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BOARD OF RETIREMENT MINUTES
February 26, 2013

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

Members Absent: None

Alternate Member Absent: Joan Clendenin, Alternate Retiree Representative

Staff Present: Rick Santos, Executive Director
Kellie Gomes, Executive Board Secretary
Luiana Irizarry, Investment/Accounting Technician
Dawn Lea, Benefits Manager
Kathy Herman, Operations Manager

Others Present: Fred Silva, General Legal Counsel
Nate Pratt, Strategic Investment Solutions (SIS), Inc.
Doris Foster, County Chief Executive Office
Jeanine Bean, Superior Court

1. Meeting called to order at 2:00 p.m. by Darin Gharat, Chair.

2. Meeting Called to Order

2. Roll Call

3. Announcements

Director Rick Santos announced that an informative article appeared in the February 26th edition of the Wall Street Journal describing how low interest rates are affecting pension plan funding of benefits.

4. Public Comment

None.
5. Consent Items

Motion was made by Maria DeAnda and seconded by Micheal O’Neal to approve the following Items:

a. Approval of the February 13, 2013 Administrative/Investment Meeting Minutes

b. StanCERA Investment Managers Peer Rankings for Quarter Ending December 31, 2012


Tom Dugan and Wendell Birkhofer presented performance review and future prospects for both StanCERA’s fixed income and equity portfolio under D&C management.

D&C’s equity portfolio had a very sharp rebound in alpha and excess return for the latter half of 2012.

The fixed income portfolio performed nearly as well over this same period. The fixed income portfolio attributes its success to an overweight in corporates and expects this trend to continue.

7. Semi-Annual Performance Report by PIMCO – Core Fixed Income

Todd Staley and Matt Clark presented performance information and prospects for StanCERA’s fixed income portfolio under PIMCO management. PIMCO’s relative performance remains very strong over all reported measurement periods since inception.

PIMCO is taking a slightly more conservative approach to risk management in today’s current economic environment and is carefully monitoring the duration in anticipation of a potential rise in interest rates in the future.

8. Strategic Investment Solutions (SIS), Inc.

Nathan Pratt presented quarterly investment performance, monthly performance, manager review list and top 10 holdings. Notable performance measures include:

Quarterly Performance Report

- Total Fund: 2.0% gross (1.4% bench)
- Fiscal YTD: 7.6% gross (6.1% bench).
- Calendar year 14.3% gross (12.1% bench).

Monthly Performance

- Total Fund: 3.38%, alpha = 0.48%
- January outperformers: Delaware, Capital Prospects, D&C Fixed Income, PIMCO, LSV and Pyramis
- January underperformers: D&C Equities, Legato
8. **Strategic Investment Solutions (SIS), Inc. (Cont)**

Return Peer Ranking Percentile (1% being best, 50% average)
- Recent quarter – 27%
- Fiscal YTD – 13%
- 1 year – 5%
- 2 Year – 34%
- 3 Year - 28%
- 5 Year – 61%


c. StanCERA Investment Managers Review List for Quarter Ending December 31, 2012


e. Update on Direct lending Fund Candidate Legal Review

Nathan Pratt presented a brief update on the transition to direct lending. He also reported we should be funding Raven Capital at the end of March and Medley in April, pending legal review, side letter agreement and principal background checks

9. **Executive Director**

a. New Legislation Update

None

b. Active Manager Value Added and Historical Fee Analysis Update

Director Rick Santos presented updated information on Value Added and Fee Analysis which included information from the first 2 quarters of the current fiscal year. Some notable measures included:

- 4.5 years of value added of over $16 million when including all terminated managers
- All active asset classes added value over this period (excluding terminated managers)
- D&C Equity, Legato and Pyramis have detracted from value. D&C’s detraction can be explained by their own performance, while Legato and Pyramis’ alpha were not able to cover expenses
- Fee analysis revealed high relative costs attributed to Legato, Pyramis and Capital Prospects.
- Pyramis had high relative custodial costs due mainly to custodial fees (booking fees) associated with trading foreign securities.
9. **Executive Director (Cont.)**

   The consensus of the Board was that these reports be presented as a regular quarterly update under the Executive Director section of the agenda. It was also requested that a "trend" analysis be developed as well and that the term "alpha" be used instead of "excess return."

10. **Closed Session**

    None

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

    Trustee DeMartini requested that the due diligence trips be planned as soon as possible and that dates for the trips be scheduled so as to avoid the fall or harvest period.

12. **Adjournment**

    Meeting adjourned at 4:10 p.m.

Respectfully submitted,

[Signature]

Rick Santos, Executive Director

[Signature]

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