



STANISLAUS COUNTY
EMPLOYEES' RETIREMENT ASSOCIATION
1010 10th Street, Suite 5800
P.O. Box 3150
Modesto, CA 95353-3150

Phone (209) 525-6393
Fax (209) 525-4334
www.stancera.org
e-mail: retirement@
stancera.org

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BOARD OF RETIREMENT MINUTES

June 28, 2005

Members Present: Nick Blom, Jim DeMartini, Gary Dial, Mike Fisher, Gordon Ford, Darin Gharat, Wes Hall, Ron Martin, and Linda Stotts-Burnett

Members Absent: Maria DeAnda

Others Present: Ed Burroughs, Kelly Cerny, Paul Harte-Strategic Investment Solutions, Ron Saba-Charlotte Capital, Hank Skau, and Tom Watson

1. Meeting called to order at 2:01 p.m. by Chair Gary Dial.

2. **Announcements**

Tom Watson, Administrator presented Gary Dial and Nick Blom with plaques to commemorate their many years of service to the Retirement Board.

3. **Public Comment**

None.

4. **Consent Items**

Motion was made by Wes Hall and seconded by Mike Fisher to approve the following items as listed.

Motion carried.

a. Approval of the June 8, 2005 Minutes

b. Approval for the Chair to Sign Letter of Engagement for Audit of StanCERA for Year Ending June 30, 2005, by Brown Armstrong, Certified Public Accountants

5. **Strategic Investment Solutions, Inc. (SIS) Monthly Performance Review**

Paul Harte presented the monthly performance review for period ending May 31, 2005. As of May 31, 2005, StanCERA's portfolio was \$1.16 billion, a 2.05% increase for the month. Asset allocation continues on target. The fiscal year to date return is 7.60%. Paul introduced the addition of three new charts to the monthly performance review. These charts will show monthly observations of a rolling three-year period of each of StanCERA's investment managers using the Russell 1000 Index. Gary Dial stated the charts were useful.

Mike Fisher left at 2:33 p.m.

6. **Semi-Annual Portfolio Report by Charlotte Capital**

Mike Fisher returned at 2:36 p.m.

Ron Saba, Investment Officer, presented the semi-annual review of StanCERA's portfolio with Charlotte Capital. Mr. Saba gave an organizational update and review of their investment process. Mr. Saba stated the portfolio return for the first quarter of 2005, -4.8% net of fees, did not meet the Russell 2000 Value benchmark of -4.0%. However, the second quarter was positive, with a portfolio return of 0.9% net of fees, versus the Russell 2000 Value benchmark of 4.0%.

7. **Administrator**

- a. Discussion & Approval of the May 2005 Revised Statement of Investment Policy Draft

Tom Watson presented the May 2005 Statement of Investment with its final revisions.

Motion was made by Wes Hall and seconded by Ron Martin to approve the May 2005 Statement of Investment Policy.

Motion carried.

7. **Administrator (cont.)**

- b. Strategic Investment Solutions, Inc. (SIS), Review & Recommendation to Retain Putnam Investments for International Equity Investment Management

Tom Watson Administrator, asked Paul Harte of SIS to give the Board an overview of the SIS memorandum of June 13, 2005. This memorandum detailed SIS's June meeting with Putnam Investments regarding StanCERA's international equity portfolio. Putnam Investments had been in the news frequently in 2003 and 2004 due to under performance and other key actions.

Paul stated Putnam had made a major change in the latter part of 2004 with how their research was organized. Research prior to this change was centralized with analysts reporting to a director of research. Putnam stated this centralized version of research fell short in a few ways.

Putnam has since changed their research effort to divide the international equity portfolio into regions – Europe, Asia and Emerging Markets. Analysts now report to regional heads. Each regional head works with the analysts on a daily basis and the regional heads then each construct a regional portfolio. Putnam's Chief Investment Officer then interacts with each of the regional heads and constructs an ACWI ex-US portfolio of 100-110 names as a best ideas portfolio of the regional portfolios, which should in turn be the best ideas of the respective analysts.

Performance has started to turn around and Putnam believes that when the market differentiates between high quality and low quality companies, the recent couple of months of outperformance will continue.

SIS recommends that the quarter ending December 31, 2005, should be the next time to reassess the product and determine whether a replacement may be necessary.

9. **Correspondence**

None.

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

None.

11. **Adjournment**

Meeting adjourned at 3:15 p.m.

Respectfully submitted,

Tom Watson, Administrator

APPROVED AS TO FORM:
MICHAEL KRAUSNICK, COUNTY COUNSEL

Deirdre McGrath, Deputy County Counsel

For: Edward R. Burroughs, Deputy County Counsel