



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

OCTOBER 22, 2002

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

Members Absent: John Hallford

Others Present: Robert Harmon, Victoria Halliday, Karen Gonzales, Paul Harte from Strategic Investment Solutions, Rick Harris and Carolyn Hughes from Putnam Investments.

1. Meeting called to order at 2:00 p.m. by Chair Wes Hall

2. ANNOUNCEMENTS

Robert requested item 6 (Closed Session) be moved to after the Administrator's items on the agenda.

Robert informed the board that the open enrollment and health faire was currently going on at the Centre Plaza and invited the board members to attend after the meeting.

Robert informed the board that StanCERA held the semi-annual pre-retirement seminar on October 17, 2002 and approximately 125 members attended.

3. PUBLIC COMMENT

None

4. CONSENT ITEMS

Motion was made by Al Sarina and seconded by Maria DeAnda to approve the following items as listed with correction made.

Motion carried.

a. Approval of the October 9, 2002 Regular Session Minutes.

b. Approval of Service Retirement(s) - Sections 31499.14, 31760-1 and 31810

1. Linda B. Bishop, Health Services Agency, Effective 10-01-02

Due to our money managers being present, the closed session was moved to the end of the meeting.

5. **Closed Session**

Motion was made by Maria DeAnda and seconded by Kent Crawford to adjourn to closed session at 3:05 p.m.

Motion carried.

Closed Session Findings:

After returning to regular session at 3:23 p.m., Robert Harmon, Administrator, read the findings of the closed session:

The application of Karen Mathews for a service-connected disability retirement benefit was granted effective October 1, 2001.

6. **Semi-Annual Report by Putnam Investments**

Rick Harris of Putnam Investments stated Carolyn Hughes and himself would be giving highlights of the semi-annual report and would be giving promotional highlights at the upcoming due diligence visit in Boston next week. Rick stated that Putnam under performed by 200 basis points in the second quarter. They were down -2.35% on June 30, 2002 and down 30 basis points as of October 21, 2002. Rick stated that Putnam had hired a new person in the investment department and would be joining Putnam in November.

Carolyn Hughes gave the semi-annual report and stated that the first quarter was good but the second and third quarters were not very good. Carolyn stated that the third quarter was the worst quarter in twenty-five years. Currently they are underweight in Japan where the economy is weak.

Nick Blom arrived at 2:08 p.m.

Carolyn reviewed the performance and portfolio value as of June 30, 2002. The portfolio value as of June 30, 2002 was over \$80 million. She stated that there had been a negative impact from market selections with underweights in Japan, Australia and Hong Kong and overweights to Sweden and France. The stock selection was additionally negative within the consumer cyclicals, financial, health care and basic materials sectors. There had been no hedges in the current quarter. The currency impact within EAFE, the overall currencies gained 8.8% relative to the U.S. dollar, which suffered an approximate 9% decline.

6. **Semi-Annual Report by Putnam Investments**

- Continued

Carolyn stated that we had a very good stock selection with positive performance in Korea, France, Finland, Switzerland, Mexico and Canada. The sector allocation and currency translation effects were largely responsible for the under performance during the first half of the year. Stock selection was positive overall.

7. **Staff Monthly and Quarterly Report of Investment Performance for the month ending September 30, 2002**

Robert Hamon reported that at the end of September 2002 the Association was over \$839 million in assets, which was down from the prior month. Robert stated as of October 21, 2002 the market value was up to \$853 million. Returns for the entire portfolio as of September 30, 2002 were -4.19%, -7.85%, -2.87%, 1.60% and 4.21% for the one month, three months, one, three and five years respectively. Robert did state that historically, the markets go up after elections.

8. **Administrator**

a. Review and Acceptance of TCW Fee Proposal

Paul Harte stated that he had been working with Delia Roges and TCW on a performance-based fee proposal. He stated that TCW forwarded a new proposal that he felt the board would agree to. The proposal stated that the fee would be 40 basis points to a maximum 135 basis points and then it would be capped. This would be effective July 1, 2002 and based on a rolling three years. Paul recommended the Board accept the TCW fee proposal.

Motion was made by Virgil Thompson and seconded by Al Sarina to accept the recommendation of our consultants and approve the change in the fee proposal for TCW and to authorize the Administrator to sign the contract once approved as to form.

Motion carried.

b. Discussion and Acceptance of Charlotte Capital Fee Schedule

Paul Harte passed out information regarding the status of our managers and stated that the Charlotte Capital fee schedule should be straight asset based until assets reach \$500 million. Currently Charlotte prefers to start at 88 basis points and Paul agrees. Paul stated that we should start as asset based and move to performance based fee later.

8. **Administrator**

- Continued -

b. Discussion and Acceptance of Charlotte Capital Fee Schedule

Motion was made by Virgil Thompson and seconded by Al Sarina to accept the recommendation of our consultants and approve the fee schedule for Charlotte Capital, with an annual review.

Motion carried.

9. **Correspondence**

None

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

Tom Watson reminded the Bylaws committee of the next meeting scheduled for November 7, 2002.

Robert Harmon informed the board that the website was up and running and that he needed to obtain pictures of Gary Dial and Kent Crawford. Robert also updated the board of the "12th Street Project."

Nick Blom left the meeting at 3:40 p.m.

11. **ADJOURNMENT**

Meeting adjourned at 3:49 p.m.

Respectfully submitted,

Robert Harmon, Administrator

APPROVED AS TO FORM:
MICHAEL KRAUSNICK
County Counsel

Victoria Halliday, Deputy County Counsel