

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

January 27, 2009 – 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 Select Finalists for Interviews for Large Cap Domestic Growth Manager Mandate
 - 6.3 Determination of Large Cap Structure and Mandates
 - 6.4 Acceptance of Certification of Compliance – Artio Global Investors
 - 6.5 Acceptance of Certification of Compliance – Mondrian Investment Partners
- 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 10:05 a.m., January 27, 2009, in *SamCERA's* Board Room, 100 Marine Parkway, Suite 125, Redwood Shores, California.
- 2.0 **Roll Call:** Ms. Jadallah and Ms. Salas for Mr. Wozniak. *Excused:* Mr. Bowler and Mr. Buffington. *Other Board Members in Attendance:* Mr. Murphy. *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:** None.
- 4.0 **Oral Communications From the Committee:** Ms. Jadallah reported that she attended the IIR Public Fund Boards Forum held in San Francisco in December. She liked how the conference was geared towards trustee education and found the conference to be very informative.
- 5.0 **Oral Communications From the Public:** None.
- 6.1 **Monthly Portfolio Performance Report:** Mr. Clifton reported that *SamCERA's* 3.16% Total Fund Return for December 2008 underperformed the Total Plan Policy Benchmark return of 3.32%. The fund's return for the trailing twelve months is -27.71%, which is -1,996 basis points below the Actuarial Discount Rate, 7.75%, and 89 basis points below *SamCERA's* Total Plan Policy Benchmark of -26.82%.

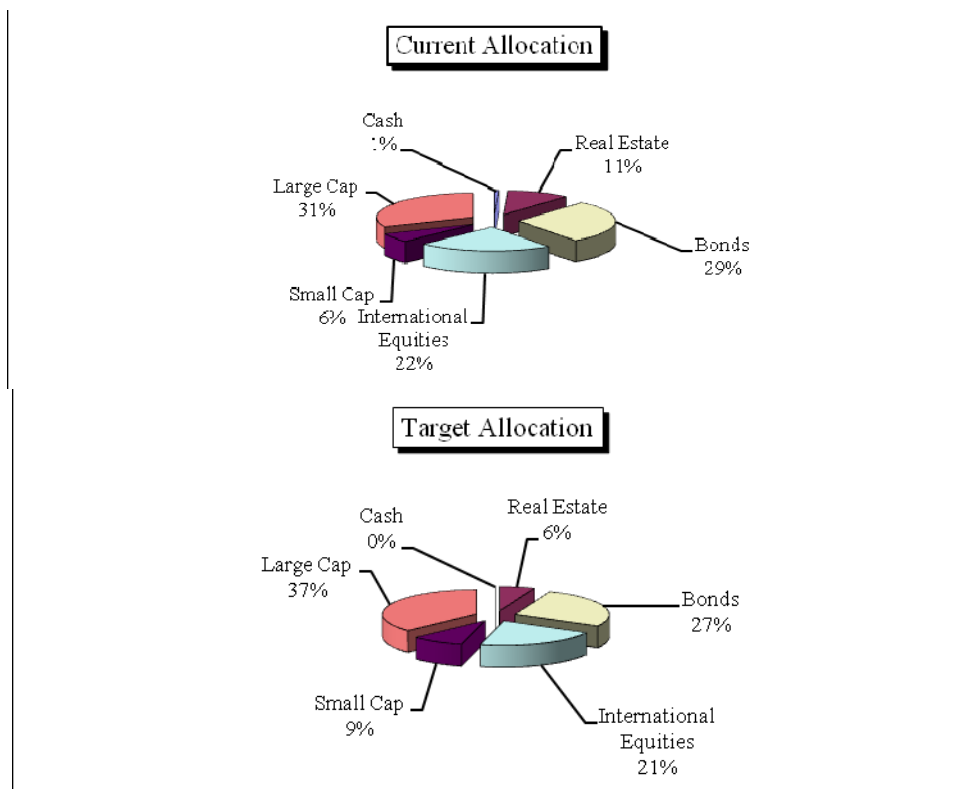
The table presented below shows the composite returns:

December 31, 2008	Market Value	One Month	Trailing Three Months	Trailing Six Months	Trailing Twelve Months
Equity Aggregate	\$964,689,390	3.62%	-21.94%	-32.23%	-39.32%
Equity Composite		3.20%	-22.95%	-31.53%	-38.75%
Variance		0.42%	1.01%	-0.70%	-0.57%
Fixed Income Aggregate	\$462,655,280	3.52%	-4.04%	-7.98%	-9.03%
Fixed Income Composite		3.73%	4.58%	4.07%	5.24%
Variance		-0.21%	-8.62%	-12.05%	-14.27%
Real Estate Aggregate	\$171,049,910	0.00%	0.00%	0.73%	4.09%
NCREIF (one quarter lag)		0.00%	0.00%	-0.17%	2.00%
Variance		0.00%	0.00%	0.90%	2.09%
Cash Aggregate	\$11,150,278	0.22%	0.59%	-3.52%	-1.98%
91 Day Treasury Bill		0.01%	0.22%	0.85%	2.06%
Variance		0.21%	0.37%	-4.37%	-4.04%
Total Fund Returns	\$1,609,544,859	3.16%	-14.48%	-22.39%	-27.71%
Total Plan Policy		3.32%	-14.46%	-21.70%	-26.82%
Variance		-0.16%	-0.02%	-0.69%	-0.89%

Performance versus Actuarial Discount Rate

Total Fund Returns		3.16%	-14.48%	-22.39%	-27.71%
Actuarial Discount Rate		0.62%	1.88%	3.80%	7.75%
Variance		2.54%	-16.36%	-26.19%	-35.46%

SamCERA's current asset allocation is summarized as follows:



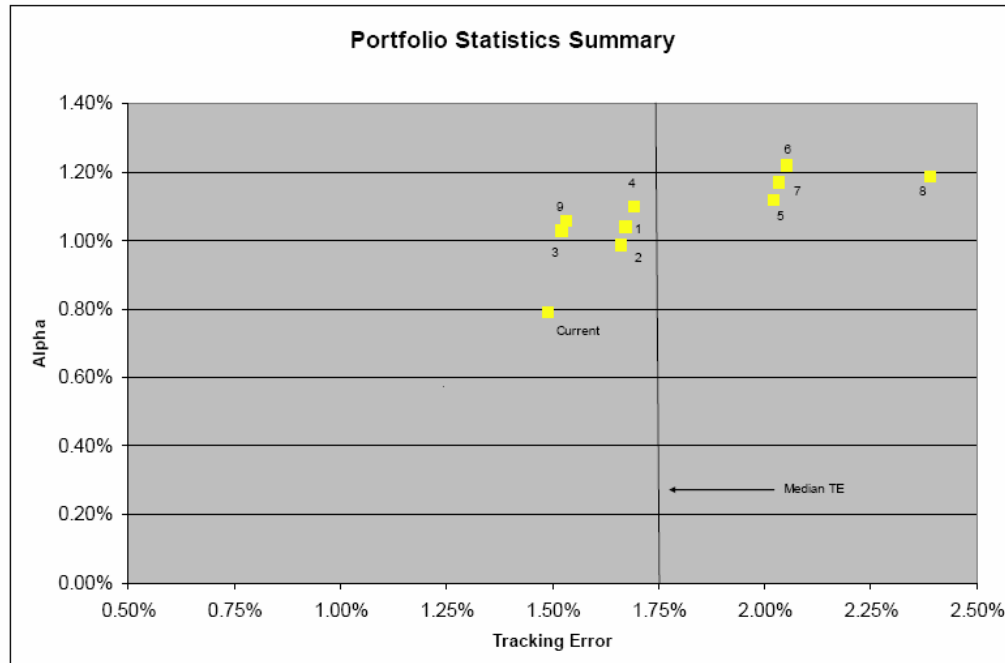
Action: No action was required. The Monthly Portfolio Performance Report is an informational report.

- 6.2 **Select Finalists for Interviews for Large Cap Domestic Growth Manager Mandate:** Mr. Brody and Mr. Thomas of Strategic Investment Solutions presented the list of eleven semi-finalists for the Large Cap Domestic Growth Mandate. Mr. Brody provided a thorough presentation of the semi-finalists, discussing each of their pros and cons. The committee then reviewed the data table, discussed tracking error, portfolio concentration, and other product characteristics. After extensive discussion, the committee recommended that BlackRock, Delaware, Waddell & Reed, and Wells Capital Management be selected as finalists for interviews for the large cap domestic growth manager mandate. There was no official recommendation from the committee due to the lack of a quorum. The interviews will be held at the February board meeting.
- 6.3 **Determination of Large Cap Structure and Mandates:** Mr. Brody and Mr. Thomas then presented SIS' report on U.S. Equity manager structure. The report contained nine different alternative large cap manager structures:

- I) 20% Passive, 50% Enhanced, 30% Active
- II) 30% Passive, 40% Enhanced, 30% Active
- III) 15% Passive, 60% Enhanced, 25% Active
- IV) 10% Passive, 60% Enhanced, 30% Active

- V) 20% Passive, 40% Enhanced, 40% Active
- VI) 0% Passive, 60% Enhanced, 40% Active
- VII) 10% Passive, 50% Enhanced, 40% Active
- VIII) 20% Passive, 30% Enhanced, 50% Active
- IX) 10% Passive, 65% Enhanced, 25% Active

Below is where these alternatives appear in a risk/reward space:



SIS discussed the alternatives in detail and answered questions from the committee. After extensive discussion, the committee recommended that alternative 4, 5 and 7 be brought to the full board for further review. There was no official recommendation from the committee due to the lack of a quorum.

- 6.4 **Acceptance of Certification of Compliance – Artio Global Investors:** Mr. Clifton presented the Compliance Certification Statement from Artio Global Investors. Without objection, Ms. Jadallah accepted the CCS.
- 6.5 **Acceptance of Certification of Compliance – Mondrian Investment Partners:** Mr. Clifton presented the Compliance Certification Statement from Mondrian Investment Partners. Without objection, Ms. Jadallah accepted the CCS.
- 7.0 **Other Business:** None.
- 8.0 **Chief Executive Officer’s Report:** None.
- 9.0 **Adjournment:** There being no further business, Ms. Jadallah adjourned the committee at 11:18 p.m.

MARGARET JADALLAH, CHAIR