PLEASE POST FOR EMPLOYEE VIEWING

BOARD OF RETIREMENT MINUTES

July 27, 2010

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

Member Absent: Mike Fisher

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

Staff Present: Tom Watson, Retirement Administrator
Hank Skau, Operations Manager
Kelly Cerny, Executive Secretary
Joyce Parker, I.T. Coordinator
Luiana Irizarry, Administrative Assistant

Others Present: Fred Silva, General Legal Counsel
Dan McLaughlin, Raj Agrawal & Douglas Tapley - Kohlberg, Kravis, Roberts (KKR) & Co.
Paul Harte, Strategic Investment Solutions (SIS), Inc.
Bob McCrory & Graham Schmidt, EFI Actuaries
Doris Foster & Monica Nino, County Chief Executive Office

1. Meeting called to order at 2:04 p.m. by Maria De Anda, Chair.

2. Roll Call

3. Announcements

Mr. Watson congratulated Ron Martin for his re-appointment to the Board of Retirement.

Mr. Watson presented an article titled “GASB Proposal Could Spark Major Changes” found in the June 28, 2010 issue of Pensions & Investments.

Mr. Watson announced Board members will receive education credits for KKR’s Mezzanine and Infrastructure Debt Investments presentation as well as the Stable Funding (Actuarial 201) Decreasing Risk presentation; both being presented today.

4. Public Comment

None.
5. **Consent Items**

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

Motion carried.

a. Approval of the July 14, 2010, Administrative Meeting Minutes

b. StanCERA’s Complaint Log of April 1, 2010 through June 30, 2010

c. Approval of Death Benefit

   1. Cynthia D. Simpson, Deceased July 6, 2010, Deferred Member, Option Pursuant to Government Code Section 31781


6. **Educational Presentation by Kohlberg Kravis Roberts (KKR) & Co. – Mezzanine and Infrastructure Debt Investments**

Mr. McLaughlin, of the KKR Client & Partner Group, along with Mr. Tapley, mezzanine investments and Mr. Agrawal, of infrastructure investments presented KKR’s capabilities of mezzanine and infrastructure debt investments.

Mr. Bettencourt arrived at 2:25 p.m.

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

   a. Monthly Performance Review for the Month Ending June 30, 2010

   Paul Harte presented the monthly performance review for the period ending June 30, 2010. StanCERA’s portfolio is $1.17 billion, a 12.84% increase from the prior year. June was relatively flat with a -2.23% return, and the entire fiscal year saw a 15.97% return. This is 1.45% above StanCERA’s policy index return of 14.52%, 7.81% above the actuarial assumed rate of 8.16%, and 11.97% above the actuarial assumed rate of inflation of 4.00%.

   b. Discussion and Action on Update of StanCERA’s Asset Allocation Projections

   Motion was made by Lyn Bettencourt and seconded by Gordon Ford to liquidate Invesco.

   Roll Call Yes: Lyn Bettencourt, Gordon Ford, Jim DeMartini

   Roll Call No: Clarence Willmon, Darin Gharat, Mike Lynch, Maria De Anda, Ron Martin

   Motion failed.

Mr. Martin left at 3:30 p.m.
8. Committee Reports & Recommendations for Action

STANDING COMMITTEES

a. Due Diligence Committee – Ron Martin, Chair
   
i. SIS, Inc.’s Memorandum Dated July 8, 2010 – Invesco Global Real Estate Securities’ Due Diligence On-Site Visit of June 24, 2010
   
ii. Invesco Global Real Estate Securities’ Due Diligence Questionnaire Response Dated June 24, 2010, Investment Team Biographies, Model Global Performance, and Code of Ethics
   
iii. Committee Report Dated July 6, 2010 – EFI Actuaries’ Due Diligence On-Site Visit, June 23, 2010
   
iv. EFI Actuaries’ Due Diligence Questionnaire Response Dated June 23, 2010, Organizational Chart, Firm Biographies and Stable Funding (Actuarial 201) Report

9. EFI Actuaries

a. Discussion and Action on the StanCERA Actuarial Experience Study, July 1, 2006 through June 30, 2009

Mr. Bettencourt left at 4:34 p.m.

No action taken.

b. Presentation of Stable Funding (Actuarial 201) Decreasing Risk

Postponed to the August 24, 2010 Board of Retirement Investment meeting.

c. Preliminary Views of the Proposed Changes of The Governmental Accounting Standards Board’s (GASB) 25 and 27

Postponed to the August 24, 2010 Board of Retirement Investment meeting.

Mr. Thomas, of the Stanislaus County Taxpayers Association, addressed the Board. He commended the presentations that were given and expressed appreciation for the Board’s commitment to grappling with the issues of maintaining sufficient funding for the system and trying to keep costs down for the County’s taxpayers.

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

Mr. Silva stated that staff and board members should refrain from making statements to the press in regards to pending litigation matters. He requested a closed session item for the next meeting to further discuss the matter.

Mr. Willmon requested that SIS, Inc. bring suggestions to the next investment meeting regarding potential options for allocation of mezzanine debt and infrastructure investments.
11. **Adjournment**

Meeting adjourned at 5:40 p.m.

Respectfully submitted,

Tom Watson, Retirement Administrator

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

By: [Signature]
Fred A. Silva, General Legal Counsel