



**STANISLAUS COUNTY
EMPLOYEES' RETIREMENT ASSOCIATION**
1010 10th Street, Suite 5800
P.O. Box 859
Modesto, CA 95353-0859

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

BOARD OF RETIREMENT MINUTES

February 27, 2000

Members Present: Lyn Bettencourt, Nick Blom, Kent Crawford, Maria DeAnda, Wesley Hall, Al Sarina, Virgil Thompson, Steve Yauch, and Tom Watson

Members Absent: None

Others Present: Victoria Halliday, Lois Ertel; Horton Shapiro of Dodge & Cox; Delia Roges and Douglas Foreman of TCW; Richard Harris and Carolyn Hughes of Putnam Investments; Paul Garbe of MFS Institutional Advisors; Ron Squier, member

1. Meeting called to order at 2:00 p.m. by Chairman Lyn Bettencourt

2. **ANNOUNCEMENTS**

The agenda for today was mailed with 2/27/01 as the date of the minutes to be approved. It should have read 2/14/01 (posted agenda was correct).

We have been notified the Principles of Pension Management at Stanford on March 27-30, 2001 is short on enrollments. They need 22 participants to make it work and they have only 19 registered, including any alternate requests, with only 6 paid. If anyone has been considering this training, now would be a good time to enroll. The CALAPRS Board meets on March 5 and will decide at this time what should be done. (Update 2/28: Response was good with 26 now enrolled and no need to consider canceling.)

Board members were reminded to RSVP to the invitation to the Retirement Reception for Byron Bystrom.

3. **PUBLIC COMMENT**

Lyn Bettencourt would like the special actuarial study done for 1-year FAS for Tier 2 members to be a future agenda item. He has some concerns about this report.

4. **CONSENT ITEMS**

Motion was made by Virgil Thompson and seconded by Wesley Hall to approve the following items as listed.

Steve Yauch questioned a portion of the minutes regarding special actuarial studies. Administration responded that we can provide copies to Board members of all actuarial studies done, as those studies become available.

Motion carried.

a. Approval of the February 14, 2001 Regular and Closed Session Minutes.
Board of Retirements Minutes

5. **QUARTERLY REPORT OF PERFORMANCE BY DODGE AND COX**

Horton Shapiro from our investment manager, Dodge and Cox, presented the regular quarterly report of investment performance for the period ending December 31, 2000. The report indicated that the entire portfolio returned 14.4% for the year, 11.2 % annually compounded over the past 3 years and 13.8% per year compounded for the past 5 years (these are market rates of return).

Horton Shapiro reported the Dodge & Cox stock fund had total returns for calendar year 2000 of 16.3% as compared with the S&P's 500 of -9.1%. He attributed this positive relative return in part to three important areas; 1) their underweight position in technology/telecommunications, 2) good stock selection in the financial service sector with overweight in this area as well, and 3) overweight and good stock selection in the energy sector.

In their usual year end recap of their firm, it was reported Dodge & Cox has under management \$48.5 billion in total assets. Seventy years of investment experience with a well qualified team of investment professionals, ownership limited to active employees, an independent research staff, and one office with one business, are key characteristics of this organization.

6. **QUARTERLY REPORT OF PERFORMANCE BY TCW**

Delia Roges and Douglas Foreman presented the regular quarterly report of investment performance for the period ending December 31, 2000. The report indicated that the Small Cap portfolio of StanCERA has a cumulative return of 15.36% and an annualized return of 9.54% since its inception on 7/6/99 (these are market rates of return). StanCERA initially invested \$20 million in July 1999 with \$3 million added each month since. StanCERA has allocated 10% of total assets for small cap investments and has a current allocation of 5.6% in this fund. The market value of our funds as of 12/31/00 was \$60,120,327.

Although after the worst quarter in the history of TCW with a -20.60% in returns for StanCERA, Doug Foreman reminded the Board this is the nature of the volatility of this type of investment (small cap growth). A rolling 3-year and 5-year performance is a better measure of the success of TCW, which has consistently out performed the Russell 2000 growth. Although TCW is disappointed in the performance of our portfolio in the year 2000, they remain optimistic and confident, and do not plan to deviate from their investment discipline of identifying and owning the highest quality growth companies. The current uncertain economy will keep them vigilant in their examination of each company's potential for growth and earnings.

A two minute break was taken at 3:25 p.m.

7. **QUARTERLY REPORT OF PERFORMANCE BY PUTNAM INVESTMENTS**

Richard Harris and Carolyn Hughes presented the regular quarterly report of investment performance for the period ending December 31, 2000. The report indicated that the entire International Trust Fund returned -8.03 % for the year 2000, 18.73% annually compounded over the past 3 years, and 14.32% since our inception (these are market rates of return). StanCera's investments are part of this commingled fund. An initial investment of \$20 million was made in July, 1997 with \$6 million added each quarter until the 10% allocation was met. After a rebalancing in July, 2000 and the current downward market trend, the market value of our funds as of 12/31/00 of \$81,032,429 represents 8.3% of the fund.

Carolyn Hughes gave a portfolio review which indicated country allocation was good with underweight in Japan and overweight in the U.K. and France. The stock selections, with some positive sector allocations, provided nearly all of the gain for the year. Putnam Investments' current strategy is to remain underweight in Japan with increasing focus on interest rate-sensitive stocks and a defensive overweight position in health care, energy and consumer staples in Europe. They will continue the same for the next six months and expect a normal year 10% rate of return.

8. **QUARTERLY REPORT BY MFS INSTITUTIONAL ADVISORS, INC.**

Paul Garbe presented the regular quarterly report of investment performance for the period ending December 31, 2000. StanCERA initially invested \$50 million on August 1, 2000 with \$5 million added each month for a total contribution to date (12-31-00) of \$70 million. StanCERA has allocated 15% of the fund in large cap growth stocks with 6.3% currently invested. The total rate of return since inception was -8.33% (this a market rate of return). The market value of our funds as of December 31, 2000 is \$63,848,392.

MFS "believes that bottom up, fundamental research offers the best opportunity to identify high-quality companies with above average, sustainable earnings growth". Paul Garbe thinks internal research is their strength and "that stock prices ultimately follow earnings progress". He believes their style will provide long-term growth of capital.

Detailed copies of all performance reports are available in the Retirement Office.

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

Wes Hall was wished a belated Happy Birthday (2/26).

Steve Yauch (with tongue in cheek) questioned the investment styles of our money managers when reports reflect they have invested in many of the same stocks.

Victoria Halliday will receive the Equal Employment Opportunity Commission Award (Equal Rights Officer of the Year) tomorrow at 4:00 p.m. in the Board Chambers.

10. **ADJOURNMENT**

Meeting adjourned at 4:30 p.m.

Respectfully submitted,

Tom Watson, Secretary
Board of Retirement

APPROVED AS TO FORM:
MICHAEL KRAUSNICK
County Counsel

Victoria Halliday, Deputy County Counsel