



STANISLAUS COUNTY
EMPLOYEES' RETIREMENT ASSOCIATION
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1/13/10
Item #6a

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BOARD OF RETIREMENT MINUTES

December 9, 2009

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

Alternate Member Present: Linda Stotts-Burnett (Alternate Retiree Representative)

Members Absent: *Mike Lynch*

Staff Present: Tom Watson, Retirement Administrator
Kelly Cerny, Executive Secretary
Michele Silva, Benefits Manager
Hank Skau, Operations Manager
Natalie Elliott, Accountant
Joyce Parker, I.T. Coordinator

Others Present: Paul Harte, Strategic Investment Solutions (SIS), Inc.,
Marilyn Freeman & Elizabeth Knope, Capital Prospects
via teleconference
Victor Hymes & Fawad Razzaque, Legato Capital
Management
Doris Foster & Monica Nino, County Chief Executive Office
Fred Silva, General Legal Counsel
Doug Estes, Retiree

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

2. **Roll Call**

3. **Announcements**

Mr. Ford announced this was the last meeting for the calendar year. The next meeting would be Wednesday, January 13, 2010.

Ms. De Anda announced this was Mr. Hall's last meeting as a Trustee on the Board of Retirement. She thanked him for his years of service to the Board of Retirement.

4. **Public Comment**

Doug Estes, Retiree, thanked Mr. Hall for his many years of service on the Board of Retirement. Mr. Estes also commented on local newspaper articles he recently read about the County and StanCERA.

5. **Consent Items**

Motion was made by Maria De Anda and seconded by Clarence Willmon to approve the following items as listed.

Motion carried.

- a. Approval of the November 24, 2009, Administrative/Investment Meeting Minutes
- b. Approval of the 2010 Calendar of Board of Retirement Meetings Including the Investment Managers' Reporting Schedule
- c. Approval to Post Zero Interest for the December 31, 2009, Regular Interest Posting
- d. Approval of Service Retirement(s) – **Sections 31499.14, 31670, 31662.2 & 31810**
 1. Emma Dominguez, BHRS, Effective 12-5-09
 2. James Gelsimino, CSA, Effective 12-03-09
 3. Maria Quintero, Probation, Effective 12-19-09
 4. Robert Rosas, CSA, Effective 12-31-09
 5. Frederick Small, Public Defender, Effective 12-08-09
 6. Margaret Synstad, Alliance Worknet, Effective 12-13-09
 7. Claudette Trawick, Clerk Recorder, Effective 12-17-09
- e. Approval of Death Benefit – **Section 31781**
 1. Leticia Garcia Macias, Deceased November 24, 2009, Legislative Deferral, option pursuant to Government Code Sections 31781

6. **Presentation by Capital Prospects LLC of the Small Cap Value Equity Portfolio Semi-Annual Performance Report**

Via a teleconference, Marilyn Freeman and Elizabeth Knope, Principals and Managers, presented the semi-annual investment performance report of StanCERA's U.S. small cap value equity portfolio. Capital Prospects is a manager of managers with six managers in the portfolio. Since inception of January 1, 2009, the portfolio started with \$49.1 million. It is now approximately \$60 million. Investment performance through October 31, 2009, is 18.24% net of fees, and is 960 basis points higher than the Russell 2000 value index benchmark.

7. **Presentation by Legato Capital Management LLC of the Small Cap Growth Equity Portfolio Semi-Annual Performance Report**

Victor Hymes, Lead Portfolio Manager, and Fawad Razzaque, Portfolio Manager, presented the semi-annual investment performance report of StanCERA's U.S. small cap growth equity portfolio. Legato Capital is a manager of managers with five managers in the portfolio. Since inception of December 22, 2008, as of September 30, 2009, the portfolio has returned 34.78%, above the Russell 2000 growth index benchmark return of 31.91% by 280 basis points. As of September 30, 2009, the portfolio assets are \$48.7 million.

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

a. Information and Discussion on StanCERA Asset Projections

Paul Harte presented the asset return projections that SIS recently updated with the large increase in market returns over the past nine months. He gave an overview of StanCERA's asset allocation. In closing, Mr. Harte mentioned the global Real Estate Investment Trust (REIT) investments will be discussed at the January 26, 2010, Board meeting.

9. **Correspondence**

a. Loomis Sayles & Company's Letter of Response Dated November 30, 2009, Large Cap Growth Underperformance

It was noted that Loomis Sayles & Company's response to its underperformance was received by Board of Retirement. A fee change to 25 basis points was instituted to commence July 1, 2009. This also allows a potential for additional performance fees after one full year, if performance is 500 basis points above the Russell 1000 growth equity index benchmark.

10. **Administrator**

a. Discussion and Action on Three (3) Agreements with The Bank of New York (BNY) Mellon, Letter Dated December 2, 2009

i. Discussion and Action on the Loss Sharing Agreement by BNY Mellon Letter Dated March 17, 2009

Motion was made by Ron Martin and seconded by Clarence Willmon to approve the letter of support for BNY Mellon to absorb 30% of the loss related to the Lehman Brothers insufficient cash collateral in the securities lending program.

Motion carried.

ii. Discussion and Action on The BNY Mellon Agreement to Reduce the Securities Lending Cash Collateral Insufficiency, Letter Dated June 30, 2009

Motion was made by Maria De Anda and seconded by Mike Fisher to approve the letter authorizing BNY Mellon to transfer securities lending revenue to offset the current approximately \$3 million cash deficiency related to StanCERA's 70% loss on the Lehman Brother holdings.

Motion carried.

iii. Discussion and Action on The BNY Mellon Agreement to Use the "Workbench" Custodial Software System for the Safekeeping of StanCERA's Assets

Motion was made by Darin Gharat and seconded by Maria De Anda to approve the agreement to allow staff user identification access to the BNY Mellon Workbench custodial computer system.

Motion carried.

11. **Committee Reports and Recommendations for Action**

STANDING COMMITTEES

- a. Internal Governance Committee, Ron Martin, Chair
 - i. Discussion and Action on Attendance and Travel Costs for The Opal Financial Group's Annual Public Funds Summit, January 6-8, 2010, Scottsdale, AZ

Motion was made by Maria De Anda and seconded by Mike Fisher to approve Attendance and travel costs for The Opal Financial Group's Annual Public Funds Summit, January 6-8, 2010, Scottsdale, AZ.

Motion carried.

12. **Closed Session**

Motion was made by Mike Fisher and seconded by Clarence Willmon to commence to Closed Session at 3:27 p.m.

- a. Conference with Legal Counsel – Existing Litigation
One Case: The Modesto Bee, et al. v. StanCERA, Stanislaus County Superior
Case No. 644964, Government Code Section 54956.9 (a)

L. Stotts-Burnett and W. Hall recused themselves at 3:43 p.m.

- b. Conference with Legal Counsel – Anticipated Litigation and/or Anticipated
Initiation of Litigation Pursuant to Subdivision (c) of Section 54956.9:
One Case

L. Stotts-Burnett and W. Hall returned at 4:08 p.m.

Ms. Cerny recused herself at 4:08 p.m.

- c. Public Employment: Performance Evaluation – Discussion and Action on
Retirement Administrator's 2009 Performance Evaluation

Ms. Cerny returned at 4:49 p.m.

Motion was made by Mike Fisher and seconded by Ron Martin to return to Open Session at 4:49 p.m. Ms. Cerny read the findings of the Closed Session:

Motion was made by Darin Gharat and seconded by Ron Martin to authorize General Legal Counsel to research causes of action against Buck Consultants.

Motion carried unanimously.

13. **Members' Forum (Information and Future Agenda Requests Only)**

Mr. Gharat mentioned the Ad-Hoc Funding Policy Development Committee met today prior to the Board meeting. The Committee will bring the excess earnings policy to the Board at its January meeting.

14. **Adjournment**

Meeting adjourned at 4:53 p.m.

Respectfully submitted,



Tom Watson, Retirement Administrator

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


Fred A. Silva, General Legal Counsel