

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

March 25, 2008

Agenda Item 3.0

**February 26, 2008 – 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 Expectations of the Medical Advisor](#)
6. Investment Services (*The Investment Committee will meet at 10 a.m.*)
  - 6.1 [Monthly Portfolio Performance Report](#)
  - 6.2 [Quarterly Investment Performance Analysis for Period Ended December 31, 2007](#)
  - 6.3 [Approval of SamCERA's Small Cap Core Investment Management Agreement with Jennison Associates](#)
  - 6.4 [Approval to Transition Assets from the SSgA Russell 2000 Index Fund to Jennison Associates Small Cap Equity](#)
  - 6.5 [Approval of SamCERA's Large Cap Structure](#)
  - 6.6 [Approval of the Investment Committee's Plan for Fiscal Year 2008/2009](#)
  - 6.7 [Acceptance of Certificate of Compliance – Julius Baer Investment Management](#)
  - 6.8 [Acceptance of Certificate of Compliance – Mondrian Investment Partners](#)
7. Board & Management Support Services
  - 7.1 [Monthly Financial Report](#)
  - 7.2 [Introduction of SamCERA's Sources, Uses & Budget for Fiscal year 2008/2009](#)
  - 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 Travel Policy](#)
  - 7.9 [Approval of Amendments to SamCERA's Education Policy](#)
  - 7.10 [Approval of the Audit Committee's Plan for Fiscal Year 2008/2009](#)
  - 7.11 [Approval of Board Responses to Grand Jury Report](#)
  - 7.12 [Approval of Relocation Expenditures](#)
  - 7.13 [Report on Process and Schedule of Trustee Elections](#)
  - 7.14 [Appointment of Ad Hoc Nominating Committee for Board Officers](#)
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](#)

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- C2 [Conference with Legal Counsel – Anticipated Litigation](#)  
[Initiation of litigation pursuant to subdivision \(c\) of Government Code Section 54956.9. Two cases.](#)
- C3 [Public Employee Performance Evaluation in accordance with Government Code section 54957](#)  
[Title: Chief Executive Officer](#)
9. [Report on Actions Taken in Closed Session](#)
10. [Adjournment](#)

**February 26, 2008 – Board Minutes**

- 0802.1 **Call to Order:** Ms. Tashman, Vice Chair, called the Public Session of the Board of Retirement to order at 1:03 p.m., February 26, 2008, in *SamCERA's* Board Room, 100 Marine Parkway, Suite 125, Redwood Shores, California.
- 0802.2 **Roll Call:** Ms. Arnott for Mr. Buffington, Mr. Hackleman, Mr. Hooley, Ms. Jadallah, Ms. Salas for Mr. Bryan, Ms. Stuart, Ms. Tashman and Mr. Wozniak. *Excused:* Mr. Lee. *Other Board Members in Attendance:* Mr. Murphy. *Staff:* Mr. Bailey, Mr. Clifton, Ms. Dames, Mr. Hood and Ms. Smith. *Consultants:* Ms. Carlson, Dr. Fracchia and Mr. Thomas. *Retirees:* 0, *Actives:* 0.
- 0802.3 **Approval of the Minutes:** Ms. Arnott provided the following corrections to the January 22, 2008, board meeting minutes: 0801.8.1 ¶4 L2: “He reported that Lisa ~~Yap-Ching~~ Yapching, Management Analyst....” L3: Ms. ~~Yap-Ching~~ Yapching was still in the process...”
- Motion** by Arnott, second by Wozniak, carried unanimously to approve the minutes from the January 22, 2008, board meeting, as amended.
- 0802.4.1 **Oral Communications From the Board:** None.
- 0802.4.2 **Oral Communications From the Public:** None.
- 0802.5 **Benefit & Actuarial Services**
- 0802.5.1 **Adoption of Consent Agenda:** **Motion** by Hackleman, second by Hooley, carried unanimously to adopt the consent agenda, as submitted, as follows:
- Disability Retirements:**
- The board finds that **Mickie Wilson** is unable to perform her usual and customary duties as a Benefits Analyst and **GRANTS** her application for a non-service connected disability.
- The board finds that **Alfred Narayan** is able to perform his usual and customary duties as a Records Center Supervisor and **DENIES** his application for a service connected disability.

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**Routine Actions** taken by staff pursuant to the board's *Delegation of Authority* and the *Regulations of the Board of Retirement*:

**Service Retirements:**

|                   |                                      |                            |
|-------------------|--------------------------------------|----------------------------|
| Maloney, Thomas   | July 28, 2007                        | Sheriff's Office           |
| Lowe, Edith       | November, 9, 2007                    | Sheriff's Office           |
| Ramirez, Dale     | February 1, 2008                     | Human Services Agency      |
| Riley, Marsha     | February 1, 2008                     | Human Services Agency      |
| Reed, Emily       | February 2, 2008                     | Human Services Agency      |
| Delano, Carmen    | February 10, 2008                    | Library                    |
| Riley, Aslida     | February 23, 2008                    | Human Services Agency      |
| Cardosa, Sandra   | February 25, 2008<br>(from deferred) | Department of Public Works |
| Davis, Marta      | February 28, 2008                    | Human Services Agency      |
| Barnard, James    | February 29, 2008                    | Mental Health              |
| Gull, Gayle       | February 29, 2008                    | County Counsel             |
| Kong, Georgette   | February 29, 2008                    | Library                    |
| Oravillo, Rolando | February 29, 2008                    | Department of Public Works |

**Continuance of Benefits:**

|                  |                                     |
|------------------|-------------------------------------|
| Bayer, Carol     | Beneficiary of Bayer, Alfred        |
| Cuevas, Linda    | Beneficiary of Cuevas, Dominck      |
| Gretter, William | Beneficiary of Gretter, Rita        |
| Pomerenk, Joel   | Beneficiary of Pomerenk, David      |
| Pomerenk, Scott  | Beneficiary of Pomerenk, David      |
| Taylor, Jason    | Beneficiary of Hutchinson, Margaret |
| Tse, William     | Beneficiary of Tse, Mary Ann        |
| West, Audrie     | Beneficiary of West, Harvey         |

**QDRO Benefits:**

None.

**Deferred Retirements:**

|                  |                                  |
|------------------|----------------------------------|
| Hogan, Michael   | G4 out of term per section 31700 |
| Mallet, Donnamae | G4                               |
| Gamo, Kay        | G2 Vested                        |
| Gipe, Lindsay    | G4 Vested                        |
| Allanson, Laurie | G4                               |
| Dunbar, Michael  | G4 Vested                        |
| Guerrero, Nancy  | P4/G4 Vested                     |
| Koziol, Mary     | S2 Vested                        |
| Adler, Ryan      | S4                               |
| Maharaj, Nirvana | G4                               |
| Hirst, Deborah   | G4                               |
| Robles, Nancy    | G2 Vested                        |

**Refunds:**

|                      |               |
|----------------------|---------------|
| Abea-Angulo, Valerie | G4 Non-Vested |
| Ancheta, Emmanuel    | G4 Non-Vested |
| Cronin, Marivic      | G4 Non-Vested |

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|                        |               |                  |
|------------------------|---------------|------------------|
| Devereaux, Paige       | G4 Non-Vested |                  |
| Duino, Mark Trust      | G1 Vested     | C/O Lenz, Andrew |
| Jones, Yvette          | G4 Non-Vested |                  |
| Kefu, Toni             | G4 Non-Vested |                  |
| Konstantinidis, Teresa | S2 Vested     |                  |
| Matlock, Robert        | G4 Vested     |                  |
| Muniz, Rose            | G4 Non-Vested |                  |
| Nicholas, Nubia        | G4 Vested     |                  |
| Parness, Roger         | G4 Non-Vested |                  |
| Paulsen, Janine        | G4 Non-Vested |                  |
| Recinos, Yolanda       | G4 Vested     |                  |
| Sims, Demitrous        | G4 Non-Vested |                  |
| Singh, Anilta          | G4 Vested     |                  |
| Torgeson, Linda        | G4 Non-Vested |                  |
| Torres, Angelica       | G2 Vested     |                  |

**Rollovers:**

|                   |               |
|-------------------|---------------|
| Corchnoy, Sheryl  | G4 Non-Vested |
| Corvin, Camilla   | G4 Non-Vested |
| Faubion, Margaret | G4 Non-Vested |
| Gopalan, Deepa    | G4 Non-Vested |
| Hiller, Anna      | G4 Non-Vested |
| Hines, Maceo      | G4 Non-Vested |
| Losada, Deborah   | G4 Non-Vested |
| Najarro, Regina   | G4 Non-Vested |
| Perez, Joseph     | G4 Non-Vested |
| Stoia, Shonita    | G4 Non-Vested |

0802.5.2     **Consideration of Items Removed from Consent Agenda:** None.

0802.5.3     **Approval of *Expectations of the Medical Advisor*:** Mr. Bailey presented the list of expectations clarifying the role of the medical advisor in performing reviews of disability applications. The draft was presented at the January 22, 2008, board meeting and was reviewed by trustees. Following board discussion, staff created a list of expectations the board may want to add to another board policy regarding the role of trustees and staff regarding disability applications. This list will not be added to the *Expectations of the Medical Advisor* as the document is focused only on the medical advisor's role nor be recorded to any board policy per County Counsel's advice. The list of staff and trustee expectations can be included in the discussion during the Medical Advisor's annual review.

0802.6     **Investment Services**

0802.6.1     **Monthly Portfolio Performance Report:** Mr. Clifton reported that *SamCERA's* -4.17% Total Fund Return for January 2008 outperformed the Total Plan Policy Benchmark return of -4.41%. The fund's return for the trailing twelve months is -0.72%, which is 847 basis points below the Actuarial Discount Rate, 7.75%, and 295 basis points below *SamCERA's* Total Plan Policy Benchmark of 2.23%. The realized return continues to lose ground to both the policy return and the actuarial assumption rate for the trailing twelve month period.

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| Asset Class                 | Market Value           | 1-Month       | 1-year<br>TTWRR* | 5-year<br>TTWRR* |
|-----------------------------|------------------------|---------------|------------------|------------------|
| <i>Domestic Equity</i>      | \$887,739,413          | -5.80%        | -8.59%           | 12.37%           |
| <i>International Equity</i> | <u>434,743,459</u>     | -9.26%        | 4.22%            | 20.92%           |
| Total Equity                | 1,322,482,872          | -6.96%        | -5.04%           | 14.52%           |
| Fixed Income                | 605,598,142            | 1.31%         | 5.97%            | 4.73%            |
| Real Estate Aggregate       | 164,558,417            | 0.00%         | 13.75%           | 16.56%           |
| Cash Equivalents            | -4,305,141             | 0.36%         | 4.51%            | 3.40%            |
| <b>TOTAL FUND</b>           | <b>\$2,088,334,289</b> | <b>-4.17%</b> | <b>-0.72%</b>    | <b>11.71%</b>    |
| <i>Benchmark</i>            |                        | -4.41%        | 2.23%            | 12.32%           |

\* Total Time-Weighted Rate of Return

0802.6.2 **Quarterly Investment Performance Analysis for Period Ended December 31, 2007:**  
Mr. Thomas presented the quarterly investment performance report for the period ended December 31, 2007. The composite fund returned -1.3% in the fourth quarter of 2007 and ranked 80<sup>th</sup> among other public funds greater than \$100 million (median of -0.8%). The fund trailed its policy index (-0.9%) during this time period. Longer term, the three and five-year returns of 9.1% (69<sup>th</sup> percentile) and 12.2% (52<sup>nd</sup> percentile), respectively, were near median among large public plans (9.6% and 12.4%).

One of the biggest detractors to performance for the quarter was the BGI Russell 1000 Alpha Tilts which depreciated 4.5%, ranking 74<sup>th</sup> among large cap managers. Its benchmark was down 3.2%. Selection in Consumer Discretionary and Financials stocks hurt returns. Brandes' return of -12.5% ranked in the bottom percentile in the small cap value manager universe. Negative performance attribution primarily came from stock selection in the Info Tech and Material sectors, as well as intra-quarter trading. Mr. Thomas also reported that *SamCERA's* fixed income managers underperformed during the quarter and hindered fourth quarter results. On a positive note, Mr. Thomas said that *SamCERA's* international equity managers, Julius Baer and Mondrian, each outperformed the MSCI AC World –ex US Index and ranked in the 11<sup>th</sup> and 31<sup>st</sup> percentile among their peers, respectively. Small cap growth manager, Chartwell, also performed extremely well during the quarter.

Mr. Clifton then stated that he will arrange an educational panel on fixed income at the May Investment Committee meeting. *SamCERA's* fixed income managers are scheduled for their annual reviews later that day at the full board level. The managers will be asked to sit on the panel and provide an overview of the current fixed income environment.

0802.6.3 **Approval of *SamCERA's* Small Cap Core Investment Management Agreement with Jennison Associates:** Mr. Clifton reported that he and Mr. Thomas of Strategic Investment Solutions performed an on-site visit to Jennison Associates in their New York City offices on Wednesday, February 20, 2008. Both were impressed by the organization and the visit reaffirmed *SamCERA's* decision to select them as the finalist for the small cap core mandate. Mr. Clifton reported that the Investment Committee recommended that the board approve *SamCERA's* small cap core IMA with Jennison Associates.

**Motion** by Stuart and second by Arnott, carried unanimously to adopt **Resolution 07-08-12**, authorizing the board chair to execute the Investment Management Agreement with Jennison Associates, LLC, as follows:

**“WHEREAS**, Article XVI, §17 of the Constitution of the State of California vests the Board

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*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 January 22, 2008, the Board considered proposals from and interviewed four firms for investment management services under a small cap core mandate-- Clarivest Asset Management, Jennison Associates, Quantitative Management Associates, and TAMRO Capital Partners—and selected Jennison Associates for a small cap core mandate to be funded with approximately \$75 million;

“**WHEREAS**, an Investment Management Agreement has been approved by County Counsel as to form and the Investment & Finance Manager has recommended approval of the Agreement. Therefore, be it

“**RESOLVED** that the Board hereby approves the contract between the Board and Jennison Associates 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 Jennison Associates to manage the assets of the retirement fund as allocated by the Board in accordance with the terms of the Agreement, the *Investment Policy* (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.”

0802.6.4     **Approval to Transition Assets from the SSgA Russell 2000 Index Fund to Jennison Associates Small Cap Equity:** Mr. Clifton stated that State Street Global Markets will be used to transition assets from State Street Global Advisors Russell 2000 Index Fund to Jennison Associates Small Cap Equity portfolio. State Street Global Markets conducted the transition from the Goldman Sachs Asset Management Small Cap Core equity portfolio to the SSgA Russell 2000 Index Fund on November 30<sup>th</sup> and conducted it very well with such little prior notice. The target date of the new transition will be at the end of March. At the request of the Investment Committee, Mr. Clifton will provide State Street’s pre-trade analysis at the March board meeting.

**Motion** by Arnott, second by Salas, carried unanimously to approve the transition of assets

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from the SSgA Russell 2000 Index Fund to Jennison Associates Small Cap Equity portfolio and to select State Street Global Markets to conduct the transition.

- 0802.6.5     **Approval of *SamCERA*'s Large Cap Structure:** Mr. Clifton reported that Mr. Thomas and Mr. Meier were present at the Investment Committee to discuss their report on manager alternatives in the U.S. large cap equity structure. The committee eliminated several alternatives provided by SIS and provided several additional structures for next month's review. The Investment Committee will review *SamCERA*'s large cap structure within the next several months and report to the board regarding its findings and recommendations.
- 0802.6.6     **Approval of the Investment Committee's Plan for Fiscal Year 2008/2009:** Mr. Clifton presented the Investment Committee Plan for Fiscal Year 2008/2009. He noted that the schedule will be amended once the committee has discussed *SamCERA*'s Large Cap Structure in further detail. Ms. Tashman accepted the Investment Committee Plan at the Investment Committee without objection.
- 0802.6.7     **Acceptance of Certificate of Compliance – Julius Baer Investment Management:** Mr. Clifton presented Julius Baer Investment Management's completed Compliance Certification Statement. Mr. Clifton stated that there is nothing worthy of note in Julius Baer's CCS.
- 0802.6.8     **Acceptance of Certificate of Compliance – Mondrian Investment Partners:** Mr. Clifton presented Mondrian Investment Partners' completed Compliance Certification Statement. The only item of significance in the CCS is that in November 2007 David Tilles was appointed Executive Chairman and Clive Gillmore was appointed Chief Executive Officer. Mr. Clifton stated that this transition is a natural evolution and had been planned for some years. **Without objection**, Ms. Tashman accepted the Compliance Certification Statement.
- 0802.7        **Board & Management Support Services**
- 0802.7.1     **Monthly Financial Report:** Mr. Clifton presented the preliminary monthly financial report for the period ending January 31, 2008. He reported that *SamCERA*'s Net Assets Held in Trust for Pension Benefits as of January 31, 2008, totaled \$2,085,092,058. The net assets decreased by approximately \$95.8 million, month over month, due to market depreciation of assets.
- 0802.7.2     **Introduction of *SamCERA*'s Sources, Uses & Budget for Fiscal year 2008/2009:** Mr. Clifton provided a report on the professional and administrative budget development process. He requested that trustees submit their educational request forms to him for budget purposes. Mr. Clifton stated that staff is still waiting to receive information regarding office expansion expenses and the results of the Human Resources Department's salary survey on *SamCERA* positions prior to finalizing next fiscal year's budget.
- 0802.7.3     **Annual Review & Reaffirmation of *SamCERA*'s Mission, Goals and Objectives:** Mr. Clifton presented an amended version of Resolution 95-96-05. The amendments were recommended by staff during their strategic planning retreat. **Motion** by Jadallah, second by Arnott, carried unanimously to approve the amendments to **Resolution 95-96-05**, as follows:

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“**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 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 in order to appropriately fund the actuarial liabilities of the retirement system, to assure the ability to pay all earned benefits while minimizing the costs to its employers.

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.”

0802.7.4     **Annual Review & Revision of *SamCERA's* Code of Fiduciary Conduct:** Mr. Clifton presented *SamCERA's* Code of Fiduciary Conduct, Resolution 96-97-02, as amended on July 27, 2004. Following board review, no changes were recommended by the board.

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0802.7.5     **Approval of Amendments to SamCERA's Conflict of Interest Code:** Mr. Clifton presented SamCERA's Conflict of Interest Code, Resolution 98-99-15, as amended January 24, 2006. The resolution's fourth resolve identifies firms that meet the definition of consultant as set forth in the third resolve. Since Goldman Sachs Asset Management is no longer an investment manager for the Association, the resolution requires the organization's deletion from the document. Similarly, since SamCERA has entered into an Investment Management Agreement with Jennison Associates, the firm must be added to the document under the fourth resolve.

**Motion** by Arnott, second by Hooley, 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*

**"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.*

| <b>"Designated Positions</b>   | <b>Applicable Disclosure Categories</b> |
|--|---|
| 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

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**“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 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, , INVESCO Realty Advisors, Jennison Associates, 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.”

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- 0802.7.6     **Annual Review & Reaffirmation 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.
- 0802.7.7     **Annual Review & Reaffirmation of *SamCERA*'s Internal Controls Policy:** Mr. Clifton presented Resolution 95-96-16, *SamCERA*'s Internal Controls Policy, as amended April 22, 2003. Following review, no changes were recommended by the board.
- 0802.7.8     **Approval of Amendments to *SamCERA*'s Travel Policy:** Mr. Clifton presented *SamCERA*'s Travel Policy. He noted a few amendments to the policy that are recommended by staff. Ms. Arnott inquired about the County of San Mateo Administrative Memorandum mentioned in Section 1 (i). She also recommended that the document specify a timeline regarding the reimbursements for expenses. Following discussion of the recommended changes to the Travel Policy, Mr. Clifton stated that he will return with a revised version of policy incorporating trustee suggestions, at the March board meeting.
- 0802.7.9     **Approval of Amendments to *SamCERA*'s Education Policy:** Mr. Clifton presented *SamCERA*'s Educational Policy.
- 0802.7.10    **Approval of the Audit Committee's Plan for Fiscal Year 2008/2009:** Mr. Clifton presented the Audit Committee's Plan for Fiscal Year 2008/2009. **Without objection**, Ms. Tashman approved the Audit Committee's Plan for Fiscal Year 2008/2009.
- 0802.7.11    **Approval of Board Responses to Grand Jury Report:** Mr. Bailey presented a draft response to the San Mateo County Grand Jury following its report on *SamCERA*'s investments. The report was made available on January 11th. Mr. Bailey stated that the board must respond to the report's recommendations within 90 days of the report being made public.

Following the review of the board responses to the Grand Jury Report, **motion** by Wozniak, second by Hooley, carried unanimously to approve staff's draft response to the Grand Jury's Report.

- 0802.7.12    **Approval of Relocation Expenditures:** Mr. Bailey presented additional costs for the expansion of *SamCERA*'s office space and requested the board's approval. He placed the additional costs into three categories: (1) construction costs, (2) furniture, audio visual, etc. and (3) contingency costs. Mr. Bailey indicated that the initial construction costs were estimated one-and-a-half years ago and that costs have been revised, increasing by approximately \$71,000. Staff has discussed the increased costs with the contractor and found that the additional costs were appropriate given the construction market environment. Staff also requested an additional \$25,000 for such costs as furniture moving, IT infrastructure, architect and space planning fees, etc. And, lastly, staff requested an additional \$25,000 amount in contingency funding. Staff believes the additional amount would be prudent in the case of any unforeseen contingencies and in order to prevent any delays during the office expansion process.

**Motion** by Arnott, second by Salas, carried unanimously to approve the increase in costs for the office space expansion project of \$121,263.67.

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0802.7.13 **Report on Process and Schedule of Trustee Elections:** Mr. Bailey reported that two elected trustee positions will become open in April 2008. The Third Member, Tom Bryan, and Second Member, Paul Hackleman, will be retiring from the county at the end of March, and therefore their seats at the Board of Retirement will become vacant at that time. The term of the Third Member ends June 30, 2010 and the term of the Second Member ends June 30, 2009. The board must schedule special elections to fill these unexpired terms. Mr. Bailey also noted that Scott Lee has received new job duties at Franklin Templeton Investments that requires him to market to 1937 Act systems. Because of his new role, Mr. Lee will be required to step down from his position on the board. Mr. Bailey will return with election dates at the next board meeting.

0802.7.14 **Appointment of Ad Hoc Nominating Committee for Board Officers:** Mr. Bailey reported that the acting board chair should appoint a committee to nominate a trustee to serve as board chair following Mr. Bryan's retirement at the end of March. The election to fill the board chair position will occur at the April 22, 2008, meeting. The officer chosen at the April meeting will serve to the end of the current fiscal year, June 30, 2008.

Ms. Tashman **appointed** Ms. Arnott, Chair; Mr. Hooley and Ms. Stuart to the Ad Hoc Nominating Committee for Board Officers.

0802.8 **Management Reports**

0802.8.1 **Chief Executive Officer's Report:** Mr. Bailey reported that staff conducted a strategic planning retreat on January 30<sup>th</sup>. He also said that SACRS is considering adding a paid Chief Executive Officer to its staff. Mr. Bailey also reported that he will return to the next board meeting with a new slate of officers to the SACRS board as recommended by other counties. *SamCERA's* reclassification issues have been approved by the Human Resources Department. Mr. Bailey reported that the salary survey is currently being reviewed. He also informed the board that Mark Hershman, Hon. Jerry Hill's aide, has been requesting information regarding *SamCERA's* Iran investments. Mr. Bailey has provided a response. He also mentioned the possibility of issuing subpoenas from doctors relating to *SamCERA* disability applications to speed up the process. Mr. Bailey then discussed a chart of first quarter retirements to the board for their review. Lastly, he said that there will be a reception between the Investment Committee and Board of Retirement meetings in March in honor of Tom Bryan and Paul Hackleman's services on the board. Tom Bryan has been on the board for 21 years and it is appropriate to recognize his service to the Board of Retirement.

0802.8.2 **Assistant Executive Officer's Report:** Mr. Hood reported that a new employee orientation presentation will be uploaded onto the *SamCERA* website soon.

0802.8.3 **Investment & Finance Manager's Report:** Mr. Clifton reported on the site visit to the Association's new investment manager, Jennison Associates. He was accompanied by Mr. Thomas of SIS. He also informed the board that Julius Baer Investment Management announced a proposed initial public offering which is scheduled for later this year. Mr. Clifton reported that he along with Ms. Dames, Investment Analyst, attended the IMN Securities Lending Conference earlier in the month. He found the conference to be very informative, especially since the Association has just begun its securities lending program in July 2007. State Street is asking to add new language to its security lending agreement. Mr.

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Clifton will place the amendment on the March board meeting agenda.

0802.8.4     **County Counsel's Report:** Ms. Carlson reported on a request regarding the *People vs. Lexin* decision in which *SamCERA* agreed to join the amicus brief at the September 2007 board meeting. The Association was asked to be included in marketing materials as a client. Trustees decided to decline the request.

0802.9       **Report on Actions Taken in Closed Session:** Ms. Tashman reported that she convened the board in closed session at 2:45 p.m., with all trustees present for roll call in attendance. The board met in closed session for Public Employee Performance Evaluation in accordance with Government Code section 54957 Title: Chief Executive Officer.

Ms. Tashman adjourned the closed session at 3:58 p.m.

Ms. Tashman reported that the board was very complimentary to Mr. Bailey and thanked him for his service as CEO.

0802.10     **Adjournment in Memory of Deceased Members:** There being no further business, Ms. Tashman adjourned the meeting at 3:58 p.m., in memory of the following deceased members:

|                 |                   |                               |
|-----------------|-------------------|-------------------------------|
| Newton, Lee     | November 15, 2007 | Superior Court                |
| Torre, June     | November 20, 2007 | Controller's Office           |
| Brackett, James | December 4, 2007  | Coroner's Office              |
| Starkie, Jasper | December 24, 2007 | Sheriff's Department          |
| Field, Rose     | January 8, 2008   | General Services              |
| Tse, Mary       | January 9, 2008   | Social Services Department    |
| Falk, Howard    | January 15, 2008  | Beneficiary of Falk, Margaret |
| Covey, Dorothy  | January 19, 2008  | Library                       |
| Hongo, Helen    | January 19, 2008  | Superior Court                |
| Gretter, Rita   | January 27, 2008  | Superior Court                |

EMILY TASHMAN, VICE CHAIR