

San Mateo County Employees' Retirement Association
Minutes of the Meeting of the Investment Committee

May 22, 2012

Agenda Item 5.0

February 28, 2012 – Investment Committee Agenda

PUBLIC SESSION

- 1.0 Call to Order
- 2.0 Roll Call
- 3.0 Oral Communications From the Committee
- 4.0 Oral Communications From the Public
- 5.0 Approval of the Minutes
- 6.0 Investment Management Services - the Investment Committee Shall Review & Discuss
 - 6.1 Acceptance of the Preliminary Monthly Portfolio Performance Report
 - 6.2 Acceptance of the Quarterly Investment Performance Analysis for Period Ended December 31, 2011
 - 6.3 Approval of Investment Management Agreement International Large Cap Growth Manager: Baillie Gifford & Company – EAFE Plus Focus
 - 6.4 Approval of Investment Management Agreement International Small Cap Core Manager: Pyramis Global Advisors – Select International Small Cap
 - 6.5 Approval of Investment Management Agreement International Large Cap Growth Manager: Eaton Vance Management (Parametric) – Structures Emerging Markets Equity
 - 6.6 Approval of the Investment Committee's Work Plan for Fiscal Year 2012/2013
 - 6.7 Discussion and Approval of Potential Alternative Investment
- 7.0 Other Business
- 8.0 Chief Investment Officer's Report
- 9.0 Adjournment

MINUTES OF SAMCERA's Investment Committee Meeting - February 28, 2012

- 1.0 **Call to Order:** Mr. Bowler called the Public Session of the Investment Committee of the Board of Retirement to order at 10:04 a.m. February 28, 2012, in SamCERA's Board Room, Suite 160, 100 Marine Parkway, Redwood Shores, California.
- 2.0 **Roll Call:**

Present: Ms. Lauryl Agnew, Mr. Ben Bowler, Mr. Al David, and Mr. Paul Hackleman.
Staff: Mr. Scott Hood, Mr. Gary Clifton, Ms. Brenda Carlson, Ms. Lilibeth Dames and Ms. Kristina Perez.
Consultants: Mr. Jonathan Brody and Mr. Patrick Thomas, of Strategic Investment Solutions.

Miscellaneous Business: Per Government Code 54954.2, Ms. Carlson requested that an urgent additional matter, that came to the attention of staff after the agenda had been printed, be added to the agenda. Mr. David moved that Item 6.8 regarding transition management be added to the agenda as per Government Code Section 54954.2. The motion was seconded by Mr. Hackleman and carried unanimously.
- 3.0 **Oral Communications From the Committee:** Ms. Agnew offered to share articles with other trustees, and will provide those to staff for placement in DropBox.
- 4.0 **Oral Communications From the Public:** None.
- 5.0 **Approval of the Minutes:** Mr. Bowler asked if there were any corrections to the Investment Committee minutes of January 24, 2012, none were noted.

Action: Mr. David moved to approve the committee minutes of January 24, 2012; the motion was

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seconded by Mr. Hackleman and carried unanimously.

- 6.1 **Presentation of the Preliminary Monthly Portfolio Performance Report:** Mr. Clifton presented the Preliminary Monthly Portfolio Performance report and noted no outstanding issues.
Action: This agenda item was informational. It did not require committee action.

- 6.2 **Acceptance of the Quarterly Investment Performance Analysis for Period Ended December 31, 2011:** Mr. Brody and Mr. Thomas presented the Quarterly Investment Performance report. Mr. Thomas reviewed the report page by page with the Board members and answered questions. Board members discussed the returns, noted fourth quarter rebounds, and Blackrock's performance. With no objections noted, the committee accepted this report.

Mr. Clifton requested that the committee hear the agenda items out of order and asked the chair to continue with agenda item 6.7.

- 6.7 **Discussion and Approval of Potential Alternative Investment:** Mr. Faraz Shooshani from Strategic Investment Solutions presented the staff report for the potential private equity opportunities to the Investment Committee. Committee members asked questions about out-of-country investment risks and benefits and discussed legal issues with Ms. Carlson prior to voting. There were two actions taken on this item.

Action: Mr. Bowler moved to recommend board approval of a resolution authorizing the execution of an agreement with ChrysCapital, and authorizing the Chief Investment Officer to take all actions necessary to initiate, implement and monitor the agreement. The motion was seconded by Mr. Hackleman and carried unanimously.

Action: Mr. Hackleman moved to recommend board approval of a resolution ratifying the agreement with General Catalyst, subject to approval of counsel and authorizing the Chief Investment Officer to take all actions necessary to initiate, implement and monitor the agreement. The motion was seconded by Mr. David and carried unanimously.

- 6.3 **Approval of Investment Management Agreement International Large Cap Growth Manager: Baillie Gifford & Company – EAFE Plus Focus:** Mr. Clifton explained that the investment management agreements presented to the Committee for approval in items 6.3, 6.4 and 6.5 have been revised to include the placement agent language. Committee members discussed the changes in SamCERA's Investment Management Agreements.
Action: Mr. Hackleman moved to recommended that the board adopt a resolution approving the agreement with Baillie Gifford and Company, and authorizing the Board Chair, the Vice Chair and the Chief Executive Officer to execute the agreement. The motion was seconded by Ms. Agnew and carried unanimously.

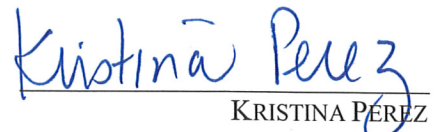
- 6.4 **Approval of Investment Management Agreement International Small Cap Core Manager: Pyramis Global Advisors – Select International Small Cap:** Mr. Clifton reported that he and Mr. Thomas had conducted a site visit at Pyramis and they were left with a good impression. Based on the site visit and documentation, Mr. Clifton requested the committee recommend board approval to move forward with this manager.
Action: Mr. Hackleman moved to recommended that the board adopt a resolution approving the agreement with Pyramis Global Advisors, and authorizing the Board Chair, the Vice Chair and the Chief Executive Officer to execute the agreement. The motion was seconded by Mr. David and carried unanimously.

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- 6.5 **Approval of Investment Management Agreement International Large Cap Growth Manager: Eaton Vance Management (Parametric) – Structures Emerging Markets Equity:** Mr. Clifton answered questions about this agreement and requested the committee recommend board approval pending approval by counsel.
Action: Mr. David moved to recommend that the board adopt a resolution approving the agreement with Eaton Vance Management (Parametric), and authorizing the Board Chair, the Vice Chair and the Chief Executive Officer to execute the agreement. The motion was seconded by Ms. Agnew and carried unanimously.
- 6.6 **Approval of the Investment Committee's Work Plan for Fiscal Year 2012/2013:** Mr. Clifton reviewed the proposed work plan with the committee members and noted that the new Chief Investment Officer may have additional items to add to the agenda. The change from last year is the inclusion of the manager interview schedule. Committee members requested the addition of a placeholder for further discussion of SamCERA's investment policy.
Action: Ms. Agnew moved to recommend board approval of the Investment Committee's work plan for 2012/2013 with the added date for discussion of the investment policy. The motion was seconded by Mr. David and carried unanimously.
- 6.2 **Transition of International Portfolio (item added to agenda per Government code 54954.2 (b) 2)**
Ms. Carlson explained the addition of this item to the agenda was necessary due to time considerations, and to allow the transition management of the international portfolio to move forward. Ms. Carlson stated there is an existing agreement with BNY ConverEx, and board authorization is required to execute an amendment, a new agreement, and/or additional documents that may be needed. Ms. Carlson and Mr. Clifton answered questions from committee members.
Action: Mr. Hackleman moved to recommend board approval to authorize the Board Chair, the Vice Chair and the Chief Executive Officer, to take all actions necessary to execute, amend, initiate, implement and monitor the agreement with BNY ConverEx, and to provide any documents required to proceed with the execution of this agreement. The motion was seconded by Ms. Agnew and carried unanimously.
- 7.0 **Other Business:** None
- 8.0 **Chief Investment Officer's Report:** Mr. Clifton reported that he attended the luncheon sponsored by the Clifton Group with Ms. Agnew and Mr. Bowler and cash overlay and risk parity was discussed. He noted a recent Bloomberg article reported on Franklin Templeton's Global Bond Portfolio comeback. Mr. Clifton provided copies of Invesco's "flash report" to the committee. He reported that he attended Aubry Partners annual meeting and noted upcoming personnel changes occurring at this company. Mr. Clifton reconfirmed SamCERA's commitment to engage in fund advisory committees whenever possible.
- 9.0 **Adjournment:** There being no further business, Mr. Bowler adjourned the committee meeting at 12:03 p.m.

BENEDICT J. BOWLER

INVESTMENT COMMITTEE CHAIR


KRISTINA PEREZ

RETIREMENT EXECUTIVE SECRETARY