



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

MARCH 25, 2003

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

Members Absent: Maria DeAnda

Others Present: Robert Harmon, Victoria Halliday, Jamie Borba, John Gobel, Darin Gharat-Sheriff, Paul Garbe-MFS, Lorie O'Malley-MFS, Stan Risen-CEO, Paul Harte-SIS, Patrick Thomas-SIS, Delia Roges-TCW, Nick Capuano-TCW

1. Meeting called to order at 2:00 p.m. by Chair Tom Watson.

2. **ANNOUNCEMENTS**

Robert stated that there was an error of the safety election ballots and that the problem was corrected in less than 24 hours. Both candidates were satisfied with the outcome and the turnaround of the revised ballots.

Robert announced that the transition of the portfolio is underway. Trading should start by the end of the week.

Vicki announced that the FPPC rules on reporting have changed. It is now an accumulation of \$50 from one source throughout the year, no longer per occurrence.

Jamie reminded the board members to turn in their FPPC Form 700 by today.

3. **PUBLIC COMMENT**

None

4. **CONSENT ITEMS**

Motion was made by Virgil Thompson and seconded by Wes Hall to approve the March 12, 2003 regular and closed session minutes.

Motion carried.

5. **Semi-Annual Report from TCW**

Delia discussed the TCW Corp. environment and mentioned that TCW is experiencing funds flowing into TCW with people rebalancing their portfolios. Delia mentioned that TCW has had virtually no turnover in professionals since the acquisition by Société Générale, S.A.

5. **Semi-Annual Report from TCW**

-Continued-

Nick discussed the current market environment and portfolio performance for the past year. Nick discussed several specific companies and why the Small Cap Growth team feels these are great stocks. He feels the market is ready to reward investor confidence in this style.

The Small Cap Gap portfolio was valued at \$31.3 million as of December 31, 2002. As of February 28, 2003, one and three years returns were -34.2% and -43.7% respectively. Annualized performance since inception was -22.6%

Nick Blom arrived at 2:25 p.m.

6. **Semi-Annual Report from MFS**

Paul Garbe introduced Lorie O'Malley, who has joined MFS as Director of Relationship management. Paul discussed the drivers to MFS' performance during 2002 and the fourth quarter of 2002. Two specific companies that hurt during 2002 were Tyco and Tenet Health Care.

Paul discussed the changes going on at MFS in regards to changing to a team-managed approach for the Large Cap Growth products. Currently, Stephen Pesek is our portfolio manager. Under the team approach, Irfan Ali, John Lathrop and Stephen Pesek will be managing as a team. Paul explained that we may switch to the team product or we can choose to stay with Stephen Pesek.

Under the team portfolio approach, the team portfolio is managed by Peggy Adams, who has discretion over the team. The parameters for the team approach is that the team portfolio will hold only securities which at least one of the portfolio managers holds. Under the team approach, Peggy decides on the portfolio construction and weighting under these parameters.

The Large Cap Growth as of February 28, 2003 had a market value of \$108.9 million. The return for 2002 was -26.88% and +3.10% for the fourth quarter. Since inception the Large Cap Growth portfolio has returned -24.08%.

Virgil requested that they provide returns on a net of fees basis instead of gross of fees in their reports.

Tom called a break at 4:07 p.m.

Tom had to leave so Gary brought the meeting to order at 4:12 p.m.

Nick Blom left at 4:12 p.m.

7. **Staff Monthly Performance Report for Period Ending February 28, 2003**

Robert Harmon reported that at the end of February 28, 2003 the Association was at \$860 million in assets, which was down from the prior month. Returns for the entire portfolio as of February 28, 2003 were -.51%, -3.47%, -7.32%, -.12% and +3.92% for the one month, three month, one, three and five years respectively.

8. **Administrator**

None

9. **Correspondence**

Robert announced that we received a letter of resignation from Pat Paul and that Nick Blom has been appointed to the board in Seat #5.

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

Wes reminded the Benefits Committee of the meeting on March 27, 2003 at 3:00 p.m.

Wes asked about the RFP for the Pension System. Robert is still going through the process to get it completed and to try to have it on the April 9, 2003 agenda.

Wes asked when to expect the report from the Strategic Planning Retreat. Robert is currently in the process of writing that.

Robert announced that he will have the floor plans available for review by next week if anyone is interested in viewing them.

11. **ADJOURNMENT**

Meeting adjourned at 4:25 p.m.

Respectfully submitted,

Robert Harmon, Administrator

APPROVED AS TO FORM:
MICHAEL KRAUSNICK
County Counsel