



STANISLAUS COUNTY
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BOARD OF RETIREMENT MINUTES

October 25, 2011

Members Present: Maria De Anda, Jim DeMartini, Gordon Ford, Darin Gharat, Jeff Grover, Mike Lynch, Ron Martin, and Donna Riley

Members Absent: *Michael O'Neal*

Alternate Member Present: Joan Clendenin, Alternate Retiree Representative

Staff Present: Tom Watson Retirement Administrator
Rick Santos, Incoming Executive Director
Kelly Cerny, Executive Secretary
Kathy Herman, Operations Manager
Kathy Johnson, Accountant

Others Present: Fred Silva, General Legal Counsel
Brian Hosely, Brian Higgins, & Sue Curran, Pyramis Global Advisors via teleconference
Keith Bruch, LSV Asset Management via teleconference
Paul Harte, Strategic Investment Solutions (SIS), Inc.
Doris Foster, Chief Executive Office

1. Meeting called to order at 1:59 p.m. by Mike Lynch, Chair.

2. **Roll Call**

3. **Announcements**

Mr. Watson announced that Dawn Lea was selected as the new Benefits Manager effective February 11, 2012.

4. **Public Comment**

None.

5. **Consent Items**

Motion was made by Jeff Grover and seconded by Maria De Anda to approve the following items as listed.

Motion carried.

5. **Consent Items (Cont.)**

- a. Approval of the October 12, 2011, Administrative Meeting Minutes
- b. StanCERA Complaint Log of July 1–September 30, 2011
- c. Approval of Death Benefit
 1. Frans Hamar, Deceased October 14, 2011, Active Member, Option Pursuant to Government Code Sections 31781, 31781.1, or 31781.3

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

Brian Higgins, Senior Account Executive, Brian Hoesly, Institutional Portfolio Manager, and Sue Curran, Relationship Manager, gave the semi-annual presentation of StanCERA's international growth equity investment performance for the period ending September 30, 2011. The presentation was held via teleconference.

StanCERA's cumulative return (gross of fees) for international growth for the quarter is -20.21% 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 -19.85%. StanCERA's portfolio total net assets as of September 30, 2011 are \$107.66 million. Portfolio returns for one and three years (gross of fees) are -10.05% and 1.46% compared with index returns of -10.48% and 0.95% for the same time periods. Since inception of the portfolio (May 11, 2006) the return is -1.42%.

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

Keith Bruch, Partner and Director, Client Portfolio Services, gave the semi-annual presentation of StanCERA's international value equity investment performance for the period ending September 30, 2011. The presentation was held via teleconference.

As of September 30, 2011, StanCERA's international value equity portfolio totaled \$105.4 million. StanCERA's 2011 third quarter return was -20.3% (net of fees). The one, three, and five year returns (net of fees) were -9.5%, 2.0% and -2.1%, respectively, compared with the value index returns of -10.8%, 0.5% and -2.2% for the same time periods.

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

- a. Monthly Investment Performance Review for the Month Ending September 30, 2011

Mr. Harte presented the monthly performance review for the period ending September 30, 2011. As of September 2011, StanCERA's portfolio is \$1.25 billion, a -5.95% increase from the prior month. The fiscal year to date return is -10.69%, below StanCERA's policy index of -9.19%.

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

- b. Report on “Top 10 Holdings” by StanCERA Investment Managers as of September 30, 2011

Mr. Harte reported the benchmarks to the “Top 10 Holdings” by StanCERA investment managers will be added to the December report. Research Affiliates, the investment firm that recently became part of StanCERA’s portfolio, has been added to this report.

- c. Report on StanCERA’s Investment Management Fees for Calendar Year 2010, and Calendar Year 2011 Through June 30, 2011

Mr. Harte informed the Board the next fees to be reviewed will be the custodial fees. Mr. Grover requested that all additional fees that were not included in this analysis be reviewed. Mr. Harte and staff will research this information.

- d. Report on StanCERA’s Portfolio’s Exposure to European Financial Institutions as of September 30, 2011

The Board requested to receive a quarterly report on StanCERA’s exposure to European financial institutions.

9. **Committee Reports and Recommendations for Action**

STANDING COMMITTEES

- a. Due Diligence Committee – Jim DeMartini, Chair
- i. Due Diligence Committee’s Report on Calendar Year 2011 Due Diligence Visits, San Francisco, CA, October 5-6, 2011
 - ii. SIS, Inc.’s Memorandum - San Francisco Investment Managers Due Diligence Review
 - iii. Delaware Investments’ Due Diligence Questionnaire Response Dated October 5, 2011
 - iv. BlackRock’s Due Diligence Questionnaire Response Dated October 5, 2011 and Presentation Booklet
 - v. Dodge & Cox’s Due Diligence Questionnaire Response Dated October 6, 2011 and Presentation Booklet
 - vi. Strategic Investment Solutions (SIS), Inc.’s Due Diligence Questionnaire Response Dated October 6, 2011 and Presentation Booklet

10. **Closed Session**

Motion was made by Darin Gharat and seconded by Jeff Grover to commence to Closed Session at 4:12 p.m.

Motion carried.

Motion was made by Darin Gharat and seconded by Jeff Grover to return to Open Session at 4:35 p.m.

Mike Lynch read the findings of the Closed Session:

- a. Conference with Legal Counsel – Personnel Matter Pursuant to
Government Code Section 54957(b)

Counsel is authorized to present the contract with modifications to the incoming Executive Director.

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

Mr. Grover requested an update on the real estate negotiations for StanCERA's 6th floor rental space.

Mr. Grover informed the Board about a demonstration he attended pertaining to Diligent Board Books, an electronic system to view board packets.

Staff informed the Board a future demonstration on an electronic system to view board packets will be offered.

12. Adjournment

Meeting adjourned at 4:41 p.m.

Respectfully submitted,



Michele Silva, Benefits Manager

APPROVED AS TO FORM:
FRED A. SILVA, GENERAL LEGAL COUNSEL

By: 
Fred A. Silva, General Legal Counsel