

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

March 30, 2010

Agenda Item 3.0

February 23, 2010 – Board Agenda

PUBLIC SESSION – The Board will meet in Public Session at 8 a.m.

1. [Call to Order](#)
2. Roll Call
 - 2.1 [Roll Call](#)
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 \(Set for 1:30 p.m. time certain.*\)](#)
 - 5.2 [Consideration of Items Removed from Consent Agenda](#)
6. Investment Services
 - 6.1 [Monthly Portfolio Performance Report](#)
 - 6.2 [Quarterly Investment Performance Analysis for Period Ended December 31, 2009](#)
 - 6.3 [Investment Consultant Interviews](#) –
 - 6.3a [Meketa Group](#) – 8:15 a.m.
 - 6.3b [Milliman, USA](#) – 9:15 a.m.
 - 6.3c [NEPC \(New England Pension Consulting\)](#) – 10:15 a.m.
 - 6.3d [Strategic Investment Solutions](#) – 11:15 a.m.
 - 6.3e [Wilshire Associates](#) – 12:15 p.m.
 - 6.4 [Approval of the Investment Committee's Action Plan for Fiscal Year 2010/2011](#)
7. Board & Management Support Services
 - 7.1 [Monthly Financial Report](#)
 - 7.2 [Quarterly Budget Report for the Period Ending 12-31-2009](#)
 - 7.3 [Approval of SamCERA's 2010 Strategic Plan](#)
 - 7.4 [Approval of the Audit Committee's Action Plan for Fiscal Year 2010/2011](#)
 - 7.5 [Introduction of SamCERA's Sources, Uses & Budget for Fiscal Year 2010/2011](#)
 - 7.6 [Annual Review & Reaffirmation of SamCERA's Mission, Goals and Objectives](#)
 - 7.7 [Annual Review & Revision of SamCERA's Code of Fiduciary Conduct](#)
 - 7.8 [Annual Review & Reaffirmation of SamCERA's Conflict of Interest Code](#)
 - 7.9 [Annual Review & Reaffirmation of SamCERA's Strategic Services Resolution](#)
 - 7.10 [Annual Review & Reaffirmation of SamCERA's Internal Controls Policy](#)
 - 7.11 [Annual Review & Reaffirmation of SamCERA's Travel Policy](#)
 - 7.12 [Annual Review and Reaffirmation of SamCERA's Educational Policy](#)
 - 7.13 [Introduction and Approval of SamCERA's Expense Reimbursement Policy](#)
 - 7.14 [Approval of Proposal to Authorize Internet Elections](#)
 - 7.15 [Approval of Amendments to SamCERA's Election Regulations](#)
 - 7.16 [Status Report on Amendments to SamCERA's Purchase Regulations](#)
 - 7.17 [Approval to Fill SamCERA's "Investment Accountant" Position](#)
 - 7.18 [Authorization for CEO to Approve Service Agreement with Cost Effectiveness Measurement Benchmarking, Inc.](#)
 - 7.19 [Discussion of Board/Staff Retreat Presentations](#)
 - 7.20 [Annual Review of SamCERA's Chief Executive Officer](#) (Item C2 in Closed Session)
8. Management Reports
 - 8.1 [Chief Executive Officer's Report](#)
 - 8.2 [Assistant Executive Officer's Report](#)
 - 8.3 [Chief Investment Officer's Report](#)

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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 [Public Employee Performance Evaluation in accordance with Government Code section 54957](#)

[Title: Chief Executive Officer](#)

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

10. [Adjournment](#)

February 23, 2010 – Board Minutes

1002.1 **Call to Order:** Ms. Jadallah, Chair, called the Public Session of the Board of Retirement to order at 8:04 a.m., February 23, 2010, in *SamCERA's* Board Room, 100 Marine Parkway, Suite 125, Redwood Shores, California.

1002.2.1 **Roll Call:** Ms. Arnott for Mr. Buffington, Ms. Agnew, Mr. Bowler, Mr. David, Ms. Jadallah, Ms. Kwan Lloyd, Mr. Murphy for Ms. Stuart, Mr. Spinello and Mr. Tashman. *Other Board Members in Attendance:* Ms. Salas. *Staff:* Mr. Bailey, Mr. Clifton, Ms. Dames and Mr. Hood. *Consultants:* Ms. Carlson. *Retirees:* 1, *Public:* 1.

1002.3 **Approval of the Minutes:** Ms. Arnott submitted the following correction to the minutes: 1001.5.1 ¶9 L12: “Guild, Patricia”. **Motion** by Tashman, second by Agnew, carried unanimously to approve the minutes from the January 25 and 26, 2010, board meetings, as amended.

1002.4.1 **Oral Communications From the Board:** None.

1002.4.2 **Oral Communications From the Public:** None.

Ms. Jadallah then took up agenda item 6.1.

1002.5 **Benefit & Actuarial Services**

1002.5.1 **Adoption of Consent Agenda:** Ms. Jadallah removed the disability applications of Jennifer Slegers (Bailey) and Pamela Thompson (Bailey) from the day's consent agenda. **Motion** by Tashman, second by David, carried unanimously to adopt the day's consent agenda, as follows:

Disability Retirements: None.

Service Retirements:

Donegan, Michael

December 1, 2009

Public Works

Wong, Joanne

December 1, 2009

San Mateo Medical Center

Galloway, Susan

December 3, 2009

Def'd from Sheriff's Office

Singh, Indarmati

December 14, 2009

San Mateo Medical Center

Fojo, Alberto

December 16, 2009

Def'd from Information Services

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Perry, Steven	December 26, 2009	Human Services Agency
Smith, Marlene	December 29, 2009	Controller
Van Wassenhove, Greg	December 29, 2009	Def'd from Ag Commission
Ferrell, Richard	December 30, 2009	Assessor
Bolanos, Sonia	December 31, 2009	San Mateo Medical Center
Duane, Betty	December 31, 2009	Assessor
Maldonado, Raquel	December 31, 2009	Information Services
McElroy, Karyn	December 31, 2009	Human Services Agency
Stewart, Eileen	December 31, 2009	Human Services Agency
Turner, Leslie	December 31, 2009	San Mateo Medical Center
Veras, Rosalinda	December 31, 2009	San Mateo Medical Center

Continuance of Benefits:

Gaspari, Lois	Beneficiary of Gaspari, John
Maples, Marilyn	Beneficiary of Maples, Leon

Deferred Retirements:

None

Refunds:

Ayala, Maria	G4 Non-vested
Cruz, Cynthia	G4 Non-vested
Gotschall, Benjerman	G4 Non-vested
Ramirez, Noemi	G4 Non-vested
Walker, Vicki	G4 Non-vested
Williams, Bedwendolyn	G4 Non-vested

Rollovers:

Afonin, Matthew	G4 Non-vested
Navarro, Lisa	G4 Non-vested
Saavedra, Odily	G4 Non-vested

Ms. Jadallah then took up agenda item 6.2.

1002.5.2 **Consideration of Items Removed from Consent Agenda:** None.

1002.6 **Investment Services**

1002.6.1 **Monthly Portfolio Performance Report:** *SamCERA's* -2.28% Total Fund Return for January 2010 slightly underperformed the Total Plan Policy Benchmark return of -2.27%. The fund's return for the trailing twelve months is 23.03%, which is 1,528 basis points (bps) above the Actuarial Discount Rate, 7.75%. However, it is 408 basis points below *SamCERA's* Total Plan Policy Benchmark of 27.11%.

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Asset Class	Market Value	1-Month	1-year TTWRR*	5-year TTWRR*
<i>Domestic Equity</i>	\$819,790,447	-3.73%	35.54%	-0.75%
<i>International Equity</i>	<u>384,387,974</u>	-5.40%	34.37%	4.54%
Total Equity	1,204,178,422	-4.27%	35.36%	0.62%
Fixed Income	494,912,933	2.14%	19.60%	4.29%
Real Estate Aggregate	106,113,595	0.00%	-32.20%	1.19%
Cash Equivalents	58,418,217	0.06%	1.28%	2.28%
TOTAL FUND	\$1,863,623,166	-2.28%	23.03%	1.88%
<i>Benchmark</i>		-2.27%	27.11%	3.24%

* Total Time-Weighted Rate of Return

Ms. Jadallah then took up agenda item 6.4.

1002.6.2 **Quarterly Investment Performance Analysis for Period Ended December 31, 2009:** This agenda item was deferred to the March board meeting.

Ms. Jadallah then took up agenda item 7.3.

1002.6.3 **Investment Consultant Interviews:** Please see agenda items 6.3a, 6.3b, 6.3c, 6.3d, and 6.3e for a summary of each interview.

Following the five interviews, the board discussed the pros and cons of each of the five finalists, focusing on their organizational structure, investment philosophy and consultants.

Motion by Agnew, second by Spinello, carried unanimously (Ms. Jadallah abstained from the vote), to ask NEPC and SIS to return for the March board meeting for a second interview.

Motion by David, second by Spinello, carried unanimously to request a special meeting of the Board of Retirement on March 1st at 9 a.m. to discuss possible follow-up written questions for NEPC and SIS. The follow-up questions will be sent to the two finalists prior to the meeting.

Ms. Jadallah then took up agenda item 7.14.

1002.6.3a **Meketa Group:** Mr. Clifton presented Stephen McCourt, Managing Principal, Leandro Festino, Principal, and Laura Wirick, Senior Associate, of The Meketa Investment Group. The firm provided a 45-minute presentation on their investment consulting services and answered trustee questions and concerns.

1002.6.3b **Milliman, USA:** Mr. Clifton presented Robert Helliesen and Timothy Price of Milliman, USA. The firm provided a 45-minute presentation on their investment consulting services and answered trustee questions and concerns.

1002.6.3c **NEPC (New England Pension Consulting):** Mr. Clifton presented Richard Charlton, Chairman & CEO, Carolyn Smith, Partner, and Don Stracke, Senior Consultant, of New England Pension Consulting. The firm provided a 45-minute presentation on their investment consulting services and answered trustee questions and concerns.

1002.6.3d **Strategic Investment Solutions:** Mr. Clifton presented Michael Beasley, Managing Director, Patrick Thomas, Vice President, and Jonathan Brody, Vice President, of Strategic Investment Solutions. The firm provided a 45-minute presentation on their investment consulting

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services and answered trustee questions and concerns.

1002.6.3e **Wilshire Associates:** Mr. Clifton presented Eileen Neill, Managing Director, Karyn Williams, Managing Director, and Karim Simplis, of Wilshire Consulting. The firm provided a 45-minute presentation on their investment consulting services and answered trustee questions and concerns.

1002.6.4 **Approval of the Investment Committee's Action Plan for Fiscal Year 2010/2011:** Mr. Clifton presented the Investment Committee Plan for Fiscal Year 2010/2011. **Motion** by David, second by Arnott, carried unanimously to approve the Investment Committee Plan for the upcoming fiscal year.

Ms. Jadallah then took up agenda 7.1

1002.7 **Board & Management Support Services**

1002.7.1 **Monthly Financial Report:** Mr. Clifton reported that *SamCERA's* Net Assets Held in Trust for Pension Benefits as of January 31, 2010, totaled \$1,860,688,727. Net assets decreased by approximately \$3 million, month over month. On January 15, 2010, the plan sponsor prepaid \$48 million as projected employer contributions through the June 30 fiscal year-end. Year over year, *SamCERA's* assets increased by approximately \$356 million. The increase is mainly attributed to the market appreciation of assets, although *SamCERA* also received ~\$128 million in employee and employer contributions year to date.

1002.7.2 **Quarterly Budget Report for the Period Ending 12/31/2009:** Mr. Clifton presented the preliminary Second Quarter Budget Reports. He reported that with 50% of the fiscal year completed, administrative expenditures to date represent 43.1% of the appropriations. The Salaries & Benefits, Services and Supplies and Capital Assets are all under budget.

	ADOPTED BUDGET	YTD Preliminary
Salaries & Benefits	\$2,287,000	\$ 987,580
Services & Supplies	\$1,459,100	\$ 625,123
Capital Assets	<u>\$ 200,000</u>	<u>\$ 86,837</u>
Total	\$3,946,100	\$1,699,540

All professional services expenditures are on target in accordance with the budget appropriations. As of December 31, 2009, the aggregate professional services fee was approximately 34.3 basis points. At the beginning of the fiscal year, *SamCERA* converted a portion of BGI's index strategies for additional fundamental asset management, which resulted in an increase of approximately five basis points in overall management expense.

Motion by Arnott, second by Kwan Lloyd, carried unanimously to approve the quarterly budget report for the period ending December 31, 2009.

Ms. Jadallah then took up agenda item 6.3.

1002.7.3 **Approval of *SamCERA's* 2010 Strategic Plan:** Mr. Bailey presented the draft 2010 Strategic Plan for the board's approval. He provided a brief overview of the plan and

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answered trustee questions. During the previous plan year, the staff completed 15 projects. Projects that were not completed but still relevant were moved to the 2010 Action Plan. In the previous four years, staff has completed a total of 92 projects, all over and above their regular duties. The board commended the Strategic Plan. Ms. Agnew submitted minor typographical corrections to the document.

Motion by David, second by Agnew, carried unanimously to approve *SamCERA's* 2010 Strategic Plan, as amended.

1002.7.4 **Approval of the Audit Committee's Action Plan for Fiscal Year 2010/2011:** Mr. Clifton presented the Audit Committee's Plan for Fiscal year 2010/2011. The current Audit Committee consists of Ms. Kwan Lloyd, Chair; Mr. Spinello and Mr. Tashman. **Motion** by Agnew, second by Kwan Lloyd, carried unanimously to approve the Audit Committee's Plan for the upcoming fiscal year.

1002.7.5 **Introduction of *SamCERA's* Sources, Uses & Budget for Fiscal Year 2010/2011:** Mr. Clifton introduced *SamCERA's* Sources, Uses and Budget Report for FY 2010/2011. Mr. Clifton reminded trustees to complete and return their FY 2010/2011 educational conference request form to him for budget planning purposes.

1002.7.6 **Annual Review & Reaffirmation of *SamCERA's* Mission, Goals and Objectives:** Mr. Clifton presented the latest version of Resolution 95-96-05, as amended on January 27, 2009. There were no recommended amendments this year.

Motion by Agnew, second by David, carried unanimously to reaffirm *SamCERA's* Mission, Goals and Objectives, as submitted.

1002.7.7 **Annual Review & Revision of *SamCERA's* Code of Fiduciary Conduct:** Mr. Clifton presented *SamCERA's* Code of Fiduciary Conduct, Resolution 96-97-02, as amended on February 24, 2009. Ms. Carlson discussed the different disclosure requirements for FPPC Form 700 Statement of Economic Interests Government Code §87100 versus §87200 filers. State and local officials who are listed in Government Code §87200, are prohibited from accepting a gift or gifts totaling more than \$420 in a calendar year from *any* single source unless an exception applies such as gifts from family members. This is contrasted to §87100 filers, in which the \$420 gift limit prohibition is applicable only to sources of income that would otherwise be required to report on the statement of economic interests.

After some discussion, the agenda item was tabled until the March meeting. Staff and counsel will survey other counties regarding their disclosure requirements for their trustees.

1002.7.8 **Annual Review & Reaffirmation of *SamCERA's* Conflict of Interest Code:** This agenda item, which contains the proposed amendments to Resolution 98-99-15, *SamCERA's* Conflict of Interest Code, was tabled until the March meeting.

1002.7.9 **Annual Review & Reaffirmation of *SamCERA's* Strategic Services Resolution:** Mr. Clifton presented Resolution 95-56-06, *SamCERA's* Strategic Services Resolution, as amended March 22, 2005. Following review, no changes were recommended by the board. **Motion** by Agnew, second by Spinello, carried unanimously to reaffirm *SamCERA's* Strategic Services Resolution, as submitted.

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- 1002.7.10 **Annual Review & Reaffirmation of *SamCERA's* Internal Controls Policy:** Mr. Clifton presented Resolution 95-96-16, *SamCERA's* Internal Controls Policy, as amended April 22, 2003. Mr. Clifton also presented the Internal Control Guidelines for the board's review. Following review, no changes were recommended by the board. **Motion** by Murphy, second by Jadallah, carried unanimously to reaffirm *SamCERA's* Internal Controls Policy and Guidelines, as submitted.
- 1002.7.11 **Annual Review & Reaffirmation of *SamCERA's* Travel Policy:** Mr. Clifton presented *SamCERA's* Travel Policy, as amended on February 26, 2008. The current reimbursement rates for the Continental United States (CONUS) as set forth in the Code of Federal Regulations were updated and also presented to the board. **Motion** by Bowler, second by Kwan Lloyd, carried unanimously to reaffirm *SamCERA's* Travel Policy, as submitted.
- 1002.7.12 **Annual Review and Reaffirmation of *SamCERA's* Educational Policy:** Mr. Clifton presented Resolution 98-99-12, *SamCERA's* Educational Policy, as amended on January 27, 2009. After review, no changes were recommended by the board. **Motion** by David, second by Spinello, carried unanimously to reaffirm *SamCERA's* Educational Policy, as submitted.
- 1002.7.13 **Introduction and Approval of *SamCERA's* Expense Reimbursement Policy:** Ms. Wong presented *SamCERA's* Expense Reimbursement Policy. As a result of a recent internal control review, staff noted that there is no explicit guideline for the reimbursement of business expenses incurred in the performance of official duties of *SamCERA's* trustees and staff. *SamCERA* has adhered to the County's Expense Reimbursement Policy as set forth in the Administrative Memorandum. To improve the internal control and efficiency of *SamCERA's* fiscal process, staff recommended that an Expense Reimbursement Policy be adopted to clarify and simplify the expense reimbursement process. The policy will work in conjunction with the Travel Policy.

Motion by Tashman, second by Bowler, carried unanimously to adopt 09-10-10, *SamCERA's* Expense Reimbursement Policy, 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...;* and

“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 expects the staff to constantly improve the effectiveness of *SamCERA's* services and the efficiency of its operations; and

“WHEREAS, the board recognizes that it is necessary on occasions for pension fund trustees and staff to incur out-of-pocket expenses related to travel for education, conference, due diligence purposes, and in performance of normal business operations. Now, therefore, be it

“RESOLVED, that the board hereby approves *SamCERA's* Expense Reimbursement Policy and *authorizes the Chief Executive Officer to take all actions necessary to implement the policy.*”

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1002.7.14 **Approval of Proposal to Authorize Internet Elections:** Mr. Hood discussed the opportunity to conduct trustee elections via the Internet. At the November 2009 board meeting, EveryoneCounts, Inc., gave a presentation that detailed their organization, their recent election history and emphasized the security of their voting process. Staff, with assistance from the County's Information Services Division (ISD), posed additional questions to EveryoneCounts, Inc. Mr. Hood said that their answers provided more information and assurance to staff that voting and any data provided by *SamCERA* would be secure. Staff believes that internet voting may increase voter participation. EveryoneCounts' cost is also slightly lower than that of a typical *SamCERA* election. Staff recommended that the board authorize staff and the Elections Division to work with EveryoneCounts, Inc. to develop a plan to conduct the 2010 *SamCERA* trustee elections via the Internet and to return to the board with a detailed plan of final authorization.

Motion by David, second by Agnew, carried unanimously to approve staff's recommendation.

1002.7.15 **Approval of Amendments to *SamCERA*'s Election Regulations:** Mr. Hood presented the Resolution that would amend *SamCERA*'s Election Regulations to allow the ability for the Elections Officer to utilize Electronic Internet Voting for trustee elections.

Motion by David, second by Agnew, carried unanimously to adopt Resolution 09-10-11, approving "Amendment to Board Regulations Regarding the Election of Trustees" amending Article III Regulation 3.11 and Regulation 3.13 to permit electronic Internet voting.

"WHEREAS, Government Code §31525 provides that this Board may make regulations not inconsistent with the California Employees' Retirement Law of 1937; and

"WHEREAS, Government Code §31526 stipulates which provisions must be included in these regulations; and

"WHEREAS, Government Code §31527 stipulates which provisions are permissible in these regulations.

"WHEREAS, Article III of the Board's regulations governs the elections of trustees; and

"WHEREAS, the Board desires to amend Regulation 3.11 and Regulation 3.13 permitting electronic voting in the election of trustees; now therefore be it

"RESOLVED that regulations 3.11 and 3.13 of Article III are amended to read as follows:

"3.11 Ballots: The Elections Officer shall certify for inclusion on the ballot the names of qualified candidates who submitted Nominating Petitions containing the number of qualified signatures specified in section 3.5. The Elections Officer shall determine by lot the order in which candidates shall appear on the ballot. There can be elections for multiple trustee positions on a single ballot. There is no provision for write-in candidates.

"(a) Mail Ballots: The Elections Officer shall provide for the preparation of a number of ballots sufficient to supply one to each *SamCERA* Member eligible to vote in each election. The Elections Officer shall provide for the mailing of ballots to the member's home address. Ballots shall be mailed no earlier than the third Friday in May and no

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later than the fourth Friday in May. Ballots mailed shall include a return envelope bearing prepaid postage. The Elections Officer shall make available a replacement ballot upon request by any eligible member who lost or did not receive his or her ballot. Requests may be made in person, in writing, by e-mail, fax or by telephone. A replacement ballot will not be provided to anyone other than the member who requested the replacement ballot. Candidates are specifically prohibited from handling ballots, whether voted or unvoted, sealed or unsealed, other than their own. Voted ballots must be received by the Elections Officer on or before Election Day. Any voted ballot that is U.S. Postmarked on or before Election Day and received by the Elections Officer on or before 5:00 P.M. on the Friday following the Election Day shall also be counted.

“(b) Electronic voting: Upon request of the Board, the Elections Officer shall provide for the distribution of ballots and voting through an electronic voting system in addition to or in lieu of mailed ballots. The Elections Officer shall make available a replacement ballot upon request by any eligible member who lost or did not receive his or her electronic ballot. Requests may be made in person, in writing, by e-mail, fax or by telephone. A replacement ballot will not be provided to anyone other than the member who requested the replacement ballot. Candidates are specifically prohibited from handling electronic or replacement ballots, whether voted or unvoted, sealed or unsealed, other than their own. Voted ballots must be received by the Elections Officer on or before Election Day. Any voted electronic ballot sent electronically on or before Election Day and received by the Elections Officer on or before 5:00 P.M. on the Election Day shall be counted.

“3.13 Qualification of Voters: For mailed ballots, the Elections Officer shall confirm the name on the outer ballot envelope with the "List of Eligible Voters." For electronic voting, the Elections Office shall confirm the name of the electronic ballot recipient with the “List of Eligible Voters.” *SamCERA's* General Members are qualified to elect the Second and Third Trustees. *SamCERA's* Safety members are qualified to elect the Seventh Trustee. *SamCERA's* Retired Members are qualified to elect the Eighth Trustee and Eighth Trustee Alternate. To be eligible to vote, a member shall be a part of his or her respective group at the close of the pay period immediately preceding the first day that ballots may be mailed or sent electronically per these regulations.

“IT IS FURTHER RESOLVED that, the Chief Executive Officer is hereby authorized under Government Code §31525 to transmit these amended regulations to the Board of Supervisors and to take all actions necessary to provide for their implementation upon approval by the Board of Supervisors.”

Ms. Jadallah then took up agenda item 5.1.

1002.7.16 **Status Report on Amendments to *SamCERA's* Purchase Regulations:** Mr. Hood reported that current regulations governing the purchase of service credit are being reviewed by staff and counsel. The agenda item will be brought up at a future board meeting, following additional review by counsel.

1002.7.17 **Approval to Fill *SamCERA's* “Investment Accountant” Position:** Mr. Clifton discussed the increased workload in *SamCERA's* finance department. Over the past year, the investment

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portfolio went from ten managers to nineteen managers, with the possibility of additional managers in the near term. Portfolio transactions have significantly increased with the addition of these managers, transactions in which staff must record, verify and reconcile. Mr. Clifton also discussed the increase in member disbursement metrics, journal entries and account reconciliation, actuarial data and Tax Determination Letter preparation.

When the board adopted the fiscal year 2009/2010 administrative budget in May 2009, monies were included for one additional full time employee. Staff recommended the creation of a new lower level accounting position to assist in a wide range of accounting tasks, including investment accounting, and requested that the board authorize a search to fill the approved position.

Motion by Spinello, second by Bowler, carried unanimously to authorize the search to fill *SamCERA's* Investment Accounting position.

- 1002.7.18 **Authorization for CEO to Approve Service Agreement with Cost Effectiveness Measurement Benchmarking, Inc.:** Mr. Bailey discussed the possible service agreement with Cost Effectiveness Measurement Benchmarking, Inc. (CEM), a well-established Canadian firm that has built a business helping pension systems evaluate their services, mainly by comparing them to peer systems. Mr. Bailey said that he has had experience with CEM's services while he worked with Oregon PERS and found the information helpful in determining the strengths and weaknesses of an organization. Eight 1937 Act systems have indicated that they would like to take part in the initial valuation, which would cost \$10,000. A normal annual cost for a CEM evaluation for a large retirement system is \$35,000.

Motion by Murphy, second by Kwan Lloyd, carried unanimously to authorize the Chief Executive Officer to work with County Counsel to develop and execute an agreement between Cost Effectiveness Measurement Benchmarking, Inc. and *SamCERA* incorporating the services in CEM's January 28, 2010, letter to Tim Barrett and including such contractual provisions as are normally deemed prudent in *SamCERA* contracts of \$10,000 or less.

- 1002.7.19 **Discussion of Board/Staff Retreat Presentations:** Mr. Bailey asked for the board's input regarding the presentation topics at the board/staff retreat. The trustees found the retreat very educational and commended the quality of the speakers. The board thanked staff and SIS for organizing the event.

- 1002.7.20 **Annual Review of *SamCERA's* Chief Executive Officer (Item C2 in Closed Session):** This item was deferred to the March board meeting.

1002.8 **Management Reports**

- 1002.8.1 **Chief Executive Officer's Report:** Mr. Bailey said that staff is planning an actuarial audit of the June 30, 2010, Valuation. *SamCERA* typically conducts an actuarial audit every five years. The cost of the audit will be added to the FY 2010-2011 budget.

Mr. Bailey then reported that staff will need to review and update its staffing plan in light of current and expected workload due to retirements and employee lay-offs.

- 1002.8.2 **Assistant Executive Officer's Report:** Mr. Hood reported that staff was able to recover

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approximately \$32,000 owed to *SamCERA* due to an overpayment of retirement benefits of a deceased retiree. The issue had been outstanding since 2004. Mr. Hood distributed a Financial Knowledge Network flyer for the upcoming financial educational sessions in March. Lastly, Mr. Hood said that the *SamCERA* benefits staff will conduct a retreat on Thursday, February 25th.

1002.8.3 **Chief Investment Officer's Report:** None.

1002.8.4 **County Counsel's Report:** Ms. Carlson discussed an assembly bill that intends to amend the government code to require regulations for ongoing audit processes, ensuring that changes in salaries and compensation are not solely meant for increasing retirement benefits.

1002.9 **Report on Actions Taken in Closed Session:** None.

1002.10 **Adjournment in Memory of Deceased Members:** There being no further business, Ms. Jadallah adjourned the meeting at 4 p.m., in memory of the following deceased members:

Beavers, Lloyd	December 26, 2009	Vocational Services
Gibbs, Frances J.	January 1, 2010	Social Service
Chase, Rita	January 4, 2010	Library
Meyer, Irmadene	January 4, 2010	Beneficiary of Meyer, Maurice
Mueller, Alice	January 9, 2010	Coroner
Tresser, Arthur	January 9, 2010	Beneficiary of Tresser, Ruth
Van Sandt, Sybil	January 11, 2010	Beneficiary of Van Sandt, Curtis
Svendsen, Stephen	January 12, 2010	Sheriff
Robledo, Maria	January 13, 2010	San Mateo Medical Center
Maples, Leon	January 23, 2010	Motor Vehicle

MARGARET JADALLAH, CHAIR