



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

August 22, 2000

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

Members Absent: Nick Blom

Others Present: Victoria Halliday, Robert Harmon, Lois Ertel; Horton Shapiro, Dodge &
Cox,

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

2. **ANNOUNCEMENTS**

New County credit cards were distributed to those Board members with cards.

Capital Resource Advisors quarterly report was also distributed for review prior to
September 26, 2000 meeting.

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 August 9, 2000 Regular and Closed Session Minutes.

5. **MONTHLY REPORT OF INVESTMENT PERFORMANCE**

Since June books have not been closed, Robert Harmon told the Board the "Statement of
the Retirement System" for both July and August will be provided at the September
Investment meeting.

After review of report, Robert Harmon reported the portfolio had been rebalanced as of July
31, 2000 with \$50mm transferred to MFS and \$3mm to TCW on August 1, 2000. These
funds came from Putnam Investments and Dodge & Cox.

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

Horton Shapiro from our investment manager, Dodge & Cox, presented the regular quarterly report of investment performance for the period ending June 30, 2000. The report indicated that the entire portfolio returned 0.1% for the year, 9.4% annually compounded over the past 3 years and 13.1% per year compounded for the past 5 years (these are market rates of return).

Although June was a very low point, Horton Shapiro reported July was moving up, the Federal Reserve did not raise interest rates today (with caution as inflation is still a concern), and our portfolio with Dodge and Cox had a \$90mm gain for the fiscal year 1999-2000. Bond rates are moving up with inflation and Dodge & Cox has bought more Corporate bonds to take advantage of the higher yield opportunities.

7. **COMMITTEE REPORTS AND RECOMMENDATIONS FOR ACTION**

- a. Benefits Committee-Wesley Hall, Chairman
No report as action was taken at last meeting.
- b. Bylaws Committee-Steve Yauch, Chairman
No report.
- c. Due Diligence Committee-Lyn Bettencourt, Chairman
 1. Although a written report was unavailable due to computer problems, Lyn Bettencourt reported the due diligence visit to Putnam Investments in May, 2000 reinforced the committees' confidence in this quality organization. They feel this is an excellent company with no foundation for reported problems. The questions asked were answered as expected. (The written questions and responses are available in the Retirement office.)
 2. The committee found areas of concern after their due diligence visit to Capital Resource Advisors in May, 2000. They have a commission recapture program which is good, but the committee believes this poses a problem with a potential conflict of interest with the consulting aspect of their organization. They have lost some of their clients in California (Marin County/San Joaquin County), do not provide monthly snapshots of plan or proxy voting guidelines as stated, and did not answer all questions given to them. The committee wanted the Board to be aware and alert to potential problems.

The committee suggested the Board review their own philosophy and decide what it wants from a consultant. Some considerations suggested were; 1) look at consulting companies in California, 2) use a Request for Interests to determine philosophies of consulting organizations, 3) use the

7. **COMMITTEE REPORTS AND RECOMMENDATION FOR ACTION-Continued**

2. SACRS directory to see what other counties are doing, and 4) explore the possibility of using Jennifer Cooper as a consultant in this process.

The due diligence committee was asked to look at this issue and bring back a recommendation to the Board.

d. Education Committee-Virgil Thompson, Chairman

1. Motion was made by Virgil Thompson and seconded by Tom Watson to approve reasonable travel expenses for Maria DeAnda to attend Capital Resource Advisors Summit on October 11-14, 2000 in Florida.

Motion carried.

Motion was made Virgil Thompson and seconded by Al Sarina to approve reasonable travel expenses for Joash Paul and Robert Harmon to attend the Institutional Investor Institute Consultants Roundtable on October 2-3, 2000 in San Francisco.

Motion carried.

2. Motion was made by Virgil Thompson and seconded by Tom Watson to approve travel expenses (including airfare) for two County Risk Management staff to attend and participate in the SACRS Fall Conference program in November, 2000 in Anaheim.

Motion carried.

3. Virgil Thompson told the Board he reviews the many educational opportunities that come to his attention and makes recommendations on any that he thinks are worthwhile or of interest to Board members. The Board expressed their satisfaction with this process and did not feel a review by a full committee was necessary. It was suggested a calendar of events offered each year be organized with the help of staff. This will help Board members to be aware of opportunities in advance so that plans can be made. It was also suggested that the National Conference of Public Employee Retirement Systems (NCPERS) be considered for future attendance.

The Bylaws require 36 hours of continuing education during a term. Board members are responsible for turning in information of seminars and conferences attended to Virgil Thompson. This is needed for record keeping purposes.

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

Wes Hall reported that Mendocino County health benefits for retirees was up 61% on July 1, 2000. Katie Romero, Deputy General Manager of Alameda County and formerly of Tulare County, has gone to private enterprise employment. Wes Hall also inquired on the status of "GOLDENYEARS", StanCERA's semi-annual newsletter. Publication is a little behind schedule, but expected to go out in October. Wes Hall observed that not all Board members are assigned to a standing committee.

Two agenda items were requested for the next Board meeting: 1) proposal to increase credit card limits for Board members, and 2) consideration of changing Dodge and Cox to a semi-annual visit.

Al Sarina and Maria DeAnda will not be at the next Board meeting.

Lyn Bettencourt complimented staff for the good service provided to a retiree with complicated needs.

Tom Watson thanked the Board for their cards, thoughts, and prayers in the recent death of their son.

Victoria Halliday reported she had not yet heard from MFS Institutional Investors on the individual cost for those attending their sponsored event at the last SACRS Conference.

9. **ADJOURNMENT**

Meeting adjourned at 3:45 p.m.

Respectfully submitted,

Tom Watson, Secretary
Board of Retirement

APPROVED AS TO FORM:
MICHAEL KRAUSNICK
County Counsel

Victoria Halliday, Deputy County Counsel