



BOARD OF RETIREMENT MINUTES

February 22, 2000

Members Present: Lyn Bettencourt, Nick Blom, Maria DeAnda, Wes Hall, Thomas Keating, Joash Paul, Al Sarina, Steve Yauch, and Tom Watson

Members Absent: Virgil Thompson

Others Present: Lois Ertel; Wendell Birkhofer and Robert Thompson of Dodge & Cox, Richard Harris and Carolyn Hughes of Putnam Investments, Stephen McDonald and Nicholas Capuano of TCW, John McLaughlin of Capital Resource Advisors

1. Meeting called to order at 2:00 p.m. by Chairman Joash Paul.

2. **ANNOUNCEMENTS**

Tom Watson announced two donations in the amount of \$100 each had been made in the name of the Board of Retirement to the Salvation Army and Modesto Baseball for Youth in memory of Frank Russo, deceased 2/14/2000 at the age of 91. Frank Russo served as a Trustee on the Board of Retirement from 1962 to 1995 (33 years). Two cards were passed around for signatures of those Board members desiring to contribute to this memorial.

3. **PUBLIC COMMENT**

None

4. **CONSENT ITEMS**

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

Motion carried.

a. Approval of the February 9, 2000 Regular and Closed Session Minutes.

Due to flight schedules, the quarterly reports of our investment managers were taken in the order of time constraints rather than as listed on the agenda.

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

Richard Harris and Carolyn Hughes presented the regular quarterly report of investment performance for the period ending December 31, 1999. The report indicated that the Board of Retirement Minutes

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5. **QUARTERLY REPORT OF PERFORMANCE BY PUTNAM INVESTMENTS-Continued**

entire International Trust Fund returned 59.17% for the year, 27.86% annually compounded over the past 3 years and 22.77% per year compounded for the past 5 years (these are market rates of return). StanCERA initially invested \$20 million in July, 1997 with \$6 million added each quarter since then for a total contribution to date of \$68,000,000. The market value of our funds as of 12/31/99 was \$113,676,851.

The 10% allocation for international investments has been reached. A re-balance is done periodically to keep the account as close to the 10% allocation as possible. StanCera's investments are part of a commingled fund.

Carolyn Hughes told the Board that as "Core Investors", they don't look specifically at growth, value, cyclical features or sectors, but look at the company. They have been investing in some of the emerging markets in Japan with emphasis on new, growing service industries.

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

Stephen McDonald and Nicholas Capuano presented the regular quarterly report of investment performance for the period ending December 31, 1999. The report indicated that the Small Cap portfolio of StanCERA has returned 80.20% since its inception on 7/6/99. StanCERA initially invested \$20 million in July 1999 with \$3 million added each month since for a total contribution to date of \$35 million. StanCERA has allocated 10% of total assets for small cap investments. The market value of our funds as of 12/31/99 was \$64,163,420.

Stephen McDonald acknowledged StanCERA's timing was good for getting into small cap investments and the returns for the last quarter of 1999 were outstanding. However, TCW's strategy should be judged on long term performance. "Since its inception seventeen years ago, the TCW Small Cap Growth Strategy's returns have compounded at 25.4% per annum."

A five minute break was taken from 3:10 to 3:15.

7. **QUARTERLY REPORT BY DODGE & COX**

Wendell Birkhofer and Robert Thompson from our investment manager, Dodge and Cox, presented the regular quarterly report of investment performance for the period ending December 31, 1999. The report indicated that the entire portfolio returned 10.8% for the year, 13.4% annually compounded over the past 3 years and 16.7% per year compounded for the past 5 years (these are market rates of return). The market value of our funds as of 12/31/99 was \$751,563,880 (an increase of \$7,473,351 from 12/31/98).

Copies of all the investment reports are available for review in the retirement office.
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Nick Blom left at 3:55 p.m.

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

Thomas Keating announced an information fair for the City of Ceres employees will be held on April 25, 2000. This is an all day event and he has talked to Robert Harmon about having retirement staff available for the day to provide information to members.

9. **ADJOURNMENT**

Meeting adjourned a 4:15 p.m.

Respectfully submitted,

Tom Watson, Secretary
Board of Retirement

APPROVED AS TO FORM:
MICHAEL KRAUSNICK
County Counsel

Victoria Halliday, Deputy County Counsel