

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

**July 27, 2004 – Investment Committee Agenda**

**PUBLIC SESSION** – The Committee met in Public Session at 8:02 A.M.

- 1.0 Call to Order
- 2.0 Roll Call
- 3.0 Approval of the Minutes for the Investment Committee Meeting
- 4.0 Oral Communications From the Committee
- 5.0 Oral Communications From the Public
- 6.0 Investment Management Services of the Investment Committee
  - 6.1 Acceptance of Monthly Portfolio Performance Report
  - 6.2 Annual Review, Revision & Reaffirmation of Investment Committee Charter
  - 6.3 Selection of Finalists for *SamCERA's* Core Plus Fixed Income Manager
  - 6.4 Approval Independent Fiduciary Agreement with Chadwick Saylor Capital Management, Inc.
  - 6.5 Approval of Extension to Strategic Investment Solutions' Agreement
- 7.0 Other Business
- 8.0 Adjournment

**MINUTES OF SAMCERA'S Investment Committee**

- 1.0 Call to Order:** Ms. Colson called the Public Session of the Investment Committee of the Board of Retirement to order at 10:0 A.M July 27, 2004, in *SamCERA's* Board Room, Suite 125, 100 Marine Parkway, Redwood Shores, California.
- 2.0 Roll Call:** Mr. Bryan (excused), Mr. Buffington, Ms. Colson, and Mr. Lewis *Board Members in Attendance:* Mr. McMahon, Ms. Salas, and Ms Stuart *Alternate Board Member:* Ms. Arnott *Staff:* Mr. Clifton and Mr. McCausland. *Consultant:* Ms. Jadallah and Mr. Thomas, *Public:* none *Retirees:* One
- 3.0 Approval of the Minutes:** *The Investment Committee did not meet in separate session on June 22, 2004. The Investment Agenda Items were heard at the Board Meeting. Without objection the minutes from the investment section of the board meeting will be filed under Investment Committee Minutes for June 22, 2004 with proper notification that the Investment Committee did not meet per se. This action will allow a reader of the Investment Committee Minutes to follow the chronological deliberations of the Board as it moves through its restructure of the Investment Manager mandates.*

**Action:** Without objection the Investment Committee determined that an easily accessible chronological record of the Board's investment related deliberations would be of value to the public. The minutes from the June 22, 2004 investment section of the Board Meeting will be filed with the Investment Committee Minutes as June of 2004.
- 4.0 Oral Communications From the Committee:** None
- 5.0 Oral Communications From the Public:** None
- 6.1 Acceptance of Monthly Portfolio Performance.** Mr. Clifton reported that all of *SamCERA's* portfolios contributed to the 1.67% monthly return with small cap equities, 4.26%, leading the way. June's performance pushed *SamCERA's* Total Plan Return to 15.56% for the fiscal Year. That return is well ahead of the 8.00% Actuarial Interest Rate, but trailed the Plan Policy Benchmark, 16.28%, by 72 basis points (bps). As reported throughout the year, security selection in international equity, -98 bps, was the prime factor in *SamCERA's* underperformance relative to the Plan Policy Benchmark. Fixed Income's weighting, +14 bps, and security selection, +16 bps were able to dampen the negative effect of international equity.

In June 2004, the Federal Reserve Open Market Committee made a much anticipated move, increasing interest rates by 25 basis points, to bring the overnight lending rate to 1.25% at the end of June. This was the first increase since May 2000. Equity Markets rallied on the announcement as Federal Reserve officials reassured investors that

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future moves were “likely to be measured” and that recent increases in inflation appeared “to have been due to transitory factors.” The pace of economic expansion may be slowing. This is likely to shift the focus from inflation and higher interest rates to the outlook for growth and profits. Overall economic and profit growth are likely to remain strong.

The table presented below shows the composite returns

June 30, 2004		One Month	Trailing Three Months	Trailing Six Months	Trailing Twelve Months
Equity Aggregate	\$995,194,271	2.13%	0.94%	3.81%	22.89%
Equity Composite Benchmark		2.26%	0.78%	4.06%	24.55%
<b>Variance</b>		<b>-0.13%</b>	<b>0.16%</b>	<b>-0.25%</b>	<b>-1.66%</b>
Fixed Income Aggregate	\$381,545,976	0.54%	-2.30%	0.54%	0.85%
Fixed Income Composite Benchmark		0.57%	-2.44%	0.15%	0.32%
<b>Variance</b>		<b>-0.03%</b>	<b>0.14%</b>	<b>0.39%</b>	<b>0.53%</b>
Real Estate Aggregate (1)	\$59,241,450	1.27%	1.87%	5.23%	8.63%
NCREIF (one quarter lag)		2.56%	2.56%	5.19%	10.22%
<b>Variance</b>		<b>-1.29%</b>	<b>-0.69%</b>	<b>0.04%</b>	<b>-1.59%</b>
Cash Aggregate	\$4,817,940	0.18%	0.54%	1.16%	2.29%
91 Day Treasury Bill		0.07%	0.24%	0.48%	0.98%
<b>Variance</b>		<b>0.11%</b>	<b>0.30%</b>	<b>0.68%</b>	<b>1.31%</b>
Total Fund Returns	\$1,440,799,637	1.97%	0.10%	2.99%	15.56%
Total Plan Policy Benchmark		1.79%	-0.05%	2.99%	16.28%
<b>Variance</b>		<b>0.18%</b>	<b>0.15%</b>	<b>0.00%</b>	<b>-0.72%</b>

Performance versus SamCERA's Actuarial Discount Rate

Total Fund Returns		1.97%	0.10%	2.99%	15.56%
Actuarial Discount Rate		0.64%	1.94%	3.92%	8.00%
<b>Variance</b>		<b>1.33%</b>	<b>-1.84%</b>	<b>-0.93%</b>	<b>7.56%</b>

The table below shows portfolio market values and target weightings versus actual allocations.

Asset Allocation As of 06/30/2004	Market Value	Allocation Current	Target	Percentage Off Target	Rebalance Range
BGI Russell 1000	\$600,366,122	41.67%	40.00%	1.67%	±5%
BGI Russell 2000	\$168,145,602	11.67%	10.00%	1.67%	±5%
BIAM	\$226,682,546	15.73%	15.00%	0.73%	±5%
Total Equity	\$995,194,271	69.07%	65.00%	4.07%	
BGI US Debt	\$210,572,715	14.61%	16.00%	-1.39%	±3%
DAMI	\$170,973,261	11.87%	13.00%	-1.13%	±3%
Total Fixed Income	\$381,545,976	26.48%	29.00%	-2.52%	
Real Estate	\$59,241,450	4.11%	6.00%	-1.89%	±2%
Cash	\$4,817,940	0.33%	0.00%	0.33%	
Total	\$1,440,799,637	100.00%	100.00%		

Mr. Lewis referred the Committee to the manager performance reconciliation report that appears on page

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eight of the monthly report. He notes that the variance between performance as reported by Deutsche Asset Management (DAMI) and that reported by the custodian State Street Bank (SSB) is approximately 15 basis points for all periods, which is higher than he would like to see for the variance. ● A discussion followed covering the liquidity characteristics of the issues held by DAMI. Pricing is problematic for less liquid fixed income instruments. Staff reminded the Committee that at the onset of the performance reconciliation report, the Board recognized there would be a greater variance with active fixed income and international equity portfolios due to pricing issues and to a lesser extent, cash flows. ● Mr. Clifton reported that staff is aware of the DAMI/SSB price variances for each investment held in the portfolio through reconciliation reports received from DAMI and SSB each month. Each report is attested to by an officer of the reporting firm. ● Staff was asked to work with DAMI and SSB to narrow the reported performance variance.

A recent addition to the monthly performance report is a table that depicts *SamCERA*'s proposed changes in manager structure for its overall portfolio. The new manager structure is scheduled for implementation on or about October 31, 2004. That table appears below:

Legacy Portfolio As of 07/31/2004	Current Market Value	New Mandated Target Portfolios Market Value      %		Portfolio Manager
BGI Russell 1000	\$579,388,370	\$295,231,944	20.00%	BGI Russell 1000
Enhanced R1000		\$295,231,944	20.00%	BGI Enhanced R1000
BGI Russell 2000	\$156,854,093	\$0		
Enhanced R2000		\$73,807,986.10	5.00%	Goldman Sachs Asset Mgmt
Active Value Mandate		\$36,903,993.05	2.50%	Brandes Investment Partners
Active Growth Mandate		\$36,903,993.05	2.50%	Chartwell Investment Mgmt
Bank of Ireland Asset Management	\$219,147,622	\$0		
Active Core Mandate		\$110,711,979	7.50%	Delaware Int'l Advisors, Ltd.
Active Core Mandate		\$110,711,979	7.50%	Julius Baer Investment Mgmt
Total Equity	\$955,390,085	\$959,503,819	65.00%	
Barclays Global Investors US Debt	\$244,738,548	\$142,614,940	9.66%	BGI US Debt
Deutsche Asset Management, Inc.	\$197,922,277	\$142,614,940	9.66%	Deutsche Asset Management,
Core Plus Mandate		\$142,614,940	9.66%	To Be Announced
Total Fixed Income	\$442,660,826	\$427,844,819	28.98%	
Real Estate	\$59,422,293	\$59,241,450	4.01%	Core Real Estate Fund
		\$29,569,633	2.00%	Possible Manager Diversification
Cash	\$18,686,518	\$0	100.00%	
Total	\$1,476,159,722	\$1,476,159,722		

At the end of each calendar quarter, staff provides a supplemental report with the portfolio profiles and performance reports for the seven components of Barclays Global Investors' US Debt Index Fund. There are five portfolio profiles: 1) US Debt Index Fund, 2) Government/Credit Bond Index fund, 3) Mortgage-backed Securities Index Fund, 4) Asset-Backed Securities Bond Index Fund, and 5) Commercial Mortgage-Backed Securities Index Fund. The seven components are: 1) Asset Backed Securities Bond Index Fund, 2) Commercial Mortgage Backed Security Fund, 3) Intermediate Credit Bond Index Fund, 4) Intermediate Government Bond Index Fund, 5) Long Credit Bond Index Fund, 6) Long Government Bond Index Fund, and 7) Mortgage Backed Securities Index Fund. Staff reported that this supplemental information contains nothing out of the ordinary that requires Board consideration.

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Mr. Clifton also reported that on July 9<sup>th</sup> *SamCERA* received \$75,304,751 in prepaid employer contributions from the County of San Mateo. Mr. Clifton reported that in compliance with the rebalancing section of *SamCERA's Investment Plan* \$32,000,000 was deployed to Barclays Global Investors' US Debt Index Fund, \$25,000,000 to Deutsche Asset Management's Core Fixed Income Portfolio and \$18,304,751 to the interest bearing cash account at State Street Bank. The monies in the cash account are utilized for the Association's ongoing operational expenses.

**Action: The Committee unanimously accepted the Monthly Performance Report. The Committee will recommend to the Board of Retirement that it accepts the report.**

- 6.2 Annual Review, Revision & Reaffirmation of Investment Committee Charter.** The Board of Retirement created the Investment Committee with the adoption of Resolution 99-00-09 on January 25, 2000. Since then the Investment Committee Charter has been reviewed annually. The annual review provides an excellent opportunity for the new Investment Committee to opine upon its mission. Should the Committee determine the mission requires amendment, they may petition the Board of Retirement to amend the Committee's governance.

Mr. Clifton noted that the Board Chair will make appointments to the FY 2004/2005 Investment Committee at the August 24, 2004 meeting. He recommended review of the Charter be rescheduled for September 28, 2004.

**Action: By consensus, the Committee instructed staff to schedule review of the Investment Committee Charter for the September 28<sup>th</sup> meeting.**

- 6.3 Selection of Finalists for *SamCERA's* Core Plus Fixed Income Manager** The Board initiated a review of its investment manager structure in late 2003. In November of that year Strategic Investment Solutions (SIS) was asked to begin the manager search process that would lead to implementation of the new manager structure. SIS was instructed to provide six or fewer semi-finalists in all search categories. The Board has completed the searches for its new equity portfolio managers. At this meeting the Committee considered candidates for the core plus fixed income mandate. The successful firm will be awarded approximately \$125 million to invest in their core plus product.

Using the screening steps below, Strategic Investment Solutions' representatives, Margaret Jadallah & Patrick Thomas narrowed the field to six semifinalists.

**SamCERA Core Plus\* Bond Search – July 2004**  
**Screening Steps**

1. Create starting universe of all Core Plus Bond managers.
2. Pass half available performance screens (3,5,7,10 yrs.) versus Lehman Aggregate Index and median Core Plus Bond manager.
3. Pass half available performance screens (rolling 3 year periods) versus Lehman Aggregate Index and median Core Plus Bond manager.
4. At least \$500 million in product assets (maximum of 25% of product assets).
5. Minimum 5-year track record.
6. Product open to new business.

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7. Initial qualitative cuts due to inappropriateness of strategy (no extended sectors, inappropriate duration range).
8. Other qualitative screens – exclude managers where there are organizational concerns or noteworthy personnel turnover, retail or wrap business focus, very high tracking error, regulatory issues, assets mainly parent related, and poor relative performance/information ratios.

\*Core Plus managers are bond managers who use sectors outside of the Lehman Aggregate Index (high yield, non-US foreign debt and/or emerging debt) on an opportunistic basis as a source of value added

The following Pros and Cons for each manager were thoroughly discussed.

**Deutsche Asset Management**

*Pros*

- Known entity to SamCERA
- Add value through investing in inefficient credits and structured product within the US as well as through extended sectors.
- Largely stable team
- Strong returns

*Cons*

- Deutsche Asset Management and Deutsche Bank have had various regulatory issues in recent years (but none were associated with the Core Plus product).
- Firm has lost business across asset classes in the last year.
- Significant non-index exposure within the US investment grade component of Core Plus.
- Capacity constraints given niche bond exposure.

**Hartford Investment Management**

*Pros*

- Successful sector rotation has added value to portfolio.
- Very strong returns
- Have added to multi-sector fixed income team in recent years as well as to marketing/client servicing for institutions.

*Cons*

- Newer to institutional market; more assets insurance related.
- Higher tracking error versus SamCERA's other candidates.
- Investigations into mutual fund business.

**Payden & Rygel**

*Pros*

- 100% employee-ownership provides direct incentives to key professionals
- Especially aware of client objectives and risk tolerances.
- Top down, team-oriented approach with outlook developed by Global Policy Committee, an experienced and largely stable team
- No regulatory issues

*Cons*

- Relatively poor performance compared to SamCERA's other candidates

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**PIMCO (Pacific Investment Management Company LLC)**

*Pros*

- Bond powerhouse led by skillful portfolio manager Bill Gross
- Very strong, consistent returns
- Top down, secular and cyclical forecasts developed by very deep, experienced team of investment professionals.
- Proprietary models and risk management tools developed and maintained by internal financial engineers.
- PIMCO has incorporated new and innovative instruments into its approach for many years.
- Well-publicized charges of market timing in several PIMCO bond funds were ultimately dismissed.

*Cons*

- High level of assets may decrease flexibility of strategy?
- Above average turnover in investment staff.
- Use of innovative securities and large asset base results in a large, complex portfolio.
- Highest fees of SamCERA's candidates.

**TCW**

*Pros*

- Stable, seasoned team led by Jeff Gundlach
- Largely consistent, median to above median returns.
- Unique, top down approach strategically allocates assets to less efficient sectors.
- Sectors are managed by sector teams who have competitive sector specific products.
- Lowest fees of SamCERA's candidates.

*Cons*

- Strategic allocation to less efficient sectors (i.e., high yield) may result in short term periods of underperformance in certain market environments.

**Western Asset Management Company**

*Pros*

- A bond powerhouse like PIMCO.
- High conviction approach has yielded tremendous alpha for its clients.
- Portfolio outlook and structure determined by experienced and stable Investment Strategy Group.
- Successful sector rotation over many years.

*Cons*

- High tracking error
- Long term, value-oriented approach can require patience.

The Committee narrowed the semi-finalist to three candidates. Deutsch Asset Management, PIMCO (Pacific Investment Management Company LLC) and Western Asset Management Company. ● Ms. Colson noted that SamCERA's currently employs Deutsche Asst Management (DAMI) under a core mandate. Through the Committee SIS was instructed to contact DAMI regarding "stacking" fees should their firm be the successful candidate. ● Mr. Buffington stated that with a fixed income portfolio, especially in a rising interest market, there is a cost of transitioning a legacy portfolio to the target portfolio. Assuming the expected alpha, approximately 50 basis points, is the same for each finalist, the time required to recover the transition costs becomes important to the decision process. The Committee expressed there would be value in extending the search for an Investment Manager for a Core Plus

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mandate. The extra time would be used to gather data from the semi-finalists and Barclays Global Investors on the cost of transitioning the portfolios.

**Action: Motion by Mr. Buffington, second by Mr. Lewis, for the Investment Committee to recommend that the Board of Retirement instruct Strategic Investment Solutions to gather additional information on the transition cost from the legacy portfolio to the target portfolio for Deutsche Asset Management, PIMCO (Pacific Investment Management Company LLC), and Western Asset Management Company and report back at the August 24, 2004 meeting. The finalists will be invited to interview before the Board at the September Board Meeting.**

**6.4 Approval Independent Fiduciary Agreement with Chadwick Saylor Capital Management, Inc.** Mr. Clifton reported that he and Ms. Carlson worked with CS Capital Management's President, John McClelland, to develop a contract for Independent Fiduciary Services. The contract appoints Chadwick Saylor to act as an independent fiduciary solely on behalf of the San Mateo County Employees' Retirement Association. The Independent Fiduciary will perform the duties and responsibilities that are set forth below:

- a. Make an independent determination with respect to the valuation of the Real Estate Portfolio for the purpose of the Transfer.
- b. Represent and advise the Client with respect to the terms of the contribution of the Real Estate Portfolio to the Fund and the negotiation, execution and delivery of a Contribution Agreement that will be entered into to effect such contribution.
- c. Evaluate the value of the Other Transfers and issue a fairness opinion to the Client stating that the Transfer when compared to the Other Transfers is fair.
- d. Retain legal counsel and other third party professionals to assist the Independent Fiduciary in carrying out the services set forth in subparagraphs a, b and c, above.
- e. Present a summary of its valuation conclusions and recommendation to the Client regarding its duties under subparagraphs a.-d. above.

The Independent Fiduciary represents that it is a fiduciary with respect to the services performed under this Agreement, a registered investment advisor, and that it has, by reason of the experience and expertise of its personnel, the ability to perform fully its duties with the standard of care of a prudent expert. CS Capital Management carries insurances in the amounts normally required by *SamCERA*.

Inconsideration of the performance of the Independent Fiduciary's duties, CS Capital Management shall be paid a valuation Fee of \$77,500 and a Negotiation Fee of \$25,000 for a Total Fee of \$102,500. Chadwick Saylor will also be reimbursed for reasonable out-of-pocket costs and expenses incurred in carrying out its duties under the Agreement, including legal fees.

*SamCERA* is in receipt of a side-letter from INVESCO Realty Advisors in which INVESCO agrees to reimburse San Mateo County Employees' Retirement Association "for the expenses (up to a maximum fee of \$102,500 plus reasonable, mutually-agreeable direct costs for legal representation and travel) incurred by *SamCERA* from the engagement of CS Capital Management as advisor to *SamCERA* with respect to the investment in and contribution of real property assets to INVESCO Core Real Estate – U.S.A., LLC."

County Counsel approved the CS Capital Management Agreement and the INVESCO Realty Advisors side-letter as to form.

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Following a discussion with CS Capital Management's, John McClelland, the Investment Committee approved the corpus of the contract, including the scope of work. ● Ms. Colson stated she is uncomfortable with identifying CS Capital Management as the Independent Fiduciary in the INVESCO side-letter reimbursing SamCERA for the Independent Fiduciary fees. She believes a court may question the Independent status if INVESCO "names" CS as the Independent Fiduciary. Mr. Clifton suggested that Ms. Carlson would be available at the afternoon Board Meeting. In his opinion, Ms. Carlson would recommend CS Capital Management be named as the Independent Fiduciary in the side-letter. ● Mr. Buffington expressed concern that the contract stated CS Management would be working solely on behalf of SamCERA when the Committee understands CS will be working for other clients in addition to SamCERA. Mr. Clifton informed the Committee that Ms. Carlson reviewed the "working solely" clauses and opined that they strengthened the contract. The Committee decided to ask Ms. Carlson to clarify the "working solely" clauses and whether to name CS Capital Management as the Independent Fiduciary in INVESCO's side-letter to SamCERA. The Committee will recommend that the Board of Retirement approve the Resolution, authorizing the Chair to execute the Agreement.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION  
**Contract for Independent Fiduciary Services**  
RESOLUTION 04-05-

*THIS RESOLUTION, adopted by the Board of Retirement  
(Board of the San Mateo County Employees' Retirement Association (SamCERA),  
approves the contract between the Board and CS Capital Management, Inc.*

**WHEREAS**, 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

**WHEREAS**, Government Code §31595 vests in the Board *"... exclusive control of the investment of the employees retirement fund"*; and

**WHEREAS**, Government Code §31596.1 (d) authorizes the Board to retain investment consultants *"... in connection with administration of the Board's investment program ..."*; and

**WHEREAS**, the Board, in the course of its most recent asset / liability modeling study, resolved to change its real estate mandate from the ownership of separate properties to the ownership of units in one or more core commingled real estate funds; and

**WHEREAS**, after considering alternative core commingled real estate funds, the Board, on June 22, 2004, resolved to transfer ownership of its separate properties to the INVESCO Core Real Estate-U.S., LLC Fund, which provides significant advantages for SamCERA as a "Founding Investor", in exchange for ownership of units of the Fund; and

**WHEREAS**, the Board finds it prudent to hire an Independent Fiduciary to represent and advise it with respect to the due diligence related to the INVESCO Core Real Estate-U.S., LLC Fund, including: (i) evaluating the value of all pre-closing portfolio transfers to the Fund and issuing a fairness opinion; (ii) Negotiating, preparing, and delivering a Contribution Agreement; (iii) Presenting a summary of its valuation conclusions and recommendation to the Board and (iv) such other assignments as set forth in the contract; and

**WHEREAS**, INVESCO Realty Advisors performed due diligence on three firms qualified to serve as Independent Fiduciary for the Founding Investors and selected CS Capital Management for the assignment; and

**WHEREAS**, SamCERA's Investment & Finance Manager evaluated INVESCO's selection, with the assistance of other Founding Investors, and recommends that the Board retain CS Capital Management, Inc. to serve as its Independent Fiduciary; and

**WHEREAS**, County Counsel has approved the contract as to form. Therefore, be it

**RESOLVED** that the Board hereby approves the contract between the Board and CS Capital Management, Inc. Be it further

**RESOLVED** that the Board hereby approves the fees as specified in the contract and authorizes the disbursement of



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funds as provided for in Government Code §31596.1 in accordance with *SamCERA's* internal controls. Be it further

**RESOLVED** that the Board hereby authorizes the Chair, to execute the contract on behalf of the Board. Be it further

**RESOLVED** that the Board hereby designates the Investment & Finance Manager as its designee to perform those functions so identified in the contract 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 contract.

**Action: Motion by Mr. Buffington, second by Mr. Lewis, that the Committee will recommend that the Board of Retirement approve the Resolution authorizing the Board Chair to execute a contract between the Board and CS Capital Management, Inc for Independent Fiduciary Services. The recommendation will be made subject to Ms. Carlson's opinion regarding the Committee's concerns about naming CS Capital Management as Independent Fiduciary in INVESCO's side-letter and the contract containing the "working solely" clauses stating that for the Investment Committee to.**

**6.5 Approval of Extension to Strategic Investment Solutions' Agreement** The Investment Committee reviewed the Strategic Investment Solutions' contract, which allows for the following retainer services: a.) Investment Policy Services, b.) Investment Manager Services, c.) Education Services, d.) Special Services (Administrative Oversight), e.) Quarterly Reporting. The Agreement also specifies that the Consultant must be duly registered with the Securities and Exchange Commission, is deemed to be a Fiduciary and is held to a standard of care equal to that of a prudent expert. Other covenants cover conflict of interest, confidentiality, disclosure, governing law, insurance and indemnification.

Strategic Investment Solutions' representatives, Margaret Jadallah and Patrick Thomas, expressed that the proposed Agreement allows for a cost of living increase over the previous Agreement. Their request would increase the full retainer relationship fee from \$175,000 to \$185,000 per annum. ● The Committee believes the requested cost of living increase is within the Retirement Association's unofficial parameters for contract extensions. ● SIS noted that *SamCERA's* printing demands tax their firm's operational abilities. The firm wishes to out source *SamCERA's* printing then invoice *SamCERA* for the cost. The Committee rejected this request based on the fact that the print jobs for the past year were extraordinary and should not be repeated for the life of the new Agreement.

The Committee discussed SIS' relationship with Frank Russell Company. The Committee wants the Association to be aware of other compensation received by Strategic Investment Solutions. SIS was instructed to work with Mr. Clifton to develop methods by which SIS could self-identify financial relationships it may or may not have with other service providers or potential service providers of *SamCERA*.

The Committee expressed that it appreciates SIS' work product over the past three years. It is especially pleased with the process and results of the past year's manager restructuring. After reviewing the following Resolution, the Investment Committee concluded that it would be in *SamCERA's* best interests to recommend that the Board of Retirement approve the Resolution authorizing the Chair to execute a three-year Agreement for investment consultant services between the Board and Strategic Investment Solutions.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION  
**Contract for Investment Consulting Services**  
RESOLUTION 04-05-

*THIS RESOLUTION, adopted by the Board of Retirement (Board)  
of the San Mateo County Employees' Retirement Association (SamCERA), approves  
the contract between the Board and Strategic Investment Solutions, Inc. (SIS)*

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**WHEREAS**, 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

**WHEREAS**, Government Code §31595 vests in the Board "*. . . exclusive control of the investment of the employees retirement fund.*"; and

**WHEREAS**, Government Code §31596.1 (d) authorizes the Board to retain investment consultants "*. . . in connection with administration of the Board's investment program . . .*"; and

**WHEREAS**, On August 8, 2001 the Board reviewed proposals and interviewed representatives from Wurts Associates and Strategic Investment Solutions, Inc., as the finalists proposing to perform investment consulting services for the Board; and

**WHEREAS**, on August 28, 2001, the Board selected Strategic Investment Solutions as the successful candidate for a full retainer investment consultant relationship; and

**WHEREAS**, County Counsel has approved the contract as to form and the Investment and Finance Manager has recommended approval of the contract; and

**WHEREAS**, the Board reviewed Strategic Investment Solutions' performance and wishes to extend the investment consultant contract for another three year period. Therefore, be it

**RESOLVED** that the Board hereby approves the contract between the Board and Strategic Investment Solutions, Inc. for a term of three years, cancelable by either party on thirty days notice. Be it further

**RESOLVED** that the Board hereby approves the fees as specified in the contract and authorizes the disbursement of funds as provided for in Government Code §31596.1 in accordance with *SamCERA's* internal controls. Be it further

**RESOLVED** that the Board hereby authorizes the Chair, to execute the contract on behalf of the Board. Be it further

**RESOLVED** that the Board hereby designates the Investment & Finance Manager as its designee to perform those functions so identified in the contract 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 contract. Be it further

**RESOLVED** that the Board hereby reserves to itself sole authority to accept, modify, or reject the recommendations that the investment consultant may present from time to time pursuant to the provisions of the contract.

**Action: Motion by Mr. Lewis, second by Mr. Buffington that the Investment Committee recommend to the Board of Retirement that it authorize the Chair to execute an Agreement for investment consulting services between the Board and Strategic Investment Solutions.**

**7.0 Other Business: None**

**8.0 Adjournment:** There being no further business Ms. Colson adjourned the Committee at 11:52 A.M.