



STANISLAUS COUNTY
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SPECIAL MEETING

BOARD OF RETIREMENT MINUTES

November 6, 2006

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

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

Members Absent: Mike Fisher and Steve Yauch

Others Present: Natalie Elliott, Paul Harte-Strategic Investment Solutions (SIS), Deirdre McGrath, Hank Skau, Tom Watson and Donna Wood

1. Meeting called to order at 12:02 p.m. by Chair Darin Gharat

2. **Announcements**

Tom Watson, Administrator, announced that StanCERA's Open House would be Tuesday, November 7, 2006 from 2:00 p.m. to 5:00 p.m. for our members. Staff has worked diligently to decorate and get ready for the open house. Our interview rooms will be equipped with computers and staff will be available to assist members in navigating our website. Board member portraits have been hung on the wall in the hallway leading into the Board Room. A 50-year history of StanCERA's statistics printed out by year is displayed in the Board Room. The display includes the names and years of service of all retirement board members for that period; members' statistics; assets; revenues; expenses; and actuarial assumed rate of return for each year. These statistics were taken from the members' annual reports.

Blue Travel Packets for Board Member attending SACRS have been distributed. Board members are asked to retain all receipts.

Linda Stotts-Burnett arrived at 12:22 p.m.

3. **Public Comment**

None

4. **Discussion and Action on an Interim Investment Manager for the Small Cap Value Equity Portfolio**

Tom Watson, Administrator, gave a historical perspective with regards to Charlotte Capital, currently under review and addressed a recent letter from Ronald Saba informing StanCERA of Charlotte Capital's decision to cease managing client assets effective November 30, 2006.

StanCERA's investment consultant Paul Harte of Strategic Investment Solutions, presented temporary solutions to the board regarding transitioning from Charlotte Capital.

First presentation was a proposal from The Frank Russell Company. Russell is one of the top transitional managers. The proposal shows the board a Pre-Transition Summary illustrating various transitional portfolios that would reflect closer attributes to the Russell 2000 Value Index than the current portfolio including: 3%, 2.25%, 1.5% Tracking Errors and Full Replication to Russell 2000 Value Index. Total costs ranged from 13.6 basis points to 87.5 basis points.

The second proposal was from the Bank of New York Global Transition Management team. BNY recommends selling all of the Charlotte Capital's assets and buying shares of the Exchange Traded Funds (ETF) of the Russell 2000 Value Index. This will fully replicate the Russell 2000 Value index benchmark (no tracking error). The commission is 1.5 cents per share and this is the only explicit cost. The estimated cost of transitioning the current assets into the ETF *ishares* is about 52 basis points. BNY estimates another 22 basis points will be the cost of transitioning from the ETF *ishares* into a managed portfolio.

The third proposal was from Credit Suisse. This proposal was very much like the proposal from Russell. Credit Suisse offered three options each with non-fiduciary and fiduciary sub-options. The options included complete transition to the Russell 2000 Value Index or a portfolio with a 2% tracking error to that index or a portfolio with a 2.5% tracking error to that index. Costs estimates range from a mean of 45 basis points to 69 basis points.

After a thoughtful analysis, Paul Harte recommended that the retirement board use the approach for transition management of the small cap value equity portfolio as proposed by the Bank of New York Global Transition Management team.

Motion was made by Wes Hall and seconded by Ron Martin to approve the Bank of New York Global Transition Management to effect the transition of small cap value equity assets from Charlotte Capital as proposed by selling off current assets and purchasing ETF *ishares* to reflect the Russell 2000 Value Index.

Motion carried.

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

Paul Harte, SIS, requested that Tom Watson compose and send a letter to Charlotte Capital to cease trading effective immediately.

Tom Watson, Administrator, will notify The Bank of New York Global Transition Management team to start the transition. The account should be reconciled and certified upon settlement.

6. **Adjournment**

Meeting adjourned at 12:45 p.m.

Respectfully submitted,

Tom Watson, Retirement Administrator

APPROVED AS TO FORM:
MICHAEL KRAUSNICK, COUNTY COUNSEL

By: _____
Deirdre McGrath, Deputy County Counsel