

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

October 23, 2007

Agenda Item 3.0

September 25, 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 [Approval of June 30, 2007, Actuarial Valuation Study](#)
 - 5.4 [Acceptance of 2008-2009 Fiscal Year Employer & Employee Contribution Rates](#)
 - 5.5 [Review of SamCERA's Undistributed Earnings Policy](#)
 - 5.6 [Annual Actuarial Consultant Review – Milliman Inc.](#)
 - 5.7 [Review of the Latest Normal Retirement Age Issues](#)
6. Investment Services
 - 6.1 [Monthly Portfolio Performance Report](#)
 - 6.2 [Approval of Three Year Investment Consultant Agreement – Strategic Investment Solutions](#)
 - 6.3 [Approval of Small Cap Manager Review](#)
 - 6.4 Approval of Investment Management Agreement Renewals
 - 6.4 a [Approval of Three Year Investment Management Agreement – Brandes Investment Partners](#)
 - 6.4 b [Approval of Three Year Investment Management Agreement – Chartwell Investment Partners](#)
 - 6.4 c [Approval of Three Year Investment Management Agreement – Goldman Sachs Asset Management](#)
 - 6.4 d [Approval of Three Year Investment Management Agreement – Julius Baer Investment Management](#)
 - 6.4 e [Approval of Three Year Investment Management Agreement – Mondrian Investment Partners](#)
 - 6.4 f [Approval of Three Year Investment Management Agreement – Western Asset Management](#)
 - 6.5 [Acceptance of Amendments to SamCERA's Investment Plan Parts One and Two](#)
 - 6.6 [Introduction of Amendments to SamCERA's Investment Plan Parts Three and Four](#)
7. Board & Management Support Services
 - 7.1 [Monthly Financial Report](#)
 - 7.2 [Authorization to Sign Letter in Support of the Petition for Supreme Court Review of *People v. Lexin* and, if Review is Granted, to Join Amicus Brief](#)
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

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

C1 [Consideration of items, if any, removed from the Consent Agenda](#)

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

September 25, 2007 – Board Minutes

0709.1 **Call to Order:** Mr. Bryan, Chair, called the Public Session of the Board of Retirement to order at 1:00 p.m., September 25, 2007, in *SamCERA's* Board Room, 100 Marine Parkway, Suite 125, Redwood Shores, California.

0709.2.1 **Roll Call:** Ms. Arnott for Mr. Buffington, Mr. Bryan, Mr. Hooley, Ms. Jadallah, Mr. Lee, Ms. Stuart, Ms. Tashman (arr. 2:04 p.m.) and Mr. Wozniak. *Excused:* Mr. Hackleman. *Other Board Members in Attendance:* Mr. Murphy. *Staff:* Mr. Bailey, Mr. Clifton, Ms. Dames, Mr. Hood, Ms. LeBlanc, Ms. Milan and Ms. Wong. *Consultants:* Ms. Carlson, Dr. Fracchia, Mr. Thomas. *Retirees:* 1, *Actives:* 2.

Mr. Bailey then asked the board to amend the day's agenda to add agenda item 7.2 "Authorization to Sign Letter in Support of the Petition for Supreme Court Review of *People v. Lexin* and, if Review is Granted, to Join Amicus Brief". The item came to the board's attention after the final posting of the agenda.

Motion by Stuart, second by Arnott, carried unanimously to add 7.2 "Authorization to Sign Letter in Support of the Petition for Supreme Court Review of *People v. Lexin* and, if Review is Granted, to Join Amicus Brief" to the day's meeting agenda.

0709.3 **Approval of the Minutes:** Ms. Arnott submitted the following corrections to the August 28, 2007, board meeting minutes: 0708.5.3 ¶4 L2: "...spouse benefits, Mr. Bailey recommended..."; 0708.5.4 L4: "...the impetus of the policy as it relates to the Medicare..."; 0708.8.3 L3: "...a couple of months ago. Ms. Gallegos may or may not serve as consultant to SamCERA."

Motion by Arnott, second by Stuart, carried unanimously to approve the minutes of the August 28, 2007, board meeting, as amended.

0709.4.1 **Oral Communications From the Board:** Ms. Stuart reminded the board that SCORPA will be having its annual picnic at Red Morton Park in Redwood City the following day.

Ms. Arnott reported that she and Mr. Buffington met with the Grand Jury on September 5th. The meeting was merely informational. The Grand Jury's main concern was *SamCERA's* exposure to sub-prime markets. The Jury also inquired on the Association's policy on credit ratings. Ms. Arnott informed the members on the Grand Jury that *SamCERA* does not permit bond holdings rated below BBB.

0709.4.2 **Oral Communications From the Public:** Naomi Silverstein, spouse of a former county employee, informed the board that her husband recently passed away. She reminded the board that she had spoken in front of the trustees at the July board meeting regarding her situation. She spoke of the rising medical costs that retirees must incur and the issue of

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

equity for surviving spouses in her similar circumstance. She asked the board to consider her when further researching possible changes.

0709.5 **Benefit & Actuarial Services**

0709.5.1 **Adoption of Consent Agenda: Motion** by Stuart, second by Wozniak, carried unanimously to adopt the day's consent agenda, as submitted, as follows:

Disability Retirements:

The board finds that **William Vidak** is disabled from performing his usual and customary duties as an Information Technology Technician, and **GRANTS** his application for a service-connected disability.

The board finds that **Richard Yearman** is disabled from performing his usual and customary duties as a Sheriff's Sergeant, and **GRANTS** his application for a service-connected disability.

The board finds that **Delta Wheeler** is disabled from performing her usual and customary duties as a Benefits Analyst II, and **GRANTS** her application for a non 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:

Casey, Thomas	August 31, 2007	County Counsel's Office
Deis, Gerald	August 31, 2007	Assessor's Office
Alvarado, Eddylee	September 7, 2007 (from deferred)	Public Health
Giles, Carma	September 9, 2007 (from deferred)	San Mateo Medical Center
Micheletti, Shirley	September 18, 2007 (from deferred)	Probation Department
Hassell, Mark	September 29, 2007	Human Services Agency
Riley, Marsha	September 29, 2007	Human Services Agency
Schauer, Sharon	September 29, 2007	Sheriff's Department
Singh, Karan	September 29, 2007	San Mateo Medical Center

Continuance of Benefits:

Mason, Patsy	Beneficiary of Mason, Ray
Millie, Tullo	Beneficiary of Tullo, Vincent

Deferred Retirements:

Pines, Deborah	
Tili, Randy	Reciprocity

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

Lozano, Nia	Reciprocity
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Janatpour, Danna	
Mendes, Edwin	
Monroe, Donna	Reciprocity

Refunds:

Adams, Christopher	G4 non-vested
Akre, Holly	G4 non-vested
Aquino, Modesta	G4 non-vested
Avila Ferreyra, Veronica	G4 vested
Bailey, Suzanne	G4 non-vested
Baquen, Raquel	G4 non-vested
Blanton, Chris	G4 non-vested
Castillo, Yvette	G4 non-vested
Felesina, Andrea	G4 non-vested
Harp, John	S4 non-vested
Harper, Steven	3/ G3 vested
Hernandez-Arriaga, Belinda	G4 non-vested
Kang, Ester	G4 non-vested
Latorre, Maritess	G4 non-vested
Lee, Lisa	G4 vested
Martin, May	G2 vested
Martinez, Brenda	G4 non-vested
Martz, Thomas	G4 non-vested
Newcomer, Tora	G4 non-vested
Palaad, Pierre	G4 non-vested
Palacios, Jose	G4 vested
Pascua, Irene	G4 non-vested
Pitco, Alfonso	G4 non-vested
Robinson, Conway	G4 vested
Salinas, Lisa	G4 non-vested
Selinger, Sylvia	G4 non-vested
Sicat, Genesis	G4 non-vested
Simms, Mathieu	P4 vested
Si-Tou, Grace	G4 non-vested

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

Turpin, Claudett	G4 non-vested
Uy, Joy	G4 non-vested
Wise, Hayley	G4 non-vested

Rollovers:

Chan, George	G4 non-vested
De La Cruz, Monica	G4 non-vested
Jerome – Armstrong, Kara	G4 vested
Mangas, Stephanie	S2 vested
Santana, Marisa	G4 non-vested
Serrato, Alexandra	G4 non-vested
Shaffer, Karen	G4 non-vested
Song, Carmela	QDRO of Thompson, Guy
Youngblood, Glen	G4 non-vested

0709.5.2 **Consideration of Items Removed from Consent Agenda:** None.

Mr. Bryan then took up agenda item 6.1.

0709.5.3 **Approval of June 30, 2007, Actuarial Valuation Study:** Mr. Collier and Ms. Steffen from Milliman, Inc. were present to review the actuarial valuation for the period ending June 30, 2007. (The Actuarial Valuation is available for review on *SamCERA's* website www.SamCERA.org.) Mr. Collier reviewed the actuarial valuation process and the results of the valuation. There was a decrease in the county contribution rate from 24.71% to 23.76%. There are no changes to member contribution rates effective July 1, 2008. *SamCERA's* funded ratio slightly increased from 75.4% to 77.4%.

Motion by Jadallah, second by Tashman, carried unanimously to approve the June 30, 2007, Actuarial Valuation as submitted by Milliman, Inc.

0709.5.4 **Acceptance of 2008-2009 Fiscal Year Employer & Employee Contribution Rates:** Mr. Collier and Ms. Steffen were present to review the recommended 2008-2009 employer and employee contribution rates.

Following the board's review, **motion** by Arnott, second by Stuart, carried unanimously to adopt **Resolution 07-08-08**, as follows:

“WHEREAS, Government Code §31453 mandates the periodic actuarial valuation of the Retirement Fund and requires that the Board...”*shall, at least 45 days prior to the beginning of the succeeding fiscal year, recommend to the Board of Supervisors such changes in the rates of interest, in the rates of contributions of members, and*

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

in the county and district appropriations as are necessary...,” and

“**WHEREAS**, the County of San Mateo and its bargaining units have entered into agreements to enhance benefit formulas contingent on supplementing basic employee contribution rates with cost sharing percentages and those benefit formulas and cost sharing percentages are assumed to continue, and

“**WHEREAS**, the Board has received, reviewed and approved the reports and recommendations from its actuary, Milliman, Inc., and the Chief Executive Officer setting forth the changes necessary to assure the actuarial soundness of the Retirement Fund.

Therefore, be it

“**RESOLVED** that the Board hereby accepts the employer and employee contribution rates as recommended by Milliman, Inc., for the fiscal year 2008-2009.

Be it further

“**RESOLVED** that the board recommends that the Board of Supervisors adopt the actuary's recommended employer contribution rates for fiscal year 2008-2009 for the County of San Mateo and Mosquito Abatement District in accordance with the following schedule, as a percentage of covered salaries, effective July 1, 2008:

	<u>Tier 1</u>	<u>Tier 2</u>	<u>Tier 3</u>	<u>Tier 4</u>
<u>General Member Rates:</u>				
Employer Normal Cost	10.58	11.04	7.58	9.78
Contribution to Unfunded Accrued Actuarial Liability	<u>9.46</u>	<u>9.46</u>	<u>9.46</u>	<u>9.46</u>
Total General Member Rates	20.04	20.50	17.04	19.24
<u>Safety Member Rates:</u>				
Employer Normal Cost	23.23	21.14	none	18.72
Contribution to Unfunded Accrued Actuarial Liability	<u>29.32</u>	<u>29.32</u>	none	<u>29.32</u>
Total Safety Member Rates	52.55	50.46		48.04
<u>Probation Member Rates:</u>				
Employer Normal Cost	27.36	22.95	none	19.63
Contribution to Unfunded Accrued Actuarial Liability	<u>14.06</u>	<u>14.06</u>	none	<u>14.06</u>
Total Probation Member Rates	41.42	37.01		33.69
MOSQUITO ABATEMENT DISTRICT (MAB)				
<u>General Member Rates:</u>				
Employer Normal Cost	8.68	9.05	none	8.00
Contribution to Unfunded Accrued Actuarial Liability	<u>7.76</u>	<u>7.76</u>	none	<u>7.76</u>
Total General MAB Member Rates	16.44	16.81		15.76

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

Be it further

“**RESOLVED** that the Board of Retirement hereby recommends that the Board of Supervisors adopt the actuary's recommended basic entry age member contribution rates for the County and Mosquito Abatement District in accordance with the schedule set forth in the attachment entitled *Basic Member Contribution Rates*, as a percentage of covered salaries, effective July 1, 2008. “Cost sharing” percentages, while not included in the *Basic Member Contribution Rates* table, are assumed to continue at their current levels in the valuation assumptions.

Be it further

“**RESOLVED** that the Chief Executive Officer is hereby authorized to transmit these rates, requests and certifications to the Board of Supervisors and to take all actions necessary to provide for their implementation effective July 1, 2008.”

- 0709.5.5 **Review of SamCERA's Undistributed Earnings Policy:** Mr. Collier and Ms. Steffen reviewed Milliman's analysis of *SamCERA's* draft Undistributed Earnings Policy with the board. Following Milliman's presentation, staff recommended that the Ad Hoc Committee on Undistributed Earnings consider the questions raised in the meeting as well as discuss the next steps in the review of this policy. Members of the ad hoc committee are Mr. Wozniak (Chair), Mr. Hooley and Ms. Stuart.
- 0709.5.6 **Annual Actuarial Consultant Review – Milliman Inc.:** Mr. Collier and Ms. Steffen were present for Milliman's actuarial consultant review. The board expressed their gratitude to Milliman for their hard work and professionalism as the association's actuary. Staff commended Milliman on its responsiveness and quality of work. Mr. Bailey was appreciative of the advice Milliman has provided *SamCERA* through several special projects, including the implementation of ARC time.
- 0709.5.7 **Review of the Latest Normal Retirement Age Issues:** Mr. Bailey reviewed the issue of the establishment of Normal Retirement Ages for safety and general plan retirees. The IRS has issued additional guidance on how to establish NRA's, however staff recommends that the board does not make changes to its original ages it established at the April board meeting. The IRS is expected to issue new guidance prior to the compliance deadline (late 2009).
- Without objection,** Mr. Bryan accepted staff's recommendation to make no changes to NRA's at this time. He also accepted the recommendation to authorize the Chief Executive Officer to work with County Counsel and tax counsel to provide comments to the IRS regarding how their rules should apply to governmental plans.
- Mr. Bryan then took up agenda item 7.1.
- 0709.6 **Investment Services**
- 0709.6.1 **Monthly Portfolio Performance Report:** Mr. Clifton reported that *SamCERA's* - 0.15% Total Fund Return for August 2007 underperformed the Total Plan Policy Benchmark return of 0.72%. The fund's return for the trailing twelve months is

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

11.09%, which is 334 basis points above the Actuarial Discount Rate, 7.75%, but 229 basis points below *SamCERA*'s Total Plan Policy Benchmark of 13.38%. The spread between actual return and actuarial return has been narrowing over the past few months, while the spread between actual return and the policy benchmark return has been increasing.

Asset Class	Market Value	1-Month	1-year TTWRR*	5-year TTWRR*
<i>Domestic Equity</i>	\$967,912,909	0.25%	10.70%	12.84%
<i>International Equity</i>	450,709,859	-1.94%	22.14%	19.01%
Total Equity	1,418,622,768	-0.46%	13.70%	14.36%
Fixed Income	583,029,527	0.54%	4.38%	4.51%
Real Estate Aggregate	156,610,221	0.0%	14.36%	16.59%
Cash Equivalents	3,785,429	0.39%	4.46%	3.19%
TOTAL FUND	\$2,162,047,945	-0.15%	11.09%	11.66%
<i>Benchmark</i>		0.72%	13.38%	12.23%

* Total Time-Weighted Rate of Return

0709.6.2 **Approval of Three Year Investment Consultant Agreement – Strategic Investment Solutions:** Mr. Clifton presented the resolution extending Strategic Investment Solutions' agreement for an additional three-year term. The full retainer relationship fee will increase from \$185,000 to \$200,000 per annum. Having researched the fees of SIS' other Bay Area clients and considering inflation since the previous three-year term contract, staff is comfortable with the fee increase.

Motion by Hooley, second by Arnott, carried unanimously to adopt **Resolution 07-08-01**, approving a three-year investment consultant agreement with Strategic Investment Solutions, as follows:

“**WHEREAS**, Article XVI, §17 of the Constitution of the State of California vests the Board of Retirement (“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**, on July 27, 2004, the Board renewed Strategic Investment Solutions' agreement for an additional three year period; 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

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

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.”

- 0709.6.3 **Approval of Small Cap Manager Review:** Mr. Clifton reported that the Investment Committee reviewed the initial screening criteria for the small cap core manager search with Mr. Thomas and Jonathan Brody of SIS. The committee recommends approval of SIS' small cap manager report and to allow SIS the ability to make minor changes to the asset size and track record length criteria, as appropriate.

Motion by Wozniak, second by Stuart, carried unanimously to accept the Investment Committee's recommendations.

- 0709.6.4 **Approval of Investment Management Agreement Renewals**

- 0709.6.4a **Approval of Three Year Investment Management Agreement – Brandes Investment Partners:** Mr. Clifton presented the Investment Management Agreement with Brandes Investment Partners for a three-year term ending September 30, 2010. The committee recommends approving the IMA.

Motion by Jadallah, second by Stuart, carried unanimously to adopt **Resolution 07-08-02**, approving the Investment Management Agreement between the Board of Retirement and Brandes Investment Partners, subject to fee negotiation, as follows:

“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 managers *"... in connection with administration of the Board's investment program ..."*; and

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

“**WHEREAS**, on March 23, 2004, the Board considered proposals from five firms for investment management services under a small cap value mandate. Donaldson Smith & Company, Osprey Partners Investment Management, and Thompson, Siegel & Walmsley were eliminated. American Century Investment Management and Brandes Investment Partners were invited to return for a second interview as finalists; and

“**WHEREAS**, on April 27, 2004, the Board interviewed representatives from American Century Investment Management and Brandes Investment Partners, selecting Brandes Investment Partners for a small cap value mandate to be funded with approximately \$37 million; and

“**WHEREAS**, an Investment Management Agreement was executed between *SamCERA* and Brandes Investment Partners on October 25, 2004, for a term of three years; and

“**WHEREAS**, the Board wishes to renew the Investment Management Agreement for an additional term of three years, ending September 30, 2010. Therefore, be it

“**RESOLVED** that the Board hereby approves the contract between the Board and Brandes Investment Partners for a term of three years, the Board may terminate the contract on thirty days written notice. Be it further

“**RESOLVED** that the Board hereby delegates full discretionary authority to Brandes Investment Partners to manage the assets of the Retirement Fund as allocated by the Board in accordance with the terms of the Agreement, the *Investment Plan* (as incorporated into the Agreement), and applicable law governing the conduct of fiduciaries entrusted with the management of public employees' retirement funds. 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 GC§31596.1 in accordance with *SamCERA's* internal controls. Be it further

“**RESOLVED** that the Board hereby authorizes the Chair, to execute the agreement 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 Agreement 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.”

0709.6.4b **Approval of Three Year Investment Management Agreement – Chartwell Investment Partners:** Mr. Clifton presented the Investment Management Agreement with Chartwell Investment Partners for a three-year term ending September 30, 2010. The committee recommends approving the IMA.

Motion by Arnott, second by Stuart, carried unanimously to adopt **Resolution 07-08-03**, approving the Investment Management Agreement between the Board of Retirement and Chartwell Investment Partners, subject to fee negotiation, as follows:

“**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*

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

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 managers “... *in connection with administration of the Board's investment program* ... ”; and

“**WHEREAS**, on March 23, 2004, the Board considered proposals from four firms for investment management services under a small cap growth mandate. Wellington Management Company, and Westcap Investors were eliminated. Chartwell Investment Partners and Next Century Growth Investors were invited to return for a second interview as finalists.; and

“**WHEREAS**, before the final interviews on April 27, 2004 Next Century Growth Investors requested that it be excused from the finalist selection process due to uncertainty surrounding its relationship with Strong Funds and the Security Exchange Commission’s investigation into market timing.; and

“**WHEREAS**, The Board interviewed representatives from Chartwell Investment Partners on April 27, 2004 before offering it *SamCERA*’s small cap growth mandate to be funded with approximately \$37 million; and

“**WHEREAS**, the Board wishes to renew the investment management agreement for an additional three-year period, ending September 30, 2010. The agreement has been approved by County Counsel as to form and the Investment & Finance Manager recommends approval of the agreement. Therefore, be it

“**RESOLVED** that the Board hereby approves the contract between the Board and Chartwell Investment Partners for a term of three years, the Board may terminate the contract on thirty days written notice. Be it further

“**RESOLVED** that the Board hereby delegates full discretionary authority to Chartwell Investment Partners to manage the assets of the Retirement Fund as allocated by the Board in accordance with the terms of the Agreement, the *Investment Plan* (as incorporated into the Agreement), and applicable law governing the conduct of fiduciaries entrusted with the management of public employees' retirement funds. 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 GC§31596.1 in accordance with *SamCERA*’s internal controls. Be it further

“**RESOLVED** that the Board hereby authorizes the Chair, to execute the Agreement 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 Agreement 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.”

0709.6.4c **Approval of Three Year Investment Management Agreement – Goldman Sachs Asset Management:** Mr. Clifton presented the Investment Management Agreement with

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

Goldman Sachs Asset Management for a three-year term ending September 30, 2010. The committee recommends approving the IMA.

Motion by Stuart, second by Arnott, carried unanimously to adopt **Resolution 07-08-04**, approving the Investment Management Agreement between the Board of Retirement and Goldman Sachs Asset Management, as follows:

“**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 managers *"... in connection with administration of the Board's investment program ..."*; and

“**WHEREAS**, on May 25, 2004, the Board considered proposals from four firms for investment management services under a small cap enhanced index mandate. Citigroup Asset Management and PanAgora Asset Management were eliminate and Goldman Sachs Asset Management and JPMorgan Fleming Asset Management were invited to return for a second interview ; and

“**WHEREAS**, on June 22, 2004, the Board interviewed representatives from Goldman Sachs Asset Management and JPMorgan Fleming Asset Management, selecting Goldman Sachs Asset Management for the small cap enhanced index mandate funded at approximately \$75 million; and

“**WHEREAS**, an Investment Management Agreement was executed between *SamCERA* and Goldman Sachs Asset management on October 25, 2004, for a term of three years; and

“**WHEREAS**, the Board wishes to renew the Investment Management Agreement for an additional term of three years, ending September 30, 2010. Therefore, be it

“**RESOLVED** that the Board hereby approves the contract between the Board and Goldman Sachs Asset Management for a term of three years, the Board may terminate the contract on thirty days written notice. Be it further

“**RESOLVED** that the Board hereby delegates full discretionary authority to Goldman Sachs Asset Management to manage the assets of the Retirement Fund as allocated by the Board in accordance with the terms of the Agreement, the *Investment Plan* (as incorporated into the Agreement), and applicable law governing the conduct of fiduciaries entrusted with the management of public employees' retirement funds. 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 GC§31596.1 in accordance with *SamCERA's* internal controls. Be it further

“**RESOLVED** that the Board hereby authorizes the Chair, to execute the Agreement 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 Agreement and hereby authorizes

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

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.”

0709.6.4d **Approval of Three Year Investment Management Agreement – Julius Baer Investment Management:** Mr. Clifton presented the Investment Management Agreement with Julius Baer Investment Management for a three-year term ending September 30, 2010. The committee discussed JBIM’s request to allow them the ability to increase its maximum exposure to emerging markets to 35%. The language in the IMA presented before the board allows for this increase. The committee recommends approving the IMA, as submitted.

Motion by Arnott, second by Stuart, carried unanimously to adopt **Resolution 07-08-05**, approving the Investment Management Agreement between the Board of Retirement and Julius Baer Investment Management, subject to fee negotiation, as follows:

“**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 managers *"... in connection with administration of the Board's investment program ..."*; and

“**WHEREAS**, on April 27, 2004, the Board considered proposals from six firms for equity investment management services under an international core growth mandate. BPI Global Asset Management, Clan Finlay, Inc, JPMorgan Fleming Asset Management and New Star Institutional Managers were eliminated. Capital Guardian Trust Company and Julius Baer Investment Management were invited to return for a second interview as finalists.; and

“**WHEREAS**, on May 25, 2004 the Board interviewed representatives from Capital Guardian Trust Company and Julius Baer Investment Management, selecting Julius Baer Investment Management for an international core growth mandate to be funded with approximately \$110 million; and

“**WHEREAS**, an Investment Management Agreement was executed between *SamCERA* and Julius Baer Investment Management on October 25, 2004, for a term of three years; and

“**WHEREAS**, the Board wishes to renew the Investment Management Agreement for an additional term of three years, ending September 30, 2010. Therefore, be it

“**RESOLVED** that the Board hereby approves the contract between the Board and Julius Baer Investment Management for a term of three years, the Board may terminate the contract on thirty days written notice. Be it further

“**RESOLVED** that the Board hereby delegates full discretionary authority to Julius Baer Investment Management to manage the assets of the Retirement Fund as allocated by the Board in accordance with the terms of the Agreement, the *Investment Plan*

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

(as incorporated into the Agreement), and applicable law governing the conduct of fiduciaries entrusted with the management of public employees' retirement funds.
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 GC§31596.1 in accordance with *SamCERA's* internal controls. Be it further

“**RESOLVED** that the Board hereby authorizes the Chair, to execute the Agreement 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 Agreement 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.”

0709.6.4e **Approval of Three Year Investment Management Agreement – Mondrian Investment Partners:** Mr. Clifton presented the Investment Management Agreement with Mondrian Investment Partners for a three-year term ending September 30, 2010. The new agreement includes a lower management fee schedule. The committee recommends approving the IMA.

Motion by Stuart, second by Jadallah, carried unanimously to adopt **Resolution 07-08-06**, approving the Investment Management Agreement between the Board of Retirement and Mondrian Investment Partners, as follows:

“**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 managers *"... in connection with administration of the Board's investment program ..."*; and

“**WHEREAS**, on April 27, 2004, the Board considered proposals from six firms for equity investment management services under an international core growth mandate. Alliance Bernstein Institutional Investment Management, INVESCO Global Asset Management (N.A.), Inc. Philadelphia International Advisors and The Boston Company Asset Management. LLC. were eliminated. Delaware International Advisors, Ltd., and LSV Asset Management were invited to return for a second interview as finalists.; and

“**WHEREAS**, on May 25, 2004 the Board interviewed representatives from Delaware International Advisors, Ltd., and LSV Asset Management, selecting Delaware International Advisors, Ltd. for an international core value mandate to be funded with approximately \$110 million; and

“**WHEREAS**, on September 27, 2004, Delaware International Advisors, Ltd. changed its name to Mondrian Investment Partners; and

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

“**WHEREAS**, an Investment Management Agreement was executed between *SamCERA* and Mondrian Investment Partners on October 25, 2004, for a term of three years; and

“**WHEREAS**, the Board wishes to renew the Investment Management Agreement for an additional term of three years, ending September 30, 2010. Therefore, be it

“**RESOLVED** that the Board hereby approves the contract between the Board and Mondrian Investment Partners for a term of three years, the Board may terminate the contract on thirty days written notice. Be it further

“**RESOLVED** that the Board hereby delegates full discretionary authority to Mondrian Investment Partners to manage the assets of the Retirement Fund as allocated by the Board in accordance with the terms of the Agreement, the *Investment Plan* (as incorporated into the Agreement), and applicable law governing the conduct of fiduciaries entrusted with the management of public employees' retirement funds. 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 GC§31596.1 in accordance with *SamCERA's* internal controls. Be it further

“**RESOLVED** that the Board hereby authorizes the Chair, to execute the Agreement 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 Agreement 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.”

0709.6.4f **Approval of Three Year Investment Management Agreement – Western Asset Management:** Mr. Clifton presented the Investment Management Agreement with Western Asset Management Company for a three-year term ending September 30, 2010. The committee recommends approving the IMA.

Motion by Stuart, second by Arnott, carried unanimously to adopt **Resolution 07-08-07**, approving the Investment Management Agreement between the Board of Retirement and Western Asset Management Company, subject to fee negotiation, as follows:

“**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 managers “. . . *in connection with administration of the Board's investment program*”; and

“**WHEREAS**, on July 27, 2004, the Board considered proposals from six firms for fixed income investment management services under a core plus mandate. Hartford

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

Investment Management, Payden & Rygel, Inc., PIMCO (Pacific Investment Management Company LLC), and TCW (Trust Company of the West Group, Inc.) were eliminated. Deutsche Asset Management, and Western Asset Management Company were invited to return for a second interview as finalists.; and

“**WHEREAS**, on September 28, 2004 the Board interviewed representatives from Deutsche Asset Management, and Western Asset Management Company, selecting Western Asset Management Company for an core-plus fixed income mandate to be funded with approximately \$145 million; and

“**WHEREAS**, an Investment Management Agreement and Subscription Booklet were approved by County Counsel as to form and the Investment & Finance Manager recommended approval of both. The board executed the agreement on October 25, 2004.; and

“**WHEREAS**, the Board wishes to renew the investment management agreement for an additional three-year period, ending September 30, 2010. The agreement has been approved by County Counsel as to form and the Investment & Finance Manager recommends approval of the agreement. Therefore, be it

“**RESOLVED** that the Board hereby approves the contract between the Board and Western Asset Management Company for a term of three years, the Board may terminate the contract on thirty days written notice. Be it further

“**RESOLVED** that the Board hereby delegates full discretionary authority to Western Asset Management Company to manage the assets of the Retirement Fund as allocated by the Board in accordance with the terms of the Agreement, the Subscription Booklet, the *Investment Plan* (as incorporated into the Agreement), and applicable law governing the conduct of fiduciaries entrusted with the management of public employees' retirement funds. 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 GC§31596.1 in accordance with *SamCERA's* internal controls. Be it further

“**RESOLVED** that the Board hereby authorizes the Chair, to execute the Agreement and the Subscription Booklet 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 Agreement 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.”

0709.6.5 **Acceptance of Amendments to *SamCERA's Investment Plan Parts One and Two*: Mr. Clifton presented the amendments to Parts One and Two of *SamCERA's Investment Plan*. The committee reviewed these sections at the August board meeting. **Without objection**, Mr. Bryan accepted the amendments. The final version will be presented for approval at the October board meeting.**

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

- 0709.6.6 **Introduction of Amendments to *SamCERA's Investment Plan Parts Three and Four*:** Mr. Clifton introduced the amendments to *SamCERA's Investment Plan* Parts Three and Four and requested additional suggestions from the committee. Staff will bring back these parts of the Plan for additional review at the October board meeting.

Mr. Bryan then took up agenda item 5.3.

0709.7 **Board & Management Support Services**

- 0709.7.1 **Monthly Financial Report:** Ms. Wong presented the preliminary monthly financial report for the period ending August 31, 2007. *SamCERA's* Net Assets Held in Trust for Pension Benefits totaled \$2,162,209,913 as of August 31, 2007. The net assets decreased by approximately \$6.5 million, month over month, due to market depreciation of assets.

- 0709.7.2 **Authorization to Sign Letter in Support of the Petition for Supreme Court Review of *People v. Lexin* and, if Review is Granted, to Join Amicus Brief:** Ms. Carlson reviewed the case regarding the benefit enhancements that occurred in the City of San Diego and the alleged criminal actions performed by individuals in the retirement system and the alleged violation of 1090. CalPERS, three Los Angeles systems and Alameda County are sponsoring the petition for review.

Motion by Wozniak, second by Arnott, carried unanimously to authorize the chair to sign a letter in support of the petition for Supreme Court Review of *People v. Lexin* and join the amicus brief.

0709.8 **Management Reports**

- 0709.8.1 **Chief Executive Officer's Report:** Mr. Bailey gave an update on legislation that will allow *SamCERA's* safety alternate to join the board in closed sessions. The bill is on the governor's desk and is expected to be signed.

Mr. Bailey also noted the materials from SACRS regarding a proposed resolution opposing former Assembly member Richman's 2007 Initiative on Public Employees' Pensions and Health Plans.

Mr. Bailey met with John Maltbie, County Manager, regarding salaries and classifications. The county will conduct a salary survey of *SamCERA* positions and will further discuss the issue after data is collected.

SamCERA member statements will be mailed out soon. The statements now list up to 6 beneficiaries.

Elizabeth LeNguyen, Retirement Analyst, is on maternity leave.

- 0709.8.2 **Assistant Executive Officer's Report:** Mr. Hood reported that the owner of the business adjacent to *SamCERA* has notified her employees about the closure of her business and will vacate the premises no later than October 31, 2007. She also has indicated that some of her furniture is available to purchase. *SamCERA* will work with the County to assess which furniture would be possible to acquire.

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

Mr. Hood also noted that the benefits staff has adopted a new set of service standards.

Mr. Hood and Mr. Ali attended the PensionGold conference in Springfield, Illinois. It was a good opportunity to network with other PG clients as well as see what new products LRS is providing.

0709.8.3 **Investment & Finance Manager's Report:** None.

0709.8.4 **County Counsel's Report:** Ms. Carlson reviewed two pertinent cases with the board. The first case involves the state government's request to alleviate contributions made to the STRS system during a fiscal crunch. The court denied the state's request. The second case involves a California Supreme Court case regarding the Public Records Act and the release of employee salary information. The county has already released an excel spreadsheet of names and individuals' corresponding salaries. Ms. Carlson is expecting a public records request for pension amounts sometime in the future. The board must look into the matter further should a request arise.

0709.9 **Report on Actions Taken in Closed Session:** None.

0709.10 **Adjournment in Memory of the following Deceased Members:** There being no further business, Mr. Bryan adjourned the meeting at 3:17 p.m., in memory of the following deceased members:

GAYLORD, THEODORE	MAY 6, 2007	PARKS AND REC
HARKLEROAD, DONNA	JUNE 7, 2007	DEPT. OF CHILD SUPPORT SERVICES
NOEL, HILDA	JULY 12, 2007	HOSPITAL
YARDLEY, JEAN	JULY 23, 2007	PROBATION
KIDWELL, OMAR	JULY 31, 2007	HOSPITAL
TULLO, VINCENT	AUGUST 1, 2007	BUSINESS MANAGEMENT
MASSON, THERESA	AUGUST 7, 2007	CONTROLLERS
MCQUILKIN, BEATRICE	AUGUST 18, 2007	HOSPITAL
LABINER, DIANE	AUGUST 22, 2007	SOCIAL SERVICE
MASON, RAY	AUGUST 28, 2007	SHERIFF'S DEPT.

TOM BRYAN, CHAIR