



**STANISLAUS COUNTY
EMPLOYEES' RETIREMENT ASSOCIATION**
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BOARD OF RETIREMENT MINUTES

February 23, 2010

Members Present: Mike Fisher, Gordon Ford, Darin Gharat, Mike Lynch, and Clarence Willmon

Members Absent: *Maria De Anda, Ron Martin, Jim DeMartini*

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: Fred Silva, General Legal Counsel
Robert Thompson, Dodge & Cox
James Clark & Mark McCray, PIMCO
Paul Sauer & Shawn Steel, Blackrock/BGI
Paul Harte, SIS, Inc.
Doris Foster & Monica Nino, Chief Executive Office

1. Meeting called to order at 2:00 by Mike Lynch, Chair Pro-Tem

2. **Roll Call**

3. **Announcements**

Mr. Watson announced Mr. Lynch is today's meeting presiding Chair as Ms. De Anda, Chair, and Mr. Martin, Vice-Chair, are unable to attend the meeting.

Mr. Watson announced that the March 10, 2010, Administrative Board of Retirement meeting is changed to **2:00 p.m., Monday, March 15, 2010**, to accommodate the completion of the actuarial valuation report.

Mr. Skau announced the investment managers' voting proxy records for the fourth quarter of 2009 are now available for review.

4. **Public Comment**

None.

5. **Consent Items**

Motion was made by Linda Stotts-Burnett and seconded by Mike Fisher to approve the following items as listed.

Motion carried.

- a. Approval of the February 10, 2010, Administrative Meeting Minutes
- b. StanCERA Investment Managers Review List for Quarter Ending December 31, 2009
- c. Update on the 832 12th St. 6th Floor Vacant Space Leasing Activities and Other Commercial Real Estate Information

Mr. Ford arrived at 2:05 p.m.

On Consent Item #5c., Mr. Fisher requested staff to provide at a future meeting information on the insurance policy limits of the individual who drove into the first floor of 832 12th Street in November 2009. Specifically, what each individual building owner's insurance deductible amount will be.

6. **Semi-Annual Performance Report by Dodge & Cox**

Robert Thompson, Vice President and Fixed Income Portfolio Manager, presented StanCERA's large cap equity and fixed income portfolios.

Through January 31, 2010, StanCERA's equity portfolio returned 40.6%, -9.4%, 0.2%, and 6.7% for the one, three, five and ten years, respectively. All percentages are annualized figures.

Through January 31, 2010, StanCERA's fixed income portfolio returned 16.65%, 7.43%, 6.00% and 7.27%, for the one, three, five and ten years, respectively. All percentages are annualized figures.

7. **Presentation by PIMCO - Core Fixed Income Strategy (Active Management)**

Mr. Mark McCray, Executive Vice President and Portfolio Manager, for PIMCO's investment strategy group, along with Mr. James Clarke, Vice President and Account Manager, business development for public pension plans, presented PIMCO's core fixed income investment management strategy. This is for an actively managed portfolio. Mr. McCray and Mr. Clarke answered the Board members' various questions.

8. **Presentation by BlackRock/BGI – Core Fixed Income Strategy (Passive Management)**

Mr. Paul Sauer, Director, BlackRock/BGI's institutional global client group, United States and Canada; and Mr. Shawn Steel, Director, model-based fixed income portfolio management group, presented the core fixed income investment management strategy for a passively managed portfolio. Mr. Sauer and Mr. Steel answered the Board members' various questions.

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

a. Discussion and Action on StanCERA's Asset Allocation and Rebalancing

Motion was made by Darin Gharat and seconded by Linda Stotts-Burnett to change StanCERA's asset allocation by taking 5% from equities and transfer it to fixed income and hire PIMCO for a core fixed income investment strategy actively managed; and, for the Board to review at the March 23, 2010 investment meeting, whether to allocate to BlackRock/BGI 5% of StanCERA's total portfolio and take that amount from the total currently managed by Dodge & Cox in the fixed income allocation.

Motion carried.

b. Investment Performance Analysis for Fourth Quarter Ending December 31, 2009

Mr. Harte reviewed the investment performance analysis for the quarter ending December 31, 2009. The composite fund returned 4.5% in the fourth quarter of 2009 and ranked in the 7th percentile among other public funds greater than \$100 million (3.4% median). The fund led its policy index (3.5%) during this time period. Longer term, the three and five-year returns of -0.9% and 3.4%, ranked above the median among total public plans (-1.4% and 3.2%, respectively).

c. Investment Manager Review List – Performance Through December 31, 2009

Mr. Harte announced all managers are in good standing except for Loomis Sayles & Company, and Invesco, who remain under review status.

d. Monthly Investment Performance Review for the Month Ending January 31, 2010

Mr. Harte presented the monthly performance review for the period ending January 31, 2010. StanCERA's portfolio is \$1.196 billion, a decrease of -2.64% from the prior month. The overall rate of return for this fiscal year to date is 16.34%. This return is above the policy index of 14.48% and the assumed rate of 4.67%, and the assumed inflation rate of 2.33% for the fiscal year period ending January 31, 2010.

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

e. Discussion of Potential Investment Educational Topics for 2010

Mr. Harte said at the Board's previous request, upcoming educational topics for the Board will be life settlement investments, as well as other topics. Mr. Ford requested more education on securities lending.

10. **Correspondence**

a. Invesco Letter Dated February 11, 2010 – Investment Performance for StanCERA's Global Real Estate Investment Trust (REIT) Portfolio – On Watch Status

11. **Administrator**

a. Discussion and Action on Recommendation of StanCERA Office Closure on Wednesday, March 31, 2010 in Concert with Closure of District Attorney's Office

Motion was made by Darin Gharat and seconded by Linda Stotts-Burnett to approve the closure of the office of StanCERA on Wednesday, March 31, 2010, in concert with the closure of the District Attorney's office, with StanCERA staff using leave time for the day.

Motion carried.

12. **Closed Session**

Mr. Gharat stated that after a discussion with General Counsel before the meeting, he will recuse himself on Item #12. This is due to the fact there may be potential conflicts as he is within the manager classification of Stanislaus County.

Mr. Gharat recused himself at 4:31 p.m.

Motion was made by Mike Fisher and seconded by Clarence Willmon to commence to Closed Session at 4:32 p.m.

Motion carried.

Motion was made by Clarence Willmon and seconded by Mike Fisher to return to Open Session at 4:55 p.m.

a. Conference with Legal Counsel – Anticipated Litigation Pursuant to Government Code Section (54956.9(b)(1))

No report.

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

Ms. Cerny requested those Board members who have not contacted her regarding attendance at the State Association of County Retirement Systems (SACRS) Spring 2010 Conference, May 11-14, 2010, please do so no later than Friday, February 26, 2010. Ms. Stotts-Burnett confirmed she would be attending.

Ms. Cerny asked Board members who may be interested in attending the California Association of Public Retirement Systems' (CALAPRS) Principles of Pension Management for Trustees, March 23-26, 2010, to contact her prior to the registration deadline of February 26, 2010.

Mr. Willmon inquired when the SACRS Public Pension Investment Management Program was occurring. Ms. Cerny stated it will be August 9-11, 2010, instead of the regularly scheduled dates of June 21-23, 2010. Mr. Willmon responded he would attend this program.

Mr. Watson reminded Board members that the facilitator, Michael Wright, of The Results Group, will be contacting Board members individually for preparation for the Board's Strategic Planning Sessions, April 28-29, 2010.

Mr. Watson stated that if Board members have any final questions or models for the actuaries to respond to prior to their attendance at the March 15, 2010, Board meeting, they must be submitted by February 26, 2010.

14. **Adjournment**

Meeting adjourned at 5:00 p.m.


Respectfully submitted,



Tom Watson, Retirement Administrator

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

By:


Fred A. Silva, General Legal Counsel