



STANISLAUS COUNTY
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BOARD OF RETIREMENT MINUTES

OCTOBER 28, 2003

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

Members Absent: Darin Gharat

Others Present: Robert Harmon, John Gobel, Victoria Halliday, Karen Gonzales and Linda Stotts-Burnett, Patrick Thomas of SIS; Rick Harris and Sean Howley of Putnam Investments.

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

2. **Announcements**

Robert Harmon mentioned the invitations received by TCW and MFS for the SACRS conference.

3. **Public Comments**

None

4. **Consent Items**

Motion was made by Nick Blom and seconded by Maria DeAnda to approve the following items listed with amendment to wording under Announcements.

Motion carried.

a. Approval of the October 8, 2003 Regular and Closed Session Minutes

5. **Semi-Annual Report from Putnam Investments**

Rick Harris and Sean Howley were present from Putnam. Rick began by passing out an updated International Large Cap Equity Strategies assignment for Putnam and updated the board regarding the subpoenas Putnam received about six weeks ago on the allegations of market timing and late trading. Rick stated that Putnam Investments was informed of market timing back in the year 2000 and 2001 and the employees involved were reprimanded but not dismissed.

5. **Semi-Annual Report from Putnam Investments - Continued**

Rick stated that due to the current allegations they have dismissed four employees from their firm and noted that the market timing was limited to their mutual funds and had not cost StanCERA any money.

Sean Howley presented the performance and portfolio review for the period ending September 30, 2003. Sean indicated that as of September 30, 2003, StanCERA's portfolio value was over \$155 million. Sean stated there had been a modest negative impact from market selection; under weights to Japan and Hong Kong; and overweight to France. The currency selection also had a negative impact from country mix, notably an underweight to the Japanese yen. In the stock selection there was also a negative impact from stock selection in Japan and Switzerland. Stock selection within sectors was negative in the consumer cyclicals, financial, capital goods and technology sectors. For the third quarter the portfolio versus the index return was -2.01%.

Sean gave a nine-month report on performance attribution and stated the market selection had a slight negative impact with under weights to Japan and Hong Kong; and overweight to France. The stock selection also had a negative impact from stock selection in Japan, Switzerland, France and the United Kingdom. The portfolio versus index return year to date as of September 30, 2003 had an Excess return of - 4.50%.

6. **Administrator**

a. SACRS 2004 Legislative Proposals

After review of the proposals, Wes Hall motioned and Kent Crawford seconded to authorize the Retirement Board Chair to vote on behalf of the board at the upcoming SACRS Conference.

Tom Watson, Retirement Board Chair also requested to vote for the authorization of the SACRS Education Committee.

Motion carried.

7. **Correspondence**

a. Putnam Investments E-Mail Message to Robert Harmon

Robert Harmon indicated that Rick Harris had just spoken regarding the issue at Putnam Investments. Robert passed out a letter that had been received with copies of the Wall Street Journal's article that explained market timing and that the SEC maybe looking at charges of insider trading.

Patrick Thomas of SIS indicated that they were still gathering facts and a memo would be forthcoming from SIS. Patrick stated one of the employees dismissed was the driver of the team and handled StanCERA's mandate. Patrick indicated that their recommendation would be to embark on a search for a new International manager.

There was no further discussion of this matter at this time.

b. AB 55 Analysis by Paul Angelo (The Segal Company)

Robert forwarded a copy of the analysis by Paul Angelo regarding AB 55 and reminded the board that they had previously voted not to support this bill.

8. **Members' Forum (Information And Future Agenda Requests Only)**

Vicki confirmed with the board that they had received an article she forwarded to them.

Wes reminded everyone that the Retiree Health Insurance Open Enrollment was on October 29, 2003 at the Centre Plaza and invited everyone to attend. Wes also inquired about the StanCERA newsletter.

9. **Adjournment**

Meeting adjourned at 3:25 p.m.

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Respectfully submitted,

Robert Harmon, Administrator

APPROVED AS TO FORM:
MICHAEL KRAUSNICK
County Counsel

Victoria Halliday, Deputy County Counsel