



STANISLAUS COUNTY
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BOARD OF RETIREMENT MINUTES

June 26, 2007

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

Members Absent: Steve Yauch

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

Others Present: Ed Burroughs, Kelly Cerny, Natalie Elliott, Paul Harte-Strategic Investment Solutions (SIS), Don Klotter and Amanda Meyers-Mazama Capital Management, Hank Skau, and Tom Watson

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

2. **Announcements**

Tom Watson, Retirement Administrator, extended congratulations to Maria De Anda and Ron Martin for their re-election and reappointment to the Board of Retirement. Maria is re-elected to Seat #2 – General Representative; and Ron Martin is reappointed by the Board of Supervisors to Seat #4. Both are three-year terms, ending June 30, 2010. He mentioned board members also were in receipt of an updated "Terms of Retirement Board Members" list.

Mr. Watson reminded board members of the half-day retreat scheduled for the morning of Wednesday, September 19, 2007. Details will follow at a later date.

Hank Skau, Operations Manager, announced that the first quarter investment managers' stock voting proxies are available for review at the convenience of Board members.

Mr. Watson announced the members of the Strategic Plan-Actuarial Assumed Rate of Return Committee, will be meeting immediately following the conclusion of the Board meeting.

3. **Public Comment**

None.

Jim DeMartini arrived at 2:03 p.m.

4. **Consent Items**

Wes Hall, Chair, requested the following amendment to the June 13, 2007 Minutes:

- Item 8, Fifth Paragraph, "StanCERA's employer contribution rate is the lowest of all the 1937 Act counties, with Mendocino County the second lowest."

Motion was made by Maria De Anda and seconded by Mike Fisher to approve the following item as listed and amended.

Motion carried.

- a. Approval of the June 13, 2007 Minutes (as amended)

5. **Semi-Annual Performance Report by Mazama Capital Management**

Mike Lynch arrived at 2:07 p.m.

Don Klotter, Partner and Director, Client Portfolio Services, and Amanda Meyer, Client Service & Marketing, were present to give the semi-annual presentation of StanCERA's small-mid cap growth equity portfolio. Mr. Klotter gave an overview of Mazama's strategy, philosophy, and investment process. StanCERA's market value as of May 31, 2007 is \$72,319,311. StanCERA's quarter-to-date, one year, two year, and since inception (11/23/04) return percentages, net of fees as of May 31, 2007, are 9.95%, 18.14%, 20.19% and 15.89%, respectively.

The report indicated during the seven years from March 2000 to March 2007, small value outperformed small growth by 198%. This is the longest, most extreme value bias in the 28-year history of the Russell Index. During this negative period for small growth, Mazama outperformed the Russell 2000 Growth Index by 27%. As a whole, when growth has been favored, Mazama has outperformed the index 68% of the time. Mazama's portfolios prefer markets in which growth outperforms value.

6. **Strategic Investment Solutions, Inc. (SIS) – Investment Manager Consultant**

- a. Presentation of StanCERA's First Quarter 2007 Investment Performance Analysis

Paul Harte briefly reviewed the investment performance analysis for the quarter ending March 31, 2007. The composite fund returned 1.9% in the first quarter of 2007 and ranked in the 76th percentile among other public funds greater than \$100 million. The median fund returned 2.2%. The fund matched its policy index (1.9%) during this quarter. Longer term, the three and five-year returns of 10.2% and 9.5% were slightly under and above the median among total public plans (10.7% and 9.2%).

6. **Strategic Investment Solutions, Inc. (SIS) – Investment Manager Consultant (cont.)**

b. Presentation of the SIS Monthly Performance Review for the Month Ending May 31, 2007

Paul Harte, also presented the monthly performance review for the period ending May 31, 2007. StanCERA's portfolio is \$1.46 billion, a 2.19% increase from the prior month. The overall rate of return for this fiscal year to date is 17.41% slightly under StanCERA's policy index of 17.50%. However, this return is considerably over the fiscal year to date assumed rate of 7.48%, with staggering absolute returns.

c. Due Diligence On-Site Visit May 31, 2007 – Mazama Capital Management, Inc., Portland, Oregon

i. SIS Memorandum Dated May 31, 2007

Paul gave a brief summary of the due diligence visit. StanCERA's small mid-cap portfolio with Mazama appears to be starting to outperform, especially in the past three weeks and since hired November 23, 2004, Mazama has added value to the portfolio.

ii. Mazama Capital Management's Due Diligence Questionnaire Response

Board members reviewed the response and had no further questions.

d. Due Diligence On-Site Visit June 1, 2007 – LSV Asset Management, Chicago, Illinois

i. SIS Memorandum Dated June 1, 2007

Paul gave a short overview of due diligence visit. Performance by LSV has met or exceeded expectations with consistent performance on StanCERA's international value equity portfolio since hired on September 19, 2004.

Maria De Anda, Trustee, inquired if Fidelity and LSV were still a good match for StanCERA's international equity portfolio. Paul responded they are still a good match for the portfolio.

ii. LSV Asset Management's Due Diligence Questionnaire Response

Board members reviewed the response and had no further questions.

e. Discussion and Action on Global Real Estate Investment

The Board directed staff to begin research to explore global Real Estate Investment Trusts (REITs) and bring back information to the Board.

6. **Strategic Investment Solutions, Inc. (SIS) – Investment Manager Consultant (cont.)**

f. Discussion and Action on the Small Cap Value Equity Portfolio Investment

The Board directed staff to revisit the small cap value active managers with data updated through June 30, 2007 and bring back to the Board any recommendations at the August 28, 2007, Investment meeting.

7. **Administrator**

a. Discussion and Action on Fiduciary Liability Insurance Coverage for Fiscal Year 2007-2008

Mr. Watson gave a summary of the written analysis of the fiduciary liability insurance coverage presented to the Board as requested at the June 13, 2007 Board meeting. The board discussed the costs and options available for a separate plan. Gordon Ford, Trustee, articulated his preference that the \$10 million coverage amount would ensure adequate coverage. Others discussed that \$5 million was a sufficient amount.

Motion was made by Maria De Anda and seconded by Ron Martin to approve a \$5 million fiduciary liability insurance policy through Traveler's Insurance with a \$50,000 deductible for an annual cost of \$31,745. This will yield a \$28,354 reduction in the original amount budgeted for fiscal year 2007-2008.

Motion carried.

Gordon Ford opposed.

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

STANDING COMMITTEES

a. Due Diligence Committee – Mike Fisher, Chair

i. See Items 6c. and 6d.

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

Darin Gharat, Trustee, thanked the Retired Employees of Stanislaus County (RESCO) for inviting himself and fellow trustees Maria De Anda, Mike Fisher, and Steve Yauch, who attended the Summer Luncheon on Thursday, June 21, 2007.

Kelly Cerny, Secretary, stated Board members received a written update of the 2007 Educational Opportunities Calendar with the addition of recently approved educational opportunities.

10. **Adjournment**

Meeting adjourned at 3:26 p.m.

Respectfully submitted,

Tom Watson, Retirement Administrator

APPROVED AS TO FORM:
MICHAEL KRAUSNICK, COUNTY COUNSEL

By: _____
Edward R. Burroughs, Deputy County Counsel