



STANISLAUS COUNTY
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BOARD OF RETIREMENT MINUTES

April 24, 2007

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

Members Absent: *Mike Lynch*

Alternate Member Present: Linda Stotts-Burnett, Alternate Retiree Representative

Others Present: Keith Bruch-LSV Asset Management; Kelly Cerny, Art Greenwood & Michael Strong-Pyramis Global Advisors; Paul Harte-Strategic Investment Solutions (SIS), Deirdre McGrath, Hank Skau, and Tom Watson

1. Meeting called to order at 2:00 p.m. by Wes Hall, Chair.

2. **Announcements**

None.

3. **Public Comment**

None.

4. **Consent Items**

Motion was made by Darin Gharat and seconded by Steve Yauch to approve the following items as listed.

Motion carried.

a. Approval of the April 11, 2007 Minutes

5. **Semi-Annual Performance Report by LSV Asset Management**

Gordon Ford arrived at 2:07 p.m.

Keith Bruch, Partner and Director, Client Portfolio Services, gave the semi-annual presentation of StanCERA's international value equity investment performance for the period ending March 31, 2007. Mr. Bruch noted that since the inception of

5. **Semi-Annual Performance Report by LSV Asset Management (cont.)**

StanCERA's portfolio as of September 15, 2004, the portfolio has grown from \$81 million to \$142.3 million. Mr. Bruch said the markets in 2006 were favorable, with value stocks outperforming growth stocks in developed markets by over 800 basis points. The 2007 first quarter return was 4.5% (net of fees), above the benchmark Morgan Stanley Capital International (MSCI) All Countries World Index Excluding the United States (ACWI Ex US) return of 3.8% for the same period. The period of January 1, 2006 through December 31, 2006, saw a return of 22.7%.

6. **Semi-Annual Performance Report by Pyramis Global Advisors**

Art Greenwood, Senior Vice President, Relationship Manager, and Michael Strong, Institutional Portfolio Manager, gave the first semi-annual presentation of StanCERA's international growth equity investment performance for the period ending March 31, 2007. Mr. Greenwood gave an overview of the history of Fidelity Management & Research Company (FMR) founded in 1946. FMR began Pyramis Global Advisors in 2005 to manage pooled and separate accounts for clients in the United States and abroad.

StanCERA's international growth equity portfolio consists of four regional sub-portfolios such as Emerging Markets (EME), Pacific-Basin Excluding-Japan (Pac-Basin Ex Jpn), Europe (Eur) and Japan (Jpn). Pyramis uses a bottom-up research approach that feeds to the regional portfolios and asset allocation process.

Since StanCERA's account inception as of October 11, 2006, through March 31, 2007, the cumulative return (net of fees) for international growth is 9.19%; compared with the benchmark MSCI ACWI Ex US index rate of return of 10.44%.

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

Paul Harte, SIS, presented the monthly performance review for the period ending March 31, 2007. StanCERA's portfolio is \$1.39 billion, a 0.83% increase from the prior month. The overall rate of return for this fiscal year to date is 11.88%, slightly under StanCERA's policy index of 12.01%. However, this return is significantly over the fiscal year to date assumed rate of 6.16%.

8. **Strategic Investment Solutions, Inc. (SIS) – StanCERA's 2006 Trading Costs Survey**

Paul Harte provided a brief summary of the written survey of StanCERA's investment managers trading costs for the year 2006. Overall costs are typical. Paul said he will provide this information to the Board on an annual basis.

9. **Data Report to National Conference on Public Employee Retirement Systems (NCPERS)**

Paul Harte provided an overview of research data requested by NCPERS. It is part of a project to analyze the performance and asset allocation of plans. This is intended to present an overall perspective of how the average public defined benefit plan has performed. The intent is to provide insight on investor returns and equity diversification that beneficiaries have experienced from public defined benefit plans. Data provided is of operational and management fees of StanCERA's investment managers for the 2006 and 2005 calendar years.

The results of the research project will be presented at the NCPERS Annual Conference, May 18-24, 2007. It was noted that Tom Watson, Retirement Administrator, and Maria De Anda, Trustee, will be attending the annual conference and will obtain the results.

10. **Administrator**

a. StanCERA Complaint Log of January 1, 2007 through March 31, 2007

Hank Skau, Operations Manager, gave a summary of the complaint log for the first quarter of 2007. A total of four complaints were logged for this quarter, a decrease from five complaints logged in the fourth quarter of 2006. Staff refers most insurance-related calls to the insurance consultant, which has resulted in fewer recorded complaints. Board members expressed appreciation for the professional manner in which staff address the complaints.

11. **Correspondence**

Wes Hall, Chair, noted Board members were in receipt of the following correspondence. There were no questions or comments from Board members.

- a. Delaware Investments' Letter Dated March 30, 2007 – Performance Update and Capital Structure Optimization
- b. Loomis Sayles & Company Announcement
- c. Travelers Bond & Financial Products Response – Fiduciary Liability

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

Paul Harte said an educational session on real estate investment trusts (REITs) will be presented at the May 22, 2007 meeting.

Linda Stotts-Burnett mentioned that trustees Darin Gharat, Steve Yauch and Maria De Anda met with representatives from the Retired Employees of Stanislaus County (RESCO) Board. Ms. Stotts-Burnett indicated that at the request of RESCO, she also attended the meeting in her capacity as the RESCO Past President. She shared that the meeting was productive. Steve Yauch mentioned they were invited to attend a RESCO luncheon.

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

Tom Watson stated he will be away for much of May in order to attend the State Association of County Retirement Systems (SACRS) Spring 2007 Conference; the National Conference on Public Employee Retirement Systems (NCPERS) Annual Conference; a Due Diligence visit; and the SACRS –UC Berkeley Public Pension Investment Management Program. He will not attend the May 22, 2007 Board of Retirement meeting.

Wes Hall, Trustee, thanked staff members Joyce Parker, I.T. Coordinator, and Kelly Cerny, Secretary, for their efforts to allow the viewing of portions of the Pension & Investments' Risk Management Conference Webcast.

13. **Adjournment**

Meeting adjourned at 3:31 p.m.

Respectfully submitted,

Tom Watson, Retirement Administrator

APPROVED AS TO FORM:
MICHAEL KRAUSNICK, COUNTY COUNSEL

By: _____
Deirdre McGrath, Deputy County Counsel