



**STANISLAUS COUNTY
EMPLOYEES' RETIREMENT ASSOCIATION**
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BOARD OF RETIREMENT MINUTES

October 24, 2000

Members Present: Lyn Bettencourt, Maria DeAnda, Wesley Hall, Al Sarina, Virgil Thompson, Steve Yauch, and Tom Watson

Members Absent: Nick Blom

Others Present: Victoria Halliday, Robert Harmon, Lois Ertel; Julia Paul, David Paul, Bernadette Paul, Joan Paul Eschoo; Richard Harris and Tom Rosalanko of Putnam Investments; Stephen McDonald and Christopher J. Ainley of TCW

1. Meeting called to order at 2:00 p.m. by Vice-Chairman Wesley Hall

Lyn Bettencourt arrived at 2:02 p.m. and chaired the remainder of the meeting.

2. **ANNOUNCEMENTS**

None

3. **PUBLIC COMMENT**

None

4. **CONSENT ITEMS**

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

Motion carried.

- a. Approval of the October 11, 2000 Regular and Closed Session Minutes.

Administrator's item "a" was taken out of order at this time.

Chairman Lyn Bettencourt presented a Resolution and a Plaque in memory of Joash Paul to his surviving spouse, Julia Paul. The resolution honored the 16 plus years of diligent and faithful service Joash Paul had given to the Stanislaus County Employees' Retirement Association. The leadership, skill and dedication of Joash Paul is to be commended. Julia Paul in her acceptance of this commemorative plaque described Joash Paul as a caring, involved person that worked for the good of the majority. She believes that he served the community, the County, and the Retirement Association as a true statesman and thanked the Board for recognizing his many years of public service.

5. **QUARTERLY REPORT OF PERFORMANCE BY TCW**

Stephen McDonald and Christopher Ainley presented the regular quarterly report of investment performance for the period ending September 30, 2000. The report indicated that the Small Cap portfolio of StanCERA has returned 73.56% since its inception on 7/6/99 (this is a market rate of return). StanCERA initially invested \$20 million in July 1999 with \$3 million added each month since for a total contribution to date of \$62 million. StanCERA has allocated 10% of total assets for small cap investments and has a current allocation of 8.8% in this fund. The market value of our funds as of 9/30/00 was \$86,622,143.

Christopher Ainley said this quarter is showing a steady recovery in performance from the second quarter and the most volatile market he has ever seen. The technology changes have provided a good environment for their investment strategy as has the lack of confidence of investors in the current market. The portfolio management team is the key to their success in finding and investing in small growth companies with the potential for outstanding earnings growth.

Virgil Thompson asked about public companies' disclosure and TCW responded that although it is not receiving any different information than others, its staff knows the questions to ask, how to interpret the answers, and they have a knowledge of the business and its management provided by research. In response to Lyn Bettencourt's question about their experience and opinion of consultants, TCW responded they have found most consultants are fair, but they had a growing concern with conflict of interest.

A five minute break was taken at 2:45 p.m.

6. **QUARTERLY REPORT OF PERFORMANCE BY PUTNAM INVESTMENTS**

Richard Harris and Thomas Rosalanko presented the regular quarterly report of investment performance for the period ending September 30, 2000. The report indicated that the entire International Trust Fund returned 27.15% for the year and 16.61% annually compounded over the past 3 years (these are market rates of return). StanCera's investments are part of this commingled fund. StanCERA initially invested \$20 million in July, 1997 with \$6 million added each quarter until the 10% allocation was met. After a rebalancing in July, 2000 and the current downward market trend, the market value of our funds as of 09/30/00 of \$82,222,229 represents 8.5% of the fund.

Thomas Rosalanko told the Board that although their goals are similar to TCW, they use a different approach. Their method of investment which considers a country, sector, and stock, has proven successful. They consider the value of a company rather than using a specific style such as growth.

Disclosure issues have only affected their conference calls by lengthening them to cover all required criteria. Putnam believes that good consultant firms manage conflicts well.

7. **STAFF REPORT OF MONTHLY INVESTMENT PERFORMANCE FOR SEPTEMBER, 2000**

Robert Harmon reviewed the Monthly Investment Report which indicated the market value of the total fund (\$966,819,152) as of 9/30/00 reflected a -1.2% change from the previous month and earnings for the month were a -1.45%. However, the 12 month period indicated 13.77% earnings. Robert Harmon wanted to provide a report for the quarter ending 9/30/00, but found some of the data he needed was not available as yet.

Robert Harmon reported that TCW does not do direct trade and that Dodge and Cox can do better most of the time without using directed brokerage, but they will try. It seems directed brokerage works best with large trades and not for trimming to smaller holdings. Commission Recapture income for the month was \$21,167 and Securities Lending income for the month was \$14,091.

Complete copies of all performance reports are available in the Retirement Office.

A five minute break was taken at 4:00 p.m.

8. **ADMINISTRATOR**

b. Tom Watson, Administrator, reported the Strategic Planning Session for StanCERA Board members has been scheduled for Thursday, January 4, 2001 and Tuesday, January 16, 2001 at Diablo Grande. Sessions will be from 10:00 a.m. to 3:00 p.m. with lunch from 11:00 a.m. to 1:30 p.m. Board members elected to order from the regular menu each morning in lieu of having a buffet lunch.

c. After review of the Due Diligence committee report of their meeting on October 19, 2000, motion was made by Tom Watson and seconded by Wesley Hall to accept their recommendation and approve the hiring of Cooper Consultants for a fee not to exceed \$23,150, plus reasonable travel costs, for a short list search of the five most qualified to provide StanCERA with needed Consultant services. The committee is authorized to meet with Cooper Consultants to begin a needs assessment and develop the search criteria.

Motion carried.

9. **MEMBERS FORUM (Information and Future Agenda Requests Only)**

Victoria Halliday will provide a written update on the "Ventura" decision covering the Fresno County settlement at the next Board meeting.

Virgil Thompson received information from San Joaquin County Employees' Retirement Association on a proposed three day advanced training program for trustees/staff in "Pension Fund and Investment Management" to be offered in April 2001 if 30 registrants can be guaranteed. This

9. **MEMBERS FORUM (Information and Future Agenda Requests Only) - Continued**

would be modeled closely to the Kellogg program. An informal poll indicated enough interest at a cost of approximately \$20,000 for 6 participants from StanCERA to attend. This is to be an action item on the agenda for the November 28, 2000 Board meeting.

In response to his question, Wes Hall was told that Continuing Education Reports with information for past conferences will be provided to Board members in the near future for the purpose of updating education records.

Robert Harmon reported the Pre-Retirement Seminar held earlier today went well. Greg Rhodes of Member Financial Services, after a phone discussion, filled in quite well for the Hartford representative who was unable to attend due to unexpected car trouble on her way to Modesto. Approximately 320 members were in attendance and a revised agenda worked well. Robert Harmon will provide more information after the surveys completed by members in attendance are tabulated.

Robert Harmon mentioned a couple of educational training opportunities; one in Washington D.C. that provides certification and the other in Louisiana. The one in Louisiana, where he plans to be a guest speaker, would be complimentary for any trustees registering by the end of the week. He will provide more information on these later.

Karen Jordan of MFS Institutional Advisors has invited Board members attending the SACRS Fall Conference to dinner on the night of their choice. As the replacement for Therese McKeown, who has left the firm, she would like the opportunity to meet the Board. Robert Harmon will let Karen Jordan know the Board has accepted her invitation for Tuesday, November 14, 2000.

Maria DeAnda thanked the Board for the opportunity to attend the Capital Resource Advisors Summit earlier in the month. There were some good presentations and she will provide a written report with more information soon.

Lyn Bettencourt suggested a one week program provided by Callan College in San Francisco be considered for educational purposes. He thanked Tom Watson and Robert Harmon for acknowledgment of staff. Kim Ringer, legal Counsel to StanCERA with the firm of Rein & Rein, provided a nice update on disability files for which she is responsible. Lyn Bettencourt suggested the Board consider ways for the pre-retirement seminars to be available to more members at their planning session in January.

Wes Hall offered the volunteer services of retirees to help retirement staff with stuffing envelopes or any other non-confidential activities that would be of help to staff.

10. **ADJOURNMENT**

Meeting adjourned a 4:50 p.m.