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BOARD OF RETIREMENT MINUTES

March 24, 2009

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

Member Absent: Mike Fisher

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

Staff Present: Kelly Cerny Executive Secretary
Hank Skau, Operations Manager
Natalie Elliott, Accountant
Deirdre McGrath, Deputy County Counsel

Others Present: Kevin Brown, Delaware Investments
Paul Harte & Stephen Masarik, Strategic Investment Solutions, (SIS) Inc.
Douglas Richardson and Mark Baribeau, Loomis Sayles & Co.
Harvey Leiderman, Esq., Reed, Smith
Doris Foster & Monica Nino, Chief Executive Office

1. Meeting called to order at 2:00 p.m. by Gordon Ford, Chair

2. Roll Call

3. Announcements

Mr. Ford announced Mr. Harvey Leiderman, from the law firm of Reed Smith was present. Mr. Leiderman will be StanCERA’s fiduciary counsel through June 2009.

4. Public Comment

None.

5. Consent Items

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

Motion carried.

a. Approval of the March 11, 2009, Administrative Meeting Minutes
6. **Semi-Annual Performance Report by Delaware Investments**

Kevin Brown, Vice President, Senior Investment Specialist, gave the semi-annual presentation on StanCERA's large cap growth portfolio. He gave a brief overview of Delaware's investment process. Mr. Hall inquired as to why StanCERA was not listed on the client list. Mr. Brown said it was not an exhaustive list, and StanCERA's name can be added to the list.

As of December 31, 2008, net returns were -42.91%, while the Russell 1000 Growth benchmark was -38.43%. As of February 26, 2009, StanCERA's portfolio saw a net loss of -$38.2 million, with the portfolio's value at $72.9 million. Mr. Brown distributed an updated performance sheet as of March 20, 2009. Year to date net returns as of March 20, 2009 were at -4.79%, compared to the Russell 1000 Growth benchmark of -7.54%.

7. **Semi-Annual Performance Report by Loomis Sayles & Company, LP**

Douglas Richardson, Vice President, Client Portfolio Manager, Growth Equities, and Mark Baribeau, Chief Investment Officer, Large Cap Growth, gave the semi-annual presentation of StanCERA's large cap growth portfolio.

Mr. Baribeau gave an overview of Loomis Sayles' process and a review of their equity and liquidity. They continue to look for unique opportunities with market-leading companies.

Mr. Richardson gave a summary of the portfolio's large cap growth sector outlook. As of December 31, 2008, StanCERA's portfolio net return was -50.09%, below the Russell 1000 Growth benchmark of -38.44%.

As of March 12, 2009, StanCERA's portfolio year to date net return was -6.42%, -3.14% higher than the Russell 1000 Growth benchmark of -9.56%. Mr. Richardson noted 2008 was a tough year. Loomis Sayles did not make any significant changes in the portfolio's positioning over the course of the fourth quarter. Equity markets dropped sharply as the credit crisis resulted in a swift contraction in economic activity. The financial sector remains troubled and market uncertainty about the structure of the TARP bailout has kept the S&P 500 in a narrow trading range since November. Mr. DeMartini inquired as to Loomis Sayles' peer review ranking. Mr. Baribeau responded Loomis Sayles was in the bottom quartile last year, this year they are in the top quartile.

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

   a. **Monthly Performance Review for the Month Ending February 28, 2009**

   Mr. Harte presented the monthly performance review for the period ending February 28, 2009. StanCERA's portfolio is $874 million, a -6.52% decrease from the prior month. The overall rate of return for this fiscal year to date is -32.20%, below the policy index of -32.06% and the assumed rate
8. **Strategic Investment Solutions, (SIS) Inc. (cont.)**

   b. Monthly Performance Review for the Month Ending February 28, 2009 (cont.)

   of 5.45%. Growth outperformed value. The fixed income and cash asset classes are overweight and possible rebalancing to domestic equities should be considered. Mr. Harte distributed a copy of the world equity indices as of March 23, 2009, as well as a few articles regarding Barclays Global Investors’ current strong market performance.


   C. Willmon left at 3:44 p.m.


   The Dow crash of 1929 lasted approximately 34.2 months; the 1973 oil crisis lasted 20.7 months, the tech crash of 2000 lasted 30.5 months, and today’s market is at 17.1 months to date. Mr. Harte concluded by saying there are enough structural problems with the financial market that it is still uncertain how long this down market will continue.

   d. Discussion and Action on StanCERA’s Investments Rebalancing

   Mr. Harte informed Board members that it appears to be timely to propose a rebalancing of the overweight fixed income asset class. This would allow for all asset targets to be better situated. The Board discussed and reviewed various options presented. Mr. Harte said he would provide the Board with a report quantifying the rebalance at the April 28, 2009 Board Investment meeting.

   Motion was made by Ron Martin and seconded by Maria De Anda to rebalance $55 million taken from the fixed income allocation and distribute to four separate funds: $5 million to Loomis Sayles, $5 million to Delaware Investments, the large cap growth managers; $10 million to Legato Capital Management, the small cap growth manager; and $35 million to Barclay Global Investments for the Russell Top 200 Value Index.

   Motion carried.

   Gordon Forc opposed.

   Mike Lynch opposed.
8. **Strategic Investment Solutions, (SIS) Inc. (cont.)**


Mr. Harte gave a brief summary of the memorandum regarding H.R. 710. This is a bill that is currently with the Committee on Financial Services and the Committee on Ways and Means for consideration. The bill’s intention is to secure additional Tier I capital for the United States banking system from parties other than the Federal government by providing authority to the Secretary of the Treasury to guaranty certain new preferred stock investments made by public pensions acting in a collective fashion and for other purposes. This bill may be cited as the “Public Retiree’s Investment Act of 2009.”

Mr. Harte noted that this bill is written in generalities and not specifics. There are many questions that still need to be answered. Until this bill moves forward, it is moot at this point to consider any options. SIS, Inc., will continue to monitor H.R. 710’s development and apprise the Board accordingly. There is no guarantee this bill will ever get approved and enacted into law. Additionally, there may be other programs that arise that have more to offer.

e. Robert D. Klausner’s Written Explanation of H.R. Bill 710 – Introduced to Provide Guaranteed Funding Opportunity for State and Local Pensions

Mr. Harte informed Board members that the written explanation by Mr. Klausner, an attorney with the firm Klausner & Kaufman, P.A., located in Florida, offers further detail on H.R. 710.

9. **Administrator**

Ron Martin left at 3:44 p.m.

a. Discussion and Action on Whether to Audio and/or Video Record Future Board of Retirement Meetings

Mr. Lynch shared with the Board that due to the complexities that face the Board, his recommendation is to begin audio taping Board meetings. Board Members reviewed and discussed past practices of taped meetings. Staff gave input as to what is available in software and the possible capability to stream audio on StanCERA’s website. Some Board members expressed whether this would be a practical task over the long term. It was noted that all meetings are open and public, and the Minutes of the meeting are always available following each meeting.

Mr. Skau said Mr. Watson, Retirement Administrator, had done an informal survey of other retirement systems through the California Association of Public Retirement Systems (CALAPRS), as to what is being done in other retirement systems. 10 systems responded to date, with 8 systems that audio tape, one system both audio and video tapes meetings, and one system does nothing. The systems who record have varying tape retention policies.
9. **Administrator (cont.)**

a. Discussion and Action on Whether to Audio and/or Video Record Future Board of Retirement Meetings (cont.)

   Mr. Lynch said an audio recording retention policy could be created as necessary. The Board reviewed and discussed the information presented.

   Motion was made by Mike Lynch and seconded by Maria De Anda to begin audio recording of Board meetings for the remainder of the calendar year, and direct staff to monitor the system and bring a report back to the Board.

   Motion carried.

10. **Correspondence**

a. Prima Capital Update – Commercial Mortgage Bank Backed Securities (CMBS)

   Mr. Harte requested a formal review of Prima Capital be placed as an agenda item on the April 28, 2009, Board Investment meeting.


c. Invesco Real Estate Update Email Dated March 10, 2009 – Personnel Changes

   Mr. Skau gave a brief overview of correspondence Board members had received relating to personnel changes at Legato Capital Management, and Invesco National Trust Company. Board members had no questions.

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

   Mr. Harte distributed an email dated March 23, 2009 from Robert Thompson of Dodge & Cox. The email addressed the Structured Investment Vehicles (SIVs) exposure that Board members had inquired about at the previous Board investment meeting.

   Mr. Harte said he and Mr. Masarik of SIS, Inc., will be attending the April 8, 2009 Board meeting. Mr. Harte will not be attending the April 28, 2009 Investment meeting, however, Mr. Masarik will be there.

   Gordon Ford requested staff to collect and sort the public's questions at the April 8, 2009 Board meeting so questions will not be repeated. Additional clerical staff will be provided to assist the public.

   Maria De Anda informed the Board the Internal Governance Committee met today at 1:00 p.m. to review and select the audit services firm from the Request for Proposals (RFPs) that were received February 27, 2009. The Committee selected the firm of Macias Gini & O'Connell, Certified Public Accountants & Management Consultants, LLP. By selecting this bid, the Audit Committee saves StanCERA in excess of $65,000 over the three-year agreement.
11. **Members' Forum (Information and Future Agenda Requests Only)[cont.]**

Mr. Lynch informed the Board he will be on vacation April 10 through April 19, 2009.

Mr. Skau announced that he, Mr. Hall, Ms. De Anda, Mr. Harte, and Ms. Nino of the County Chief Executive Office all were in attendance at the State Association of County Retirement Systems' (SACRS) one day educational symposium, entitled, "The Consequences of the 2008 Financial Market Collapse," on Friday, March 20, 2009, in Sacramento. Mr. Skau mentioned this is a nationwide problem. The symposium content was relevant and handout materials will be available to print from the SACRS' website shortly. Mr. Hall commented the symposium was the largest attendance for a one day educational opportunity that SACRS has ever experienced.

12. **Adjournment**

Meeting adjourned at 4:06 p.m.

Respectfully submitted,

[Signature]

Hank Skau, Operations Manager

APPROVED AS TO FORM:

JOHN P. DOERING, COUNTY COUNSEL

By: [Signature]

Deirdre McGrath, Deputy County Counsel