



STANISLAUS COUNTY
EMPLOYEES' RETIREMENT ASSOCIATION
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BOARD OF RETIREMENT MINUTES

June 28, 2011

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

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, Projects Manager
Kathy Johnson, Accountant
Luiana Irizarry, Administrative Assistant

Others Present: Fred Silva, General Legal Counsel
Marilyn Freeman & Elizabeth Knope, Capital Prospects LLC
Lieve Mertens & Fawad Razzaque,
Legato Capital Management LLC
Paul Harte & Nathan Pratt, Strategic Investment Solutions (SIS), Inc.
Doris Foster & Stan Risen, Chief Executive Office
Michael O'Neal, Retiree Representative – Elect
Joan Clendenin, Alternate Retiree Representative - Elect

1. Meeting called to order at 2:00 p.m. by Mike Lynch, Chair.

2. **Roll Call**

3. **Announcements**

Ms. Herman announced that the new audio recording system was in place for this meeting. In addition, the new recording equipment will run parallel with the old recording equipment during today's meeting since it is being tested for the first time.

Mr. Watson announced the recent Board of Retirement election results. Michael O'Neal has been elected as Seat #8, Retiree Representative effective July 1, 2011 and Donna Riley has been elected for Seat #3, General Member Representative effective July 1, 2011, both serving a three year term. In addition, the Stanislaus County Board of Supervisors has reappointed Mike Lynch who holds Seat #5, and Jeff Grover who holds Seat #9, as Board of Retirement Trustees, both also for three year terms.

4. **Public Comment**

None.

5. **Consent Items**

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

Motion carried.

- a. Approval of the June 8, 2011, Administrative Meeting Minutes
- b. Report on Placement Agent Use by StanCERA Investment Managers for Quarter Ending June 30, 2011

6. **Semi-Annual Performance Report by Capital Prospects LLC**

Marilyn Freeman, Principal and Manager, and Elizabeth Knope, Principal and Manager presented the semi-annual performance report for StanCERA's small cap value equities emerging manager portfolio.

Ms. Freeman noted no organization changes have been made, or changes to the six managers. StanCERA's asset allocation funding began January 1, 2009, with \$49.1 million and six managers in the program. As of May 31, 2011, the value of the fund is \$76.0 million. From inception through May 31, 2011, the total portfolio has returned 26.52% annually net of fees, and 514 basis points above the Russell 2000 value index of 21.38% over the same period.

7. **Semi-Annual Performance Report by Legato Capital Management LLC**

Lieve Mertens, Senior Vice President and Portfolio Manager, and Fawad Razzaque, Portfolio Manager presented the semi-annual performance report on StanCERA's small cap growth equities emerging manager portfolio.

According to Legato Capital Management LLC's Report dated June 28, 2011, StanCERA's total fund assets of the small cap growth emerging manager portfolio were \$69.9 million as of March 31, 2011, with six managers in the program. Ms. Mertens noted that one manager was recently transitioned out, Chinook Capital Management. The report further states, since funding began December 22, 2008 through May 31, 2011, the total portfolio returned 32.88% net of fees, with a net negative -0.77% alpha below the Russell 2000 growth index return of 33.65% over the same period.

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

- a. SIS, Inc.'s Monthly Performance Review for The Month Ending May 31, 2011
Mr. Harte presented the monthly performance review for the period ending May 31, 2011.

The Russell 3000 index declined -1.14%, the MSCI ACWI EX-US index declined -2.77%, and the Barclays U.S. Aggregate Bond index increased 1.31% for the month. While the asset allocation target for Dodge and Cox Fixed Income is well below the normal range, a re-balancing did occur to add \$50 million to the portfolio in early June. The \$50 million came from various equity portfolios. StanCERA's total portfolio stood at \$1.433 billion on May 31, 2011. The total fund return was 24.40% for 2011 fiscal year to date through the month of May and 1.53% over the policy index return of 22.87%.

- b. Report on "Top 10 Holdings" by StanCERA Investment Managers
- c. Discussion and Action on Revisions to StanCERA's Special Situations Fund Policy and Procedures Supplement D within StanCERA's Statement of Investment Policy as recommended by SIS, Inc.

Motion was made by Maria DeAnda and seconded by Linda Stotts-Burnett to accept the revisions to StanCERA's special situations fund policy and procedures supplement D within StanCERA's Statement of Investment Policy.

Motion carried.

- d. Verbal Update on RBC Diversified Infrastructure Fund
- e. Verbal Update on Research Affiliates Long/Short Strategy Fund

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

STANDING COMMITTEES

- a. Internal Governance Committee – Maria De Anda, Chair
- i. Discussion and Action on Adoption of Policies, Procedures and Guidelines with One Revision to the Statement of Investment Policy

Motion was made by Linda Stotts-Burnett and seconded by Ron Martin to adopt the policies, procedures, guidelines and one revision to the Statement of Investment Policy as presented.

Motion carried.

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

Mr. Watson noted that the July 13, 2011 Board of Retirement meeting will commence at 1:00 p.m. to accommodate the Retirement Board's need to interview candidates for Retirement Administrator/Executive Director to make its selection.

12. **Adjournment**

Meeting adjourned at 3:17 p.m.

Respectfully submitted,

Tom Watson

Tom Watson, Retirement Administrator

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

By: *Fred A. Silva*
Fred A. Silva, General Legal Counsel