



STANISLAUS COUNTY
EMPLOYEES' RETIREMENT ASSOCIATION
1010 10th Street, Suite 5800
P.O. Box 3150
Modesto, CA 95353-3150

Phone (209) 525-6393
Fax (209) 525-4334
www.stancera.org
e-mail: retirement@
stancera.org

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BOARD OF RETIREMENT MINUTES

July 26, 2005

Members Present: Maria DeAnda, Jim DeMartini, Mike Fisher, Gordon Ford, Darin Gharat, Wes Hall, Ron Martin, and Steve Yauch

Alternate Members

Absent: Linda Stotts-Burnett, Retiree

Members Absent: None

Others Present: Kelly Cerny, Paul Harte-Strategic Investment Solutions, Art Londos-Bank of New York, Todd Rose-Bank of New York, Hank Skau, and Tom Watson

1. Meeting called to order at 2:00 p.m. by Chair Steve Yauch.

2. **Announcements**

Kathy Herman, Special Projects Manager, announced to the Board that the StanCERA website would be updated with new Board member information and photographs. Trustees interested in updating their information could contact StanCERA staff. Kathy also mentioned that Board members will be featured in the Fall StanCERA newsletter and asked Board members to provide a quote to be published in the newsletter.

3. **Public Comment**

None.

4. **Consent Items**

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

Motion carried.

a. Approval of the July 13, 2005 Minutes

5. **Strategic Investment Solutions, Inc. (SIS) Monthly Performance Review**

Paul Harte presented the monthly performance review for the period ending June 30, 2005. As of June 30, 2005, StanCERA's portfolio was \$1.17 billion, an .87% increase for the month. Asset allocation continues on target. The fiscal year return is 8.55%. This figure is gross of fees and is only slightly higher than the actuarially assumed rate of 8.16%.

6. **Annual Presentation by Bank of New York of the S&P 500 Index Fund Performance**

Art Londos, Vice President of Relationship Management, and Todd Rose, Vice President, Index Fund Management, were present for the annual review of StanCERA's S&P 500 index fund performance managed by Bank of New York. Mr. Rose distributed reports to the board and gave the presentation. For the period ending June 30, 2005, returns for the Bank of New York's S&P 500 Index fund were .14%, 1.38%, 6.40%, 8.37% and -2.37% for the one-month, three-month, one-year, three-year and five-years, respectively. These figures were 0.00%, 0.01%, 0.08%, 0.09% and 0.07% over the S&P Index return.

7. **Administrator**

a. Discussion & Approval for Dodge & Cox to Invest in Health Care Industry Companies More Than Three Times the Index Weighting

Tom Watson, Administrator, shared a letter from Dodge & Cox dated July 8, 2005. The letter requested an exemption to the investment policy guidelines for an investment weighting in the health care industry sector that is greater than three times the benchmark weighting in that same sector. The Investment Policy states for special situations the Retirement Board may grant an exemption. The policy further states should any investment manager wish to exceed guideline limits, special written prior approval by the Retirement is necessary.

Gordon Ford mentioned that the new investment policy guidelines just went into effect. He questioned why the Retirement Board is already receiving an exemption letter. Paul Harte explained that as of June 30th of each fiscal year, the Russell indices perform a reconstitution resulting in benchmarks shifting. A written exemption to the benchmark weighting guidelines allows the Retirement Board to be apprised when investment managers exceed the guideline limits. This enables the Retirement Board to be prudent with the portfolio.

Motion was made by Ron Martin and seconded by Maria DeAnda to authorize the Administrator to sign the Dodge & Cox letter of exemption to invest in health care industry companies more than three times the index weighting.

Gordon Ford opposed.

Motion carried.

7. **Administrator (cont.)**

b. Reconsideration of Reviewers of the New Office Space Leasing Arrangement

Tom Watson, Administrator notified the Board that new Chair Steve Yauch would like to reconsider the reviewers of the new office space leasing arrangement for the new office located at 832 12th Street.

Steve Yauch, Chair, stated as an employee of the Assessor's office, it would not be appropriate for him to be involved in the negotiations for the leased space. This is due to the fact this space would later be assessed. Steve requested that Darin Gharat, Vice Chair take his place in the negotiations for the leased space. Darin Gharat accepted the assignment

8. **Correspondence**

None.

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

Maria DeAnda stated the Education Committee will share some educational opportunity recommendations at the August 10, 2005 meeting,

Wes Hall, Chair of the Retiree Benefits Committee said a draft of recommendations from the Disability Retirement Accountability Committee meeting today would be discussed at the Retirement Board meeting of August 10, 2005.

Steve Yauch, Chair, stated any questions the Retirement Board may receive relating to the Defined Benefit versus Defined Contribution (or "DB vs. DC") debate, will be directed to County Counsel instead of to the Chair.

10. **Adjournment**

Meeting adjourned at 3:18 p.m.

Respectfully submitted,

Tom Watson, Administrator

APPROVED AS TO FORM:
MICHAEL KRAUSNICK, COUNTY COUNSEL

Deirdre McGrath, Deputy County Counsel