STANISLAUS COUNTY
EMPLOYEES’ RETIREMENT ASSOCIATION
832 12th Street, Suite 600
Modesto, CA 95354
Phone (209) 525-6393
Fax (209) 558-4976
www.stancera.org
Mail: P.O. Box 3150 95353-3150
e-mail: retirement@stancera.org

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STRATEGIC PLANNING SESSION MINUTES

September 23, 2008

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

Members Absent: Ron Martin

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

Others Present: Kelly Cerny, Paul Harte-Strategic Investment Solutions (SIS), Inc., Kathy Herman, Deirdre McGrath, and Hank Skau

Meeting began at Noon.

1. Discussion and Review of the 2005 Strategic Planning Objectives – Met or Not Met

Kathy Herman, Special Projects Manager, facilitated the strategic planning review session. She noted the session’s objective was to review the 2005 objectives and brainstorm for either new objectives or goals to advance the strategic plan. Board members discussed and reviewed the 2005 objectives. As part of the strategic planning process no formal changes will be made to the plan until its completion at a later date.

2. Discussion and Review of Where We Are Now and Where We Need to Go and/or Grow

Board members discussed and shared ideas. Board members requested another strategic planning session to complete the process. The session would be held after the new actuary report is received and because of the uncertain market. It was noted to add this item to an upcoming Board of Retirement Agenda for discussion and action.

3. Discussion and Review of Investment Managers and Investment Structures


Paul Harte gave a summary of StanCERA’s peer universe rankings compared to the previous three fiscal year-ends for one, three and five years. Peer rankings are compared versus a group of other public funds greater than $100 million in total plan assets. Peer rankings can be affected
3. Discussion and Review of Investment Managers and Investment Structures (cont.)

a. SIS Inc.’s Memorandum Dated August 29, 2008 – StanCERA Peer Universe Rankings June 30, 2008 (cont.)

by primarily three factors: 1) the plan asset allocation and policy index; 2) the level of alpha being generated by active management; and 3) the differential between current asset class weights versus target asset class weights (rebalancing). For comparison purposes the policy index rankings of Alameda County and San Joaquin County were used.

Mr. Harte also gave an overview of how a plan ranks in relation to the performance of its active managers, for a one, three, and five year period.

The Board reviewed and discussed the information. Board members will consider opportunities to improve overall fund performance at future Board meetings. The Board requested SIS, Inc., provide a survey of other 1937 Act retirement systems regarding the number of years the systems remain at the same actuary rate of assumption. The survey should also demonstrate the number of 1937 Act retirement systems that have consecutively met and surpassed their actuary rate of assumption. Mr. Harte stated he would bring this information to the Board at a future Board meeting. He responded to Board members’ questions.

b. SIS, Inc.’s Monthly Performance Review for the Month Ending August 31, 2008

Mr. Harte presented the monthly performance review for the period ending August 31, 2008. As of August 31, 2008, StanCERA’s portfolio is $1.27 billion, a -0.42% decrease from the prior month. The fiscal year to date return is -1.31%, below StanCERA’s policy index of -0.64%. Mr. Harte gave a recap of the decline of the market since March 2007, including the subprime mortgage and housing issues leading up to today’s issues. Board members reviewed and discussed the market’s current poor condition. Mr. Harte answered Board members questions.

c. StanCERA’s Dodge & Cox Equity Financial Holdings and Auto Holdings

Per the Board’s previous request, Mr. Harte provided an overview of StanCERA’s equity financial and automotive holdings with Dodge & Cox as of August 31, 2008. This includes 12 financial stocks and two automotive stocks. The chart demonstrated the number of shares, average purchase price, and average cost of the stocks. It also detailed the unrealized gain/loss, and the market value. The closing prices of the stocks were compared as of September 15, 2008, fiscal year-ends 2007 and 2008, and the 2007 calendar year-end. The Board reviewed and discussed the information. The Board expressed its appreciation to Mr. Harte for providing the information.

d. StanCERA’s Manager Structure Analysis 2008

Mr. Harte gave an overview of the manager structure analysis report provided to Board members. This included an introduction to the manager structure, asset allocation guidelines, and a summary of StanCERA’s equity
3. **Discussion and Review of Investment Managers and Investment Structures (cont.)**

   d. StanCERA’s Manager Structure Analysis 2008 (cont.)

   and fixed income manager structures. The Board reviewed and discussed the analysis. The Board requested the manager structure analysis be placed on the October 28, 2008 Board of Retirement Agenda for discussion and action.

   e. Mazama Capital Management, Inc.’s Email Dated September 15, 2008 - Accounts

   Board members reviewed the Mazama Capital Management’s email about Mazama’s possible account closures. The email was a follow-up response to a request from the Board’s inquiry about Mazama’s potential loss of clients.

4. **Adjournment**

   The session concluded at 5:00 p.m.

Respectfully submitted,

Hank Skau, Operations Manager

APPROVED AS TO FORM:
JOHN P. DOERING, COUNTY COUNSEL

By: Deirdre McGrath, Deputy County Counsel