

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

March 27, 2007

Agenda Item 3.0

February 27, 2007– 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](#)
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 [Discussion and Adoption of Cost of Living Allowance Resolution](#)
 - 5.4 [Discussion of a Regulation Establishing Normal Retirement Ages](#)
6. Investment Services
 - 6.1 [Monthly Portfolio Performance Report](#)
 - 6.2 [Quarterly Investment Performance Analysis for Period Ended December 31, 2006](#)
 - 6.3 [Introduction & Approval of Manager Structure for U.S. Equity Modeling](#)
 - 6.4 [Approval to Redeploy Assets within the Large Capitalization Equity Category](#)
 - 6.5 [Approval of the Investment Committee's Plan for Fiscal Year 2007/2008](#)
7. Board & Management Support Services
 - 7.1 [Monthly Financial Report](#)
 - 7.2 [Introduction of SamCERA's Sources, Uses & Budget for Fiscal year 2007/2008](#)
 - 7.3 [Annual Review & Reaffirmation of SamCERA's Mission, Goals and Objectives](#)
 - 7.4 [Annual Review & Revision of SamCERA's Code of Fiduciary Conduct](#)
 - 7.5 [Approval of Amendments to SamCERA's Conflict of Interest Code](#)
 - 7.6 [Annual Review & Reaffirmation of SamCERA's Strategic Services Resolution](#)
 - 7.7 [Annual Review & Reaffirmation of SamCERA's Internal Controls Policy](#)
 - 7.8 [Approval of Amendments to SamCERA's Education Policy](#)
 - 7.9 [Approval of the Audit Committee's Plan for Fiscal Year 2007/2008](#)
 - 7.10 [Authorization to Obtain Fiduciary Liability Insurance upon Expiration of Current Policy](#)
 - 7.11 [Discussion and Adoption of Amendment to Regulations 3.4 and 3.5 Regarding Alternate Eighth Trustee](#)
 - 7.12 [Report on Process and Schedule of Trustee Elections](#)
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 [Annual Review of SamCERA's Chief Executive Officer](#)
9. [Report on Actions Taken in Closed Session](#)
10. [Adjournment](#)

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February 27, 2007 – Board Minutes

0702.1 **Call to Order:** Mr. Bryan, chair, called the Public Session of the Board of Retirement to order at 1 p.m., February 27, 2007, in *SamCERA's* Board Room, 100 Marine Parkway, Suite 125, Redwood Shores, California.

0702.2.1 **Roll Call:** Mr. Bryan, Ms. Arnott for Mr. Buffington, Ms. Colson (arr. 1:01 p.m.), Mr. Hackleman, Mr. Hooley, Ms. Stuart and Mr. Wozniak. *Excused:* Ms. Tashman. *Alternate Board Members in Attendance:* Mr. Murphy and Ms. Salas. *Staff:* Mr. Bailey, Mr. Clifton, Ms. Dames, Mr. Hood, Ms. LeBlanc and Ms. Smith. *Consultants:* Ms. Carlson, Dr. Fracchia, Ms. Jadallah and Mr. Thomas. *Retirees:* 0, *Actives:* 2.

0702.3 **Approval of the Minutes:** Motion by Arnott, second by Wozniak, carried unanimously to approve the minutes of the January 23, 2007, board meeting, as submitted.

0702.4.1 **Oral Communications From the Board:** None.

0702.4.2 **Oral Communications From the Public:** None.

0702.5 **Benefit & Actuarial Services**

0702.5.1 **Adoption of Consent Agenda:** Mr. Bryan removed the disability applications of Patricia Bittle (Ms. Arnott) and Sarita Ledet (Ms. Arnott) from the day's consent agenda for consideration under agenda item 5.2 in closed session.

Motion by Wozniak, second by Arnott, carried unanimously to adopt the day's Consent Agenda, as amended, as follows:

Disability Retirements:

The board finds that **Susan Goulart-House** is disabled from performing her usual and customary duties as a Deputy Sheriff's Sergeant and **GRANTS** her application for a *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:

Huss, Sherry	February 3, 2007 (From Deferred)	
Schwoerer, Barbara	February 5, 2007 (From Deferred)	District Attorney's Office
Ferency, Sharen	February 10, 2007	Public Health Department
Boyd, Frances	February 10, 2007	
Guzman, Ricardo	2007	Dept. of Child Support Services
	February 13, 2007	Aging and Adult Services

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Scholle, Lynn	February 18, 2007	
Peavey, Donna	(From Deferred)	
Cadiz, Ernesto	February 24, 2007	Mental Health Dept.
Columbell, Bonnie	February 28, 2007	Aging and Adult Services
	February 28, 2007	Assessor's Office
		Information Services Dept.

Continuance of Benefits:

Mendiola, Guadelupe

Beneficiary of Lorenzo

Non-Member Continuance (DRO):

None

Deferred Retirements:

Bleything, Kris A.	G4 non-vested	Reciprocity
Fitzer, Gary P.	G2 vested	Reciprocity
Lee Hiram	G4 vested	Reciprocity
Leonard Rachel H.	G4 vested	Reciprocity
Reed, Christine D.	G4 vested	Reciprocity
Stout, Gregory C.	G2 vested	Reciprocity
Tellez, Darwing J.	G4 non-vested	Reciprocity
Caldwell, Lisa A.	G2 vested	
Diran, Gloria R.	G4 vested	
Houston Kimberly D.	G4 vested	
May, Martin D.	G2 vested	
Osawa, Steven M.	G4 vested	

Refunds for February 2007:

Acosta, Kathy	G4 vested
Anderson, Lisa	G4 non vested
Ben, Jennifer	G4 non vested
Cortez, Jennice	G4 non vested
Deocampo, Wenny	G4 non vested
Dudley, Paul	G4 non vested
Flynn, Patrick	G4 non vested
Hoaglund, Richard	G4 non vested
Napoliello, Joseph	G4 non vested
Negherbon, Cheryl	G4 non vested
Papi, Tammy	G4 vested
Puentes, Jose	G2 vested
Reel, Yvonne	G4 non vested
Salazar, Coban	G4 non vested
Ybona, Maria	G4 non vested

Rollovers for February 2007:

Cuff, Jaime	P4 non vested
Cruz, Maria	G4 non vested
Qu, Yi	G4 non vested

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Ratner, Robert	G4 non vested
Tran, Tim	G4 non vested
Yamamoto, Amy	G4 non vested

0702.5.2 **Consideration of Items Removed from Consent Agenda:** See agenda item 9.0.

0702.5.3 **Discussion of Adoption of Cost of Living Allowance Resolution:** Mr. Bailey reported that *SamCERA*'s actuary, Milliman, Inc., has calculated the annual COLA's for retirees to be paid with their April 2007 benefit payments. The annual cost of living adjustments are based on the change in the Consumer Price Index for the Bay Area provided by the federal Bureau of Labor Statistics and rounded to the nearest one half of one percent. Milliman states that the CPI increased 3.21% and recommends the following COLA percentages:

Tier 1: Each retiree and beneficiary who retired on or before April 1, 2007, will receive a Cost of Living Adjustment in accordance with the following tables.

Date of Retirement	General	Safety	Probation
On or before 4/1/1974	5.0%	5.0%	3.0%
4/2/1974 to 4/1/1975	4.0%	4.0%	3.0%
On or after 4/2/1975	3.0%	3.0%	3.0%

Tier 2: Each retiree and beneficiary who retired on or before April 1, 2007 will receive a Cost of Living Adjustment of 3.0%.

Tier 4: Each retiree and beneficiary who retired on or before April 1, 2007 will receive a Cost of Living Adjustment of 2.0%.

Motion by Stuart, second by Hackleman, carried unanimously to adopt **Resolution 06-07-09**, as follows:

“**WHEREAS**, Government Code §31870, §31870.1, §31870.2 and §31874.4 empower the Board to grant cost of living adjustments on an annual basis to recipients of *SamCERA* benefits; and

“**WHEREAS**, the Board has retained Milliman, Inc. to provide actuarial services to the Board; and

“**WHEREAS**, Milliman, Inc., by its letter dated February 1, 2007, and accompanying exhibits has reported the appropriate annual cost of living adjustment for members based on each member's retirement tier, date of retirement; and the applicable rules of the 1937 Act, therefore, be it

“**RESOLVED**, that the Board adopts the schedules of cost of living adjustments set forth in the Milliman, Inc. letter dated February 1, 2007, to Chief Executive Officer David Bailey from Milliman Consulting Actuary Nick J. Collier, and the letter's accompanying exhibits entitled “*Tier 1 COLA Bank Accumulations, General and Safety*” and “*Tier 1 COLA Bank Accumulations, Probation.*” Be it further

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“**RESOLVED**, that the Board hereby adopts said cost of living adjustments effective April 1, 2007; Be it further

“**RESOLVED**, that the Chief Executive Officer is hereby empowered to take all actions necessary to provide for the payment of cost of living adjustments in accordance with the adopted schedules.”

- 0702.5.4 **Discussion of a Regulation Establishing Normal Retirement Ages:** Mr. Bailey stated that, as a result of the Pension Protection Act of 2006, retired safety employees are now eligible to have up to \$3,000 of their health insurance deductions excluded from taxable income. In order to begin allowing eligible retirees to take advantage of this tax exclusion, the board must establish a normal retirement age (NRA) that will be acceptable by the IRS.

Mr. Bailey will perform further research regarding the establishment of normal retirement ages and revisit the topic at a future board meeting.

Investment Services

- 0702.6.1 **Monthly Portfolio Performance Report:** Mr. Clifton presented the monthly portfolio performance report for the period ending January 31, 2007. *SamCERA's* 1.20% Total Fund Return for January 2007 outperformed the Total Plan Policy Benchmark of 0.98%. The Fund's return for the trailing twelve months is 12.81%, which is 496 basis points above the Actuarial Discount Rate of 7.75% and 85 basis points above *SamCERA's* Total Plan Policy Benchmark of 11.96%.

Asset Class	Market Value	1-Month	1-year TTWRR*	5-year TTWRR*
<i>Domestic Equity</i>	<i>\$1,018,696,204</i>	<i>2.19%</i>	<i>13.41%</i>	<i>8.74%</i>
<i>International Equity</i>	<i>343,770,537</i>	<i>0.76%</i>	<i>23.61%</i>	<i>15.43%</i>
Total Equity	1,362,466,741	1.83%	15.86%	10.25%
Fixed Income	551,707,410	0.01%	4.88%	5.38%
Real Estate Aggregate	145,481,597	0.00%	19.24%	14.30%
Cash Equivalents	2,840,910	0.45%	4.34%	3.05%
TOTAL FUND	\$2,062,496,658	1.20%	12.81%	9.43%
<i>Benchmark</i>		<i>0.98%</i>	<i>11.96%</i>	<i>9.35%</i>

* Total Time-Weighted Rate of Return

- 0702.6.2 **Quarterly Investment Performance Analysis for Period Ended December 31, 2006:** Mr. Clifton reported that Mr. Thomas and Ms. Jadallah conducted an extensive review of the quarterly investment performance report at the Investment Committee level. The composite fund returned 5.99% for the quarter and ranked 35th amongst its peers. The fund matched its policy index (6.0%) during this time period. Longer term, the three and five-year returns of 11.4% (30th percentile) and 8.9% (46th percentile), respectively, were above median among large public plans (10.9% and 8.8%).

- 0702.6.3 **Introduction & Approval of Manager Structure for U.S. Equity Modeling:** Mr. Clifton reported that the Investment Committee reviewed several alternatives to *SamCERA's* manager

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structure for U.S. equity modeling. The committee recommended that no changes be made to its current small cap structure, eliminate the Research Associates Fundamental Index and leave at least a 20% allocation in the Russell 1000 Index. The committee will discuss the benefits of active large cap growth and value cap as well as the 120/20 structure at next month's meeting.

0702.6.4 **Approval to Redeploy Assets within the Large Capitalization Equity Category:** This agenda item was deferred to a future board meeting following the conclusion of *SamCERA's* manager structure analysis.

0702.6.5 **Approval of the Investment Committee's Plan for Fiscal Year 2007/2008:** Mr. Clifton provided the schedule and strategic objectives for *SamCERA's* Investment Committee for the upcoming fiscal year. He noted that the March committee meeting will be held on Monday, March 26th at 1 p.m. Mr. Bryan also reported that he intends to appoint one more trustee to the Investment Committee due to the departure of board and investment committee member, Mr. Lewis.

0702.7 **Board & Management Support Services**

0702.7.1 **Monthly Financial Report:** Mr. Clifton reported that *SamCERA's* Net Assets Held in Trust for Pension Benefits as of January 31, 2007, totaled \$2,060,293,421. *SamCERA's* Net Assets increased approximately \$25 million in January due primarily to the appreciation of portfolio assets. For the month, domestic fixed income was flat, domestic equities increased approximately \$16 million, while international equities and real estate both increased by approximately \$4.5 million. The current retiree payroll is at \$7.8 million per month which should exceed \$8 million following this year's cost of living adjustments in April.

0702.7.2 **Review of *SamCERA's* Sources, Uses and Budget Report For Fiscal Year 2007/2008:** Mr. Clifton performed a brief overview of the professional and administrative budget development process. A draft version of the budget will be brought before the board at an upcoming meeting.

0702.7.3 **Annual Review of *SamCERA's* Missions, Goals and Objectives:** Mr. Clifton presented an amended version of Resolution 95-96-05, *SamCERA's* Missions & Goals statement. The resolution was amended to correct the grammar, spelling and capitalization.

Motion by Hackleman, second by Arnott, carried unanimously to approve the amendments to **Resolution 95-96-05**, as follows:

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

“**WHEREAS**, Article XVI, ' 17(b) of the Constitution of the State of California states in part that "the members of the retirement board...shall discharge their duties...solely in the interest of, and for the exclusive purpose of providing benefits to, participants and their beneficiaries, minimizing employer contributions thereto, and defraying reasonable expenses of administering the system. A retirement board's duty to its participants and their beneficiaries shall take precedence over any other duty...;" &

“**WHEREAS**, Article XVI, ' 17(c) of the Constitution of the State of California states in part

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that "the members of the retirement board...shall discharge their duties with respect to the system with the care, skill, prudence, and diligence...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;" &

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

“**WHEREAS**, the Board wishes to define its mission and goals so as to direct its efforts and the efforts of its staff in concert with the spirit of the law. Now, therefore, be it

“**RESOLVED**, that the Board hereby adopts the following:

MISSION

SamCERA exists to serve as loyal fiduciary for its members, retirees and beneficiaries and as prudent administrator of its retirement system.

GOALS

Provide caring, fair, accurate, timely and knowledgeable professional service to clients and the public.

Prudently manage the assets and appropriately fund the actuarial liabilities of the retirement system, to minimize the costs to its employers while assuring the ability to pay all earned benefits.

Constantly improve the effectiveness of *SamCERA*'s services and the efficiency of its operations.

“Be it further

“**RESOLVED**, that the Board hereby agrees, and directs the Chief Executive Officer, to adhere to the principles set forth herein in the management of the resources of the Association.”

0702.7.4 **Annual Review of *SamCERA*'s Code of Fiduciary Conduct:** Mr. Clifton presented Resolution 96-97-02, *SamCERA*'s Code of Fiduciary Conduct statement, as amended on July 27, 2004. Following review, no changes were recommended by the board.

0702.7.5 **Annual Review of *SamCERA*'s Conflict of Interest Code:** Mr. Clifton presented amendments to Resolution 98-99-15, *SamCERA*'s Conflict of Interest Code statement. The amendments add *SamCERA*'s Information Technology Manager as a designated position as well as reflects name changes from Deutsche Asset Management to Aberdeen Asset Management and Fidelity Management Trust Company to Pyramis Global Advisors.

Motion by Arnott, second by Stuart, carried unanimously to approve the amendments to **Resolution 98-99-15**, as follows:

“**WHEREAS**, the board has adopted a *Code of Fiduciary Conduct* which requires among other things, that *Trustees, the Chief Executive Officer, Consultants, Investment Managers and other professionals retained by the board and SamCERA staff shall comply with the provisions of the California Constitution; the Political Reform Act of 1974, as amended...and all other laws pertinent to the conduct of public pension fund fiduciaries; and*

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“**WHEREAS**, Government Code §87300 mandates the adoption of a Conflict of Interest Code by independent public agencies; and

“**WHEREAS**, the board, by Resolution 96-97-03, adopted the Conflict of Interest Code provisions of *California Fair Political Practices Commission (FPPC) Regulation 18730*; and

“**WHEREAS**, Government Code §87306.5 mandates that the board review its *designation of employees and disclosure categories* from time to time. Therefore, be it

“**RESOLVED** that the board hereby redefines SamCERA's *List of Designated Individuals and Disclosure Categories* per FPPC Regulation 18730, to read as follows:

“LIST OF DESIGNATED INDIVIDUALS AND APPLICABLE DISCLOSURE CATEGORIES

Each individual holding a *Designated Position* must file FPPC Form 700--*Statement of Economic Interests* disclosing the applicable financial interests indicated for the position in accordance with Government Code §87200, *et seq.*

“Designated Positions

Trustees & Designated Alternate Trustees	1, 2, 3, 4
Chief Executive Officer	1, 2, 3, 4
Assistant Executive Officer	1, 2, 3, 4
Information Technology Manager	1, 2, 3, 4
Investment and Finance Manager	1, 2, 3, 4
Consultants specifically identified to file by the Board of Retirement	1, 3, 4
Real Estate Consultants specifically identified to file by the Board of Retirement	1, 2, 3, 4
	Be it further

“**RESOLVED** that the board hereby adopts the following

DESCRIPTION OF FINANCIAL DISCLOSURE CATEGORIES

Category 1: Investments that may be materially affected by any decision made or participated in by the designated individual must be disclosed on Schedules A-1 &/or A-2 of Form 700.

Category 2: Interests in Real Property that may be materially affected by any decision made or participated in by the designated individual must be disclosed on Schedules B &/or C of Form 700. If the designated individual is a trustee, designated alternate trustee, or SamCERA staff member, disclosure is only required on real property located in the County of San Mateo.

Category 3: Income that may be materially affected by any decision made or participated in by the designated individual must be disclosed on Schedules C, D, E, &/or F of Form 700.

Category 4: A Business Entity in which the designated individual is a director, officer, partner, trustee, or holds any position of management that may be materially affected by any decision made or participated in by the designated individual must be disclosed on Schedule C of FPPC Form 700. Be it further

“**RESOLVED** that the board, in concert with the opinion of the FPPC, defines as *consultants specifically identified to file by the Board of Retirement* “employees and principals who provide services to the board, with influence over the investment decisions

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pertaining to the retirement fund and in positions that involve the making or participation in the making of decisions which may foreseeably have a material effect on any reportable financial interest”. Be it further

“**RESOLVED** that the board hereby authorizes the Chief Executive Officer to instruct the following firms to identify employees and principals who meet the definition of consultant set forth above: Aberdeen Asset Management, Barclays Global Investors, Brandes Investment Partners, Chartwell Investment Partners, , Goldman Sachs Asset Management, INVESCO Realty Advisors, Julius Baer Investment Management, Mondrian Investment Partners, Pyramis Global Advisors, Strategic Investment Solutions, and Western Asset Management. Be it further

“**RESOLVED** that the board hereby instructs the Chief Executive Officer to provide for annual disclosure by all individuals in the *Designated Positions*. Each individual holding a *Designated Position* must file the original Form 700 with the Chief Executive Officer who must make and retain a copy and forward the original to the County Clerk who must make and retain a copy and forward the original to the FPPC. Form 700 must be filed at the times and on the forms prescribed by law. Failure to file statements on time may result in penalties, including but not limited to late fines. Be it further

“**RESOLVED** that the board hereby instructs the Chief Executive Officer to implement a program to provide reasonable assurance that foreseeable potential conflict of interest situations will be disclosed and prevented and to provide each affected person with a clear and specific statement of his or her duties under the Conflict of Interest Code. Be it further

“**RESOLVED** that the board hereby instructs the Chief Executive Officer to supply the necessary forms and manuals, to monitor timely and complete filing compliance, to take action regarding late filings and to report apparent violations of the Conflict of Interest Code to the Board.”

0702.7.6 **Annual Review & Affirmation of SamCERA’s Strategic Services Resolution:** Mr. Clifton presented Resolution 95-96-06, *SamCERA’s Strategic Services Resolution*, as amended March 22, 2005. Following review, no changes were recommended by the board. Mr. Murphy suggested the development of a trustee handbook highlighting these strategic responsibilities that would particularly be useful to new trustees.

0702.7.7 **Annual Review & Affirmation of SamCERA’s Internal Controls Policy:** Mr. Clifton presented Resolution 95-96-16, *SamCERA’s Internal Controls – Disbursements from the Retirement Association*, as amended April 22, 2003. Following review, no changes were recommended by the board.

0702.7.8 **Approval of Amendments to SamCERA’s Education Policy:** Mr. Clifton presented various amendments to Resolution 98-99-12, *SamCERA’s Education Policy*. Staff has added the Pension Real Estate Association (PREA) and newly developed SACRS Public Pensions Investment Management Program to the policy. The amendments also add the retiree and safety alternates to the education policy. Mr. Clifton reported that the maximum budget allowed for each trustee in the current policy was established several years ago and was no longer sufficient enough to reflect the addition of educational events and increased costs due to inflation. Therefore, the amendments increase these budget amounts.

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Motion by Arnott, second by Stuart, carried unanimously to approve the amendments to **Resolution 98-99-12**, as follows:

“WHEREAS, Article XVI, §17(c) of the Constitution of the State of California states in part that

“The members of the retirement board...shall discharge their duties with respect to the system with the care, skill, prudence, and diligence...that a prudent person acting in like capacity and familiar with these matters would use in the conduct of an enterprise of like character and with like aims; and

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

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

“WHEREAS, Associations and institutes exist which offer specialized training for pension fund trustees and staff; and

“WHEREAS, the board wishes to encourage its trustees and staff to become as expert as is cost-effective in the matters of pension fund investments, service and disability retirements and plan administration. Now, therefore, be it

“RESOLVED, that the board hereby stipulates that all trustees and staff shall participate to the fullest extent possible in approved educational activities, and that each trustee and staff member shall be expected to complete at least three endorsed educational activities each year. Be it further

“RESOLVED, that the board hereby authorizes the participation of trustees and staff in the educational activities of the State Association of County Retirement Systems (SACRS), the California Association of Public Retirement Systems (CALAPRS), the Government Finance Officers Association (GFOA), the Institute for Fiduciary Education (IFE), International Foundation of Employee Benefit Plans (IFEBP), the California Retired County Employees' Association, the Pacific Pension Institute (PPI), the Pension Real Estate Association (PREA) and the Wharton program for pension fiduciaries, to the extent that the budget provides funds for such participation. Be it further

“RESOLVED, that the board hereby approves the following recommended progression of courses for new trustees to complete within their first three-year term: (1) SACRS Fall or Spring Conference &/or CALAPRS General Assembly, (2) CALAPRS' Trustee Roundtables, (3) CALAPRS @ Stanford Principles of Pension Management, (4) SACRS Public Pensions Investment Management Program (5) IFEBP Certificates of Achievement in Public Plan Policy and (6) Wharton Pension Fund and Investment Management Program. Be it further

“RESOLVED, that the board hereby also approves the following programs for trustees with the recommendation that trustees complete the programs listed above in the 3rd Resolve Clause prior to participation in the following: Fiduciary Institute @ Stanford, IFEBP Public Funds Annual Conference, GFOA Annual Conference, Pension Real Estate Association Annual Conference and US-based programs of IFE & PPI. Be it further

“RESOLVED, that the board hereby authorizes the participation of trustees and staff in the educational activities of the Institute for International Research, the Public Pension Fund Forum, Investors Press, the Investment Risk Institute, the Institutional Investor Institute, the Information Management Network, Opal Financial Group, Frank Russell Company, Milliman USA, and Callan Associates, to the extent that the budget provides funds for such participation.

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Be it further

“RESOLVED, that participants may provide the board with a summary oral report on the content of educational activities, including a recommendation regarding *SamCERA's* participation in future activities offered by the same sponsor. Be it further

“RESOLVED, that, in addition to the organizations listed above, other educational activities which may be counted toward the board's educational requirement are subscriptions to *Pensions & Investments*, the *Public Retirement Journal*, or other pension, investment or financial publications; completion of recommended readings from SACRS or *SamCERA* reading lists; participation in due diligence activities to meet with and monitor service providers; and/or participation in SACRS or *SamCERA* sponsored mentoring programs. Be it further,

“RESOLVED, that the board authorizes the chief executive officer to enroll *SamCERA* as a pension fund member of the organizations set forth above and the National Conference of Public Employees Retirement Systems and to submit recommendations to the Board for additional educational activities, to the extent that the budget provides funds for such activities. Be it further,

“RESOLVED, that the board hereby authorizes the chief executive officer to allocate \$15,000 for each new trustee's education during each of his or her first two years in office and \$7,500 for each trustee's education during each subsequent year. Trustees who wish to exceed these allocations may request board approval for their participation in additional educational activities when placed on the agenda of a public meeting of the board. Be it further

“RESOLVED, that the board hereby authorizes the chairman to approve the participation and associated travel for trustees, the Treasurer's Constitutional alternate, the Safety Member alternate, the Retired Member alternate, and the chief executive officer in the educational activities of the organizations set forth above, to the extent that the budget provides funds for such activities. Be it further,

“RESOLVED, that the board hereby authorizes the chief executive officer to approve a progression of courses for staff, to approve the participation and associated travel of staff in the educational activities of the organizations set forth above, to the extent that the chief executive officer finds that such participation will contribute to the staff member's ability to perform her or his duties and the budget provides funds for such activities. Be it further

“RESOLVED, that the board may approve participation in additional educational activities when placed on the agenda of a public meeting of the board.”

0702.7.9 **Approval of Audit Committee Plan for Fiscal Year 2007/2008:** Mr. Clifton presented the audit committee's schedule and strategic objectives for the upcoming fiscal year. **Motion** by Hackleman, second by Arnott, carried unanimously to approve the audit committee plan for Fiscal Year 2007/2008.

0702.7.10 **Authorization to Obtain Fiduciary Liability Insurance Upon Expiration of Current Policy:** Mr. Clifton reported that the current fiduciary liability insurance policy expires at 12:01 AM on May 27, 2007. He asked that the board authorize staff to work with the County Risk Manager to acquire fiduciary liability insurance coverage for the board. **Motion** by Hackleman, second by Wozniak, carried unanimously to authorize the Investment Finance Manager to procure similar insurance on behalf of the board.

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0702.7.11 **Discussion and Adoption of Amendment to Regulations 3.4 and 3.5 Regarding Alternate Eighth Trustee:** Mr. Bailey stated that the current regulations governing the election of trustees do not address the recently added position of alternate for the eighth trustee (retiree member). He presented an amendment to the regulations of the board amending Article III Regulation 3.4 setting forth the qualifications of candidates and Regulation 3.5 governing nominating petitions/declaration of candidacy to reflect the separate election of the eighth trustee alternate.

Motion by Stuart, second by Wozniak, carried unanimously to adopt **Resolution 06-07-10**, Amendment to Board Regulations Regarding The Election of Trustees, as follows:

“WHEREAS, Article III of the Board’s regulations governs the elections of trustees; and

“WHEREAS, on July 25, 2006, the Board determined that it would have an alternate for the eighth trustee; and

“WHEREAS, pursuant to Government Code §31520.5, the alternate eighth trustee shall be elected separately by the retired members of the association in the same manner and at the same time as the eighth member is elected; and

“WHEREAS, the Board desires to amend Regulation 3.4 setting forth the qualifications of candidates and Regulation 3.5 governing nominating petitions/declaration of candidacy to reflect the separate election of the eighth trustee alternate; and

“WHEREAS, Government Code §31525 provides that this Board may make regulations not inconsistent with the California Employees' Retirement Law of 1937; now therefore be it

“RESOLVED that regulations 3.4 and 3.5 of Article III are amended to read as follows:

“3.4 Qualifications of Candidates: A candidate for Second or Third Trustee shall be a General Member of SamCERA. A candidate for Seventh Trustee shall be a Safety Member of SamCERA. A candidate for Eighth Trustee shall be a Retired Member of SamCERA. A candidate for Eighth Trustee Alternate shall be a Retired Member of SamCERA. To be eligible, a candidate shall be a member of his or her respective group at the close of the pay period immediately preceding the beginning of the Nomination/Declaration of Candidacy period. The Elections Officer shall compare the names of candidates with the "List of Eligible Candidates and Nominators." If the Elections Officer finds that the candidate does not meet the qualifications set forth in this Section and Section 3.5, the Elections Officer shall disqualify the candidate.

“3.5 Nominating Petitions/Declaration of Candidacy: On and after the third Monday in April, qualified candidates may obtain a Nominating Petition or Declaration of Candidacy, a copy of the Code of Fair Campaign Practices as it appears in the California Elections Code, and a copy of these Election Regulations from the Elections Officer. Candidates for Second, Third and Seventh Trustee shall be nominated by a petition signed by not less than ten SamCERA Members eligible to sign the candidate's petition. SamCERA's General Members are eligible to sign a petition for a candidate for Second or Third Trustee. SamCERA's Safety Members are eligible to sign a petition for a candidate for Seventh Trustee. SamCERA's Retired Members are eligible to nominate themselves as a candidate for Eighth Trustee by filing a Declaration of Candidacy with the Elections Officer. SamCERA's Retired Members are eligible to nominate themselves as a candidate for Eighth Trustee

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Alternate by filing a Declaration of Candidacy with the Elections Officer. To be eligible to sign petitions, or nomination papers, a member's name shall be included on the "List of Eligible Candidates and Nominators." No member shall sign more than one Nominating Petition for each election. Signed Nominating Petitions and Declarations of Candidacy must be filed with the Elections Officer no later than 5:00 P.M. of the first Monday in May. Candidates who file Nominating Petitions after the deadline will be disqualified. Prospective candidates shall appear in person to receive candidate papers from and to deliver candidate papers to the Elections Officer. If a prospective candidate is unable to appear in person, they shall designate in writing an agent to receive and/or deliver the candidate's Nomination Papers or Declaration of Candidacy on their behalf.

"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."

- 0702.7.12 **Report on Process and Schedule of Trustee Elections:** Mr. Hood reported that the terms of the Third Seat, Mr. Bryan, the Eighth Seat, Ms. Stuart, and the Eighth Seat Alternate, Mr. Murphy, will expire on June 30, 2007. Staff will present a schedule for the elections as developed in conjunction with the county Elections office.

0702.8 **Management Reports**

- 0702.8.1 **Chief Executive Officer's Report:** Mr. Bailey reported that the passage of AB2863 allows the county to invest its health insurance trust fund with *SamCERA* by mutual agreement. The county may have a formal request soon.

He also reported that he along with Mr. Hood, Mr. Clifton recently met with Donna Vaillancourt, the county's new human resources director. They discussed *SamCERA*'s salary survey and hope to move forward with the study.

Mr. Bailey said that county counsel is willing to work on drafting legislation to allow trustee alternates to attend closed sessions.

Regarding ARC-time, Mr. Bailey reported that Milliman has completed a study analyzing the various impacts the adoption of the program would have on the county.

- 0702.8.2 **Assistant Executive Officer's Report:** Mr. Hood reported that *SamCERA*'s comprehensive IT study being performed by MAXIMUS is going well and on schedule despite having a member of *SamCERA*'s MAXIMUS team depart the firm.

Mr. Hood also gave a brief report on the office lease negotiations. He said that Mr. Bailey has already signed the agreement with building management. The two remaining agreements will be the sublease contract with the office adjacent to *SamCERA*'s (LPS) and LPS' termination agreement with the building. He reported that these agreements were scheduled to be signed later that afternoon.

Mr. Hood stated that Sue Thompson, Office Specialist, and Mailou Macario, Retirement

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Analyst, have been recently hired in accordance with *SamCERA*'s human resources plan. Interviews for an IT Analyst were scheduled for the next day.

He also said that he is a member of the county's flu pandemic committee and is working on an emergency office plan in case a flu pandemic arises.

SamCERA staff recently participated in a retreat in which staff reviewed its strategic plans and objectives. The benefits staff will also be holding a separate retreat in mid-March.

At next month's board meeting, Mr. Hood will introduce changes to the regulations of the board regarding reciprocity.

- 0702.8.3 **Investment & Finance Manager's Report:** Mr. Clifton reported that there has been a change in Brandes' small cap investment committee. The change is normal as the committee members are on an eighteen to twenty-four month rotation. The change will have no impact on *SamCERA*.

Mr. Clifton was informed by Goldman Sachs Asset Management that it has changed its trading strategies to source increased liquidity from external sources.

Mr. Clifton also reminded trustees to submit their Form 700 filings and educational request forms to him.

- 0702.8.4 **County Counsel's Report:** Ms. Carlson reported on the status of alternate trustees attending standing committee meetings. She also reported that she had attended the CALAPRS attorney's round table in Oakland. Reciprocity and NRA issues were discussed.

- 0702.9 **Report on Actions Taken in Closed Session:** Ms. Carlson reported that Mr. Bryan had convened the board in closed session at 1:01 p.m. All trustees present at roll call were in attendance in closed session.

Ms. Carlson reported that the board decided to forward the disability applications of Patricia Bittle and Sarita Ledet to a hearing officer.

The board then conducted the annual review of *SamCERA*'s Chief Executive Officer.

Mr. Bryan adjourned the closed session at 1:51 p.m. He publicly thanked Mr. Bailey for his excellent work as *SamCERA*'s CEO.

Mr. Bryan then took up agenda item 5.3.

- 0702.10 **Adjournment in Memory of the following Deceased Members:** There being no further business, Mr. Bryan adjourned the meeting at 3:13 p.m., in memory of the following deceased members:

PEARSON, OPAL
WINDHAM, DORIS
OLIVER, JEAN

JANUARY 3, 2007
JANUARY 10, 2007
JANUARY 14, 2007

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PHILLIPE, ELIZABETH
SHURKE, EMYRA
MENDIOLA, LORENZO

JANUARY 18, 2007
JANUARY 19, 2007
JANUARY 26, 2007

CHOPE HOSPITAL
SHERIFF'S DEPARTMENT
DEPT. OF HEALTH SERVICES

TOM E. BRYAN, CHAIR