

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

October 24, 2006

Agenda Item 3.0

**October 3, 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 Trustees](#)
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](#)
  - 5.3 [Approval of June 30, 2006, Actuarial Valuation Study](#)
  - 5.4 [Acceptance of 2007-2008 Fiscal Year Employer & Employee Contribution Rates](#)
  - 5.5 [Introduction of Undistributed Earnings Policy](#)
  - 5.6 [Annual Actuarial Consultant Review – Milliman Inc.](#)
6. Investment Services (The Investment Committee will meet on August 22 at 9 a.m.)
  - 6.1 [Monthly Portfolio Performance Report](#)
  - 6.2 Annual Review of *SamCERA*'s International Equity Asset Class and Investment Managers
    - 6.2a [Annual Investment Manager Review – Julius Baer Investment Management](#)  
*(Staff will report on the September 25<sup>th</sup> interview.)*
    - 6.2b [Annual Investment Manager Review – Mondrian Investment Partners](#)  
*(Staff will report on the September 26<sup>th</sup> interview.)*
  - 6.3 [Approval of Amendments to \*SamCERA\*'s Investment Management Agreement](#)
  - 6.4 [Approval of Documentation for the Implementation of Security Lending](#)
  - 6.5 [Approval of Topics for Investment Manager Annual Review – Barclays Global Investors](#)
  - 6.6 [Approval of Topics for Investment Manager Annual Review – Goldman Sachs Asset Management](#)
  - 6.7 [Introduction to Asset Liability Study \(overview, process, timeline, asset classes & ranges\)](#)  
(Time Certain 1:15)
7. Board & Management Support Services
  - 7.1 [Monthly Financial Report](#)
  - 7.2 [Review Draft Auditor's Reports for June 30, 2006, Financial Audit](#)
  - 7.3 [Review Draft Comprehensive Annual Financial Report](#)
  - 7.4 [Review of \*SamCERA\*'s Internal Control Structure](#)
  - 7.5 [Approval of Position Request – Information Technology Analyst](#)
  - 7.6 [Approval of SACRS Voting Delegate and Alternates](#)
  - 7.7 [Annual Attorney Review – San Mateo County Counsel](#)
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](#)

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

*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](#)

**October 3, 2006 – Board Minutes**

- 0609.1      **Call to Order:** Mr. Bryan, chair, called the Public Session of the Board of Retirement to order at 9 a.m., October 3, 2006, in *SamCERA's* Board Room, Suite 125, 100 Marine Parkway, Redwood Shores.
- 0609.2.1    **Roll Call:** Mr. Bryan, Mr. Buffington (departed 12:15 p.m.), Ms. Colson (arrived 9:08 a.m.), Mr. Hackleman, Mr. Hooley, Ms. Stuart, Ms. Tashman (departed 10:35 a.m., returned 1:35 p.m.) and Mr. Wozniak. *Excused:* Mr. Lewis. *Alternate Board Members in Attendance:* Mr. Murphy and Ms. Salas. *Staff:* Mr. Bailey, Mr. Clifton, Ms. Dames, Ms. LeBlanc, Ms. Milan and Ms. Wong. *Consultants:* Mr. Blum, Ms. Carlson, Mr. Collier, Dr. Fracchia, Ms. Jadallah, Mr. Paulden, Ms. Steffen and Mr. Thomas. *Retirees:* 0, *Actives:* 2.
- 0609.2.2    **Swearing in of New Trustee:** Before the board meeting, Ms. Tashman swore to serve as a faithful fiduciary for all members, retirees and beneficiaries; to serve as a prudent administrator 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*.
- 0609.3      **Approval of the Minutes:** Mr. Murphy submitted a correction to the page numbering of the August 22, 2006, board minutes. **Motion** by Hooley, second by Hackleman, carried unanimously, to approve the minutes of the August 22, 2006, board meeting, as corrected.
- 0609.4.1    **Oral Communications From the Board:** Ms. Stuart introduced Betty Chackel, President of SCORPA to the board.
- 0609.4.2    **Oral Communications From the Public:** Mr. Murphy relayed a message from SCORPA's board of directors. SCORPA thanked *SamCERA* staff for attending the most recent SCORPA picnic. SCORPA then asked the board to clarify its actions in writing with regards to (1) hiring two different actuaries to perform the June 30, 2005, actuarial valuation, (2) incorrect income tax deductions, and (3) its excess earnings policy. Ms. Chackel then stated that increasing medical costs has a significant negative impact on older retirees who do not have a large monthly pension benefit.
- 0609.5      **Benefit & Actuarial Services**
- 0609.5.1    **Adoption of Consent Calendar:** Mr. Bryan removed the disability application of Judith Botsford from the day's consent calendar for consideration under agenda item 5.2 in closed session. **Motion** by Hackleman, second by Bryan, carried unanimously to adopt the consent calendar, as amended, as follows:

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

**Disability Retirements:**

The board finds that **Peggy Dover** is disabled from performing her usual and customary duties as a Human Services Manager, and **GRANTS** her application for a Non-service Connected disability.

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

**Service Retirements:**

Clendenin, Judith	September 9, 2006	Aging and Adult Services
Vasquez, Michel	September 9, 2006	Human Services Agency
Nowik, Rochelle	September 10, 2006	Employee and Public Services
Clewis, Aurellia	September 16, 2006	Human Services Agency
Newman, Marian	September 22, 2006	Human Services Agency
	September 30, 2006	Crystal Springs Rehab. Center
Davis, Ronald	(From Deferred)	
Blanch, Manuel	September 30, 2006	Information Services
Uy, Lorna	September 30, 2006	Probation Department

**Continuance of Benefits:**

Wendler, Joy Ann	Beneficiary of Paul
Brady-Reimer, Jean	Beneficiary of David
Bale, Elizabeth	Beneficiary of Glen
Stein-Lista, Robert	Beneficiary of Chona

**Deferred Retirements:**

Armenio, Breanne	G4 vested
Barreto, Giuseppina I.	G4 vested
Becker, Joan	G4 vested
Kuster, Andrea E.	G4 vested
Ikeda, Janis	G2 vested
Lambert, Michael J.	G4 vested
Wong, Kenton S.	G2 vested

**Extended Purchase:**

None.

**Refunds For September 2006:**

Bakovic, Dragan	G4 vested
Barnes, Joseph	G4 non vested
Bryant, Michael	G4 non vested
Dhingra, Ramesh	DRO – Distribution
Dumayas, Tranquilino	G4 non vested
Fernandez, Felipe	G4 non vested
Formoso, Venus	G4 non vested
Halvorson, Phillip	G4 non vested
Hernandez, Irma	G4 vested
Hypolite, Donna	G4 non vested
Johnston-Crofts, Averi	G4 non vested
Kemp, Evangeline	G4 non vested

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

Khan, Naeem	G4 non vested
Knibbe, Alison	G4/P4 non vested
Malloy, Kenneth	G4 non vested
Manzanares, Rick	G2/3 vested
Matthyssen, Carolina	G4 non vested
Melgar, Adriana	G4 vested
Mendoza, Prescila	G4 non vested
Moran, John	S4 non vested
Pimentel, Alicia	G4 vested
Pinero-Pontheiu, Lee	G4 non vested
Rajo, Gelber	G4 non vested
Romero, Imelda	G4 vested
Rozeville, Maria	G4 non vested
San Pedro, George	G4 vested
Schepis, Teresa	G4 non vested
Seltz, Larissa	G4 non vested
Spruell, Eugene	G4 non vested

**Rollovers for September 2006:**

Chan, Ka-Ming	G4 non vested
Kathim, Zabin	G4 non vested
Knowles, Sarah	G4 non vested
Libbey, Victor	G4 vested
Natalini, Catherine	G4 non vested
Olivas-Flores, Ana Maria	G4 non vested
Oswald, Florence	G4 non vested
Stave, Sarah	G4 non vested
Tu, Evelyn	G4 non vested
Washington, Daphney	G4 non vested
Weaver, Jason	G4 non vested

0609.5.2 **Consideration of Items Removed from Consent Agenda:** See agenda item 9.0 under Report on Actions Taken in Closed Session.

0609.5.3 **Approval of June 30, 2006, Actuarial Valuation Study:** Nick Collier and Karen Steffen from Milliman, Inc. were present to review the actuarial valuation. (The Actuarial Valuation is available for review on *SamCERA's* website at [www.SamCERA.org](http://www.SamCERA.org).) Mr. Collier reviewed the actuarial valuation process and reviewed the process for setting contribution rates.

Ms. Steffen and Mr. Collier reviewed the report in detail in response to questions from the Board.

**Motion** by Buffington, second by Stuart, carried unanimously to accept the June 30, 2006 actuarial valuation as submitted by Milliman, Inc.

0609.5.4 **Acceptance of 2007-2008 Fiscal Year Employer & Employee Contribution Rates:** Mr. Collier and Ms. Steffen of Milliman, Inc. were present to review the recommended contribution rates. Following the board's review, **motion** by Hackleman, second by Stuart, carried unanimously, to adopt **Resolution 06-07-04**, as follows:

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

“**WHEREAS**, Government Code §31453 mandates the periodic actuarial valuation of the Retirement Fund and requires that the Board...” *shall, at least 45 days prior to the beginning of the succeeding fiscal year, recommend to the Board of Supervisors such changes in the rates of interest, in the rates of contributions of members, and in the county and district appropriations as are necessary...;*” and

“**WHEREAS**, the County of San Mateo and its bargaining units have entered into agreements to enhance benefit formulas contingent on supplementing basic employee contribution rates with cost sharing percentages and those benefit formulas and cost sharing percentages are assumed to continue, and

“**WHEREAS**, the Board has received, reviewed and approved the reports and recommendations from its actuary, Milliman, Inc., and the Chief Executive Officer setting forth the changes necessary to assure the actuarial soundness of the Retirement Fund.

*Therefore, be it*

“**RESOLVED** that the Board hereby accepts the employer and employee contribution rates as recommended by Milliman, Inc., for the fiscal year 2007-2008.

*Be it further*

“**RESOLVED** that the board recommends that the Board of Supervisors adopt the actuary's recommended **Employer Contribution Rates** for Fiscal Year 2007-2008 for the County and Mosquito Abatement District in accordance with the following schedule, as a percentage of covered salaries, effective July 1, 2007:

	<u>Tier 1</u>	<u>Tier 2</u>	<u>Tier 3</u>	<u>Tier 4</u>
<u>General Member Rates:</u>				
Employer Normal Cost	11.09	11.49	7.66	9.91
Contribution to Unfunded Accrued Actuarial Liability	<u>9.97</u>	<u>9.97</u>	<u>9.97</u>	<u>9.97</u>
<b>Total General Member Rates</b>	<b>21.06</b>	<b>21.46</b>	<b>17.63</b>	<b>19.88</b>
<u>Safety Member Rates:</u>				
Employer Normal Cost	23.01	21.16	none	18.90
Contribution to Unfunded Accrued Actuarial Liability	<u>30.52</u>	<u>30.52</u>	none	<u>30.52</u>
<b>Total Safety Member Rates</b>	<b>53.53</b>	<b>51.68</b>		<b>49.42</b>
<u>Probation Member Rates:</u>				
Employer Normal Cost	33.51	23.74	none	19.84
Contribution to Unfunded Accrued Actuarial Liability	<u>14.85</u>	<u>14.85</u>	none	<u>14.85</u>
<b>Total Probation Member Rates</b>	<b>48.36</b>	<b>38.59</b>		<b>34.69</b>
<b>MOSQUITO ABATEMENT</b>				
<u>General Member Rates:</u>				
Employer Normal Cost	9.09	9.42	none	8.12
Contribution to Unfunded Accrued Actuarial Liability	<u>8.18</u>	<u>8.18</u>	none	<u>8.18</u>
<b>Total General Member Rates</b>	<b>17.27</b>	<b>17.60</b>		<b>16.30</b>

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

*Be it further*

“**RESOLVED** that the Board hereby recommends that the Board of Supervisors adopt the actuary's recommended basic entry age member contribution rates for the County and Mosquito Abatement District in accordance with the schedule set forth in the attachment entitled *Basic Member Contribution Rates*, as a percentage of covered salaries, effective July 1, 2007. “Cost sharing” percentages, while not included in the *Basic Member Contribution Rates* table, are assumed to continue at their current levels in the valuation assumptions.

*Be it further*

“**RESOLVED** that the Chief Executive Officer is hereby authorized to transmit these rates, requests and certifications to the Board of Supervisors and to take all actions necessary to provide for their implementation effective July 1, 2007.”

0609.5.5 **Introduction of Undistributed Earnings Policy:** Mr. Collier and Ms. Steffen reviewed *SamCERA*'s current interest crediting policies and summarized a draft “Undistributed Earnings Policy”. The board began the development of an Undistributed Earnings Policy in 2004. The draft policy was developed in 2004 in conjunction with Public Pension Professionals. After extensive discussion, Mr. Bryan **appointed** Mr. Wozniak, Chair; Ms. Stuart, Ms. Colson and Mr. Lewis to an Ad Hoc Undistributed Earnings committee. The committee will evaluate the Medicare-Part B benefit. Mr. Bryan requested that the committee report back to the full board in November.

0609.5.6 **Annual Actuarial Consultant Review – Milliman Inc.** Mr. Collier and Ms. Steffen were present for Milliman Inc's annual review. Ms. Steffen provided an organizational review of her firm as well as Milliman's peer review process. Mr. Bryan and Mr. Bailey thanked Mr. Collier and Ms. Steffen for their hard work and communication skills since their hire earlier this year. They have performed an outstanding job, especially during the difficult transition between actuaries.

0609.6 **Investment Services**

0609.6.1 **Monthly Portfolio Performance Report:** Mr. Clifton presented the monthly portfolio performance report for the period ending August 31, 2006. *SamCERA*'s 1.83% Total Fund Return for the month underperformed the Total Plan Policy Benchmark return of 2.12%. The Fund's 10.08% return for the trailing twelve months is 233 basis points above the Actuarial Discount Rate of 7.75% and 32 basis points above *SamCERA*'s Total Plan Policy Benchmark of 9.76%.

Asset Class	Market Value	1-Month	1-year TTWRR*	5-year TTWRR*
<i>Domestic Equity</i>	\$928,168,777	2.00%	8.79%	6.52%
<i>International Equity</i>	302,28314	2.74%	25.58%	11.10%
Total Equity	1,230,997,092	2.18%	12.69%	7.58%
Fixed Income	539,226,680	1.56%	2.26%	5.37%
Real Estate Aggregate	137,547,767	0.00%	24.08%	14.02%
Cash Equivalents	7,488,648	0.35%	3.85%	2.90%

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

TOTAL FUND	<b>\$1,915,260,186</b>	<b>1.83%</b>	<b>10.08%</b>	<b>7.73%</b>
<i>Benchmark</i>		2.12%	9.76%	7.66%

\* Total Time-Weighted Rate of Return

Mr. Bryan then took up agenda item 6.3.

0609.6.2     **Annual Review of SamCERA's International Equity Asset Class and Investment Managers:** Mr. Clifton reported that Ms. Stuart, Ms. Tashman, and Ms. Salas were trustees present at the review. Mr. Clifton, Mr. Bailey, Ms. Dames and Ms. Jadallah were also present at the reviews. He opined that the meetings were highly productive as the managers were allowed more time to delve into a more detailed conversation about their product and their view of the market. The back to back interviews allowed those present to contrast the different styles between the two international managers.

0609.6.2a    **Annual Investment Manager Review – Julius Baer Investment Management: Richard Pell,** Chief Investment Officer, and **Melvin Lindsey,** Director of Institutional Investments, were present for Julius Baer's annual review on September 25<sup>th</sup>. Ms. Jadallah stated that Julius Baer found emerging markets as very attractive in the foreseeable future, especially in Eastern European countries. Liquidity and guideline changes were also discussed. Additional return may be achieved with an increased cap from 20% to 25% in emerging markets. SIS will research the corresponding risk associated with that possible change.

0609.6.2b    **Annual Investment Manager Review – Mondrian Investment Partners: Jim Brecker, Andrew Miller,** from Mondrian Investment Partners and **John Campbell** from Delaware Investments were present for Julius Baer's annual review on September 25<sup>th</sup>. Ms. Jadallah reported that Mondrian provided a detailed review of its valuation methodology and had just missed the emerging market meltdown that had occurred earlier in the year. The emerging market portion of the Mondrian portfolio administered by Delaware seemed a solid relationship. Mondrian stated that emerging markets has become more attractive than developed markets but are still slightly expensive. Ms. Jadallah also reported that Mondrian only hedges currencies for defensive purposes.

Mr. Bryan then took up agenda item 10.0.

0609.6.3     **Approval of Amendments to SamCERA's Investment Management Agreement:** Mr. Clifton presented an amended version of SamCERA's boilerplate IMA. The objective was to update SamCERA's current IMA, incorporating the current, best practices in the industry. Since the last board meeting, staff and counsel have slightly amended the soft dollar section of the agreement. **Motion** by Hackleman, second by Stuart, carried unanimously, to approve SamCERA's boilerplate Investment Management Agreement.

0609.6.4     **Approval of Documentation for the Implementation of Security Lending:** Mr. Clifton presented the documentation for the implementation of security lending with State Street Bank and Trust. Mr. Buffington opined that an explicit definition of fees be added to the securities lending contract as well as require cash collateral especially for international lending.

**Motion** by Hackleman, second by Stuart, carried (5-2), to adopt **Resolution 06-07-05**, approving the documentation for the implementation of security lending with State Street Bank & Trust Company.

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

- “W **HEREAS**, Article XVI, §17 of the Constitution of the State of California vests the Board with *"plenary authority and fiduciary responsibility for the investment of moneys and the administration of the system"*; and
- “W **HEREAS**, Government Code §31595 vests in the Board *" . . . exclusive control of the investment of the employees retirement fund."*; and
- “W **HEREAS**, Government Code §31596.1 (d) authorizes the Board to retain investment managers *" . . . in connection with administration of the Board's investment program . . . "*; and
- “W **HEREAS**, the Board, pursuant to Government Code §31595, has approved contracts for Investment Management Services which mandate the use of Global Custody Services; and
- “W **HEREAS**, the Board issued a Request for Proposal for Global Custodian and determined that of the respondents State Street Bank and Trust Company is the best qualified provider of Global Custody Services to pension plans; and
- “W **HEREAS**, Board Resolution 98-99-17 authorized the Chair to execute a contract for custodial services on behalf of *SamCERA*, which was approved as to form by the Board and County Counsel; and
- “W **HEREAS**, Board Resolution 03-04-14 authorized the Chair to renew a contract for custodial services with State Street on behalf of *SamCERA*, which was approved as to form by the Board and County Counsel; and
- “W **HEREAS**, The Board has opined that a prudent security lending program adds incremental revenue on *Sam CERA* 's actively managed portfolios; the Board solicited State Street to provide that service: and
- “W **HEREAS**, County Counsel approved the Security Lending authorization Agreement to form and the Investment & Finance Manager recommends execution of the Agreement. Now, therefore, be it
- “**RESOLVED**, that the Board hereby approves the Security Lending Authorization Agreement between the Board of Retirement and State Street Bank and Trust Company. Be it further
- “**R ESOLVED**, that the Board hereby delegates full discretionary authority to State Street to manage the Security Lending Program in accordance with the terms of the agreement. Be it further
- “**R ESOLVED**, that the Board hereby authorizes the Chair to execute the agreement on behalf of *SamCERA*. Be it further
- “**R ESOLVED**, that the Board hereby designates the Investment & Finance Manager as its designee to perform those functions so identified in the agreement and hereby authorizes the Investment & Finance Manager to take all actions necessary to initiate, implement and monitor assignments, approve payments and provide the Board with timely reports regarding the progress and satisfactory completion of the assignments authorized pursuant to the agreement.”

0609.6.5 **Approval of Topics for Investment Manager Annual Review – Barclays Global Investors:**  
M r. C lifton presented the topics for B arclays G lobal Investors' A nnu al R eview . BGI manages

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

a Russell 1000 Index and Russell 1000 Alpha Tilts mandate for *SamCERA*. **Motion** by Hackleman, second by Colson, carried unanimously to approve the topics for BGI's annual review which will be held at *SamCERA*'s November board meeting.

- 0609.6.6 **Approval of Topics for Investment Manager Annual Review – Goldman Sachs Asset Management:** Mr. Clifton presented the topics for Goldman Sachs' annual review. GSAM manages a small cap enhanced index mandate for *SamCERA*. Ms. Jadallah requested that a question regarding GSAM's current capacity with its small cap product as well as a question to discuss GSAM's "stock-specific" factor be added to the questionnaire. **Motion** by Hackleman, second by Stuart, carried unanimously to approve the list of topics for GSAM's annual review which will be held at *SamCERA*'s November board meeting.

Mr. Bryan then took up agenda 7.1.

- 0609.6.7 **Introduction to Asset Liability Study (overview, process, timeline, asset classes & ranges): Margaret Jadallah, Marc Gesell and Patrick Thomas** were present to review their report on Capital Market Conditions and *SamCERA*'s Portfolio Asset Allocation. Mr. Thomas reviewed the key tasks and timeline for the Asset Liability Study which is scheduled to be completed in January. He discussed asset allocation basics as well as asset classes for the board to consider. Mr. Gesell provided a detailed review on SIS' capital market expectations and summary of current projections. Ms. Jadallah reviewed *SamCERA*'s current asset class weights and ranges. After extensive discussion, the board decided to evaluate an increased upper range for international equity and real estate. The board also expressed that they were not comfortable with including private equity into the study. SIS will work with staff and Milliman, Inc. to attain required information for the completion of the study.

Mr. Bryan then took up agenda item 7.2.

0608.7 **Board & Management Support Services**

- 0609.7.1 **Monthly Financial Report:** Mr. Clifton reported that *SamCERA*'s Net Assets Held in Trust for Pension Benefits as of August 31, 2006, totaled \$1,913,138,112. *SamCERA*'s Net Assets increased by approximately \$29 million in the month primarily due to a net appreciation in fair value of investments.

Mr. Bryan then took up agenda item 7.5.

- 0609.7.2 **Review Draft Auditor's Reports for June 30, 2006, Financial Audit: Andrew Paulden** from Brown Armstrong was present to review the audit of *SamCERA*'s June 30, 2005, financial statements. Mr. Paulden reported that Brown Armstrong has issued a clean, unqualified opinion on *SamCERA*'s financial statements and congratulated and commended staff.

- 0609.7.3 **Review Draft Comprehensive Annual Financial Report:** Mr. Clifton presented a draft copy of *SamCERA*'s June 30, 2006, Comprehensive Annual Report. He requested that trustees provide comments or corrections. The final CAFR will be published and distributed on the October 24<sup>th</sup> board meeting. For the ninth consecutive year, the Government Finance Officers Association (GFOA) has awarded *SamCERA* its Certificate of Achievement for Excellence in Financial Reporting. GFOA also awarded *SamCERA* its Award for Outstanding Achievement in Popular Annual Financial Report (PAFR) for fiscal year June 30, 2005.

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

0609.7.4 **Review of SamCERA's Internal Control Structure:** Mr. Clifton introduced a list of pertinent internal controls that staff and board will be reviewing in its evaluation of SamCERA's internal control structure. Mr. Clifton requested that comments and suggestions be submitted to him.

Mr. Bryan then took up agenda item 6.2.

0609.7.5 **Approval of Position Request – Information Technology Analyst:** In July, the board approved SamCERA's staffing plan in which identified the need for an information technology analyst to take over some of the day-to-day IT issues that occupy a great deal of the IT manager's time. Mr. Hood also stated that SamCERA's current IT manager will be gone for six weeks on paternity leave in late March and opined that it would be appropriate to start the hiring process for the IT analyst prior to that time.

**Motion** by Hackleman, second by Hooley, carried unanimously to adopt **Resolution 06-07-06**, amending SamCERA's Human Resources Plan by adding one Information Technology Analyst, as follows:

“W **HEREAS**, 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...;" &

“W **HEREAS**, 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. &*

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

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

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

“**R ESOLVED** that the Board hereby establishes the following additional position: Information Technology Analyst.”

0609.7.6 **Approval of SACRS Voting Delegate and Alternates:** **Without objection**, the board appointed Mr. Bryan as SamCERA's voting delegate with Ms. Salas and Mr. Bailey as first and second alternates, respectively, at the Fall SACRS Conference in San Diego.

0609.7.7 **Annual Attorney Review – San Mateo County Counsel:** Ms. Carlson was present at the

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

board meeting for her annual review. Mr. Clifton stated that both staff and board rated Ms. Carlson with high marks for her services as the board's counsel. The only detractions were her inexperience with tax and securities law, however, *SamCERA* has made significant strides within the past year to receive valuable access to knowledgeable legal experts within those fields. Staff commended Ms. Carlson's hard work and prompt responsiveness.

0609.8     **Management Reports**

0609.8.1    **Chief Executive Officer's Report:** Mr. Bailey submitted a memo from Bob Blum, tax advisor, regarding the Pension Protection Act of 2006. He then gave an update regarding the Information Technology RFP process. *SamCERA* received 7 IT responses and 5 website redesign responses. Staff is still currently reviewing these responses. Mr. Bailey also submitted the most recent edition of *SamCERA*'s quarterly newsletter. Mr. Bailey also reviewed current legislative updates. He reminded the board that there is no scheduled December board meeting.

Mr. Bryan then recessed the board at 12:15 p.m. He re-adjourned the meeting at 1 p.m.

0609.8.2    **Assistant Executive Officer's Report:** Mr. Hood reported that Mr. Ali and he attended a PensionGold conference earlier in the month. The attendees discussed the changes needed to PensionGold with the passage of the Pension Protection Act of 2006. Software updates will be provided to *SamCERA* to address PPA issues. He then provided an update on the extension of *SamCERA*'s current lease. He received a proposal from the landlord and opined that it was still a little high. Staff is currently working county offices to research prices.

0609.8.3    **Investment & Finance Manager's Report:** Mr. Clifton requested suggestions for topics at the board's January Retreat. He listed (1) undistributed earnings, (2) funding period options, and (3) ethics training on the second day of the retreat. The first day will be devoted to the discussion of investments. As *SamCERA* will be ending its asset-liability study in January and commence its manager structure in February, Mr. Clifton suggested that diversification, active risk and its affect on *SamCERA*'s portfolio be the theme of the day. Rob A mott is scheduled to speak at the retreat.

0609.8.4    **County Counsel's Report:** Ms. Carlson provided legal updates on the alleged criminal charges against individuals from the City of San Diego Board of Retirement as well as a lawsuit regarding the purchasing of ARC time.

Mr. Bryan then took up agenda item 6.7.

0609.9     **Report on Actions Taken in Closed Session:** Ms. Carlson reported that Mr. Bryan had convened the Board in Closed Session at 9:15 a.m.

Ms. Carlson reported that the board finds that **Judith Botsford** is disabled from performing her usual and customary duties as a Nurse Practitioner, and **GRANTS** her application for a *Service-connected* disability (6 aye, 2 no).

The board then conferred with Counsel on Anticipated Litigation – Significant exposure to litigation pursuant to subdivision (b) of Government Code Section 54956.9.

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

There being no further business, Mr. Bryan adjourned the Closed Session at 9:46 a.m.

Mr. Bryan then took up agenda item 5.3.

0609.10 **Adjournment in Memory of the following Deceased Members:** There being no further business, Mr. Bryan adjourned the meeting at 3:16 p.m., in memory of the following deceased members:

SMAULS, ELSIE	SEPTEMBER 4, 1998	SAN MATEO MEDICAL CENTER
GARD, PHYLLIS	JUNE 27, 2006	DEPARTMENT OF MENTAL HEALTH
PARKS, BETTY	JULY 19, 2006	SAN MATEO COUNTY COURTS
BRADY, DAVID	AUGUST 9, 2006	SHERIFF'S DEPARTMENT
BALE, GLEN	AUGUST 15, 2006	CHOPE HOSPITAL
SIMS, ROSE MARIE	AUGUST 19, 2006	BENEFICIARY OF HAROLD
WALSH, RUTH	AUGUST 21, 2006	PURCHASING DEPARTMENT
LISTA, CHONA	AUGUST 22, 2006	ASSESSOR'S OFFICE
CHAMLIS, ROBERT	AUGUST 26, 2006	ASSESSOR'S OFFICE
WENDLER, PAUL	AUGUST 27, 2006	DISTRICT ATTORNEY'S OFFICE
CORDEIRO, KATHERINE	AUGUST 30, 2006	SHERIFF DEPARTMENT
VEDDER, RALPH	AUGUST 31, 2006	BENEFICIARY OF FLORENCE
HEA, DOROTHY	SEPTEMBER 2, 2006	DISTRICT ATTORNEY'S OFFICE
MESSERSCHMIDT, FRANCES	SEPTEMBER 5, 2006	CHOPE HOSPITAL

TOM E. BRYAN, CHAIR