



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

PLEASE POST FOR EMPLOYEE VIEWING

BOARD OF RETIREMENT MINUTES

SEPTEMBER 28, 2004

Members Present: Nick Blom, Kent Crawford, Maria DeAnda, Gary Dial, Darin Gharat, Wes Hall, Mike Fisher, and Linda Stotts-Burnett

Members Absent: Tom Watson

Others Present: Karen Gonzales, Michael Krausnick, Henry Skau, Paul Harte of SIS, Sean McLeod and Mark Meyocks of USBancorp Asset Management, Steve Brink and Don Klotter of Mazama Capital Management, Paul Garbe, Peggy Adams and Mario DeVito of MFS Institutions Advisors, Stan Risen, Monica Nino-Reed and Patti Gillihan from the CEO office.

1. Meeting called to order at 1:00 p.m. by Chair, Maria DeAnda.

2. **Announcements**

Karen Gonzales, Executive Secretary made the following announcements:

Item 9(a) was placed on the agenda in error and should be placed on the October 13th agenda.

StanCERA staff requests volunteers from RESCO to help stuff open enrollment envelopes either on October 6th, 7th, 11th or 12th in order for the information to be placed in the mail by October 15th.

The Board of Supervisors has appointed Mr. Ron Martin to Seat 4. Mr. Martin will be present at the October 13th meeting and plans to attend the Fall SACRS Conference.

As of today's date Stanislaus County Personnel Department has only received two applications for the Administrator position and the deadline for filing is September 30, 2004.

Mike Fisher arrived at 1:04 p.m.

3. **Public Comments**

None

4. **Consent Items**

Motion was made by Darin Gharat and seconded by Nick Blom to approve the following items listed.

Motion carried.

- a. Approval of the September 8, 2004 Regular and Closed Session Minutes

5. **Small Cap Growth Candidates Presentation**

Prior to the presentations, Paul Harte gave a brief overview regarding both candidates.

US Bancorp Asset Management

Sean McLeod and Mark Meyocks of USbancorp Asset Management made the presentation of their Small-Cap Growth product. Mark Meyocks began by giving the board an overview of their corporate constitution and organizational strength. Mark stated that USbancorp's portfolio manager compensation is structured to achieve results. Usbancorp's current asset management as of June 30, 2004 holds \$50.6 Billion in Equity, \$33.7 Billion in Money Market, \$37.6 Billion in Fixed Income and \$0.9 Billion in Other. Sean McLeod gave an overview of their investment philosophy, their investment objectives and reviewed the firms dedicated team of their Small Cap product.

Mazama Capital Management

Steve Brink and Don Klotter of Mazama Capital Management made a presentation of their Small-Cap and Small-Mid Cap Growth product. Steve began by giving the board an overview of the five points to be a "world class" small and mid cap growth manager that delivers the best possible service and performance to their clients. Mazama's inception date was in April 1993 and they currently hold \$2.1 billion assets under their management. Their firm currently employs 26 people with senior management experience in all aspects of the firm. Mazama's investment team is compensated on overall portfolio performance. Mazama's current asset managed as of June 30, 2004 is \$0.98 Billion in Small Cap Growth and \$2.07 Billion in Small-Mid Cap Growth.

After the presentations, Paul Harte stated that both firms themselves are different. One is a large bank the other is a "small" boutique. Paul stated that both managers would do well in the future. After discussion, it was the consensus of the board to place the approval to hire Mazama on the October 13, 2004 Board agenda. The Due Diligence committee will make a Due Diligence trip to Mazama prior to the October 13th meeting and bring a recommendation back to the board.

6. **Monthly Performance Report for the Period Ending August 31, 2004**

Paul Harte gave the monthly performance report for the period ending August 31, 2004. Paul stated as of August 31, 2004, StanCERA's portfolio was \$1.074 billion, which was up slightly from the prior month. Paul stated that the managers continue to stay on target and that there has been growth over the last twelve months. For the period ending August 31, 2004, the current domestic equities performance for the managers was -0.17%, -0.62%, -0.99%, -3.30%, 0.40%, Fixed Income was at 1.55%, International Investments was at 0.89% and Cash and Short-Term investments was at 0.11%.

7. **Semi-Annual Performance Report from MFS Institutional Advisors**

Paul Garbe of MFS began by introducing Mario DiVito and Peggy Adams. Paul stated that the board adopted at a previous meeting to transition to a team approach and therefore Paul would be transitioning our account over to Mario as the relationship manager and Peggy as the Portfolio Manager. Paul stated that he would still be available to address any of StanCERA's needs or questions. Peggy gave the semi-annual performance report and stated as of August 31, 2004 the market value was \$151,340,441. Peggy stated the performance expectations of the retirement association and each investment manager is to achieve minimum performance standards to rank in the top 40% of appropriate peer group of actively managed portfolios and exceed an appropriate benchmark index (Russell 1000 Growth, net of management fees.) Total Return Performance results since inception was -11.31 Gross and -11.68 Net and -13.32 Russell 1000 Growth.

8. **Administrator**

a. Discussion and Action on Conflict of Interest Code

The secretary previously informed the board that this item had been placed on the agenda in error. No action taken. Item to be placed on the October 13th agenda.

b. Approval of Notice of Election for (Seat 7)

Motion was made by Nick Blom and seconded by Kent Crawford to approve the Notice of Election for Seat 7.

Motion carried.

c. Staff Update Regarding 2004/05 Revised Budget

Hank Skau, Operations Manager, gave the board an update on the 2004/05 revised budget. Hank stated that he will continue to update the board with changes and would provide an updated Mid-Year Budget.

d. Staff Update Regarding Reserves

Hank Skau, Operations Manager, gave the board an update regarding the reserves and the effect of changing the contingency reserve from 3% to 2% for the fiscal year of 2004/05.

e. Staff Update Regarding 2004/05 Ventura Settlement Costs

Hank Skau, Operations Manager, gave the board an update regarding the Ventura litigation settlement costs and informed the board that letters have been sent to the appropriate plan sponsors for the Administrative costs only for 2004/05.

8. **Administrator - Continued**

f. Discussion and Action on Appointing Administrator Application Review Committee

After Discussion, Maria DeAnda, chair appointed Mike Fisher, Kent Crawford and Paul Harte as the application review committee for the Retirement Administrators recruitment.

g. Discussion and Action on Completion of SACRS Voting Proxy Form

After discussion, Maria DeAnda, Chair, appointed Gary Dial as the Alternate Voting Delegate for the Fall SACRS Conference.

h. Discussion and Action to direct staff to enter into a Contract with Stanislaus County Strategic Business Technology (SBT) Department and/or a Private Business Entity to Perform Information Analysis and Programming of Retirement Related Processes in Conjunction with Staff.

After discussion, motion was made by Mike Fisher and seconded by Kent Crawford to authorize Hank Skau, Operations Manager to enter and sign contract (as amended by County Counsel) with SBT to perform information analysis and programming of Retirement related processes in conjunction with staff.

Motion carried.

9. **Correspondence**

The correspondence received by SBT regarding security measures taken before and after the resignation of the prior Retirement Administrator was discussed as well as Kent Crawford, Trustee, stated he had received a copy of the email a member brought to him regarding the resignation of the Retirement Administrator.

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

Darin Gharat made a comment regarding his dissatisfaction of the recent Board of Supervisors meeting in which the Interim CEO gave a presentation regarding Retirement related issues.

11. **Adjournment**

Meeting adjourned at 4:39 p.m.

Board of Retirement Minutes
September 28, 2004
Page 5

Respectfully submitted,

Henry Skau, Operations Manager

APPROVED AS TO FORM:
MICHAEL KRAUSNICK
County Counsel
