



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

MARCH 26, 2002

Members Present: Nick Blom, Kent Crawford, Maria DeAnda, Wes Hall, Al Sarina and Virgil Thompson

Members Absent: Gary Dial, John Hallford, Tom Watson

Others Present: Robert Harmon, Victoria Halliday, Karen Gonzales, John Gobel, Paul Harte and Anji Jog of Strategic Investment Solutions, Inc., Ross McClelland and Jodi Dadrano of State Street Brokerage

1. Meeting called to order at 2:02 p.m. by Chair Wes Hall

2. **ANNOUNCEMENTS**

Robert introduced the new Benefits and Operation manager, John Gobel.

Robert announced that the Board of Supervisors passed and adopted Government Code Section 31641.56 which would allow employees to buy-back part time service rendered between full time service periods.

3. **PUBLIC COMMENT**

None

4. **CONSENT ITEMS**

Motion was made by Virgil Thompson and seconded by Al Sarina to approve the following items as listed.

Motion carried.

a. Approval of the February 26, 2002 Amended Regular Session Minutes and approval of the March 13, 2002 Regular and Closed Session Minutes.

5. **Staff Report of Monthly Performance for Period Ending February 28, 2002**

Robert Harmon passed out a revised copy of the staff report for pages 5,6 and 7 and reported that at the end of February 2002 the association was at \$942 million which was down about 1.2% from the prior month. Robert stated that the manager allocation was about the same since last month except for funding of Dodge & Cox fixed income account. He stated Dodge & Cox was close to target, MFS was at target and that Putnam was slightly out of range. Robert stated that the current performance for Dodge & Cox large cap value for fiscal year to date ended at 1.66% and 0.78%, 3.75% and 0.72% for one month, three month and year to date respectively. MFS large cap growth for one month, three month and year to date was -3.17%, -5.30% and -6.51% respectively which was about 3% down from fiscal year to date. The total domestic equities was down -1.64%. The total fund was down about half percent.

6. **Presentation by Ross McClelland of State Street Brokerage**

Ross McClelland presented the board with a report regarding transition management. Ross reviewed the discussion topics on why to use a transition manager, what the costs involved would be and what State Street's transition philosophy was. Ross stated that the cost of a transition can significantly impact performance if not managed properly. Transitioning assets can be a complex process. Each transition is unique and greater expertise will result in more cost efficient solutions. Ross stated that the empirical costs of trading with a plexus study in 1998 was between 65 bps and 314 bps one way. The Madhavan and Keim study showed between 360 bps and 480 bps one way. Many other studies indicate unmanaged transition costs as high as 1000 bps round trip. The largest component of costs are opportunity costs (timing) and loss of market exposure. Ross stated that the costs can be reduced if you use proper transition management.

7. **Review of Small Cap Value Candidates who Passed Initial Screening**

Paul Harte informed the board that the passive S&P search questions were sent to the four candidates the board agreed upon and that the deadline for them to return their answers is April 12th. Each candidate is to submit twelve copies. Paul also passed out an updated market report.

Anji Jog reviewed the small cap value equity manager search report with the board and went over which candidates passed the initial screening. The criteria to pass was that the manager had greater than 50% of the annualized periods of 1,3,5 and 7 years versus the Russell 2000 Value benchmark and the Small Cap equity universe median manager. Out of the initial 153 products: 109 were eliminated and 44 passed. The minimum amount of tax-exempt product assets are greater than or equal to \$200 million. Out of the remaining 44 products passed, 9 were eliminated and 35 passed. Using returns-based style analysis, product appears to implement a true small cap relative value discipline and is open to new business. Out of the remaining 35 products, 27 were eliminated and 8 passed.

7. **Review of Small Cap Value Candidates who Passed Initial Screening**
- Continued -

It was the consensus of the board to send RFP's to the following managers:

Benson Associates, LLC
Charlotte Capital, LLC
Loomis, Sayles & Company, L.P.
NorthPointe Capital
State Street Research and Management Company
Strong Capital Management, Inc.
TCW Group

8. **Correspondence**

Robert Harmon informed the board that the office had received correspondence from member, Richard Duroy complimenting the staff for being the most "user friendly" office he has ever been in.

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

Victoria Halliday informed the board that she will not be present at the investment meeting on July 23, 2002 and will have her back-up attend the meeting.

Virgil Thompson requested the approval of the Due Diligence trip to Los Angeles in April be placed on the April 10, 2002 agenda.

Wes Hall informed the board that he will be leaving to England for two weeks and will not be present at the April 10, 2002 meeting.

Paul Harte of Strategic Investment Solutions, Inc. Stated that Lou Kingston of Strategic Investment Solutions, Inc. will be present at the SACRS conference in Sacramento and will be making a presentation.

Kent Crawford informed the board that he will not be present at the April 23, 2002 meeting.

Robert Harmon requested the SACRS proxy form be completed and the Chair, Wesley Hall was authorized by the board to vote on behalf of the County Retirement System.

Robert Harmon reviewed the Slate of Officers for election at SACRS.

10. **ADJOURNMENT**

Meeting adjourned at 4:13 p.m.

Respectfully submitted,

Robert Harmon, Administrator

APPROVED AS TO FORM:
MICHAEL KRAUSNICK
County Counsel

Victoria Halliday, Deputy County Counsel