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## PLEASE POST FOR EMPLOYEE VIEWING

BOARD OF RETIREMENT MINUTES

April 26, 2005

**Members Present:** Nick Blom, Maria DeAnda, Jim DeMartini, Gary Dial, Mike Fisher, Gordon Ford, Darin Gharat, Ron Martin, and Linda Stotts-Burnett

**Members Absent:** Wes Hall

**Others Present:** Keith Bruch-LSV Asset Management, Kelly Cerny, Natalie Elliott, Paul Harte-Strategic Investment Solutions, Richard Harris & Carolyn Hughes-Putnam Investments, Deirdre McGrath, Hank Skau, and Tom Watson

1. Meeting called to order at 2:00 p.m. by Chair Gary Dial.

2. **Announcements**

Jim DeMartini arrived at 2:03 p.m.

Hank Skau introduced Natalie Elliott. Natalie is StanCERA's Accountant and was attending her first Board meeting.

3. **Public Comment**

None.

4. **Consent Items**

Motion was made by Darin Gharat and seconded by Mike Fisher to approve the following items as listed.

Motion carried.

a. **Approval of the April 13, 2005 Regular and Closed Session Minutes**

5. **Strategic Investment Solutions, Inc Monthly Performance Review**

Paul Harte presented the monthly performance review for period ending March 31, 2005. As of March 31, 2005, StanCERA's portfolio was 1.161 billion, a decrease of -1.58% for the month. Asset allocation continues to be on target. The calendar year to date return is 6.29%. This was the first quarter in many years when equity, fixed income and cash returns were all historically low. The dollar is stronger and value is outperforming growth.

6. **Semi-Annual Portfolio Report by LSV Asset Management**

Keith Bruch, Certified Financial Advisor, gave a presentation of LSV Asset Management. LSV was founded in 1994 by three professors with 20 years of academic research on contrarian investment strategies and investor behavior. The same investment team is in place since LSV's inception and is employee owned. Their focus is on value investing. LSV began with StanCERA as one of its international money managers on September 14, 2004.

LSV's investment strategy of its international large cap value equity is to outperform the benchmark by at least 300 basis points per annum over an annualized 3-5 year period without undue risk. LSV will attempt to meet these performance objectives with a tracking error of approximately 5-6% relative to the Index. Their basic approach is quantitative, along with deep value orientation, and to focus on stock selection within countries. They strive to be well diversified and risk controlled.

Gordon Ford asked if outside the United States if companies emphasize dividend yield. Keith Bruch responded that LSV uses a bottom-up approach that selects companies based on a variety of factors that help determine that the market price of the stock of the company is undervalued.

In the first quarter ending March 31, 2005, StanCERA saw a return of 18.5%. During this first quarter the market returns outside the United States were strong. This added value to the stock selection. The period of September 15, 2004 through December 31, 2004 saw a return of 16.9%.

7. **Semi-Annual Portfolio Report by Putnam Investments**

Richard Harris, Managing Director, and Carolyn Hughes, Senior Vice President gave a presentation on the first quarter of 2005. Our international equity portfolio lagged its benchmark in this first quarter. In a weak quarter for stocks worldwide, markets outside the United States fared better than domestic equities. Smaller cap stocks continued to outperform. Richard Harris summarized the cost analysis of the portfolio switching from Europe, Australia, and Far East (EAFE) to All Countries World Index excluding the United States (ACWI ex US).

8. **Administrator**

Mike Fisher left at 3:14 p.m.

- a. Approval of the April 2005 Revised Statement of Investment Policy Draft

Mike Fisher returned at 3:16 p.m.

Tom Watson and Paul Harte had some additional revisions and questions regarding the latest draft of the Statement of Investment Policy. After some discussion on this latest draft, the Board deferred the approval of the policy so further revisions could be made.

9. **Correspondence**

- a. Dodge & Cox Invitation to their 75<sup>th</sup> Anniversary Celebration, May 12, 2005

Tom Watson stated that Dodge & Cox needed a response by May 2, 2005 of those members and staff that were planning to attend the Dodge & Cox 75<sup>th</sup> Anniversary Celebration, May 12, 2005. Anyone interested in attending should notify Kelly Cerny before May 2, 2005.

- b. **Authorization for an Item Too Late for The Agenda** - Approve the need for Board action on an item received too late for the agenda. The item was the Los Angeles County Retirement Association's (LACERA) proposed resolution which was to be presented to the State Association of County Retirement Systems (SACRS) for adoption on May 13, 2005. StanCERA received the proposed resolution on April 21, 2005, after the agenda had been prepared and distributed.

Motion was made by Maria DeAnda and seconded by Linda Stotts-Burnett to authorize the need for action on an item meeting the criteria for an item too late for the agenda.

Motion carried.

- c. **Item Too Late For The Agenda** - Gary Dial asked for direction from the Board regarding voting on the SACRS proposed resolution by LACERA opposing legislation to close the public defined benefit plans.

Maria DeAnda and Nick Blom responded the proposed resolution was too vague. Darin Gharat replied he is opposed to the current legislative proposals because of the potential burden to taxpayers and counties, as well as the liabilities for cities and counties.

9. **Correspondence (cont.)**

c. **Item Too Late for The Agenda (cont.)**

Motion was made by Nick Blom and seconded by Ron Martin for StanCERA to vote no on the adoption of a proposed resolution by LACERA for SACRS to oppose legislative proposals to close defined benefit plans.

Linda Stotts-Burnett and Maria DeAnda opposed.

Motion carried.

10. **Members' Forum (Information and Future Agenda Requests Only)**

Gordon Ford found information he learned at the California Association of Public Retirement Systems (CALAPRS) "Principles of Pension Management for Trustees," session very beneficial. He reported about the rules of various participants in retirement matters (board, staff consultants); that it might be beneficial to have an actuarial report completed on what the potential impact would be of a defined contribution plan.

Jim DeMartini asked if there was a complaint system in place for retirement association members. Mike Fisher responded that all board members should give complaints or other member concerns to Tom Watson, Administrator. This enables the Administrator and staff to assist members in resolution on retirement benefits and/or operations issues.

11. **Adjournment**

Meeting adjourned at 3:45 p.m.

Respectfully submitted,

Tom Watson, Administrator

By: \_\_\_\_\_  
Hank Skau, Operations Manager

APPROVED AS TO FORM:  
MICHAEL KRAUSNICK, COUNTY COUNSEL