

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

April 24, 2007

Agenda Item 3.0

March 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](#)
 - 2.2 Swearing in of New Trustee
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](#)
6. Investment Services
 - 6.1 [Monthly Portfolio Performance Report](#)
 - 6.2 Manager Structure Equity Modeling for Equities
 - 6.2a [Approval of Manager Structure for U.S. Equity Modeling](#)
 - 6.2b [Introduction and Approval of Manager Structure International Equity Modeling](#)
 - 6.3 [Approval of Topics for Manager Review – Aberdeen Asset Management](#)
 - 6.4 [Approval of Topics for Manager Review – Pyramis Global Advisors](#)
 - 6.5 [Approval of Topics for Manager Review – Western Asset Management](#)
7. Board & Management Support Services
 - 7.1 [Monthly Financial Report](#)
 - 7.2 [Approval of SamCERA's Strategic Plan](#)
 - 7.3 [Nomination of State Association of County Retirement Systems Officers](#)
 - 7.4 [Amendment of Regulations to Allow Members to Delay Membership for the Purpose of Establishing Reciprocity](#)
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](#)

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

March 27, 2007 – Board Minutes

0703.1 **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.

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

0703.2.1 **Roll Call:** Mr. Bryan, Ms. Arnott for Mr. Buffington, Ms. Colson (arr. 1:01 p.m.), Mr. Hackleman, Mr. Hooley, Mr. Lee, Mr. Murphy for Ms. Stuart, Ms. Tashman and Mr. Wozniak. *Excused:* Mr. Buffington and Ms. Stuart. *Alternate Board Members in Attendance:* Ms. Salas (arr. 1:17 p.m.). *Staff:* Mr. Bailey, Ms. Dames, Mr. Hood, Ms. LeBlanc and Ms. Smith. *Consultants:* Ms. Carlson, Dr. Fracchia and Ms. Jadallah. *Retirees:* 0, *Actives:* 0.

0703.3 **Approval of the Minutes:** Ms. Arnott submitted the following corrections to the board meeting minutes: 0702.5.1 under Service Retirements: "Boyd, Frances February 10, 2007 2007"; 0702.6.1 L4: "The Fund's return for the ~~trailing~~ trailing twelve months...".

Motion by Hackleman, second by Arnott, carried unanimously to approve the minutes from the February 27, 2007, board meeting as amended.

0703.4.1 **Oral Communications From the Board:** Ms. Arnott reported that she attended the CALAPRS General Assembly in Monterey earlier in the month. Although there were a couple of good sessions, she thought that most of the presentations were fairly mediocre. Mr. Bryan concurred with Ms. Arnott's comments regarding the quality of the conference and said that the presentations seemed below par for CALAPRS. Mr. Hackleman then reported that he will not be able to attend the April board meeting.

0703.4.2 **Oral Communications From the Public:** None.

0703.5 **Benefit & Actuarial Services**

0703.5.1 **Adoption of Consent Agenda:** **Motion** by Wozniak, second by Colson, carried unanimously to adopt the day's consent agenda, as submitted, as follows:

Disability Retirements:

The board finds that **Gloria Jean Carino** is disabled from performing her usual and customary duties as a Management Analyst III, and **GRANTS** her application for a Service-Connected disability,

The board finds that **Javier Guzman** is disabled from performing his usual and customary duties as a Road Maintenance Worker I, and **GRANTS** his 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:

Simmons, Kevin	August 13, 2006	Sheriff's Department
Mabubay, Ma Melinda	February 15, 2007 (From Deferred)	Health Services Division
Palange, Kathleen	February 15, 2007 (From Deferred)	San Mateo Medical Center
Trejo, Ricardo	February 23, 2007	Parks and Recreation

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

Franklin, Venessa	February 24, 2007	San Mateo Courts
Yearman, Richard	February 24, 2007	Sheriff's Department
Escalona, Alma	March 1, 2007	
	(From Deferred)	San Mateo Medical Center
Karantzalis, Melitza	March 3, 2007	Mental Health
Thompson, Craig	March 10, 2007	Park and Recreation
Gurza, Roberto	March 24, 2007	Mental Health
Scott, Marsha	March 24, 2007	City Manager
Whittington, Marie	March 24, 2007	
	(From Deferred)	Probation
Carlson, Joette	March 28, 2007	Sheriff's Department
Kelly, Gregory	March 30, 2007	Dept. of Public Works
Moctezuma-Humphrey, Maria	March 30, 2007	Information Systems Dept
Pritchard, Patricia	March 30, 2007	Probation Department
Shores, Charlene	March 30, 2007	Human Services Agency
Allen, Laura	March 31, 2007	Human Services Agency
Allen, Lynn	March 31, 2007	San Mateo Medical Center
Baldwin, Rita	March 31, 2007	San Mateo Medical Center
Bauccio, Cornelia	March 31, 2007	Human Services Agency
Bertulfo, Lucie	March 31, 2007	San Mateo Medical Center
Cabrera, Graciela	March 31, 2007	Sheriff's Department
Crawford-Priolo, Patricia	March 31, 2007	Human Services Agency
Dana, Judith	March 31, 2007	Probation Department
Domingo, Benjamin	March 31, 2007	Aging and Adult Services
Durkee, Linda	March 31, 2007	Human Services Agency
Gallo, Ken	March 31, 2007	Sheriff's Department
Golden, Ann	March 31, 2007	Library
Hicks, Kathleen	March 31, 2007	Dept. of Public Works
Jackson, Beatrice	March 31, 2007	Food Services
Lane, Mark	March 31, 2007	Human Services Agency
Larcina, Jose	March 31, 2007	Assessor's Office
Lee, James	March 31, 2007	
	(From Deferred)	Environmental Health Dept.
Lewis, Lee	March 31, 2007	Dept. of Public Works
Martinez, Alfredo	March 31, 2007	Dept. of Public Works
MacLeod, Stephen	March 31, 2007	Probation Department
Moreland, June	March 31, 2007	San Mateo Medical Center
Nocon, Vincent	March 31, 2007	Sheriff's Department
Roque, Editha	March 31, 2007	Human Resource Dept.
Salcedo, Solarita	March 31, 2007	Aging & Adult Services
Santos, William	March 31, 2007	Dept. of Public Works
Slegers, Gregory	March 31, 2007	Sheriff's Department
Thomson, Alan	March 31, 2007	Probation Department
Uzin, Raisa	March 31, 2007	Probation Department
Valencia, Coralee	March 31, 2007	Sheriff's Department
Wong, Darryl	March 31, 2007	San Mateo Medical Center

Continuance of Benefits:
None.

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

Non-Member Continuance (DRO):

None.

Deferred Retirements:

Boone, Jill	G4 vested	
Carr, Jennifer	G2 vested	
Chan, Selina C.	G4 vested	
Matlock, Robert J.	G4 vested	
Mesina, Rita G.	G4 vested	
Miramontes, Annette T.	G4 vested	
Rud, Kandee	G4 vested	
Segovia, Martha E.	G2 vested	
Kness, Cara S.	G4 vested	Reciprocity
Holm, Carl	Plan 3 vested	Reciprocity
Fiorica, James	G4 vested	Reciprocity
Raines, Marcia	G4 vested	Reciprocity

Refunds for March 2007:

Broughton, Stefanie	G4 Non-Vested
Carranceja, Raymund	G4 Vested
Henry, Dee	G4 Vested
Molini, Bruce	G4 Non Vested
Schiffman, Steven	G4 Non-Vested
Sweeney, Matthew	G4 Non-Vested
Varma, Chris	G4 Non-Vested

Rollovers for March 2007:

Boettger, Cathleen	S4 Vested
Delacruz, Arphel	G4 Vested
Manion, Yolanda	G4 Non-Vested
Reed, Rick	G2 Vested
Shenoy, Bharathi	G4 Non-Vested

0703.5.2 **Consideration of Items Removed from Consent Agenda:** None.

0703.6 **Investment Services**

0703.6.1 **Monthly Portfolio Performance Report:** Mr. Hackleman presented the monthly portfolio performance report for the period ending February 28, 2007. *SamCERA's* -0.53% Total Fund Return for February 2007 underperformed the Total Plan Policy Benchmark of -0.23%. The Fund's return for the trailing twelve months is 12.02%, which is 427 basis points above the Actuarial Discount Rate of 7.75% and 45 basis points above *SamCERA's* Total Plan Policy Benchmark of 11.57%.

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

Asset Class	Market Value	1-Month	1-year TTWRR*	5-year TTWRR*
<i>Domestic Equity</i>	\$999,279,757	-1.91%	11.46%	8.80%
<i>International Equity</i>	343,276,054	-0.14%	22.18%	15.42%
Total Equity	1,342,555,811	-1.46%	14.05%	10.31%
Fixed Income	560,755,185	1.64%	6.19%	5.51%
Real Estate Aggregate	145,481,597	0.00%	19.24%	14.16%
Cash Equivalents	-2,673,471	0.38%	4.41%	3.09%
TOTAL FUND	\$2,046,119,123	-0.53%	12.02%	9.47%
<i>Benchmark</i>		-0.23%	11.57%	9.45%

* Total Time-Weighted Rate of Return

0703.6.2 **Manager Structure Equity Modeling for Equities**

0703.6.2a **Approval of Manager Structure for U.S. Equity Modeling:** Mr. Hackleman reported that Ms. Jadallah reviewed the manager structure for U.S. equity modeling during the investment committee. She reviewed the five alternative structures in great detail. The following large cap alternatives maintain *SamCERA*'s current small cap structure:

- Alternative 1: 80% BGI Alpha Tilts, 20% BGI Russell 1000 Index
- Alternative 2: 75% BGI Alpha Tilts, 20% BGI Russell 1000 Index, 5% BGI 120/20
- Alternative 3: 70% BGI Alpha Tilts, 20% BGI Russell 1000 Index, 10% BGI 120/20
- Alternative 4: 50% BGI Alpha Tilts, 20% BGI Russell 1000 Index, 12.5% Active Value, 12.5% Active Growth, 5% BGI 120/20
- Alternative 5: 40% BGI Alpha Tilts, 20% BGI Russell 1000 Index, 15% Active Value, 15% Active Growth, 10% BGI 12/20

Mr. Hackleman reported that the Investment Committee recommends, with a vote of 3 ayes to 1 nay, that the board select Alternative 1 as *SamCERA*'s U.S. equity manager structure.

Ms. Jadallah reviewed the alternatives for the entire board. She briefly discussed the pros and cons of the 120/20 and active style strategies. She reported that the committee felt that it was unnecessary to add additional strategies to the large cap allocation if similar alpha, risk and information ratio can be achieved using *SamCERA*'s current strategies. Thus, the committee selected Alternative 1 which shifts the weightings between *SamCERA*'s BGI Alpha Tilts and Russell 1000 Index portfolios.

Motion by Murphy, second by Arnott, carried unanimously to approve the Investment Committee's recommendation and select Alternative 1: 80% BGI Alpha Tilts, 20% BGI Russell 1000 Index, as *SamCERA*'s U.S. large cap equity manager structure, with no change to the small cap structure.

0703.6.2b **Introduction and Approval of Manager Structure International Equity Modeling:** Mr. Hackleman reported that Ms. Jadallah also presented the manager structure modeling for *SamCERA*'s international equity. Ms. Jadallah thoroughly reviewed the following structures, with two alternatives, to *SamCERA*'s international equity structure:

- Current portfolio: 50% Core Value, 50% Core Growth
- Alternative 1: 51.5% Core Value, 48.5% Core Growth

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

Alternative 2: 40% Core Growth, 40% Core Value, 20% Quantitative Manager

SIS was quite comfortable with *SamCERA*'s current structure stating that it consists of two managers with complimentary styles: Mondrian (core value) and Julius Baer (core growth), is a good structural fit to the benchmark and has a respectable amount of exposure to emerging markets. Mr. Hackleman stated that the committee concurred with Ms. Jadallah's assessment and recommends that no changes be made to *SamCERA*'s current international equity structure.

Motion by Murphy, second by Arnott, carried unanimously to approve the Investment Committee's recommendation and keep the current international portfolio: 50% Core Value, 50% Core Growth, as *SamCERA*'s international equity manager structure and increase the allocation to both managers by 3% of total portfolio assets each pursuant to *SamCERA*'s new asset allocation adopted at the January 2007 board meeting which had increased the total allocation to international equity by 6% of total plan assets.

In regards to *SamCERA*'s current percentage cap on emerging markets, Ms. Jadallah said that the MSCI ACWI-Ex US Index weighting in emerging markets has grown to the extent that Julius Baer's overweight to emerging markets is not a significant overweight. Therefore, the committee found no need to increase *SamCERA*'s current cap to emerging market exposure. Mr. Hackleman stated that the committee concurred with Ms. Jadallah assessment and recommends that no changes be made to *SamCERA*'s current international equity structure.

0703.6.3 **Approval of Topics for Manager Review – Aberdeen Asset Management:** Mr. Hackleman reported that the board reviewed the topics for all three fixed income managers—(1) Aberdeen Asset Management, (2) Pyramis Global Advisors and (3) Western Asset Management. The committee requested that staff include a question regarding the impact of sub-prime mortgage rate problems on other asset classes as a topic in all three fixed income manager reviews in May. Mr. Hackleman asked trustees if they had any preference on which manager should be interviewed at the full board level. Hearing none, he stated that the committee recommended that Aberdeen Asset Management and Western Asset Management be interviewed at the Investment Committee level, and Pyramis Global Advisors at the full board level. The committee thought that it would be appropriate that the board conduct Pyramis' review since the firm has recently changed its name from Fidelity.

Motion by Murphy, second by Wozniak, carried unanimously to approve the list of topics for (1) Aberdeen Asset Management, (2) Pyramis Global Advisors and (3) Western Asset Management's annual reviews. The Investment Committee will conduct Aberdeen Asset Management and Western Asset Management's annual reviews. The full board will interview Pyramis Global Advisors.

0703.6.4 **Approval of Topics for Manager Review – Pyramis Global Advisors:** See agenda item 6.3.

0703.6.5 **Approval of Topics for Manager Review – Western Asset Management:** See agenda item 6.3.

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

0703.7 **Board & Management Support Services**

0703.7.1 **Monthly Financial Report:** Mr. Bailey reported that *SamCERA*'s Net Assets Held in Trust for Pension Benefits as of February 28, 2007, totaled \$2,043,797,774. *SamCERA*'s Net Assets decreased approximately \$17 million in February. The decrease may be attributed in almost equal parts to asset depreciation and operating expenditures.

0703.7.2 **Approval of *SamCERA*'s Strategic Plan:** Mr. Bailey presented *SamCERA*'s Strategic Plan for the 2007/2008 fiscal year. He stated that there are four broad objectives that the plan intends to achieve: (1) Improve and maintain the administrative infrastructure of *SamCERA* (Admin), (2) Assure that *SamCERA* continues to prudently administer its assets (Financial), (3) Maintain and improve *SamCERA*'s customer services (Services), and (4) Maintain and improve the tools and office space *SamCERA* relies upon to perform its duties (Tools). Mr. Bailey briefly mentioned various strategies and projects within these broad objectives that staff intends to implement.

Ms. Colson inquired on the issue of salary competitiveness mentioned in the strategic plan. *SamCERA* has already lost one employee to another local 1937 Act retirement system and Mr. Bailey stated that it would be administratively prudent to conduct a salary survey to address the issue of salary competitiveness in order to help ensure that staff are compensated equivalently to their peers. Mr. Bryan agreed with Mr. Bailey's plan to gather salary information for further analysis. However, Ms. Arnott and Ms. Colson opined that the issue of salary seemed to be a recurring topic. From his experience, Mr. Hooley stated that managers should be proactive in trying to preserve its staff members in order to prevent any negative impacts to office operations.

Mr. Bryan inquired on *SamCERA*'s outdated accounting software. Mr. Bailey stated that the current accounting software functions properly, however, it is no longer maintained by its producing company. There are opportunities to upgrade to newer accounting software. MAXIMUS will recommend a list of options at the conclusion of its IT study.

Mr. Bryan and Ms. Tashman commended the format of the Strategic Plan.

Motion by Hooley, second by Wozniak, carried unanimously to approve *SamCERA*'s Strategic Plan.

0703.7.3 **Nomination of State Association of County Retirement Systems Officers:** Mr. Bailey presented the slate of candidates submitted by the SACRS Nominating Committee. **Motion** by Arnott, second by Colson, carried unanimously to approve the slate of candidates as submitted by the SACRS Nominating Committee.

0703.7.4 **Amendment of Regulations to Allow Members to Delay Membership for the Purpose of Establishing Reciprocity:** Mr. Hood stated that *SamCERA* has recurring issues with members attempting to establish reciprocity but have overlapping service with another public entity. The 1937 Act does not allow members to establish reciprocity if this is the case. A member must terminate membership with a prior system before commencing membership with *SamCERA*. After research by staff and counsel, an amendment to the board's regulations allowing members to delay their *SamCERA* membership date up to six weeks in order to eliminate the overlapping service will help remove this roadblock for the purpose of establishing reciprocity. This amendment only applies to current and future active members.

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

Motion by Wozniak, second by Arnott, carried unanimously to adopt **Resolution 06-07-11**, amending Article IV of the Board Regulations to permit members to delay their membership for the purposes of establishing reciprocity, as follows:

“WHEREAS, Article IV of the Board’s regulations govern the membership duties and rights; and

“WHEREAS, the Board desires to amend regulation 4.1 permitting new employees to delay their membership date with *SamCERA* for the purpose of establishing reciprocity with another prior public agency; and

“WHEREAS, Government Code § 31527(h) provides that the Board may set forth in its regulations the day upon which each person entering the county employment becomes a member if it is to be other than the first day of the calendar month after his or her entrance into service provided that said date shall be no later than six weeks after his entrance into the service; and

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

“RESOLVED that regulation 4.1 is amended to read as follows:

4.1 Membership: An individual entering full or permanent part time employment with the County of San Mateo or the Mosquito Abatement District prior to July 1, 1996, shall become a member of *SamCERA* on the first day of the first pay period commencing after the date of employment. An individual entering such employment on or after July 1, 1996, shall become a member of *SamCERA* on the first day of employment. Members may delay the effective start date of their membership with *SamCERA* up to six weeks after the date of employment, for the purpose of establishing reciprocity with another public retirement system as described in the 1937 Act.

“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.”

0703.8 **Management Reports**

0703.8.1 **Chief Executive Officer's Report:** Mr. Bailey revisited the topic of staff salaries. The County has indicated that it will conduct a salary survey for all management positions county-wide. However, Mr. Bailey opined it only fair to also conduct a salary survey for *SamCERA*’s non-management staff. There exists evidence that there are higher paying positions at other local retirement systems that have responsibilities and duties that are nearly identical to that of staff’s current positions. The fact that these systems are geographically close gives additional incentive for staff members to look into job vacancies in these systems. Mr. Bailey also would like to reclassify *SamCERA*’s job positions as “Retirement”-specific, e.g. “Retirement IT Manager”. He opined that his staff has very special knowledge of the 1937 Act law and *SamCERA* procedures and it would be harmful to the retirement system in case the county has budget problems and implements lay offs. He also wants to extend the Retirement Analyst

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

series by adding a Retirement Analyst III classification to the series to allow a broader range of career development, which is consistent with other retirement systems. There are also three job positions that may require restructuring as a result of additional duties that these positions have taken on. Mr. Bailey intends to work with the county to address these issues in order to gather the appropriate information and bring it back to the board.

Mr. Bailey reported that counsel has drafted legislation allowing trustee alternates to be present in closed session. The county is in the process of attaining a sponsor for the legislation.

He stated that a staff recommendation regarding the establishment of the Normal Retirement Age will be brought to the board at next month's board meeting.

Regarding ARC time, the Board of Supervisors received a report from Milliman, the actuarial firm performing the study. The Board of Supervisors plans to make a decision regarding ARC time in April. Mr. Bailey will come back to the board at a future board meeting with recommendations on its implementation. Should the supervisors approve the purchase of Additional Service Credit, staff intends to recommend to the retirement board that members be allowed to purchase ARC time starting July 1st, the beginning of *SamCERA*'s next fiscal year. This will allow staff time to prepare communication materials and processing methods.

0703.8.2 **Assistant Executive Officer's Report:** Mr. Hood reported that the office lease to acquire the office space adjacent to *SamCERA*'s has been executed. The sublessors have agreed to vacate the office space no later than October. He then provided an update on MAXIMUS' IT study. There have been a few minor delays in the process of thoroughly reviewing staff procedures. However, Mr. Hood stated that MAXIMUS should still meet the original completion deadline at the end of April.

0703.8.3 **Investment & Finance Manager's Report:** Mr. Clifton was not present.

0703.8.4 **County Counsel's Report:** None.

0703.9 **Report on Actions Taken in Closed Session:** None.

0703.10 **Adjournment in Memory of the following Deceased Members:** There being no further business, Mr. Bryan adjourned the meeting at 1:57 p.m., in memory of the following deceased members:

BURKY, JOHN	FEBRUARY 3, 2007	TREASURER'S OFFICE
BLACKFORD, LILIAN	FEBRUARY 5, 2007	DEPT. OF SOCIAL SERVICES
MCMAMARA, HARRIET	FEBRUARY 15, 2007	DEPT. OF PUBLIC WORKS
BAKER, WANDA	FEBRUARY 18, 2007	TREASURER'S OFFICE
MCCALL, KENNETH	FEBRUARY 18, 2007	DEPT. OF PUBLICS WORKS
HANSON, RUBY	FEBRUARY 27, 2007	CONTROLLER'S OFFICE
STACEY, MYRTLE	MARCH 4, 2007	BEN. OF RAYMOND STACEY, SR.

TOM E. BRYAN, CHAIR