



STANISLAUS COUNTY
EMPLOYEES' RETIREMENT ASSOCIATION
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BOARD OF RETIREMENT MINUTES

October 27, 2009

Members Present: Jim DeMartini, Gordon Ford, Darin Gharat, Wes Hall,
Mike Lynch, Ron Martin, and Clarence Willmon

Members Absent: *Maria De Anda, and Mike Fisher*

Alternate Member Present: Linda Stotts-Burnett, Alternate Retiree Representative

Staff Present: Tom Watson Retirement Administrator
Kelly Cerny, Executive Secretary
Hank Skau, Operations Manager
Joyce Parker, I.T. Coordinator
Natalie Elliott, Accountant

Others Present: Brian Higgins & Chris Steward, Pyramis Global Advisors
via teleconference
Keith Bruch & Bhaskaran Swaminathan, LSV Asset Management
via teleconference
Molly Ono present, with Mark Blackburn, Invesco National
Trust Company via teleconference
Paul Harte-Strategic Investment Solutions (SIS), Inc;
Deirdre McGrath, Deputy County Counsel
Doris Foster & Monica Nino, Chief Executive Office

1. Meeting called to order at 2:07 p.m. by Gordon Ford, Chair.

2. **Roll Call**

3. **Announcements**

Mr. Ford announced there are two more Board of Retirement meetings remaining for 2009. The Administrative/Investment Board meetings of Tuesday, November 24, 2009, and Wednesday, December 9, 2009. He noted the upcoming Stakeholder Educational Workshop, 9:00 a.m. to Noon, Tuesday, November 17, 2009. The workshop will be held at Tenth Street Place, Board of Supervisors' Chambers.

4. **Public Comment**

None.

5. **Consent Items**

Motion was made by Wes Hall and seconded by Clarence Willmon to approve the following items as listed.

Motion carried.

- a. Approval of the October 14, 2009, Administrative Meeting Minutes
- b. Approval of Death Benefits
 1. William Haile, Deceased October 8, 2009 Active Member, Option Pursuant to Government Code Sections 31781, 31781.1 or 31781.3
- c. Approval of Contract for General Legal Services with Damrell, Nelson, Schrimp, Pallios, Pacher, & Silva
- d. Retirement Administrator's 2009 Goals Report Through September 30, 2009
- e. StanCERA Complaint Log of July 1–September 30, 2009
- f. Modesto Bee, et al v. Stanislaus County Employee's Retirement Association, Superior Court Case No. 644964 – Receive Deputy County Counsel's Report on the October 20, 2009 Court Hearing

6. **Semi-Annual Performance Report by Pyramis Global Advisors**

Brian Higgins, Senior Account Executive, and Chris Steward, Institutional Portfolio Manager, and Art Greenwood, Relationship Manager, gave the semi-annual presentation of StanCERA's international growth equity investment performance for the period ending September 30, 2009. The presentation was held via teleconference.

StanCERA's cumulative return (gross of fees) for international growth for the quarter (net of fees) is 20.12%, compared with the benchmark MSCI ACWI Ex-U.S. (Morgan Stanley Capital International All Country World Index Ex-U.S.) index rate of return of 19.69%. StanCERA's portfolio total net assets as of September 30, 2009 are \$124.6 million. Portfolio returns for one and three years (net of fees) are 5.26% and -1.09% compared with index returns of 5.89% and -1.24% for the same periods of time.

7. **Semi-Annual Performance Report by LSV Asset Management**

Keith Bruch, Partner and Director, Client Portfolio Services, and Bhaskaran Swaminathan, Partner, and Director of Research, gave the semi-annual presentation of StanCERA's international value equity investment performance for the period ending September 30, 2009. The presentation was held via teleconference.

As of September 30, 2009, StanCERA's international value equity portfolio totaled \$131.6 million. StanCERA's 2009 third quarter return was 23.2% (net of fees), above the benchmark MSCI ACWI Ex US return of 19.7% and value index return of 22.1%. The one, three and five year returns (net of fees) were 8.9%, -2.7% and 7.6%, respectively compared with the value index returns of 9.7%, -1.1% and 8.6% for the same periods of time.

8. **Investment Performance Report by Invesco National Trust Company**

Molly Ono, Director, Institutional Sales & Service, and Mark Blackburn, Director of Real Estate Securities, gave the third quarter preliminary fund review for StanCERA's global real estate investment trust (REIT) performance.

As of September 30, 2009, StanCERA's global REITs totaled nearly \$15 million. StanCERA's 2009 third quarter return was 22.62% (net of fees), compared to the index of 25.08% and the calendar year to date return (net of fees) was 28.47% compared to the index return of 32.43%. Since inception on December 21, 2008, the net return is -16.83% compared with the index return of -17.57%.

9. **Strategic Investment Solutions, Inc. (SIS)**

a. Monthly Investment Performance Review for the Month Ending September 30, 2009

Mr. Harte presented the monthly performance review for the period Ending September 30, 2009. As of September 2009, StanCERA's portfolio is \$1.2 billion, a 3.73 % increase from the prior month. The fiscal year to date return is 14.03%, above StanCERA's policy index of 13.18%.

b. Loomis Sayles & Company's Letter Dated September 30, 2009, Proposed Fee Reduction Options.

Mr. Harte gave a brief overview of Loomis Sayles & Company's fee proposal.

c. Discussion and Action on SIS, Inc.'s Memorandum Dated October 5, 2009 – Proposed Fee Reduction for StanCERA's Large Cap Growth Portfolio with Loomis Sayles & Company

R. Martin left at 3:32 p.m.

Motion was made by Darin Gharat and seconded by Wes Hall to approve a performance based fee with a base of 25 basis points and a 20% participation rate on alpha in excess of the Russell 1000 Index plus 5%.

Motion carried.

9. **Strategic Investment Solutions, Inc. (SIS) (Cont.)**

- d. SIS Inc.'s Bank of New York (BNY) Mellon Securities Lending Update Memorandum Dated October 16, 2009.

Mr. Harte gave an update on the Securities Lending Collateral pool with BNY Mellon attributed to a loss in Lehman Brothers Holdings. The Company declared bankruptcy which resulted in a deficiency of approximately \$4.2 million that will remain on the books of StanCERA until the bankruptcy proceedings are finalized. BNY Mellon will share in the loss at the rate of 30%, the same rate as its revenue share.

- e. BNY Mellon – StanCERA's Securities Lending Client Mark to Market Report

Mr. Harte gave a brief overview of Securities Lending market values in the cash collateral pool of securities in this investment program.

- f. SIS, Inc.'s List of Common Ownership of Holdings Between StanCERA's Large Cap Growth Equity Managers - Loomis Sayles & Company and Delaware Investments

Mr. Harte presented an a listing of overlap securities in the two U.S. Large Cap Growth Equity portfolios (Delaware and Loomis Sayles).

10. **Administrator**

- a. Discussion and Action on the State Association of County Retirement Systems' (SACRS) Legislative Committee's 2010 Legislative Proposal

Motion was made by Darin Gharat and seconded by Mike Lynch to not support the SACRS' Legislative Committee's 2010 legislative proposal language as currently written.

Motion carried.

11. **Committee Reports & Recommendations for Action**

AD HOC COMMITTEES

- a. Chair Appointment of an Ad Hoc Actuarial Information Committee

Mr. Ford appointed Mike Lynch, Darin Gharat and Ron Martin to an ad hoc Actuarial Information Committee.

D. McGrath left at 4:13 p.m.

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

Mr. Harte informed the Board that SIS, Inc., will have a few items for the November 24, 2009, Board meeting agenda. This includes information on the Due Diligence teleconferences of September 22, 2009.

13. **Adjournment**

Meeting adjourned at 4:15 p.m.

Respectfully submitted,

Tom Watson

Tom Watson, Retirement Administrator

APPROVED AS TO FORM:
JOHN P. DOERING, COUNTY COUNSEL

By: *Deirdre McGrath*
Deirdre McGrath, Deputy County Counsel