

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

January 22, 2007

Agenda Item 3.0

December 13, 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 - None on the Agenda
6. Investment Services
 - 6.1 [Monthly Portfolio Performance Report](#)
 - 6.2 [Acceptance of Post Transition Report on Core Small Cap Assets](#)
 - 6.3 [Selection of Finalists for SamCERA's Small Cap Core Mandate](#)
7. Board & Management Support Services
 - 7.1 [Monthly Financial Report](#)
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](#)

December 13, 2007 – Board Minutes

- 0712.1 **Call to Order:** Mr. Bryan, Chair, called the Public Session of the Board of Retirement to order at 11:07 a.m., December 13, 2007, in SamCERA's Board Room, 100 Marine Parkway, Suite 125, Redwood Shores, California.
- 0712.2 **Roll Call:** Ms. Arnott for Mr. Buffington, Mr. Bryan, Mr. Hooley, Ms. Jadallah, Mr. Lee, Ms. Stuart, Ms. Tashman and Mr. Wozniak. *Excused:* Mr. Hackleman. *Other Board Members in Attendance:* Mr. Murphy. *Staff:* Mr. Bailey, Mr. Clifton, Ms. Dames and Mr. Hood. *Consultants:* Mr. Brody, Ms. Carlson and Mr. Thomas. *Retirees:* 0, *Actives:* 0.
- 0712.3 **Approval of the Minutes:** Ms. Arnott submitted the following correction to the November 27, 2007, board meeting minutes: 0711.3 ¶2 L2: "...the consideration of the disability application of ~~Serita~~ Sarita Ledet." 0711.3 ¶3 L4: "...application as she does not personally know the applicant." 0711.4.1: "She also attended the fiscal officers meeting with the County Manager's Office, where the question of changes from a 1937 Act County to PERS was posed for the purpose of cost savings." 0711.4.1 ¶2 L2: "...position as the ~~county's~~ County's Benefit Manager upon Mr. Hackleman's retirement next year."

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Motion by Arnott, second by Tashman, carried unanimously to approve the minutes of the November 27, 2007, board meeting, as amended.

0712.4.1 **Oral Communications From the Board:** None.

0712.4.2 **Oral Communications From the Public:** None.

0712.5 **Benefit & Actuarial Services - None on the Agenda**

0712.6 **Investment Services**

0712.6.1 **Monthly Portfolio Performance Report:** Mr. Clifton reported that, due to the early schedule of the December board meeting, final investment performance data for the month of November 2007 was not yet available. He distributed a draft report of fund performance for the month but noted that a few corrections have to be made to the report. *SamCERA* closed the gap between the total fund and policy benchmark returns, -2.81% and -2.68% respectively. The total fund is now only trailing the policy benchmark by 13 basis points. He also noted that the Association's one-year total fund return is now trailing the actuarial discount rate by approximately 120 basis points, according to preliminary custodial reports.

Asset Class	Market Value	1-Month	1-year TTWRR*	5-year TTWRR*
<i>Domestic Equity</i>	<i>\$951,556,052</i>	<i>-5.37%</i>	<i>1.31%</i>	<i>12.07%</i>
<i>International Equity</i>	<i>482,051,401</i>	<i>-3.32%</i>	<i>20.47%</i>	<i>21.04%</i>
Total Equity	1,433,607,453	-4.69%	6.65%	14.38%
Fixed Income	598,413,678	1.14%	4.10%	4.89%
Real Estate Aggregate	161,281,147	0.00%	15.06%	16.84%
Cash Equivalents	4,045,725	0.37%	4.55%	3.31%
TOTAL FUND	\$2,197,348,002	-2.81%	6.56%	11.73%
<i>Benchmark</i>		<i>-2.68%</i>	<i>9.72%</i>	<i>12.45%</i>

* Total Time-Weighted Rate of Return

0712.6.2 **Acceptance of Post Transition Report on Small Cap Core Assets:** At the November 27, 2007, meeting, the board decided to terminate the Investment Management Agreement with Goldman Sachs Asset Management and transfer the portfolio assets to a Russell 2000 Index fund. The board delegated the authority to the Investment & Finance Manager to obtain transition management services and the Board Chair to execute the service agreement. State Street Global Markets, LLC performed the transition of assets from the GSAM small cap core portfolio to State Street Global Advisors' Russell 2000 Index fund. Mr. Clifton commended staff, county counsel and State Street in the successful and swift manner in which the transition took place. As of Friday, November 30, 2007, the transition of assets was 99% completed. State Street's implementation shortfall was 23 basis points which fell between the mean (14 bps) and a one standard-deviation event (36 bps) on the pre-trade analysis. Mr. Clifton compared it to the 22 basis point implement shortfall incurred with BGI when it conducted *SamCERA*'s most previous transition which dealt with large cap assets.

0711.6.3 **Selection of Finalists for *SamCERA*'s Small Cap Core Mandate:** Mr. Thomas reported

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that the Investment Committee thoroughly reviewed the semi-finalists for *SamCERA*'s small cap core mandate. He briefly discussed the pros and cons of each of the eight semi-finalists and provided an overview of what had occurred at the committee level earlier in the day. Below are the small cap managers and products that were under consideration:

Investment Manager	Product
1) Clarivest Asset Management	Small Cap Core
2) Delaware Investments	Small Cap Core
3) Jennison Associates	Small Cap Equity
4) JPMorgan	U.S. Structured Small Cap
5) Quantitative Management Associates	Small Cap Quantitative Equity
6) State Street Global Advisors	U.S. Small Cap Index Plus
7) TAMRO Capital Partners	Small Cap
8) Wellington Management	Small Cap Intersection

Motion by Jadallah, second by Stuart, carried unanimously to approve the Investment Committee's recommendation to interview the following four finalists at the January 22, 2008, board meeting, for *SamCERA*'s small cap core mandate: (1) Clarivest Asset Management, (2) Jennison Associates, (3) Quantitative Management Associates, and (4) TAMRO Capital Partners. The board and committee will be scheduled to meet at 8 a.m. to be able to conduct all four interviews. Each finalist will be allotted forty-five minutes to interview and encouraged to send its senior management to the interview.

0712.7 **Board & Management Support Services**

0712.7.1 **Monthly Financial Report:** Mr. Clifton reported that, due to the early schedule of the December board meeting, complete financial data for the month of November 2007 was unavailable.

0712.8 **Management Reports**

0712.8.1 **Chief Executive Officer's Report:** Mr. Bailey distributed a copy of *SamCERA*'s Popular Annual Financial Report (PAFR) for the fiscal year ended June 30, 2007. The PAFR will be e-mailed to all *SamCERA* members.

0712.8.2 **Assistant Executive Officer's Report:** Mr. Hood reported that *SamCERA* has hired a new Office Specialist, Barbara Edwards, who will commence employment on January 2nd. He also stated that Elizabeth LeNguyen, Retirement Analyst, is returning from maternity leave on December 17th. In regards to *SamCERA*'s office expansion, Mr. Hood said that the last set of edits have been sent to the building's architect who will put the project out to bid soon.

0712.8.3 **Investment & Finance Manager's Report:** Mr. Clifton reported that Brandes Investment Partners sent a letter reminding the committee of Brandes' Graham & Dodd investment philosophy which involves reviewing and potentially purchasing unpopular and out-of-favor companies that has resulted in its volatility. The report also details the most relevant sector allocations in the portfolio. The Investment Committee intends to discuss the Brandes portfolio in further detail at the February meeting.

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He also reported that Steve Ilott, Head of Fixed Income at Aberdeen Asset Management will be departing the firm in March. Mr. Ilott will be handing over the fixed income business to Gary Bartlett in January. Mr. Bartlett is head of the group's Philadelphia fixed income operation and chief executive of Aberdeen's U.S. business.

0712.8.4 **County Counsel's Report:** Ms. Carlson reported that the Supreme Court granted review on the *Lexin* decision. The briefing will commence in early 2008. Ms. Carlson will keep the board updated. She also noted that *SamCERA* received a notice regarding a potential class action lawsuit against IKB Deutsche Industriebank for which *SamCERA* maintained holdings in its portfolio. The litigation is taking place in Germany.

0712.9 **Report on Actions Taken in Closed Session:** None.

0712.10 **Adjournment in Memory of Deceased Members:** There being no further business, Mr. Bryan adjourned the meeting at 2:35 p.m., in memory of the deceased members.

TOM BRYAN, CHAIR