

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

August 22, 2006

Agenda Item 3.0

July 25, 2006 – Board Agenda

PUBLIC SESSION – The Board will meet in Public Session at 1 p.m.

1. [Call to Order](#)
2. Roll Call
 - 2.1 [Roll Call](#)
 - 2.2 [Swearing in of New Trustee](#)
 - 2.3 [Election of Officers](#)
 - 2.4 [Appointment of Committees](#)
3. [Approval of the Minutes](#)
4. Oral Communications
 - 4.1 [Oral Communications From the Board](#)
 - 4.2 [Oral Communications From the Public](#)
5. Benefit & Actuarial Services
 - 5.1 [Adoption of Consent Agenda](#)
 - 5.2 [Consideration of Items Removed from Consent Agenda](#)
6. Investment Services (The Investment Committee will meet on July 25 at 10 a.m.)
 - 6.1 [Monthly Portfolio Performance Report](#)
 - 6.2 [Approval of Amendments to SamCERA's Investment Management Agreement](#)
 - 6.3 [Annual Review, Revision & Reaffirmation of the Investment Committee Charter](#)
 - 6.4 [Identification of Issues for an Investment Manager Annual Review – Julius Baer Investment Management](#)
 - 6.5 [Identification of Issues for an Investment Manager Annual Review – Mondrian Investment Partners](#)
 - 6.6 [Annual Investment Consultant Review – Strategic Investment Solutions](#)
7. Board & Management Support Services
 - 7.1 [Monthly Financial Report](#)
 - 7.2 [Quarterly Budget Report](#)
 - 7.3 [Report on Entrance Interview for the June 30, 2006, Financial Audit](#)
 - 7.4 [Approval of SamCERA's Travel Policy](#)
 - 7.5 [Approval of SamCERA's Staffing Plan and One Position](#)
 - 7.6 [Office Space Project – Status Report](#)
 - 7.7 [Appointment of Alternate Retiree Board Member](#)
8. Management Reports
 - 8.1 [Chief Executive Officer's Report](#)
 - 8.2 [Assistant Executive Officer's Report](#)
 - 8.3 [Investment & Finance Manager's Report](#)
 - 8.4 [County Counsel's Report](#)

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

C1 [Consideration of items, if any, removed from the Consent Agenda](#)

C2 [Conference with Legal Counsel - Anticipated Litigation](#)

Significant exposure to litigation pursuant to subdivision (b) of Government Code Section 54956.9
One Matter

9. [Report on Actions Taken in Closed Session](#)
10. [Adjournment](#)

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July 25, 2006 – Board Minutes

- 0607.1 **Call to Order:** Mr. Lewis, chair, called the Public Session of the Board of Retirement to order at 1 p.m., July 25, 2006, in *SamCERA's Board Room*, 100 Marine Parkway, Suite 125, Redwood Shores, California.
- 0607.2.1 **Roll Call:** Mr. Bryan, Ms. Arnott for Mr. Buffington, Ms. Colson, Mr. Hackleman, Mr. Hooley, Mr. Lewis, Ms. Salas and Ms. Stuart. *Excused:* Ms. Tashman and Mr. Wozniak. *Staff:* Mr. Bailey, Mr. Clifton, Ms. Dames, Mr. Hood, Ms. Palu and Ms. Wong. *Consultants:* Ms. Carlson, Ms. Jadallah, Mr. Thomas. *Retirees:* 1, *Actives:* 0.
- 0607.2.2 **Swearing in of New Trustee:** Mr. Hackleman, Mr. Hooley and Ms. Salas swore to serve as faithful fiduciaries for all members, retirees and beneficiaries; to serve as prudent administrators of the County's Retirement System; and to support, defend and bear true faith and allegiance to the Constitutions of the United States of America and the State of California in accordance with *Regulation 2.3.1*.
- 0607.2.3 **Election of Officers:** Ms. Stuart presented the report of the Ad Hoc Nominating Committee. Mr. Lewis asked for any additional nominations. Hearing none, he closed the nominations. **Motion** by Hackleman, second by Salas, carried unanimously, to **elect** Mr. Bryan, Chair; Ms. Tashman, Vice-Chair and Ms. Stuart, Secretary, per *Regulation 2.5*. Mr. Lewis presented the gavel to Mr. Bryan.
- 0607.2.4 **Appointment of Committees:** Mr. Bryan **appointed** Mr. Hackleman, Chair; Mr. Lewis, Ms. Tashman and Mr. Bryan to the **Investment Committee** per *Regulation 2.5.1*. Mr. Bryan then **appointed** Mr. Hooley, Chair; Ms. Stuart, Mr. Wozniak and Ms. Colson to the **Ad Hoc Audit Committee** per *Regulation 2.5.1*.
- 0607.3 **Approval of the Minutes:** Ms. Arnott submitted the following corrections to the June 27, 2006 board meeting minutes: 0606.8.1 ¶3: "Mr. Bailey also has been in meetings with Mr. Hackleman, Ms. Ferrales Farrales, Ms. Carlson, Mr. Adler and Ms. McMillan." **Motion** by Lewis, second by Salas, carried unanimously to approve the minutes of the June 27, 2006, board meeting, as amended.
- 0607.4.1 **Oral Communications From the Board:** Mr. Bryan welcomed back Mr. Hood, Assistant Executive Officer, and thanked him for his military service in Iraq.
- 0607.4.2 **Oral Communications From the Public:** None.
- 0607.5 **Benefit & Actuarial Services**
- 0607.5.1 **Adoption of Consent Calendar:** **Motion** by Stuart, second by Salas, carried unanimously to adopt the consent calendar, as submitted, as follows:
- Disability Retirements:**
None.

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Routine Actions taken by staff pursuant to the board's *Delegation of Authority* and the *Regulations of the Board of Retirement*:

Service Retirements:

Maloney, Thomas V.	July 1, 2006 (from deferred)	Probation Department
Maddux, Merry	July 1, 2006	San Mateo Medical Center
Pedersen, Maren	July 15, 2006	San Mateo Medical Center
Warden, Willard	July 15, 2006	Sheriff's Department
Mauzey, Matthew	July 17, 2006 (from deferred)	Department of Health Services
Fracchia, Charles	July 22, 2006	San Mateo Medical Center
Elias, Marcia	July 22, 2006	Library
Manders, Jan	July 22, 2006	Aging & Adult Services Dept.
Bach-y-Rita, George	July 29, 2006	San Mateo Medical Center
Pearce, Julie	July 29, 2006	Dept. of Mental Health

Continuance of Benefits:

Cynkar, Andrew		Beneficiary of Marian
Perry, Arthur		Beneficiary of Florence
Johnson, Betty		Beneficiary of Richard
Sanders, Ruth		Beneficiary of Vernon

Deferred Retirements:

Dottery, Geoffrey G.	G4 non-vested	Reciprocity
Maher, Keith H.	S2 vested	Reciprocity
Montero, Josefina C.	G4 non-vested	Reciprocity

Extended Purchase:

None.

Refunds For July 2006:

None.

Rollovers for July 2006:

None.

0607.5.2 **Consideration of Items Removed from Consent Agenda:** None.

0607.6 **Investment Services**

0607.6.1 **Monthly Portfolio Performance Report:** Mr. Clifton reported that *SamCERA's* 0.52% Total Fund Return for June 2006 outperformed the Total Plan Policy Benchmark return of 0.38%. The Fund's 10.66% return for the Fiscal Year is 266 basis points above the Actuarial Discount Rate of 8.00% and 63 basis points above *SamCERA's* Total Plan Policy Benchmark of 10.03% .

Mr. Clifton noted that BGI Russell 1000 Alpha Tilts had a relatively good year as compared to the Russell 1000 Index. He reported that international and real estate classes had been the best

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performing asset classes for *SamCERA* for the fiscal year.

In response to a question from Mr. Lewis, Mr. Clifton stated that *SamCERA* had received \$95 million in pre-funded county employer contributions on July 7th. \$20 million of the amount was immediately transferred to INVESCO Core Fund as a pre-approved capital contribution. On July 28th, \$20 million will be transferred to BGI Russell 1000, \$10 million to BGI Alpha Tilts, \$10 million to each of *SamCERA*'s three fixed income managers and \$12 million will be used for *SamCERA*'s operational expenses over the next quarter.

Asset Class	Market Value	1-Month	1-year TTWRR*	5-year TTWRR*
<i>Domestic Equity</i>	\$884,270,995	0.10%	10.80%	4.53%
<i>International Equity</i>	288,562,825	-0.04%	27.76%	8.88%
Total Equity	\$1,172,833,820	0.06%	14.70%	5.52%
Fixed Income	493,937,120	0.23%	-0.10%	5.48%
Real Estate Aggregate	117,547,767	6.79%	24.08%	14.02%
Cash Equivalents	5,073,995	0.35%	3.71%	2.90%
TOTAL FUND	\$1,789,392,702	0.52%	10.66%	6.60%
<i>Benchmark</i>		0.38%	10.03%	6.36%

* Total Time-Weighted Rate of Return

- 0607.6.2 **Approval of Amendments to *SamCERA*'s Investment Management Agreement:** Mr. Clifton reported that the Investment Committee conducted a thorough review of *SamCERA*'s proposed boilerplate Investment Management Agreement. The committee's changes will be incorporated into the agreement and a revised draft returned to the board for approval.
- 0607.6.3 **Annual Review, Revision & Reaffirmation of the Investment Committee Charter:** Mr. Clifton said that there were no suggested changes to the Investment Committee Charter. The committee recommends that the board reaffirm the charter. **Motion** by Lewis, second by Salas, carried unanimously to reaffirm the Investment Committee Charter.
- 0607.6.4 **Identification of Issues for an Investment Manager Annual Review – Julius Baer Investment Management:** Ms. Colson took up agenda item 6.4. and 6.5 together. She reported that the Investment Committee added a question regarding a clarification of changes in compliance standards as well as a question regarding the addition of style benchmarks for each of *SamCERA*'s international portfolios. Julius Baer's annual review will take place at the Investment Committee level. Mondrian's review will be conducted in front of the full board.
- 0607.6.5 **Identification of Issues for an Investment Manager Annual Review – Mondrian Investment Partners:** This agenda item was discussed with item 6.4.
- 0607.6.6 **Annual Investment Consultant Review – Strategic Investment Solutions:**

Patrick Thomas and **Margaret Jadallah** of Strategic Investment Solutions were present for their annual investment consultant review. Ms. Colson reported that the investment committee discussed with Mr. Thomas and Ms. Jadallah the areas in which responses from SIS and the board differed. She reported that some trustees had indicated on the survey that they would like SIS to make more concrete recommendations in the final round of the investment manager selection process. Mr. Hackleman stated that it is clearly the responsibility of the trustees to ultimately select the investment manager, however, he would like to hear SIS articulate what

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preferences they may have which may enrich the selection discussion.

Overall, Ms. Colson indicated that SIS communicates well and effectively responds to *SamCERA's* needs which have led to a good long-term relationship between SIS and the board. SIS also has a good working relationship with staff, being very communicative and responsive to staff. Mr. Thomas thanked the board and was impressed with the board's progress in its investment manager structure over the past several years.

The investment committee recommended that a two-day educational retreat be held in January. The board is conducting a manager structure and will also start an asset-liability study in September. The asset-liability study will be a four-month process and the results will be finalized in January. Investment managers will be invited to conduct presentations on topics of note.

0607.7 **Board & Management Support Services**

0607.7.1 **Monthly Financial Report:** Mr. Clifton reported that *SamCERA's* Net Assets Held in Trust for Pension Benefits as of June 30, 2006, totaled \$1,792,015,936 which has increased by approximately \$200 million over the past fiscal year. Roughly 60% of the increase came from investment income, while nearly 40% came from contributions. During the year, *SamCERA* distributed almost \$90 million in benefits, which accounted for nearly \$92+ million in expenditures.

0607.7.2 **Quarterly Budget Report:** Mr. Clifton presented the preliminary Fourth Quarter Budget Reports. He reported that with 100% of the fiscal year completed, Administrative expenditures to date represent 83.4% of the total appropriations. All major categories are under budget.

***SamCERA's* Administrative Budget**

	ADOPTED BUDGET	YTD ACTUAL
Salaries & Benefits	\$ 1,530,300	\$ 1,334,424
Services & Supplies	\$ 942,900	\$ 731,257
Fixed Assets	<u>\$ 15,000</u>	<u>\$ 0</u>
Total	\$ 2,488,200	\$2,075,681

With the exception of actuarial services, professional services expenditures are on target in accordance with the budget appropriations. As of June 30, 2006, the aggregate professional services fee is approximately 31.8 basis points.

0607.7.3 **Report on Entrance Interview for the June 30, 2006, Financial Audit:** Mr. Clifton reported that *SamCERA's* auditor, Brown Armstrong, was present at the *SamCERA* office the previous week performing interim field work. The interim work focused mainly on participant and benefit information. The audit team will return to *SamCERA's* office the week of August 7th and will focus on financial and investment data.

One of the auditors' preliminary findings involved a wire transferred initiated by Mr. Clifton and confirmed by Mabel Wong, Management Analyst. Ms. Wong is not listed as an authorized

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individual to confirm transfers. When Mr. Hood went on military leave, staff changed procedures to allow Ms. Wong to authorize transfers but had inadvertently forgotten to change Mr. Hood's name on the authorization form.

0607.7.4 **Approval of SamCERA's Travel Policy:** Mr. Clifton reviewed the minor changes that were made to the travel policy since the last iteration of the document. Ms. Salas had a question regarding Section 1(b) of the policy regarding meals, lodging and incidentals. The language in the policy will be amended to reflect such expenses incurred during approved educational events within San Mateo County. **Motion** by Salas, second by Arnott, carried unanimously to adopt **Resolution 06-07-01**, as amended, as follows:

"WHEREAS, Article XVI, §17(c) of the Constitution of the State of California states in part that *The members of the retirement board...shall discharge their duties with respect to the system with the care, skill, prudence, and diligence...that a prudent person acting in like capacity and familiar with these matters would use in the conduct of an enterprise of like character and with like aims*; and

"WHEREAS, Government Code §31520 vests the management of *SamCERA* in the Board; and

"WHEREAS, the board acknowledges the vital importance of making informed judgments on all matters which come before it and has adopted a *Code of Fiduciary Conduct* and an *Educational Policy* to guide its actions; and

"WHEREAS, associations and institutes exist which offer specialized training for pension fund trustees and staff; and

"WHEREAS, the board wishes to encourage its trustees and staff to become as expert as is cost-effective in the matters of pension fund investments, service and disability retirements and plan administration; and

"WHEREAS, the board recognizes that it is imperative for pension fund trustees and staff to travel to receive the appropriate specialized training required of a plan fiduciary. Now, therefore, be it

"RESOLVED, that the board hereby approves *SamCERA's Travel Policy* drafted July 25, 2006, and attached as part of this resolution. Be it further

"RESOLVED, that reimbursement rates in this policy shall be automatically updated to comply with amendments to the travel policy of San Mateo County.

SamCERA's Travel Policy

"SECTION 1. Travel expenses.

"This section regulates reimbursement for travel expenditures for trustees and employees of the San Mateo County Employees' Retirement Association (*SamCERA*). These provisions do not apply to other expenses that are incurred in the performance of the official duties of *SamCERA's* trustees and employees. Whenever any member of the Board of Retirement, or any *SamCERA* employee in the service of *SamCERA* is required to travel outside or within San Mateo County, such person shall be allowed, in addition to any salary or compensation, actual and necessary travel expenses, as set forth below. Occurrences that would require a member of the Board of Retirement or *SamCERA* employee to travel include, but are not limited to, official business of the retirement association at conferences, education, appearances before local, state, and federal administrative agencies, legislative bodies, and judicial proceedings or

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when otherwise serving in their official capacity or representing the Retirement Association.

“(a) Transportation and Conveyance. Actual cost incurred for transportation or conveyance by any carrier services. Reimbursement for travel by any privately owned automobile shall be in accordance with the provisions of paragraph (c), below, except that it shall not be more than the cost of common carrier services where the one-way distance required to be traveled is 200 miles or more, and in such event the reimbursement for such travel shall not exceed the cost of air travel regardless of the mode of transportation used therefore. The cost of air travel shall be based on coach fares, unless air coach service is not available, or unless otherwise authorized by the Chief Executive Officer. Government and group rates offered by a provider of transportation services shall be used when available.

“(b) Meals, Lodging, and Incidentals. Actual cost incurred outside San Mateo County or within the county for approved educational expenses for meals, lodging, and incidentals, including baggage transfer, tips, car storage, and other actual and necessary incidental expenses. The maximum reimbursement for the actual cost of meals will be limited to the Continental United States (CONUS) current rate as set forth in the Code of Federal Regulations except that for CONUS designated high cost of living metropolitan areas the maximum reimbursement rate shall be limited to double the amount of the CONUS current rate. Government and group rates offered by a provider of lodging services shall be used when available. If such rate is not available, the maximum reimbursement rate shall be limited to double the amount of the CONUS current rate. If the lodging is in connection with a conference or organized educational activity lodging reimbursement for lodging costs shall not exceed the maximum group rate published by the conference or activity sponsor, provided that lodging at the group rate is available at the time of booking. If such rate is not available, the maximum reimbursement rate shall be limited to double the amount of the CONUS current rate or the group rate, whichever is higher. A complete listing of CONUS rates can be found at www.gsa.gov.

“(c) Privately Owned Automobile. Actual costs for miles actually traveled, at a rate determined by the San Mateo County Manager, provided the amount is at least that established by the Internal Revenue Service as the allowable business deduction rate for such travel.

“(d) Travel expenses may be paid to the supplier of the transportation where the mode of transportation is other than by a privately owned motor vehicle. In other instances travel shall be claimed by the individual employee.

“(e) Required registration fees for educational courses, conferences, or other meetings may be paid directly to the organization or association conducting such course, conference, or other meeting and the officer or employee shall not be required to advance the funds therefore.

“(f) *SamCERA* trustees or employees shall not submit a claim to *SamCERA* except for those expenses actually incurred in connection with the performance of official business of the retirement association.

“(i) No officer or employee shall engage in any travel in connection with the performance of official business of *SamCERA* in a privately owned conveyance, either their own, or that belonging to another, unless the same is insured in such manner as to comply with County of San Mateo Administrative Memorandum.

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“(k) All reimbursable expenses for members of the Board of Retirement that do not fall within the above provisions may be approved by the Board of Retirement at a public meeting before the expense is incurred.

“SECTION 2. Reimbursement for expenses.

Members of the Board of Retirement and other *SamCERA* employees, are entitled to reimbursement of the actual cost of expenses, including meals that are reasonably incurred in the performance of official duties within San Mateo County, unless otherwise specified by this policy.

“SECTION 3. Authority to host--Conventions, conferences, training and special meetings.

“Whenever the San Mateo County Employees' Retirement Association, or any of its trustees or employees, acts as host for a convention, conference, training or special meeting which will be of benefit to *SamCERA*, the expenses of the convention, conference, training or special meeting including meals of duly authorized delegates, representatives or participants thereto, may be paid by *SamCERA* upon presentation of claims therefore and approval by *SamCERA*'s Chief Executive Officer if the amount does not exceed two thousand five hundred dollars (\$2,500), or upon approval by the Board Chair if the amount thereof exceeds two thousand five hundred dollars (\$2,500). Prior approval for *SamCERA*'s participation as host of such conferences, conventions, or meetings shall be obtained whenever time permits.

“SECTION 4 Claims for expenses.

“Before any travel expenses are allowed or paid, the claimant shall file a claim in the manner provided by law for claims to be filed against *SamCERA*, duly certified as correct by the claimant and approved by *SamCERA*'s Chief Executive Officer. The Board Chair will approve the Chief Executive Officer's claims. There shall be attached to said claim all receipts showing the moneys expended by the claimant. Receipts are required for all expenditures \$25 and over. Expenses shall be submitted within sixty (60) days after incurring the expense.

“SECTION 5 Advance payments for expenses.

“Whenever it appears to be for the best interests of *SamCERA* that any member of the Board of Retirement, or employee of *SamCERA* travel outside of the County of San Mateo on official business and where prior authorization for such travel has been given by the Board of Retirement, and it appears that it is necessary that such trustee or employee be allowed a sum of money not in excess of two thousand five hundred dollars (\$2,500) for such travel expenses in advance, a claim for such advance showing the emergency requiring such advance shall be made out in the regular form and approved by the Chief Executive Officer and thereafter *SamCERA* shall draw their warrant in favor of such Trustee or employee and the Treasurer shall pay the same. The trustee or employee receiving such advance shall file with *SamCERA* after their return from such trip an itemized account, together with proper vouchers of their expenses and shall pay to *SamCERA* any balance remaining in their hands unexpended. *SamCERA* shall attach such statement to the original claim for such advance and shall immediately make the proper adjustment of the account from which the advance was drawn

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“SECTION 6 Reporting By Members of the Board of Retirement on Meetings Attended. Members of the Board of Retirement shall provide a brief report, either orally or in writing, on meetings attended at the expense of *SamCERA* at the next regular meeting of the board.”

0607.7.5

Approval of *SamCERA*'s Staffing Plan and One Position: Mr. Bailey presented *SamCERA*'s staffing plan. He reviewed indicators that validate the need for additional staff such as the increase in workload with the retirements of baby boomers as projected by Milliman, Inc., the increase in new hires to replace these new retirees and the increase in complexity of procedures in the effort to comply with legislative changes. *SamCERA* has the fewest number of staff per members as compared to county retirement systems of similar size. Mr. Bailey showed metrics on what tasks take most of the time to complete for each staff member. As illustrated by *SamCERA*'s statistics and by observation, Mr. Bailey stated that some of the staff are being overwhelmed. Staff does everything they can do to meet members' needs that requires the highest of priority but unfortunately may not be able to return members' calls in a timely manner as a result of the workload.

Staff identified five potential positions that would help alleviate the workload and increase member services. Staff asked the board to approve the staffing plan and approve the addition of a retirement analyst to *SamCERA*'s human resources plan.

Motion by Salas, second by Arnott, carried unanimously to adopt **Resolution 06-07-02**, as follows:

“**WHEREAS**, Article XVI, §17(a) of the Constitution of the State of California states in part that "the retirement board...shall have plenary authority and fiduciary responsibility for investment of monies and administration of the system...;" &

“**WHEREAS**, the First Appellate Court ruled in *Corcoran* that

[I]n light of its constitutional mandate to place the needs of the retirement fund's participants and their beneficiaries above all other duties, and thus to ensure the financial integrity of the assets placed in its care, we conclude the Retirement Board must be the governing body for those officers and employees it appoints...[T]hat those employees are members of the county civil service and paid according to county salary schedules with paychecks issued by the county is immaterial. The Retirement Board is the governing body as to the officers and employees which it appoints, otherwise it would have abdicated its obligation to make administrative cost decisions consistent with its primary duty to the fund's participants and to their beneficiaries. &

“**WHEREAS**, Government Code §31520 vests the management of *SamCERA* in the Board; &

“**WHEREAS**, the Board has appointed a Retirement Administrator per GC§31522.2 and has delegated specified authority to the Retirement Administrator/Chief Executive Officer; &

“**WHEREAS**, the Chief Executive Officer has recommended amendments to *SamCERA*'s *Human Resources Plan*. Now, therefore, be it

“**RESOLVED** that the Board hereby establishes the following additional position: Retirement Analyst.”

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0607.7.6 **Office Space Project – Status Report:** Mr. Hood reported that Mr. Bailey had signed an agreement with the owner of the business adjacent to the *SamCERA* office which states that *SamCERA* will take over the business owner's lease in November. *SamCERA* will be leasing the space to her until she vacates the space no later than June 30, 2007. Ms. Clymer indicated that she prefers to vacate much sooner than the deadline date and is busy attempting to sell her business.

Staff has met with a representative from the building ownership. Staff wishes to bring an addendum to the lease to the board showing the acquisition of the additional space at new rates as well extend the term of the contract. Mr. Hood requested direction from the board in terms of their desired time frame. Mr. Bryan opined that a long term contract would be preferable.

0607.7.7 **Appointment of Alternate Retiree Board Member:** As requested by the board at last month's board meeting, Mr. Bailey presented a resolution that would limit the activities of the retiree alternate. The resolution also appoints Mr. John Murphy as the alternate retiree board member. Ms. Carlson briefly discussed the limitations included in the resolution as well as noted the differences between the retiree and safety alternates.

Motion by Hooley, second by Colson, carried with five ayes to three nays to adopt **Resolution 06-07-03**, as follows:

“**WHEREAS**, this Board of Retirement may, by majority vote, appoint, from a list of nominees submitted by a qualified retiree organization, an alternate retired member to the office of the eighth member, who shall serve until the expiration of the current term of the current eighth member. Thereafter, the alternate retired member shall be elected separately by the retired members of the association in the same manner and at the same time as the eighth member is elected.; and

“**WHEREAS**, this Board has determined that there should be an alternate retired member; and

“**WHEREAS**, the San Mateo County Retired Personnel Association, a qualified retiree organization, has submitted the name of John Murphy for position of alternate;

“Now, therefore, be it

RESOLVED that:

1. The term of office of the alternate retired member shall run concurrently with the term of office of the eighth member. The alternate retired member shall vote as a member of the board only in the event the eighth member is absent from a board meeting for any cause. If there is a vacancy with respect to the eighth member, the alternate retired member shall fill that vacancy until a successor qualifies.
2. The alternate retired member may not hold positions on committees of the board independent of the eighth member and may not participate in the deliberations of the board or its committees if the eighth member is present.
3. The alternate retired member shall be entitled to the same rights and privileges and shall have the same responsibilities and access to closed sessions as the eighth member.
4. The alternate retired member shall be entitled to the same compensation as the eighth member for attending a meeting whether or not the eighth member is in attendance at those meetings. Be it further

RESOLVED that:

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5. John Murphy is hereby appointed as the alternate retired member.”

Mr. Murphy then swore to serve as faithful fiduciaries for all members, retirees and beneficiaries; to serve as prudent administrators of the County's Retirement System; and to support, defend and bear true faith and allegiance to the Constitutions of the United States of America and the State of California in accordance with *Regulation 2.3.1*.

0607.8 **Management Reports**

0607.8.1 **Chief Executive Officer's Report:** Mr. Bailey stated that the actuarial valuation process has begun and that data has been transferred to Milliman. Milliman will also be asked to work on an excess earnings policy. Mr. Bailey has also been tracking a SACRS legislative bill that will allow the county health trust fund to invest with the retirement fund. He also reported that Ms. Carlson, was promoted from Deputy Counsel to Chief Deputy Counsel.

0607.8.2 **Assistant Executive Officer's Report:** Mr. Hood extended his deepest thanks to trustees, staff, retirees and other county employees who had shown their support for him during his military service in Iraq.

0607.8.3 **Investment & Finance Manager's Report:** Mr. Clifton reviewed the rebalancing performed during the month. He also reported that the audit committee will be working with Andy Paulden of Brown Armstrong regarding the identification of internal controls.

0607.8.4 **County Counsel's Report:** None.

0607.9 **Report on Actions Taken in Closed Session:** Ms. Carlson reported that Mr. Bryan had convened the Board in Closed Session at 2:35 p.m. The board conferred with Counsel on Anticipated Litigation – Significant exposure to litigation pursuant to subdivision (b) of Government Code Section 54956.9. The board **granted** authorization to *SamCERA's* Chief Executive Officer to hire a tax attorney to address this specific matter. There being no further business, Mr. Bryan adjourned the Closed Session at 3:20 p.m.

0607.10 **Adjournment in Memory of the following Deceased Members:** There being no further business, Mr. Bryan adjourned the meeting at 3:20 p.m., in memory of the following deceased members:

HILL, MARGARET	MAY 13, 2006	SAN MATEO COUNTY MEDICAL CENTER
BAIRD CYNTHIA	JUNE 11, 2006	LIBRARY
CYNKAR, MARIAN	JUNE 17, 2006	COUNTY CLERK RECORDER'S OFFICE
SHERMAN, ESTER	JUNE 17, 2006	DEPARTMENT OF SOCIAL SERVICES
STOWELL, HOWARD	JUNE 18, 2006	BUSINESS ADMINISTRATION
LINDSAY, DANIEL	JUNE 23, 2006	DEPARTMENT OF PURCHASING
PERRY, FLORENCE	JUNE 29, 2006	DEPARTMENT OF MUNICIPAL COURT
WOLFE, SURRY	JULY 1, 2006	DEPARTMENT OF BUILDING & GROUNDS
LAWHERN, TONI	JULY 6, 2006	SAN MATEO COUNTY MEDICAL CENTER

TOM E. BRYAN, CHAIR