

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

**September 23, 2008 – Investment Committee Agenda**

**PUBLIC SESSION**

- 1.0 Call to Order
- 2.0 Roll Call
- 3.0 Approval of the Minutes
- 4.0 Oral Communications From the Committee
- 5.0 Oral Communications From the Public
- 6.0 Investment Management Services - The Investment Committee Shall Review & Discuss
  - 6.1 Monthly Portfolio Performance Report
  - 6.2 Approval of Semi-Finalist List for a Large Cap Domestic Equity 130/30 Manager Search
  - 6.3 Approval of the Criteria and Schedule for *SamCERA's* Large Cap Domestic Equity Growth Manager Search
- 7.0 Other Business
- 8.0 Investment & Finance Manager's Report
- 9.0 Adjournment

**MINUTES OF SAMCERA's Investment Committee**

- 1.0 **Call to Order:** Ms. Jadallah called the Public Session of the Investment Committee of the Board of Retirement to order at 9 a.m., September 23, 2008, in *SamCERA's* Board Room, 100 Marine Parkway, Suite 125, Redwood Shores, California.
- 2.0 **Roll Call:** Ms. Arnott for Mr. Buffington, Mr. Bowler, Ms. Jadallah, and Ms. Salas for Mr. Wozniak. *Other Board Members in Attendance:* Ms. Kwan Lloyd, Mr. Murphy and Ms. Stuart. *Staff:* Mr. Bailey, Mr. Clifton, Ms. Dames and Mr. Hood. *Consultants:* Mr. Brody and Mr. Thomas, Strategic Investment Solutions. *Public:* None. *Retirees:* None.
- 3.0 **Approval of the Minutes: Motion** by Salas, second by Arnott, carried unanimously to approve the minutes of the August 26, 2008, Investment Committee meeting, as submitted.
- 4.0 **Oral Communications From the Committee:** None.
- 5.0 **Oral Communications From the Public:** None.
- 6.1 **Monthly Portfolio Performance Report:** Mr. Clifton reported that *SamCERA's* -0.17% Total Fund Return for August 2008 underperformed the Total Plan Policy Benchmark return of 0.11%. The fund's return for the trailing twelve months is -6.59%, which is 1,431 basis points below the Actuarial Discount Rate, 7.75%, and 177 basis points below *SamCERA's* Total Plan Policy Benchmark of -4.79%.

Building on the small gains of the past few months, the U.S. dollar staged its first significant rally since 2005. In addition, the price of oil declined as did the price of most commodities. However, the strengthening dollar and lower commodity prices did not lead to improved risk appetite or help ease tensions in the financial markets.

The table presented below shows the composite returns:

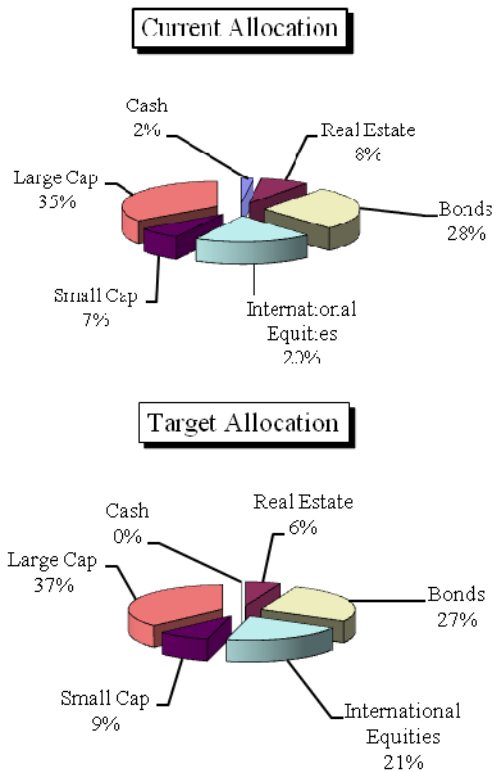
August 31, 2008	Market Value	One Month	Trailing Three Months	Trailing Six Months	Trailing Twelve Months
Equity Aggregate	\$1,286,590,839	-1.45%	-7.03%	-5.15%	-11.38%
Equity Composite		-0.97%	-7.05%	-4.79%	-9.61%
<b>Variance</b>		<b>-0.48%</b>	<b>0.02%</b>	<b>-0.36%</b>	<b>-1.77%</b>
Fixed Income Aggregate	\$583,179,915	-1.30%	-1.85%	-3.70%	0.56%
Fixed Income Composite		-0.08%	-0.89%	-0.63%	6.15%
<b>Variance</b>		<b>-1.22%</b>	<b>-0.96%</b>	<b>-3.07%</b>	<b>-5.59%</b>
Real Estate Aggregate	\$169,974,878	0.00%	1.90%	3.34%	8.65%
NCREIF (one quarter lag)		0.00%	0.56%	2.17%	9.20%
<b>Variance</b>		<b>0.00%</b>	<b>1.34%</b>	<b>1.17%</b>	<b>-0.55%</b>
Cash Aggregate	\$43,485,084	0.25%	0.70%	1.49%	3.85%
91 Day Treasury Bill		0.18%	0.38%	0.87%	3.41%
<b>Variance</b>		<b>0.07%</b>	<b>0.32%</b>	<b>0.62%</b>	<b>0.44%</b>
Total Fund Returns	\$2,083,230,716	-1.16%	-4.70%	-3.93%	-6.55%
Total Plan Policy		-0.87%	-5.12%	-3.08%	-4.22%
<b>Variance</b>		<b>-0.29%</b>	<b>0.42%</b>	<b>-0.85%</b>	<b>-2.33%</b>

Performance versus Actuarial Discount Rate

Total Fund Returns		-1.16%	-4.70%	-3.93%	-6.55%
Actuarial Discount Rate		0.62%	1.88%	3.80%	7.75%
<b>Variance</b>		<b>-1.78%</b>	<b>-6.58%</b>	<b>-7.73%</b>	<b>-14.30%</b>

Mr. Clifton provided an overview of each portfolio's exposure to Lehman Bros. Mr. Clifton said that he is satisfied with the Association's securities lending program and its methods to mitigate risk. He then reported that the county's investment fund has significant exposure to Lehman Bros. and has approximately \$150 million in potential losses. SamCERA has approximately \$38 million in the County Treasury pool. The county's Treasury will be holding an investment committee meeting on September 26<sup>th</sup>. Mr. Clifton will attend the meeting.

*SamCERA's* current asset allocation is summarized as follows:



**Action:** No action was required. The Monthly Portfolio Performance Report is an informational report.

- 6.2 **Approval of Semi-Finalist List for a Large Cap Domestic Equity 130/30 Manager Search:** Patrick Thomas and Jonathan Brody of Strategic Investment Solutions were present to present their findings from the quantitative and qualitative screens of the large cap enhanced products. Mr. Brody provided a brief background of each of the semi-finalists and answered trustee questions. In response to a question from Mr. Bowler, Mr. Thomas said that the SEC's temporary restrictions on short sales do potentially have an impact on 130/30 products. Ms. Jadallah recommended that a question regarding the SEC's restrictions be added to the RFP.

**Motion** by Salas, second by Arnott, carried unanimously to recommend that the board approve the amended semi-finalist list for a Large Cap Domestic Equity 130/30 manager search.

- 6.3 **Approval of the Criteria and Schedule for *SamCERA's* Large Cap Domestic Equity Growth Manager Search:** Mr. Thomas and Mr. Brody presented the selection criteria and schedule for *SamCERA's* large cap domestic equity growth manager search. The schedule is one-month behind that of the large cap equity 130/30 manager search except that the board will probably not meet in December. Mr. Thomas said that the large cap equity growth search is challenging since high growth managers have consistently underperformed the past few years. SIS has to make allowances for that fact.

**Motion** by Salas, second by Bowler, carried unanimously to recommend that the board approve the

criteria and schedule for *SamCERA*'s large cap domestic equity growth manager search.

7.0      **Other Business:** None.

8.0      **Investment & Finance Manager's Report:** Mr. Clifton provided the Investment & Finance Manager's report during agenda item 6.1.

9.0      **Adjournment:** There being no further business, Ms. Jadallah adjourned the committee at 11:44 a.m.

MARGARET JADALLAH, CHAIR