



STANISLAUS COUNTY
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BOARD OF RETIREMENT MINUTES

September 22, 2009

- Members Present:** Maria De Anda, Jim DeMartini, Mike Fisher, Gordon Ford, Darin Gharat, Wes Hall, Mike Lynch, Ron Martin and Clarence Willmon
- Members Absent:** None
- Alternate Member Present:** Linda Stotts-Burnett, Alternate Retiree Representative
- Staff Present:** Tom Watson, Retirement Administrator
Kelly Cerny, Executive Secretary
Hank Skau, Operations Manager
Natalie Elliott, Accountant
Joyce Parker, I.T. Coordinator
- Others Present:** Kimberly Aspenleider and Kevin Brown, Delaware Investments
Mark Baribeau and Douglas Richardson, Loomis Sayles & Co.
Paul Harte, Strategic Investment Solutions, Inc. (SIS)
Deirdre McGrath, Deputy County Counsel
Doris Foster, Chief Executive Office

1. Meeting called to order at 2:01 p.m. by Gordon Ford, Chair.

2. **Roll Call**

3. **Announcements**

None.

4. **Public Comment**

None.

5. **Consent Items**

Motion was made by Mike Fisher and seconded by Wes Hall to approve the following item as listed.

Motion carried.

a. Approval of the September 9, 2009, Administrative Meeting Minutes

6. **Semi-Annual Performance Report by Loomis Sayles & Company**

Douglas Richardson, Vice President, Product Manager, Growth Equities, and Mark Baribeau, Chief Investment Officer, Large Cap Growth, gave the semi-annual presentation of StanCERA's large cap growth portfolio.

Mr. Richardson gave a summary of the portfolio's large cap growth sector outlook. As of June 30, 2009, StanCERA's portfolio net return year to date was -37.04%, below the Russell 1000 Growth benchmark of -24.50%.

As of September 10, 2009, StanCERA's portfolio net return year to date was 19.97%, -5.35% lower than the Russell 1000 Growth benchmark of 25.32%. Mr. Richardson noted the second quarter was tough with the stock market bottoming out on March 9, 2009.

Mr. Baribeau gave an equity review of the anatomy of a rally off of market lows, including the daily performance of the large cap growth portfolio for December 31, 2008 through June 30, 2009.

Item #8a. Heard Out of Order

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

a. Monthly Performance Review for the Month Ending August 31, 2009

Mr. Harte presented the monthly performance review for the period ending August 31, 2009. As of August 31, 2009, StanCERA's portfolio is \$1.14 billion. The fiscal year to date return is 9.60%, above StanCERA's policy index of 9.35%. August was another positive performance month with the portfolio up 3.05% for the month.

7. **Semi-Annual Performance Report by Delaware Investments**

Kevin Brown, Vice President, Senior Investment Specialist, and Kim Aspenleider, Vice President, Client Services gave the semi-annual presentation on StanCERA's large cap growth portfolio.

Mr. Brown noted StanCERA had been added to Delaware's written client list as listed in the written presentation. This was a request made by Mr. Hall at the March 24, 2009, Board meeting.

As of June 30, 2009, the six months, one year, and inception to date net returns are 15.05%, -23.04%, and -7.57%, respectively. While the longer periods have slightly underperformed the benchmark, the six months figure is more than 3.00% higher than the Russell 1000 Growth Index benchmark. As of August 31, 2009, the year to date, one year, and inception to date net returns are 23.40%, -17.16%, and -4.97% respectively.

Mr. Brown acknowledged the Board was aware that on August 19, 2009, Lincoln National Corporation entered into an agreement to sell ownership of

7. **Semi-Annual Performance Report by Delaware Investments (Cont.)**

Delaware Management Holdings, Inc., and its subsidiaries (also known as Delaware Investments), to the Macquarie Group. He stated this would not effect the operations of Delaware Investments. The Macquarie Group will continue to honor Delaware Investments structure.

Mr. Ford inquired as to why both Delaware Investments and Loomis Sayles & Company have an overlap of the same stock selection in StanCERA's portfolios. Mr. Harte responded he would bring back an overview of the the overlapping stocks at the next Board Investment meeting.

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

Item #8a. Heard Out of Order

b. StanCERA Asset Projections as of September 2009

Mr. Harte gave a summary of StanCERA's asset projections, current target mix, existing asset classes, and manager structure. SIS, Inc. provided recommendations for possible changes to the asset allocations and investment manager structure.

c. Bridgewater Daily Observations' Email Dated September 9, 2009, "Reflation"

Mr. Harte noted Board members received an email article regarding "Reflation."

d. Discussion and Action on Recommendations to Changes in the Asset Allocation and Investment Management Structure

Motion was made by Ron Martin and seconded by Darin Gharat to decrease the global real estate investment trust (REIT) formal allocation from 3% to 1.5%; increase the fixed income allocation to 1.5%; and direct SIS, Inc., to explore the potential for a passive fixed income vehicle or a second active fixed income manager.

Motion carried.

9. **Correspondence**

a. Loomis Sayles & Company's Letter of Response Dated August 31, 2009, Large Cap Growth Underperformance

Board Members reviewed Loomis Sayles & Company's written response to StanCERA's August 26, 2009, letter regarding their underperformance over the past two years ending June 30, 2009.

Mr. Harte informed Board members he would bring back to the Board a proposed fee reduction for StanCERA's large cap growth portfolio with Loomis Sayles & Company, at the October 27, 2009, Board meeting.

9. **Correspondence (Cont.)**

- b. Barclay Global Investors' (BGI) Email Dated September 1, 2009, Confirmation of the Reduced Management Fee for the Russell 1000 Growth Index Fund

The Board reviewed BGI's response verifying the reduction of its management fee for StanCERA's Russell 1000 Growth Equity Index Fund for 2 basis points (0.02%) of assets.

10. **Administrator**

- a. Discussion and Action on the State Association of County Retirement Systems' (SACRS) Voting Proxy for the SACRS Fall 2009 Conference, November 10-13, 2009

Motion was made by Mike Fisher and seconded by Maria De Anda to approve Darin Gharat as the voting delegate, and Wes Hall as the alternate voting delegate at the SACRS Fall 2009 Conference, November 10-13, 2009.

Motion carried.

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

STANDING COMMITTEES

- a. Internal Governance Committee – Ron Martin, Chair
- i. Discussion and Action on Attendance and Travel Costs for the Invesco Real Estate 2009 Client Conference, November 3-5, 2009, La Jolla, California

No action taken.

AD-HOC COMMITTEES

- b. Ad-Hoc General Legal Counsel Committee – Gordon Ford, Chair
- i. Discussion and Action on Recommendations to Hire External General Legal Counsel

Mr. Martin disclosed he may have a potential conflict of interest. He withdrew himself from any participation in this matter and continues to not participate, and will refrain from influencing another member of the Board. He has not and will not vote on this item.

Mr. Martin recused himself and left the room at 3:48 p.m.

11. **Committee Reports & Recommendations for Action (Cont.)**

AD-HOC COMMITTEES (Cont.)

- b. Ad-Hoc General Legal Counsel Committee – Gordon Ford, Chair (cont.)
 - i. Discussion and Action on Recommendations to Hire External General Legal Counsel (cont.)

Mr. Lynch, upon remembering and disclosing he may have a potential conflict of interest, withdrew himself from any further participation in this matter and continues to not participate, and will refrain from influencing another member of the Board. He did not and will not vote on this item.

Mr. Lynch recused himself and left the room at 4:14 p.m.

Motion was made by Wes Hall and seconded by Clarence Willmon to:

- 1) Hire the law firm of Damrell et al. with a tentative start date of November 1, 2009; 2) Have the Vice-Chair, Ms. De Anda and the Retirement Administrator, Mr. Watson, meet with Mr. Fred Silva and Damrell et al.'s proposed attorneys who will potentially attend Board of Retirement meetings to determine the best match and back-up for attorneys who would attend future Board of Retirement meetings; 3) Instruct staff to negotiate a contract with a maximum 15 hours per month retainer to be for a one year period that would be reviewed after the twelve month period to see if the compensation needs adjustment; 4) Bring back the contract to the Board for final approval; 5) After three months upon approval of the contract, the Retirement Administrator will bring back a report to the Board on the status of the attorneys' hours.

Motion carried.

12. **Closed Session**

Mr. Martin and Mr. Lynch returned at 4:20 p.m.

Motion was made by Mike Fisher and seconded by Maria De Anda to commence to Closed Session at 4:20 p.m.

Motion carried.

- a. Conference with Legal Counsel – Initiation of Litigation
Pursuant to Subdivision (c) of Section 54956.9: One Case

Motion was made by Darin Gharat and seconded by Mike Fisher to return to Open Session at 4:47 p.m.

Motion carried.

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

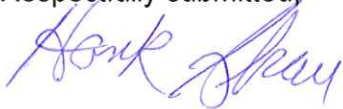
Ms. De Anda informed Board members the Due Diligence Committee met with representatives from three of StanCERA's investment managers, prior to the Board meeting. A teleconference with Pyramis Global Advisors, a video conference with Capital Prospects, LLC, and an in-person meeting with Loomis Sayles & Company occurred.

Mr. Gharat commended Mr. Martin and Mr. Lynch for excusing themselves during Item #11b., due to potential conflicts of interest.

14. **Adjournment**

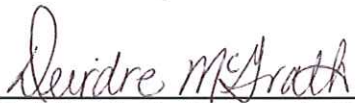
Meeting adjourned at 4:50 p.m.

Respectfully submitted,



Hank Skau, Operations Manager

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

By: 
Deirdre McGrath, Deputy County Counsel