term, the three and five year returns of 10.7% and 9.3% respectively were slightly under and above the median among total public plans (10.9% and 8.8%).

7. **Strategic Investment Solutions, Inc. (SIS) Monthly Performance Review for the Month Ending January 31, 2007**

Paul Harte, SIS, presented the monthly performance review for the period ending January 31, 2007. StanCERA's portfolio is \$1.39 billion, an increase of 1.17% from the prior month. The overall rate of return for this fiscal year to date is 11.3%, beating the assumed rate by 6.88%.

8. **Discussion & Action on the Statement of Investment Policy as of February 2007**

Paul Harte gave a brief summary of revisions to the Investment Policy as requested by the Board at the January 23, 2007 meeting. In particular, the Special Situations Fund Policy and Procedures were incorporated into the Investment Policy as a Supplement instead of as a separate document. Board members discussed and reviewed the supplement and revisions. Gordon Ford asked that the record show his recommendation against taking this action.

Motion was made by Steve Yauch and seconded by Mike Fisher to approve the Statement of Investment Policy as presented and with the additional suggested revisions.

Motion carried.

Gordon Ford opposed.

9. **Administrator**

- a. Review of The Investment Managers' Proxy Voting For the Quarter Ending December 31, 2006

Hank Skau, Operations Manager, displayed the most recent quarter of StanCERA's investment managers' voting proxy information. Hank informed Board members it was available for their review.

- b. Review, Discuss, and Approve Selection of Negotiator for StanCERA's Vacant Space at 832 12<sup>th</sup> Street, Sixth Floor, Modesto, CA 95354

Hank Skau briefly explained that a negotiator and/or his/her designee must be appointed by the Board of Retirement to assist with the negotiations of the vacant space on the sixth floor.

Motion was made by Mike Fisher and seconded by Maria De Anda to approve the selection of the Retirement Administrator or his Designee as Negotiator for StanCERA's Vacant Space at 832 12<sup>th</sup> St., 6<sup>th</sup> Floor Modesto, CA 95354

Motion carried.

- c. Real Estate Negotiations – Open Session, **Govt. Code Section 54956.8**  
1. Negotiator Selected – Agenda Item 9b.  
2. Vacant Space at 832 12<sup>th</sup> Street, Sixth Floor, Modesto, CA 95354  
3. Any Party Who May Be Interested

Deirdre McGrath, Deputy County Counsel informed the Board the items above are required to be listed in Open Session to speak to any potential conflict of interest. Deirdre addressed the Board with the following information:

"Steve Yauch, Maria De Anda, Darin Gharat and Gordon Ford may have a disclosable interest in the rental of vacant space at 832 12<sup>th</sup> Street, 6<sup>th</sup> Floor, Modesto, California, if the County of Stanislaus should at some point become an interested party. Mr. Yauch, Ms. De Anda, and Mr. Gharat are

9. **Administrator (cont.)**

c. Real Estate Negotiations – Open Session -**Govt. Code Section 54956.8 (cont.)**

County employees, and Mr. Ford is the County Treasurer-Tax Collector; thus, the County pays their salaries. Pursuant to Government Code section 1091.5(a)(9), having disclosed this information, and it noted in the official record, they are deemed currently to have a 'non-interest' in any possible agreement.

Supervisor and Board of Retirement Trustee, Jim DeMartini has perceptively seen that in the universe of potentially interested parties, the County of Stanislaus could be one party. As a member of the Stanislaus County Board of Supervisors, he may be considered as having a 'remote interest' under Government Code sections 1091(a) and 1091(b)(13). Therefore, Mr. DeMartini has elected to leave the negotiating parameters regarding this vacant space to his fellow trustees of the Board of Retirement, and abstain from participating in finding and entering into a contract with a tenant. It is requested this disclosure also be noted in the official StanCERA record."

10. **Closed Session**

a. Real Estate Negotiations - **Govt. Code Section 54956.8**

Motion was made by Mike Fisher and seconded by Steve Yauch to commence to Closed Session at 3:44 p.m.

Motion was made by Darin Gharat and seconded by Ron Martin to return to Open Session at 4:00 p.m.

No reportable action was taken.

11. **Correspondence**

a. Letter from Loomis Sayles & Company Dated January 17, 2007

Hank Skau mentioned that Board members were in receipt of a letter regarding organizational changes at Loomis Sayles and Company occurring during the first quarter of 2007.

b. Letter from Dodge & Cox Dated January 25, 2007

Hank Skau informed the Board they also received a letter regarding organizational changes at Dodge & Cox effective January 1, 2007.

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

Gordon Ford inquired about the status of the "Soft Dollars" information he provided at the January 23 2007, Investment Board meeting. Hank Skau stated Paul Harte was in the process of collecting data to bring back to the Board.

Wes Hall expressed his appreciation for staff and board members who were able to attend Lois Ertel's memorial on Friday, February 23, 2007.

13. **Adjournment**

Meeting adjourned at 4:03 p.m.

Respectfully submitted,

Hank Skau, Operations Manager

APPROVED AS TO FORM:  
MICHAEL KRAUSNICK, COUNTY COUNSEL

By: \_\_\_\_\_  
Deirdre McGrath, Deputy County Counsel