

San Mateo County Employees' Retirement Association
Minutes of the Regular Meeting of the Board of Retirement

March 27, 2012

Agenda Item 3.0

February 28, 2012 – Board Agenda

- 1.0 Call to Order, Roll Call and Miscellaneous Business
- 2.0 Oral Communications
 - 2.1 Oral Communications From the Board
 - 2.2 Oral Communications From the Public
- 3.0 Approval of the Minutes
- 4.0 Approval of the Consent Agenda

(Any items removed from the Consent Agenda for discussion will be inserted into the Regular Agenda and considered in the order chosen by the board chair.)

 - Disability Retirements
 - Bret Holaday
 - Christine Pepe
 - Kathleen Parkin
 - Chas Mercurio
 - Angela Jabbour
 - Service Retirements
 - Continuances
 - Deferred Retirements
 - Member Account Refunds
 - Member Account Rollovers

• Administrative Matter - Resolution authorizing the Chief Executive Officer to execute the second addendum to the maintenance and support agreement for PensionGold Software between the San Mateo County Employees Retirement Association and Levi, Ray and Shoup, Inc.
- 5.0 Benefit & Actuarial Services
 - 5.1 Consideration of agenda items, if any, removed from the Consent Agenda
- 6.0 Investment Services *(The Investment Committee will meet on February 28 at 10:00 AM)*
 - 6.1 Acceptance of the Preliminary Monthly Portfolio Performance Report
 - 6.2 Acceptance of the Quarterly Investment Performance Analysis for Period Ended December 31, 2011
 - 6.3 Approval of Investment Management Agreement International Large Cap Growth Manager
Baillie Gifford & Company – EAFE Plus Focus
 - 6.4 Approval of Investment Management Agreement International Small Cap Core Manager
Pyramis Global Advisors – Select International Small Cap
 - 6.5 Approval of Investment Management Agreement International Large Cap Growth Manager
Eaton Vance Management (Parametrics) – Structures Emerging Markets Equity
 - 6.6 Approval of the Investment Committee's Work Plan for Fiscal Year 2012/2013
 - 6.7 Discussion and Approval of Potential Alternative Investment
- 7.0 Board & Management Support Services
 - 7.1 Acceptance of the Monthly Financial Report
 - 7.2 Approval of authorization to enter into an agreement with LRWL, Inc. for Project Manager Services
 - 7.3 Approval of the Audit Committee's Plan for Fiscal Year 2012/2013
 - 7.4 Introduction of *SamCERA's* Sources, Uses & Budget for Fiscal year 2012/2013
 - 7.5 Annual Review & Reaffirmation of *SamCERA's* Mission, Goals and Objectives
 - 7.6 Annual Review & Reaffirmation of *SamCERA's* Code of Fiduciary Conduct
 - 7.7 Annual Review & Reaffirmation of *SamCERA's* Conflict of Interest Code
 - 7.8 Annual Review & Reaffirmation of *SamCERA's* Strategic Services Resolution
 - 7.9 Annual Review & Reaffirmation of *SamCERA's* Internal Controls Policy
 - 7.10 Annual Review & Reaffirmation of *SamCERA's* Travel Policy

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- 7.11 Annual Review and Reaffirmation of *SamCERA's* Educational Policy
- 7.12 Annual Review and Reaffirmation of *SamCERA's* Expense Reimbursement Policy
- 7.13 Acceptance of Report on Upcoming Trustee Elections and Appointments

- 8.0 Management Reports
 - 8.1 Chief Executive Officer's Report
 - 8.2 Assistant Executive Officer's Report
 - 8.3 Chief Investment Officer's Report
 - 8.4 Chief Legal Counsel's Report

CLOSED SESSION – The board may meet in closed session prior to adjournment

- C1 Consideration of disability items, if any, removed from the Consent Agenda and appropriate for closed session
- C2 Initiation of litigation pursuant to subdivision (c) of Government Code Section 54956.9- One case

- 9. Report on Actions Taken in Closed Session

- 10. Adjournment

February 28, 2012 – Board Minutes

- 0212.1 **Call to Order:** Mr. David, Chair, called the Public Session of the Board of Retirement to order at 1:02 p.m.

- 0212.1 **Roll Call:** *Present:* Ms. Arnott, Mr. David, Mr. Tashman, Mr. Bowler, Ms. Agnew, Mr. Hackleman, Ms. Salas, Ms. Settles, Mr. Spinello and Mr. Murphy. *Excused:* Ms. Kwan Lloyd. *Staff:* Mr. Hood, Mr. Clifton, Ms. Carlson, Ms. Smith, Ms. Dames, Ms. Wong and Ms. Perez. *Consultants:* Mr. Brody, Mr. Thomas and Mr. Shooshani from Strategic Investment Solutions.

- 0212.1 **Miscellaneous Business:** Per Government Code 54954.2, Ms. Carlson requested that an urgent additional matter, that came to the attention of staff after the agenda had been printed, be added to the agenda. Mr. Hackleman moved that Item 6.8 regarding transition management be added to the agenda as per Government Code Section 54954.2. The motion was seconded by Ms. Arnott and carried unanimously.

- 0212.2.1 **Oral Communications From the Board:** Ms. Agnew reported her attendance at the CALAPRS Trustees' Round Table on February 3 in San Jose. Mr. Spinello also attended.

- 0212.2.2 **Oral Communications From the Public:** None.

- 0212.3 **Approval of the Minutes:** Ms. Arnott noted typographical errors within the draft minutes presented in the agenda packet.
Action: Ms. Agnew moved to approve the minutes from the Regular Board of Retirement meeting held on January 24, 2012 with changes noted. The motion was seconded by Ms. Arnott, and carried unanimously.

- 0212.4 **Approval of the Consent Agenda:** Mr. David stated that the disability retirement matters for Ms. Parkin and Ms. Pepe would be removed from the consent agenda.
Action: Ms. Salas moved to approve the following items listed on the consent agenda, as amended. The motion was seconded by Mr. Bowler and carried unanimously.

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Consent Agenda

Disability Retirements

The Board found that Bret Holaday is (1) disabled from performing his usual and customary duties as a Plumber, (2) found that his disability is service-connected and (3) granted his application for a service-connected disability retirement.

The Board found that Angela Jabbour is (1) disabled from performing her usual and customary duties as a Benefits Analyst II, (2) found that her disability is service-connected and (3) granted her application for a service-connected disability retirement.

The Board further deliberated the application for Chas Mercurio and found she is (1) disabled from performing her usual and customary duties as a Financial Services Manager II, (2) found that her disability is service-connected and (3) granted her application for a service-connected disability retirement.

Service Retirements

Member Name	Effective Retirement Date	Department
Yagi, Mandy	December 3, 2011	Aging & Adult Services
Haley, Lisa	December 4, 2011	Def'd from San Mateo Medical Center
Larson, Teresa	December 8, 2011	Def'd from Environmental Health
Demee, Suzanne	December 10, 2011	San Mateo Medical Center
Minor, Kathleen	December 10, 2011	Def'd from Public Health
Maharaj, Sadesh	December 13, 2011	San Mateo Medical Center
Cruz, Alfonso	December 15, 2011	San Mateo Medical Center
Dean, Donna	December 17, 2011	San Mateo Medical Center
O'Rourke, Dennis	December 29, 2011	Def'd from County Manager's Office
Meitz, Nilita	December 30, 2011	Retirement
Stanley, Eric	December 30, 2011	Sheriff's Office
Heisinger, Douglas	December 31, 2011	Parks Department
Scheffler, Mark	December 31, 2011	District Attorney

Continuances

Survivor's Name	Beneficiary of
Bishop, Simone	Bishop, Robert
Espanola, Aurea	Espanola, Angel
Quey, Daniel	Quey, Betty
Wallis, Roy	Wallis, Georgette

Deferred Retirements

Member Name	Retirement Plan Type
Mosaffa, Donya	G4 Vested
Onate, Joseph	G4 Vested - Reciprocity
Merson, Thomas	G4 Vested
Perez, Martha	G4 Vested
Blick, Suzanne	S4 Vested
Chuey, Mandy	G4 Vested

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Deferred Retirements (con't)

Member Name	Retirement Plan Type
Condon, Sharon	G4 Vested
Reed, Mary	G4 Vested – Reciprocity
Garibay, Esther	G4 Vested – Reciprocity

Member Account Refunds

Member Name	Retirement Plan Type
Andrade, Donaldo	G4 Non-vested
Chun, Denise	G4 Non-vested
Gallagher-Gorman, Mary	G4 Non-vested
Johnson, Tamikka	G4 Non-vested
Miller, Brady	G4 Non-vested
McNeil, Nicole	G4 Non-vested
Trust of Lee Buffington	G2 Vested

Member Account Rollovers

Member Name	Retirement Plan Type
Asencio, Deborah	G4 Non-vested
Encinas, Jeoffrey	G2 Vested
Haslinger, Karen	QDRO of Haslinger, Brian
Kott, Joseph	G4 Non-vested
Kovacik, Paul	G4 Non-vested
Lam, Patrick	G4 Non-vested

Administrative Matter

Resolution authorizing the Chief Executive Officer to execute the second addendum to the maintenance and support agreement for PensionGold Software between the San Mateo County Employees' Retirement Association and Levi, Ray and Shoup, Inc.

0212.5 **Benefit & Actuarial Services**

0212.5.1 **Consideration of Agenda Items, if any, removed from the Consent Agenda:**

Consideration of the service-connected disability retirement application of Ms. Christine Pepe was discussed in open session as requested by Ms. Pepe.

Action: Ms. Arnott moved to refer this matter for further consideration by a Hearing Officer. The motion was seconded by Ms. Settles and passed unanimously.

Ms. Agnew was excused for the remainder of the meeting.

0212.6 **Investment Services**

0212.6.1 **Presentation of the Preliminary Monthly Portfolio Performance Report:** Mr. Bowler reported the Investment Committee had received the monthly investment report. With no objections noted, the report was accepted.

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Asset Class	Market Value	1-Month	1-year TTWRR*	5-year TTWRR*
Domestic Equity	914,437,929	5.32	2.76	-0.87
International Equity	365,103,074	4.87	-8.75	-3.60
Total Equity	1,279,541,003	5.18	-0.92	-1.72
Private Equity	11,645,483	0.77	-80.06	
Risk Parity	145,443,060	0.00		
Hedge Fund	67,967,550	0.00		
Fixed Income	590,730,464	1.69	6.66	6.08
Real Estate	142,553,672	0.00	16.91	0.07
Aggregate				
Commodities	68,801,601	4.38		
Cash Equivalents	44,765,428	0.06	0.72	1.06
TOTAL FUND	2,351,447,260	3.26	2.18	0.77
Benchmark		4.14	3.62	2.51

0212.6.2 **Acceptance of the Quarterly Investment Performance Analysis for Period Ended December 31, 2011**

Mr. Bowler reported that the Investment Committee spent time discussing the quarterly report with Mr. Clifton and SIS consultants, Mr. Brody and Mr. Thomas. Mr. Bowler noted there would be close monitoring for the next two to three quarters for underperforming managers. With no objections noted, the report was accepted.

0212.6.3 **Approval of Investment Management Agreement for International Large Cap Growth Manager: Baillie Gifford & Company – EAFE Plus Focus**

Mr. Bowler stated that the Investment Committee has discussed this agreement, in addition to the agreements being considered in items 6.4 and 6.5 and recommended Board approval for all three items, giving, the Board Chair and Vice Chair and Chief Executive Officer authority to execute the agreements.

Action: Ms. Salas moved to adopt a resolution approving the agreement with Baillie Gifford and Company, and authorizing the Board Chair, the Vice Chair and the Chief Executive Officer to execute the agreement. The motion was seconded by Ms. Arnott and carried unanimously.

0212.6.4 **Approval of Investment Management Agreement for International Small Cap Core Manager: Pyramis Global Advisors – Select International Small Cap**

Mr. Bowler reported that the Investment Committee voted to recommend Board approval of this agreement.

Action: Ms. Settles moved to adopt a resolution approving the agreement with Pyramis Global Advisors, and authorizing the Board Chair, the Vice Chair and the Chief Executive Officer to execute the agreement. The motion was seconded by Mr. Bowler and carried unanimously.

0212.6.5 **Approval of Investment Management Agreement for International Large Cap Growth Manager: Eaton Vance Management (Parametrics) – Structures Emerging Markets Equity**

Mr. Bowler reported the Investment Committee voted to recommend Board approval of this agreement.

Action: Mr. Hackleman moved to adopt a resolution approving the agreement with Eaton Vance Management (Parametrics), and authorizing the Board Chair, the Vice Chair and the Chief Executive Officer to execute the agreement. The motion was seconded by Ms. Salas and carried unanimously.

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- 0212.6.6 **Approval of the Investment Committee's Work Plan for Fiscal Year 2012/2013**
Mr. Bowler reported the Investment Committee discussed and voted to approve the work plan for fiscal year 2012/2013 with the addition of a placeholder date on the calendar for the Investment Committee to further review and discuss *SamCERA's* Investment Policy.
Action: Ms. Settles moved to approve the Investment Committee's work plan for 2012/2013 with the added date for discussion of the Investment policy. The motion was seconded by Mr. Bowler and carried unanimously.
Mr. Clifton noted the schedule for the annual investment manager reviews was attached to the staff report, and stated up to four Board members and two investment committee members could sit in on the reviews.
- 0212.6.7 **Discussion and Approval of Potential Alternative Investment**
Mr. Bowler reported that Mr. Faraz Shooshani from Strategic Investment Solutions presented the staff report for the potential private equity opportunity to the Investment Committee. The Investment Committee voted to recommend Board approval to proceed with the alternative investment opportunity after legal review and provisions. There were two actions taken on this item.
Action: Mr. Hackleman moved to adopt a resolution authorizing the execution of an agreement with ChrysCapital, and authorizing the Chief Investment Officer to take all actions necessary to initiate, implement and monitor the agreement. The motion was seconded by Mr. Bowler and carried unanimously.
Action: Mr. Hackleman moved to adopt a resolution ratifying the agreement with General Catalyst, subject to approval of counsel and authorizing the Chief Investment Officer to take all actions necessary to initiate, implement and monitor the agreement. The motion was seconded by Ms. Settles and carried unanimously.
- 0212.6.8 **Transition of International Portfolio (item added to agenda per Government code 54954.2 (b) 2)**
Ms. Carlson explained the addition of this item to the agenda was necessary due to time considerations, and to allow the transition management of the international portfolio to move forward. She reported that the Investment Committee had voted to recommend Board approval of this item. Ms. Carlson further explained there is an existing agreement with BNY ConvergeEx, and Board authorization is required to execute an amendment, a new agreement, and/or additional documents that may be needed. Ms. Carlson and Mr. Clifton answered questions from Board members.
Action: Mr. Bowler moved to authorize the Board Chair, the Vice Chair and the Chief Executive Officer, to take all actions necessary to execute, amend, initiate, implement and monitor the agreement with BNY ConvergeEx, and to provide any documents required to proceed with the execution of this agreement. The motion was seconded by Ms. Settles and carried unanimously.

At this time, Ms. Settles inquired about *SamCERA's* procurement process in relation to the contract with Levi, Ray and Shoup, Inc. approved on the consent agenda. Mr. Hood and Ms. Carlson confirmed that there is a purchasing and RFP process but this particular vendor is a sole source for the Pension Gold program.
- 0212.7 **Board & Management Support Services**
- 0212.7.1 **Acceptance of the Monthly Financial Report**
Ms. Wong presented the monthly financial report to the Board. With no objections noted, the report was accepted.

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- 0212.7.2 **Approval of Authorization to Enter into an Agreement with LRWL for Project Manager Services**
Mr. Hood reported the contract with L.R. Wechsler, Ltd. (LRWL) to provide project manager services for *SamCERA's* technology modernization project is the result of the RFP process that concluded in January. Mr. Hood went over the five areas of work LRWL will be providing. Board members commented on the item and Mr. Hood responded to questions.
Action: Ms. Salas moved to adopt a resolution authorizing the Chair of the Board of Retirement to execute an agreement with LRWL to provide project manager services. The motion was seconded by Mr. Bowler and carried unanimously.
- 0212.7.3 **Approval of the Audit Committee's Plan for Fiscal Year 2012/2013**
Ms. Wong presented the staff report and asked the Board to review and comment on the audit committee's schedule and plan. Mr. Clifton answered questions and confirmed the compensation amount paid to Board members.
Action: Ms. Arnott moved to approve the Audit Committee's plan for fiscal year 2012/2013. The motion was seconded by Mr. Bowler and carried unanimously.
- 0212.7.4 **Introduction of *SamCERA's* Sources, Uses & Budget for Fiscal year 2012/2013**
Ms. Wong discussed the upcoming budget development process with the Board, and the three budget parts – professional, technology and administrative. She stated that additional staff positions are requested in the FY 2012/2013 budget to assist with the technology modernization project and to provide an additional investment analyst for the new CIO. Ms. Wong said more detailed budget information would be given at the March Board meeting. This item was informational only and no action was taken.
- 0212.7.5 **Annual Review & Reaffirmation of *SamCERA's* Mission, Goals and Objectives**
Mr. Clifton reviewed the mission and goals of *SamCERA* with the Board. After review, there were no amendments made to the mission, goal and objectives.
Action: Ms. Salas moved to reaffirm *SamCERA's* Mission, Goals and Objectives. The motion was seconded by Mr. Bowler and carried unanimously.
- 0212.7.6 **Annual Review & Reaffirmation of *SamCERA's* Code of Fiduciary Conduct**
Mr. Clifton and Ms. Carlson discussed the Code with the Board and the only change noted was an updated effective date for the gift limit. Ms. Carlson also discussed the Form 700 process and due dates.
Action: Mr. Hackleman moved to reaffirm *SamCERA's* Code of Fiduciary Conduct. The motion was seconded by Ms. Settles and carried unanimously.
- 0212.7.7 **Annual Review & Reaffirmation of *SamCERA's* Conflict of Interest Code**
Mr. Clifton said the Conflict of Interest Code was approved in September and there were no changes, however, reaffirmation at this time will keep a consistent calendar of review.
Action: Mr. Tashman moved to reaffirm *SamCERA's* Conflict of Interest Code. The motion was seconded by Ms. Settles and carried unanimously.
- 0212.7.8 **Annual Review & Reaffirmation of *SamCERA's* Strategic Services Resolution**
Mr. Clifton stated this resolution is an important part of the budget process as it outlines what the Board is responsible for, and what is delegated to staff, and it assists the Board in appropriating funds.
Action: Ms. Salas moved to reaffirm *SamCERA's* Strategic Services Resolution. The motion was seconded by Mr. Hackleman and carried unanimously.

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- 0212.7.9 **Annual Review & Reaffirmation of *SamCERA's* Internal Controls Policy**
Mr. Clifton requested reaffirmation of the policy and stated there were no amendments made. Mr. Clifton explained this policy may be reviewed again as part of the audit process in October.
Action: Mr. Spinello moved to reaffirm *SamCERA's* Internal Controls Policy. The motion was seconded by Ms. Arnott and carried unanimously.
- 0212.7.10 **Annual Review & Reaffirmation of *SamCERA's* Travel Policy**
Mr. Clifton went over the policy, which identifies the type of expenditures and process for reimbursement for travel expenses incurred by staff and Board members.
Action: Ms. Arnott moved to reaffirm *SamCERA's* Travel Policy. The motion was seconded by Ms. Salas and carried unanimously.
- 0212.7.11 **Annual Review and Reaffirmation of *SamCERA's* Educational Policy**
Mr. Clifton reviewed the educational policy including the dollar limits of the Trustees' educational allowances and the recommended progression of educational events.
Action: Mr. Hackleman moved to reaffirm *SamCERA's* Educational Policy. The motion was seconded by Ms. Settles and carried unanimously.
- 0212.7.12 **Annual Review and Reaffirmation of *SamCERA's* Expense Reimbursement Policy**
Mr. Clifton explained this policy had some outdated language referencing a position no longer at *SamCERA*. He requests the policy be amended to substitute "Finance Officer" in place of "Controller" where appropriate in the policy.
Action: Ms. Salas moved to reaffirm *SamCERA's* Expense Reimbursement Policy, as amended. The motion was seconded by Mr. Spinello and carried unanimously.
- 0212.7.13 **Acceptance of Report on Upcoming Trustee Elections and Appointments**
Ms. Smith reported five seats on the Board of Retirement will expire on June 30, 2012. She reviewed and discussed the election and appointment process with the Board. Ms. Smith stated electronic on-line voting would be implemented for this election.
Action: Ms. Settles moved to accept the report on the upcoming trustee elections and appointment. The motion was seconded by Ms. Salas and carried unanimously.
- 0212.8 **Management Reports**
- 0212.8.1 – 8.2 **Chief Executive Officer/ AEO's Report:** Mr. Hood reviewed the recently published Stanford study and made the document available to the Board members. Board members discussed the report with Mr. Hood and Ms. Carlson, and remarked a response from *SamCERA* addressing inaccuracies may be appropriate. Mr. Hood reported he recently met with Supervisor Pine to give an overview of pension plan and answer questions. Mr. Hood mentioned security staff that is present during Board meeting and introduced the new Sergeant. He further reported that the succession planning committee had met, and the County's Human Resources Department had received 42 applications from candidates applying for the CIO position. Mr. Hood noted the Spring *SamCERA* newsletter would soon be going out. He informed the Board about an election notice from SACRS and commented on upcoming events.
- 0212.8.3 **Chief Investment Officer's Report:** Mr. Clifton requested the Board members to fill out their educational request forms and turn them in. He reported on the Clifton Group luncheon and noted that topics of risk parity and cash overlays were discussed. Mr. Clifton reported that staff changes are happening at Pyramis and Aubrey, and handed out a "Flash Report" from INVESCO.
- 0212.8.4 **Chief Legal Counsel's Report:** Ms. Carlson explained that confidential attorney client communication

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would be found in each Board members' file.

CLOSED SESSION

C1 Consideration of disability items, if any, removed from the Consent Agenda and appropriate for closed session

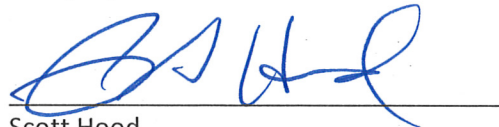
Action: A motion was made, and seconded, to approve and adopt the findings and recommendation of the Hearing Officer and to deny the service-connected disability retirement application of Ms. Kathleen Parkin. The motion carried. AYE: Trustees Arnott, Bowler, Tashman, Agnew, Spinello and Settles. NO: Trustee Salas. ABSTAIN: Trustees Hackleman and David abstaining. Mr. Dan Maguire, represented the Board in this matter and reported the Board's action in the open session.

C2 Initiation of litigation pursuant to subdivision (c) of Government Code Section 54956.9- One case
No reportable action taken.

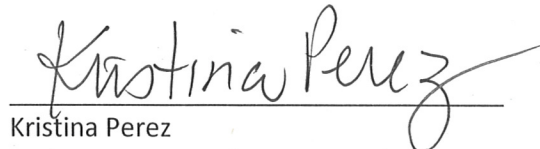
0212.9 **Report on Actions Taken in Closed Session:** See reports listed under C1 and C2.

0212.10 **Adjournment in Memory of Deceased Members:** There being no further business, Mr. David adjourned the meeting at 3:30 p.m., in memory of the following deceased members:

Greenwell, Elizabeth	December 10, 2011	Social Services
Laakso, George	December 23, 2011	Public Works
Linale, Rosaling	December 31, 2011	Ben of Linale, George
Earnest, Viola	January 6, 2012	General Hospital
Burnett, Charles	January 8, 2012	Public Works
Bullard, William	January 17, 2012	District Attorney Office
Koelling, Ervin	January 19, 2012	Dept of Public Works
Price, Barbara	January 19, 2012	Superior Court
Eich, Helen	January 22, 2012	Ben of Eich, Henry
Fletcher, Ellen	January 24, 2012	Ben of Fletcher, Lindsay
Narayan, Navindra	January 30, 2012	San Mateo Medical Center



Scott Hood
Assistant Executive Officer



Kristina Perez
Retirement Executive Secretary