PLEASE POST FOR EMPLOYEE VIEWING

BOARD OF RETIREMENT MINUTES
August 24, 2010

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

Members Absent: Ron Martin

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

Staff Present: Tom Watson, Retirement Administrator
Kelly Cerny, Executive Secretary
Hank Skau, Operations Manager
Kathy Herman, Special Projects Manager

Others Present: Fred Silva, General Legal Counsel
Wendell Birkhofer & Robert Thompson, Dodge & Cox
Paul Harte, Strategic Investment Solutions (SIS), Inc.
Robert McCrory, EFI Actuaries
Doris Foster & Monica Nino, Chief Executive Office
Terry Withrow, County Supervisor-Elect

1. Meeting called to order at 1:58 p.m. by Maria De Anda, Chair.

2. **Roll Call**

3. **Announcements**

   None.

4. **Public Comment**

   None.
5. **Consent Items**

Mr. Ford asked for clarification on the Minutes regarding Item #6, Motion #2. He inquired if a limit had been set on the fees for the tax investment counsel, and if the tax investment issue would be brought back to the Board. Mr. Watson stated at the time the motion was made no limit was set. He stated it is a cost of investments similar to investment manager fees and not a cost of administration. Mr. Watson affirmed that the issue of investing in the KKR mezzanine fund would be brought back to the Board for a vote.

Motion was made by Mike Fisher and seconded by Lyn Bettencourt to approve the following items as listed.

Motion carried.

a. Approval of the August 11, 2010, Meeting Minutes

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

Wendell Birkhofer, Vice President and Portfolio Manager-large cap value equity, and Bob Thompson, Vice President and Portfolio Manager-fixed income, presented the semi-annual report for the period January 1, 2010 through June 30, 2010.

Mr. Lynch arrived at 2:07 p.m.

Mr. Thompson presented StanCERA’s fixed income portfolio for the period ending June 30, 2010. Assets totaled approximately $363 million with an estimated annual income of $20 million. The rates of return for fixed income securities (net of fees) were 2.14%, 12.94%, 8.13% and 6.36% for the three-months, one, three, and five years, respectively. The return on the fixed income portfolio for the calendar year to date was 4.80%. The rates of return for the fixed income securities (net of fees for the month ending July 31, 2010, were 1.12%, 2.5%, 11.18%, 8.48%, and 6.65% 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.

Mr. Birkhofer presented StanCERA’s equity portfolio performance summary for the period ending June 30, 2010. Stocks were valued at $148 million, with an estimated annual income of approximately $2.9 million. The rates of return for the stock portfolio (net of fees) for the period ending June 30, 2010, were -13.4%, 15.2%, -12.7%, and -1.6%, 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, 2010, were 7.3%, -8.5%, 13.2%, -9.6%, and -1.0%, 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. **Strategic Investment Solutions (SIS), Inc.**

   a. **Investment Performance Analysis for the Quarter Ending June 30, 2010**

      The composite fund returned -6.6% in the second quarter of 2010 and ranked in the 92nd percentile among other public funds greater than $100 million. The median return was -5.1%. The fund led its policy index (-6.7%) during this time period. Longer term, the three and five year returns of -3.8% and 2.8%, ranked above the median among total public plans (-4.0% and 2.7%, respectively).

   b. **Monthly Performance Review for the Month Ending July 31, 2010**

      Mr. Harte presented the monthly performance review for the period ending July 31, 2010. As of July 31, 2010, StanCERA’s portfolio is $1.23 billion, a 4.66% increase from the prior month. The fiscal year to date return is 4.93%, -0.30%, below StanCERA’s policy index of 5.23%, but above the actuarial assumed rate of return of 0.67% and above the 0.33% actuary rate of inflation.

   c. **StanCERA Investment Managers Review List for Quarter Ending June 30, 2010**

   d. **Discussion and Action on StanCERA Manager Structure Balances and Targets – Rebalancing for Global Real Estate Investment Trusts (REITs), Mezzanine Debt, and Infrastructure**

   **Motion #1**

   Motion was made by Lyn Bettencourt and seconded by Gordon Ford to postpone action.

   Roll Call Yes: L. Bettencourt and G. Ford


   Motion failed.

   **Motion #2**

   Motion was made by Darin Gharat and seconded by Mike Fisher to accept the new asset allocation as presented.


   Roll Call No: L. Bettencourt and G. Ford

   Motion carried.
Recessed at 3:25 p.m.
Reconvened at 3:35 p.m.

8. **EFI Actuaries**
   a. Presentation of Stable Funding “(Actuarial 201)” Decreasing Risk
   b. Presentation of Views of the Preliminary Language of the Governmental Accounting Standards Board’s (GASB) Statements #25 and #27

9. **Closed Session**
   Motion was made by Lyn Bettencourt and seconded by Clarence Willmon to commence to Closed Session at 4:22 p.m.
   Motion carried.
   a. Conference with Legal Counsel – Anticipated Litigation and/or Anticipated Initiation of Litigation Pursuant to Subdivision (c) of section 54956.9: One Matter
   Motion was made by Clarence Willmon and seconded by Mike Fisher to return to Open Session at 5:07 p.m.
   Motion carried.
   No report.

10. **Members’ Forum (Information and Future Agenda Requests Only)**
    Mr. Ford requested staff to provide information regarding a question Mr. Raja asked at the April 27, 2010, Board of Retirement meeting.
    Mr. Raja, Assistant Treasurer-Tax Collector had asked whether StanCERA’s portfolios had an investment in a firm in India entitled Satyam Computer Services. This firm was involved in fraudulent financial practices.
    Mr. Bettencourt commented that the State Association of County Retirement Systems (SACRS) Public Pension Investment Management Program, August 9-11, 2010, was a good training program.
11. **Adjournment**

Meeting adjourned at 5:12 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