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~~Amended October 11, 2006~~
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BOARD OF RETIREMENT MINUTES

September 26, 2006

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

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

Members Absent: Maria DeAnda, and Mike Lynch

Others Present: Ed Burroughs, Kelly Cerny, Paul Harte-Strategic Investment Solutions
(SIS), Don Klotter–Mazama Capital Management, Inc., and
Tom Watson

1. Meeting called to order at 2:02 p.m. by Chair Darin Gharat

2. **Announcements**

Tom Watson, Administrator, announced the District Attorney's office is relocating this week to 832 12th Street and should be operational by Monday, October 2, 2006. Tom said if Board members had any problems with parking to notify him.

Kelly Cerny announced she distributed to Board members and staff copies of the PowerPoint presentation from a webcast StanCERA staff and some trustees attended. The webcast, entitled, "*DC Plans – Missing the Forest for the Trees?*" was held on Wednesday, August 23, 2006, sponsored by PlanSponsor. Kelly said additional copies were available to those who may be interested.

3. **Public Comment**

None.

4. **Consent Items**

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

Motion carried.

a. Approval of the September 13, 2006 Minutes

5. **Mazama Capital Management, Inc.'s Semi-Annual Investment Performance Report**

Don Klotter, Vice President, Marketing & Client Services, gave the semi-annual presentation of StanCERA's small-mid cap growth equity portfolio. StanCERA's market value as of June 30, 2006 is \$59,011,634. The year to date, one year and since inception (11/23/04) return percentages, gross of fees as of June 30, 2006 were -0.18%, 16.64% and 12.18%, respectively. The year-to-date, one-year and since inception (11/23/04) return percentages, gross of fees as of August 31, 2006 were 1.83%, 12.06% and 12.22%, respectively.

6. **Strategic Investment Solutions, Inc. (SIS) Presentations and Recommendations**

a. Discussion and Action on StanCERA's Revised Investment Policy

Paul gave a brief overview of the revisions to the Investment Policy. Revisions included changes to the asset allocation targets and ranges as approved at the August 22, 2006 investment meeting and the additions of the of the new investment managers. Paul requested to bring back to the Board at a future meeting proposed specific language to add for the 5% special situations fund.

Motion was made by Wes Hall and seconded by Steve Yauch to adopt the Revised Investment Policy as presented.

Motion carried.

b. Discussion and Action on the Investment Managers' Structure Balances and Targets for the Proposed Rebalancing of the New Asset Allocation Targets

Paul Harte gave an update of the balances and targets of StanCERA's investment managers through August 31, 2006. The proposed rebalancing would result in moving \$25 million over the next five months at \$5 million per month from the small cap value portfolio and taking \$10 million from the fixed income portfolio, and then adding \$17,500,000 to each of the international equity portfolios as cash is received.

Motion was made by Steve Yauch and seconded by Ron Martin to adopt the recommendation of the rebalancing of the investment managers' structure balances and targets as proposed.

Motion carried.

c. Discussion and Action on the Small Cap Value Equity Investment Alternatives

i. Discussion and Action on the Small Cap Value Equity Manager Search Criteria Memorandum and Request for Information (RFI)

Paul Harte gave a brief summary of the methodology SIS used to sort through potential small cap value equity money managers. The criteria used identified eight "best" candidates for this asset allocation.

6. **Strategic Investment Solutions, Inc. (SIS) Presentations and Recommendations (cont.)**

c. Discussion and Action on the Small Cap Value Equity Investment Alternatives (cont.)

i. Discussion and Action on the Small Cap Value Equity Manager Search Criteria Memorandum and Request for Information (RFI)

After review of the information presented by Paul Harte, motion was made by Steve Yauch and seconded by Ron Martin to approve the criteria as presented, and directed SIS to prepare a request for information (RFI) to the eight candidates.

Motion carried.

d. The Monthly Performance Review for Month Ending August 31, 2006

Paul Harte presented the monthly performance review for the period ending August 31, 2006. As of August 31, 2006, StanCERA's portfolio was \$ 1.28 billion, A decrease of 0.04% for the month. The fiscal year to date return is 2.11%, below StanCERA's policy index of 2.58%, but above the fiscal year to date actuarial assumed rate of 1.32% Paul said August was a good month. Small caps outperformed large caps and growth outperformed value.

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

STANDING COMMITTEES

a. Strategic Plan – Alternative Investments – Gordon Ford, Chair

i. Report on the Recommendations of the Alternative Investments Committee

Gordon Ford, Chair, distributed to Board members a memorandum dated September 21, 2006 regarding various newspaper articles on investments.

Gordon informed the Board that the Committee is seeking clarification of the direction of the Committee and the roles of the Board of Retirement and StanCERA's consultant relating to the Committee. Tom Watson stated that originally the committee was formed as a result of one of the strategic planning sessions of 2005, primarily the possibility of financing county buildings. Gordon said the Committee had questions about its role once a 5% special situations fund was added to the portfolio at the August 22, 2006 investment meeting.

Paul Harte said policies and procedures of the special situations fund would be available at the next investment meeting. The policies and procedures could be utilized as a starting point for the Board to determine what education and investment opportunities it would like to explore relating to the 5% special situations fund. The policy would address bringing potential ideas to the Board for further education and consideration.

7. **Committee Reports & Recommendations for Action (cont.)**

STANDING COMMITTEES (cont.)

a. Strategic Plan – Alternative Investments – Gordon Ford, Chair (cont.)

i. Report on the Recommendations of the Alternative Investments Committee (cont.)

Gordon stated the Committee's recommendation is that of the special situations funds alternatives, real estate be pursued.

ii. Discussion and Action on the Alternative Investments Committee's Report

Board members discussed the Committee's questions. It was determined that StanCERA's consultant and the committee would be duplicating the the effort of bringing alternative investments to the Board for education and possible consideration. Recommendations were made to disband the committee and authorize the consultant to bring alternative investments to the full Board of Retirement for consideration.

Steve Yauch, requested staff to make inquiries as to whether the other three strategic planning committees could become ad-hoc in order to expedite the meetings more efficiently.

The Board requested the matter of disbanding the Strategic Plan – Alternative Investments Committee be brought back for discussion and action at a future meeting.

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

Jim De Martini inquired as to the status of the draft open editorial response to The Modesto Bee that the Board requested at the September 13, 2006 administrative meeting. Tom Watson, said the draft will be on the October 11, 2006 administrative meeting agenda.

Linda Stotts-Burnett and Darin Gharat both thanked the Board of Retirement for the opportunity to attend the recent National Conference on Public Employee Retirement Systems' (NCPERS) Public Health Sector Symposium in Chicago. Linda stated it was very informative and they will bring a synopsis of the Symposium to the Board at a future meeting.

Paul Harte, SIS, mentioned that the actuary company that works with both StanCERA and the San Joaquin County Employees' Retirement Association (SJCERA) recently lost the two principal consulting actuaries that handle these retirement systems. This leaves the company with no other public clients and system expertise. Paul said SJCERA is reviewing other actuarial firms.

9. **Adjournment**

Meeting adjourned at 3:41 p.m.

Respectfully submitted,

Tom Watson, Administrator

APPROVED AS TO FORM:
MICHAEL KRAUSNICK, COUNTY COUNSEL

By: _____
Edward R. Burroughs, Deputy County Counsel