

**PLEASE POST FOR EMPLOYEE VIEWING**

**BOARD OF RETIREMENT MINUTES**

*August 23, 2011*

**Members Present:** Jim DeMartini, Gordon Ford, Darin Gharat, Jeff Grover, Ron Martin, Michael O’Neal, and Donna Riley

**Members Absent:** Maria De Anda and Mike Lynch

**Alternate Member Present:** Joan Clendenin, Alternate Retiree Representative

**Staff Present:**
- Tom Watson, Retirement Administrator
- Kelly Cerny, Executive Secretary
- Hank Skau, Operations Manager
- Kathy Herman, Projects Manager
- Kathy Johnson, Accountant

**Others Present:**
- Kirin Virk, General Legal Counsel
- Wendell Birkhofer & Robert Thompson, Dodge & Cox
- Matt Clark, PIMCO
- Paul Harte & Nathan Pratt, Strategic Investment Solutions (SIS), Inc.
- Rick Santos, StanCERA’s Incoming Executive Director
- Doris Foster & Stan Risen, County Chief Executive Officer

1. Meeting called to order at 2:00 p.m. by Jim DeMartini, Vice Chair.

2. **Roll Call**

3. **Announcements**

   Mr. Watson introduced Mr. Rick Santos, who has begun training as StanCERA’s new Executive Director, effective November 19, 2011.

   Mr. Watson announced that Mr. Hank Skau, Operations Manager, will be retiring in September. Mr. Watson presented Mr. Skau with the Government Finance Officers Association’s (GFOA) Certificate of Achievement for Excellence in Financial Reporting for his work on StanCERA’s Comprehensive Annual Financial Report (CAFR) for Fiscal Year ended June 30, 2010; along with the Award for Outstanding Achievement in Popular Annual Financial Reporting (PAFR) Fiscal Year Ended June 30, 2010. Mr. Watson commended Mr. Skau for his years of service and diligent commitment to StanCERA.
4. **Public Comment**

None.

5. **Consent Items**

Motion was made by Darin Gharat and seconded by Donna Riley to approve the following items as listed.

Motion carried.

a. Approval of the August 10, 2011, Administrative Meeting Minutes


c. StanCERA Investment Managers Review List for Quarter Ending June 30, 2011

d. BNY Mellon Securities Lending Update as of June 30, 2011

e. Approval of Death Benefit

1. Susan Hendricks, Deceased July 30, 2011, Active Member, Lump-Sum Return of Contributions, Option Pursuant to Government Code Section 31781

6. **Semi-Annual Performance Report by Dodge & Cox – Fixed Income and Large Cap Value Equity Securities**

Wendell Birkhofer, Vice President and Portfolio Manager-U.S. large cap value equity, and Bob Thompson, Vice President and Portfolio Manager-fixed income, presented the semi-annual report for the period January 1, 2011 through June 30, 2011.

Mr. Thompson presented StanCERA’s fixed income portfolio for the period ending June 30, 2011. Assets totaled approximately $436 million with an estimated annual income of $21 million. The rates of return for fixed income securities (net of fees) were 2.04%, 6.30%, 8.83%, and 7.51%, for the three-months, one, three, and five years, respectively. The return on the fixed income portfolio for the calendar year to date was 3.39%. The rates of return for the fixed income securities (net of fees) for the month ending July 31, 2011, were 1.27%, 2.12%, 6.46%, 9.44%, and 7.54%, for the one-month, three-months, one, three and five years, respectively. Rates of return are annual rates for periods of one year or longer.
6. **Semi-Annual Performance Report by Dodge & Cox – Fixed Income and Large Cap Value Equity Securities (Cont.)**

Mr. Birkhofer presented StanCERA’s equity portfolio performance summary for the period ending June 30, 2011. Stocks were valued at $181 million, with an estimated annual income of approximately $3.5 million. The rates of return for the stock portfolio (net of fees) for the period ending June 30, 2011, were 0.1%, 30.9%, 3.0%, and 0.9%, compounded for the three-months, one, three, and five years, respectively. The rates of return for the stock portfolio (net of fees) for the period ending July 31, 2011, were -3.8%, -7.2%, 17.3%, 1.3%, and -0.1%, for the one-month, three-months, one, three, and five years respectively. Rates of return are annual rates for periods of one year or longer.

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

Mr. Matt Clark, Senior Vice President, presented StanCERA’s core fixed income portfolio.

StanCERA’s core fixed income portfolio market value as of June 30, 2011, is $81.3 million. Since inception as of May 31, 2010, the returns (net of fees) are 5.7%, and 4.4% for one year.

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

a. **Investment Performance Analysis for the Quarter Ending June 30, 2011**

Mr. Harte presented the second quarter investment performance analysis through June 30, 2011.

The composite fund returned 1.0% in the second quarter of 2011 and ranked in the 68th percentile among other public funds greater than $100 million. The median return was 1.2%. The fund beats its policy index (0.9%) during this time period. Longer term, the three and five-year returns of 6.0% and 5.0% ranked above the median among total public plans (4.4% and 4.8%, respectively).

b. **StanCERA Investment Managers Review List for Quarter Ending June 30, 2011**

All StanCERA investment managers are noted as in "good standing," by SIS, Inc.
8. **Strategic Investment Solutions (SIS), Inc. [Cont.]**

   c. **Monthly Performance Review for the Month Ending July 31, 2011**

   Mr. Harte presented the monthly performance review for the period ending July 31, 2011. As of July 31, 2011, StanCERA’s portfolio is $1.39 billion, a -1.02% decrease from the prior month. The fiscal year to date return is -0.78%, -0.09% below StanCERA’s policy index of -0.69%.

   d. **Report on “Top 10 Holdings” by StanCERA Investment Managers as of July 31, 2011**

   e. **Verbal Update on The Research Affiliates RAFI Global Long/Short Equity Strategy**

   Mr. Grover left at 3:56 p.m.

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

   **STANDING COMMITTEES**

   a. Internal Governance Committee – Maria De Anda, Chair

   i. **Discussion and Action on Attendance and Travel Costs for The Public Retirement Journal’s 21st Annual Northern California Public Retirement Seminar, October 13, 2011, Sacramento, CA**

   Motion was made by Ron Martin and seconded by Gordon Ford to approve attendance and travel costs for *The Public Retirement Journal’s 21st Annual Northern California Public Retirement Seminar*, October 13, 2011, Sacramento, CA.

   Motion carried.

10. **Closed Session**

   No Closed Session.

   a. **Conference with Legal Counsel – Anticipated Litigation and/or Anticipated Initiation of Litigation Pursuant to Subdivision (c) of section 54956.9: One Matter**
11. **Members’ Forum (Information and Future Agenda Requests Only)**

Mr. DeMartini requested a press release be written and distributed to announce the new Executive Director.

Mr. Gharat requested that the previously approved educational opportunity of the Institute for International Research’s (IIR’s) 20th Annual Public Fund Boards Forum be placed again on an agenda for approval, as the venue changed from San Francisco, CA to New Orleans, LA.

Ms. Cerny informed Board members that those who are interested in attending the State Association of County Retirement Systems’ (SACRS) Fall 2011 Conference, November 15-18, 2011, notify her prior to September 15, 2011.

12. **Adjournment**

Meeting adjourned at 4:09 p.m.

Respectfully submitted,

Tom Watson
Retirement Administrator

APPROVED AS TO FORM:
KIRIN K. VIRK, GENERAL LEGAL COUNSEL

By: Kirin K. Virk, General Legal Counsel