

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

August 25, 2009

Agenda Item 3.0

July 28, 2009 – Board Agenda

PUBLIC SESSION – The Board will meet in Public Session at 9 a.m.

1. [Call to Order](#)
2. Roll Call
 - 2.1 [Roll Call](#)
 - 2.2 [Welcome and Swearing In of New Board Member](#)
 - 2.3 [Report from Ad Hoc Nominating Committee and Election of 2009-2010 Board Officers](#)
 - 2.4 [Appointment of Committees](#)
3. [Approval of the Minutes](#)
4. Oral Communications
 - 4.1 [Oral Communications From the Board](#)
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5. Benefit & Actuarial Services
 - 5.1 [Adoption of Consent Agenda](#)
 - 5.2 [Consideration of Items Removed from Consent Agenda](#)
 - 5.3 [Approval of Topics for SamCERA's Annual Actuarial Review – Milliman, Inc.](#)
6. Investment Services
 - 6.1 [Monthly Portfolio Performance Report](#)
 - 6.2 [Annual Review of SamCERA's International Equity Asset Class and Investment Managers](#)
 - 6.2 a [Annual Investment Manager Review – Mondrian Investment Managers](#)
(Interviewed by the Investment Committee at 10 a.m.)
 - 6.2 b [Annual Investment Manager Review – Artio Investment Management](#)
(Interviewed by the Board)
 - 6.3 [Approval of Investment Management Agreement – D.E. Shaw](#)
 - 6.4 [Approval of SamCERA's Fixed Income Structure](#)
 - 6.5 [Approval of Topics for Annual Manager Review – Chartwell Investment Partners](#)
 - 6.6 [Approval of Topics for Annual Manager Review – Jennison Associates](#)
 - 6.7 [Due Diligence Reports – BlackRock, Pyramis, State Street and The Boston Company](#)
 - 6.8 [Semi-Annual Report on Strategic Investment Solutions' Capital Market & Inflation Outlook](#)
 - 6.9 [Annual Investment Consultant Review – Strategic Investment Solutions](#)
7. Board & Management Support Services
 - 7.1 [Monthly Financial Report](#)
 - 7.2 [Quarterly Budget Report](#)
 - 7.3 [Report on Entrance Interview for the June 30, 2008, Financial Audit](#)
 - 7.4 [Approval of Amendments to SamCERA's Conflict of Interest Resolution](#)
 - 7.5 [Approval of Topics for the Annual Independent Accountant Review – Brown Armstrong](#)
 - 7.6 [Approval of an Appropriation Transfer Request for the Fiscal Year 2008-2009 Administrative Budget](#)
8. Management Reports
 - 8.1 [Chief Executive Officer's Report](#)
 - 8.2 [Assistant Executive Officer's Report](#)
 - 8.3 [Chief Investment Officer'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](#)

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10. [Adjournment](#)

July 28, 2009 – Board Minutes

- 0907.1 **Call to Order:** Ms. Arnott, Secretary, called the Public Session of the Board of Retirement to order at 1:00 p.m., July 28, 2009, in *SamCERA's* Board Room, 100 Marine Parkway, Suite 125, Redwood Shores, California.
- 0907.2.1 **Roll Call:** Ms. Arnott for Mr. Buffington, Mr. Bowler, Mr. David, Mr. Hooley, Ms. Jadallah, Ms. Salas for Ms. Kwan Lloyd, Mr. Spinello and Mr. Murphy for Mrs. Stuart (arr. 1:15 p.m.). *Excused:* Ms. Tashman. *Staff:* Mr. Bailey, Mr. Clifton, Ms. Dames, Mr. Hood and Ms. Smith. *Consultants:* Ms. Carlson, Dr. Fracchia, Mr. Brody and Mr. Thomas. *Retirees:* 0, *Public:* 2.
- 0907.2.2 **Welcome and Swearing In of New Board Member:** Mr. Spinello swore before Chief Deputy County Counsel Brenda Carlson to serve as a faithful fiduciary for all members, retirees and beneficiaries; to serve as a prudent administrator of the County's Retirement System; and to support, defend and bear true faith and allegiance to the Constitutions of the United States of America and the State of California in accordance with *Regulation 2.3.1*.
- 0907.2.3 **Report from Ad Hoc Nominating Committee and Election of 2009-2010 Board Officers:** Ms. Arnott presented the report of the Ad Hoc Nominating Committee. Ms. Arnott asked for any additional nominations. Hearing none, she closed the nominations. **Motion** by Bowler, second by Murphy, carried unanimously, to elect Ms. Jadallah, Chair; Mr. David, Vice-Chair and Ms. Arnott for Mr. Buffington, Secretary, per *Regulation 2.5*.
- Ms. Arnott then handed over the gavel to Ms. Jadallah.
- 0907.2.4 **Appointment of Committees:** Ms. Jadallah **appointed** Mr. Bowler, Chair, Ms. Arnott for Mr. Buffington, Mr. David, and herself to the Investment Committee per *Regulation 2.5.1*. Ms. Jadallah postponed the appointments to the Audit Committee until the replacements for Ms. Tashman and Mr. Hooley have been selected by the Board of Supervisors.
- 0907.3 **Approval of the Minutes:** Ms. Arnott submitted the following amendment to the board meeting minutes: 0905.9 C2 ¶2 L2: "with all trustees present for roll call, except for Ms. Arnott and Ms. Jadallah, in attendance."
- Motion** by David, second by Arnott, carried unanimously to approve the minutes of the May 26, 2009, board meeting, as amended.
- 0907.4.1 **Oral Communications From the Board:** Mr. David reported that he attended the Wharton Investment Strategies and Portfolio Management course in June. He found the course to be very beneficial. Ms. Arnott reported that she attended the GFOA Annual Conference. She found the information provided at the conference to be informative.
- 0907.4.2 **Oral Communications From the Public:** None.
- 0907.5 **Benefit & Actuarial Services**

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0907.5.1 **Adoption of Consent Agenda: Motion** by David, second by Bowler, carried unanimously to approve the day's consent agenda, as submitted.

Disability Retirements:

The board finds that **Misha Edwards-Smith** is unable to perform her usual and customary duties as a Deputy Sheriff, finds that her incapacity is permanent and **GRANTS** her application for a service-connected disability retirement.

The board finds that **Marina Gonzalez** is unable to perform her usual and customary duties as a Medical Services Assistant, finds that her incapacity is permanent and **GRANTS** her application for a non-service connected disability retirement.

The board finds that **LaTawnya Hampton** is unable to perform her usual and customary duties as a Child Support Customer Service Specialist, finds that her incapacity is permanent and **GRANTS** her application for a non-service connected disability retirement.

The board accepts the staff recommendation to grant the request for non-service connected disability retirement (**per Resolution 5.2 Death of member prior to completion of application process**) for the purpose of establishing a continuance to David Erck, spouse of deceased member, **Georgina Palmore**.

Termination of disability application(s):

The board accepts staff recommendations:

- 1) **Rita Baldwin** filed for a non-service disability retirement on January 10, 2007. Due to her failure to take necessary actions to insure her application is heard within one year of filing by the Board of Retirement, staff recommends terminating her disability application.
- 2) **Venessa Franklin** filed for a non-service disability retirement on March 13, 2007. Due to her failure to take necessary actions to insure her application is heard within one year of filing by the Board of Retirement, staff recommends terminating her disability application

Payment for funeral expenses: The board accepts staff's recommendation per §31783 Payment of funeral expenses in absence of beneficiary:

Member, Todd Carter passed away on April 10, 2009. He was not eligible for a service retirement, and did not apply for a disability retirement. He was not married and did not have minor children. Staff made attempts to locate the nominated beneficiary on record without success. This section gives the Board the discretion to pay to the undertaker who conducted the funeral all or a portion of the amount payable as a death benefit, but not more than the funeral expenses of the deceased person. In this case staff recommends the board authorize direct payment to the sibling (Scott Carter) who paid for the services out of pocket, due to the timing of locating the nominated beneficiary.

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

Service Retirements:

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Dundas, Malcolm	June 17, 2008	Human Services Agency
Eustaquio, Carlos	November 1, 2008	Ag Commission Sealer
Gonzalez, Rafael	November 1, 2008	Behavioral Health
Fahncke, Carol	November 3, 2008	Def'd from Dept of Child
Liberati, Beatriz	November 3, 2008	Def'd from Superior Court
Mackey, Carol	November 12, 2008	Def'd from Superior Court
Imamura, Tsutomu	November 29, 2008	Public Works
Soares, Regina	December 31, 2008	Elections
Ndegwa, Tom	May 28, 2009	Def'd from Environmental
Battung, Irma	June 2, 2009	Def'd from
Schreiber, Deborah	June 2, 2009	Def'd from Planning & Building
Shaffer, Craig	June 8, 2009	Def'd from District Attorney
Coombs, Jacqueline	June 13, 2009	Human Services Agency
Anderson, Vernon	June 20, 2009	Public Works
Feddersen, Duane	June 25, 2009	Def'd from San Mateo Medical
Gonzalez, Yalile	June 25, 2009	Def'd from Behavioral Health
Southward, William	June 25, 2009	Sheriff's Office
Fielding, Yvonne	June 26, 2009	Human Services Agency
Ramos, Diomedes	June 26, 2009	Cooperative Extension/ Animal
Nishimura, Jonathan	June 28, 2009	Parks Department
Chan, Elaina	June 30, 2009	Def'd from Business
Buddress, Loren	July 1, 2009	Probation
Gill, Roberta	July 8, 2009	Def'd from Social Services
Re, Donna	July 8, 2009	Deferred Plan 3
Jones, Rita	July 11, 2009	Human Services Agency
Wilson, Elizabeth	July 12, 2009	Def'd from Probation
Alinea, Edmind	July 13, 2009	Def'd from Hospital
Fredenthal, Michael	July 14, 2009	Human Services Agency
Ury, Suzanne	July 14, 2009	Deferred Plan 3
Samples, Debra	July 21, 2009	Def'd from Human Services
Maclean, Barbara	July 25, 2009	Human Services Agency
Koehnen, Lori	July 31, 2009	Deferred from Probation

Continuance of Benefits:

Erck, David	Beneficiary of Palmore, Georgina
Johnson, Hubert	Beneficiary of Johnson, Rosetta
Kelley, Pallie	Beneficiary of Kelley, Willard
Smith, Bojan	Beneficiary of Smith, Rue
Thomson, Craig	Beneficiary of Thomson, Nathalie

Deferred Retirements:

Ruiz, Heather	G4 Vested	Reciprocity
Taylor, Annette	G4 Non Vested	Reciprocity
Acevedo, Jorge	G4 Vested	Reciprocity
Medeiros, Linda	G4 Non Vested	Reciprocity
Salmeron, Frank	G4 Vested	
Alcala, Jesus	G2 Vested	
Arvold, Nancy	G4 Vested	
Rory, Angela	G4 Vested	Auto Defer Code 31700

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Rendon, Mario	G4 Vested	Auto Defer Code 31700
Tesmer, Shelly	G2 Vested	Auto Defer Code 31700
Nakasone, Ross	G4 Vested	Auto Defer Code 31700
Kim, Cortland	G4 Vested	Auto Defer Code 31700
Bulatao, Emmanuel	G4 Vested	Auto Defer Code 31700
Anderson, Nancy	G4 Vested	Auto Defer Code 31700
Maharaj, Reena	G4 Vested	Auto Defer Code 31700
Kennedy, Molly	G2 Vested	Auto Defer Code 31700
Hurskin, Shenita	G2 Vested	Auto Defer Code 31700

Refunds:

Campbell, Roxanne	G4 Non-vested
Campos, Francis	G4 Vested
Duran, Annabel	G4 Non-vested
Lara, Amy	G4 Non-vested
Steward, Nicole	G4 Non-vested
Streletskaya, Aleksandra	G4 Non-vested
Suarez, Martha	G4 Non-vested
Tiner, Erik	S2 Non-vested
Waters, Jerry	G4 Non-vested
Webb, Ray	P4 Non-vested
Wolf, Thomas	G4 Vested

Rollovers:

Barberena, Toni	QDRO
Bertalan, Richard	G4 Non-vested
Cohen, Barry Ben. of	G4 Vested
Cohen, Jeffrey Ben of	G4 Vested
Cohen, Robert Ben of	G4 Vested
Frost, Jennifer	G4 Non-vested
Morris, Robert	QDRO
Ocampo, Juliet	G4 Non-vested
Shintaku, Michael	G4 Non-vested
Seid, Deanna Ben of Seid,	G1 Vested
Van, Tassel	G1 Non-vested

0907.5.2 **Consideration of Items Removed from Consent Agenda:** None.

0907.5.3 **Approval of Topics for *SamCERA's* Annual Actuarial Review – Milliman, Inc.:** Mr. Clifton presented the list of questions for Milliman's annual actuarial review and asked for suggested changes. No recommended changes were made by the board. He asked that trustees complete the evaluation form and return it to him as soon as possible. **Motion** by Arnott, second by Murphy, carried unanimously to approve the list of topics for Milliman's annual actuarial review.

0907.6 **Investment Services**

0907.6.1 **Monthly Portfolio Performance Report:** Mr. Clifton reported that *SamCERA's* 0.35% Total

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Fund Return for June 2009 outperformed the Total Plan Policy Benchmark return of 0.15%. The outperformance is primarily due to all portfolios, with the exception of Artio Global Investors, beating their benchmark. The outperformance was dampened due to *SamCERA's* underweight to domestic equities and overweight to international equities. The fund's return for the fiscal year ended June 30 is -20.16%, which is 2,791 basis points (bps) below the Actuarial Discount Rate, 7.75%, and 226 basis points below *SamCERA's* Total Plan Policy Benchmark of -17.90%.

Max Swango of INVESCO was present to discuss the recent valuations to *SamCERA's* real estate properties in the INVESCO Core Fund. He also was present to answer trustee questions and concerns.

Asset Class	Market Value	1-Month	1-year TTWRR*	5-year TTWRR*
<i>Domestic Equity</i>	\$608,345,926	0.60%	-22.20%	-2.88%
<i>International Equity</i>	373,159,332	-1.54%	-32.34%	3.77%
Total Equity	\$981,505,257	-0.22%	-29.41%	-1.19%
Fixed Income	483,592,201	1.64%	-0.78%	3.03%
Real Estate Aggregate	118,894,616	-15.78%	-29.83%	5.92%
Cash Equivalents	8,495,613	0.27%	0.66%	2.47%
TOTAL FUND	\$1,592,460,782	-1.03%	-21.26%	0.66%
<i>Benchmark</i>		-0.16%	-18.16%	1.97%

* Total Time-Weighted Rate of Return

0907.6.2 **Annual Review of *SamCERA's* International Equity Asset Class and Investment Managers**

0907.6.2a **Annual Investment Manager Review – Mondrian Investment Managers:** Ms. Jadallah reported that the Investment Committee conducted the annual investment manager review for Mondrian Investment Managers. David Tilles, Executive Chair, and James Brecker, Senior Vice President, Client Service, were present from Mondrian Investment Partners for their annual review. Kimberly Aspenleider, Vice President, Client Services, of Delaware Investments, was also present. Ms. Jadallah reported that Mondrian performed a brief organizational review and discussed the positive and negative contributors to the portfolio's underperformance. During the review, Mr. Tilles said that he is comfortable with how the portfolio is positioned going forward.

0907.6.2b **Annual Investment Manager Review – Artio Investment Management:** Hien Nguyen, Associate Director, Institutional Investments, and Richard Pell, Chief Investment Officer, were present for Artio Investment Management's Annual Review. Ms. Nguyen provided a brief organizational overview and account summary. In response to a question from the board, she reported that Artio's IPO might occur later in 2009, depending on market conditions. Mr. Pell then discussed the portfolio's positioning and provided comments on the current international equity market. Year to date, the portfolio returned 4.24%, underperforming the benchmark's return of 15.19%. He said that the portfolio's defensive positioning hurt its performance in March and April 2009. Artio's current investment focus is on cyclically challenged companies/industries, selective exposure to structurally challenged industries and cautious exposure to a few balance-sheet challenged companies. Mr. Pell then discussed its regional and sector positioning and felt confident in the portfolio's current position going forward.

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0907.6.3 **Approval of Investment Management Agreement – D.E. Shaw:** Mr. Clifton reported that the Investment Committee thoroughly discussed the redline version of the IMA between *SamCERA* and D.E. Shaw. Trey Beck of D.E. Shaw was present at the committee to answer trustee questions and concerns. Ms. Carlson then reviewed the reports that board and staff would have access to under the agreement. *SamCERA* will have access to the portfolio's monthly holdings, the reconciliation report with the custodian, as well as a quarterly attribution and characteristics report. *SamCERA* will not have direct access to the portfolio's transactions report. However, the report may be accessed at a site of a neutral third party. Ms. Carlson and Mr. Clifton stated that the reports will meet the needs of the board and that the amendments in the IMA protect the investment manager and the fund.

Motion by Bowler, second by Arnott, carried unanimously to adopt **Resolution 09-10-01**, approving the Investment Management Agreement with D.E. Shaw:

“**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 October 28, 2008, the Board considered proposals from fifteen firms for investment management services under a large cap enhanced mandate. AXA Rosenberg, D.E. Shaw, Advanced Investment Technologies (Intech), Quantitative Management Associates (QMA), and T. Rowe Price were invited to participate in interview at the November board meeting; and

“**WHEREAS**, on November 25, 2008, the Board interviewed representatives from the five finalists, selecting AXA Rosenberg, D.E. Shaw and T. Rowe Price for a large cap enhanced mandate to be funded with approximately \$75 million each; Therefore, be it

“**RESOLVED** that the Board hereby approves the contract between the Board and D. E. Shaw Investment Management, LLC 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 D. E. Shaw Investment Management, LLC 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 Chief Investment Officer as its designee to perform those functions so identified in the Agreement and hereby authorizes the

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Chief Investment Officer 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.”

- 0907.6.4 **Approval of SamCERA's Fixed Income Structure:** Mr. Thomas reported that he provided an introduction to *SamCERA's* review of its fixed income structure to the investment committee. *SamCERA's* current fixed income allocation has 67% invested in core fixed income and 33% invested in core plus. Mr. Thomas reviewed characteristics of the current fixed income structure as well as observations about the fixed income market. Mr. Thomas then discussed possible opportunities in the fixed income market.
- Mr. Thomas said that there has been an extraordinary recent history in the bond market and SIS has had to adjust how it traditionally modeled bonds. SIS will bring forth alternatives at the next board meeting in hopes of better capturing the risk/opportunities in the market. Mr. Thomas said that the current portfolio has some attractive positions in place. The report was informational.
- 0907.6.5 **Approval of Topics for Annual Manager Review – Chartwell Investment Partners:** Mr. Clifton presented the topics for Chartwell Investment Partners' annual review. No changes were suggested by the investment committee or board. **Motion** by David, second by Salas, carried unanimously to approve the list of topics for Chartwell's annual review.
- 0907.6.6 **Approval of Topics for Annual Manager Review – Jennison Associates:** Mr. Clifton presented the topics for Jennison Associates' annual review. No changes were suggested by the investment committee or board. **Motion** by Bowler, second by David, carried unanimously to approve the list of topics for Jennison's annual review.
- 0907.6.7 **Due Diligence Reports – BlackRock, Pyramis, State Street and The Boston Company:** Mr. Clifton provided the due diligence reports for BlackRock, Pyramis, State Street and The Boston Company, which were prepared by SIS. No action was taken. The reports were informational.
- 0907.6.8 **Semi-Annual Report on Strategic Investment Solutions' Capital Market & Inflation Outlook:** Mr. Thomas reviewed SIS' Capital Market Outlook. The outlook allows *SamCERA* to semi-annually view the expectations for capital market returns. No action was taken. The report was informational.
- 0907.6.9 **Annual Investment Consultant Review – Strategic Investment Solutions:** Mr. Brody and Mr. Thomas were present for Strategic Investment Solutions' investment consultant annual review. Mr. Thomas provided a brief presentation on the firm. He gave an organizational update and reported on Mike Beasley's intention to transition out of the business in the next five years. SIS has a succession plan in place. In terms of educational workshops in the future, Mr. Thomas said that SIS will conduct an educational discussion on (1) alternatives and (2) risk control/monitoring, for *SamCERA*. In response to a question from the board, Mr. Brody indicated that he conducts *SamCERA's* investment manager searches and is Mr. Thomas' back-up consultant to *SamCERA*. SIS thanked the board for their support and was pleased with the client relationship.

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0907.7 **Board & Management Support Services**

0907.7.1 **Monthly Financial Report:** Mr. Clifton reported that *SamCERA's* Net Assets Held in Trust for Pension Benefits as of June 30, 2009, totaled \$1,613,317,154. The net assets held in trust for pension benefits decreased slightly, month over month. However, year over year net assets decreased by \$397.4 million. The decrease is primarily due to the devaluation of the capital market assets. The year over year decrease is in line with that experienced by the capital markets as a whole and that of *SamCERA's* peer retirement plans.

0907.7.2 **Quarterly Budget Report:** Mr. Clifton presented the preliminary Fourth Quarter Budget Reports. He reported that with 100% of the fiscal year completed, administrative expenditures to date represent 90.3% of the appropriations. All major categories are under budget. He said that agenda item 7.6 requests the board to authorize a Transfer Appropriations Request (ATR) that would move appropriation savings from Services & Supplies to Salaries & Benefits. All expenditures are within expectations. As a reminder, in February the board authorized an Appropriations Transfer Request (ATR), which amended the budget moving \$80,000 of Information Technology appropriations from Services and Supplies to Capital Assets.

***SamCERA's* Administrative Budget**

	ADOPTED BUDGET	YTD Preliminary
Salaries & Benefits	\$2,487,200	\$2,540,236
Services & Supplies	\$1,732,400	\$1,276,412
Capital Assets	\$ 80,000	\$ 65,500
Total	\$4,299,600	\$3,882,148

All professional services expenditures are on target in accordance with the budget appropriations. As of June 30, 2009, the aggregate professional services fee was approximately 23.2 basis points.

0907.7.3 **Report on Entrance Interview for the June 30, 2008, Financial Audit:** Ms. Wong reported that *SamCERA's* auditor, Brown Armstrong, was present at the *SamCERA's* office the week of July 13th performing interim field work. The interim field work focused mainly on participant and benefit information. Ms. Wong said that the audit team will return to *SamCERA's* office the week of August 17th to focus on financial and investment data. No major findings were found.

0907.7.4 **Approval of Amendments to *SamCERA's* Conflict of Interest Resolution:** Mr. Clifton presented *SamCERA's* Conflict of Interest Resolution and its amendments. The amended resolution eliminated Brandes Investment Partners and added *SamCERA's* six new managers: The Boston Company, Barrow Hanley, D.E. Shaw, T. Rowe Price, BlackRock and AXA Rosenberg.

Motion by David, second by Salas, 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*

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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.*

Designated Positions	Applicable Disclos
Trustees & Alternate Trustees	1, 2, 3, 4
Chief Executive Officer	1, 2, 3, 4
Assistant Executive Officer	1, 2, 3, 4
Chief Technology Officer	1, 2, 3, 4
Chief Investment Officer	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

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

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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, Artio Global Investors, AXA Rosenberg Investment Management LLC, Barclays Global Investors, Barrow Hanley Mewhinney & Strauss, Inc., BlackRock Capital Management, Inc., , Chartwell Investment Partners, D.E. Shaw Investment Management LLC, INVESCO Realty Advisors, Jennison Associates, Mondrian Investment Partners, Pyramis Global Advisors, Strategic Investment Solutions, T. Rowe Price Associates, Inc., The Boston Company Asset Management LLC, 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.”

0907.7.5 **Approval of Topics for the Annual Independent Auditor Review – Brown Armstrong:** Mr. Clifton presented the list of topics for Brown Armstrong’s independent auditor’s review which will be held on September 22nd. Mr. Clifton asked that trustees complete the evaluation form and submit it to him as soon as possible.

Motion by Arnott, second by David, carried unanimously to approve the list of topics for Brown Armstrong’s annual review.

0907.7.6 **Approval of an Appropriation Transfer Request for the Fiscal Year 2008-2009 Administrative Budget:** Mr. Clifton presented the administrative budget amendment authorizing a transfer of \$60,000 from Services & Supplies to Salaries & Benefits. This was necessary due to a low estimate used when the board passed the fiscal year 2008-2009

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administrative budget. At the time the budget was adopted, *SamCERA* was in the middle of a position reclassification and salary study. Sufficient savings are available in the Services & Supplies budget to complete the \$60,000 transfer.

Motion by Arnott, second by Bowler, carried unanimously to approve the ATR from Services & Supplies to Salaries & Benefits.

0907.8 **Management Reports**

0907.8.1 **Chief Executive Officer's Report:** Mr. Bailey reported that staff ordered two Amazon Kindles to test for future board mailings. He then said that staff is waiting for the Board of Supervisors to appoint replacements for Mr. Hooley and Ms. Tashman prior to conducting the annual trustee retreat. The retreat will most likely take place around January 2010.

Mr. Bailey discussed *SamCERA's* ability to change the retirement board date outside of a regular board meeting. Currently, the retirement board must announce a date change at a regular meeting. However, the board might consider changing the board regulations to authorize the Chair to change the date.

Mr. Bailey then reported on SACRS' attempt to request legislative changes to the 23 bps budgetary restriction. He said that SACRS is currently still working on the matter, however, does not feel that any changes will be made.

Staff held a conference call with a securities litigation firm offering free portfolio monitoring services. Such firms may offer superior services to that of custodians. *SamCERA's* portfolio is currently monitored by its custodian for any legal actions associated with its securities. Hiring a legal firm could enhance evidence that the association is maintaining its fiduciary duty. Should *SamCERA* wish to hire a securities litigation firm, staff will produce an RFP for such services.

Regarding the public records request for the names of retirees with pensions greater than \$100,000/year, Mr. Bailey reported that Contra Costa County complied with the request from California Foundation for Fiscal Responsibility. One retiree sued Contra Costa County to stop the release but has since lost the challenge.

Mr. Bailey said that the approval of *SamCERA's* actuarial valuation for the period ending June 30, 2009, is scheduled to appear on the board agenda in September. The acceptance of Employer and Employee contribution rates will be discussed with three options. Milliman Inc. will provide additional data to the three options.

Finally, Mr. Bailey, thanked Mr. Hooley and Ms. Tashman for agreeing to extend their time holding their positions on the Board of Retirement until the Board of Supervisors has appointed their replacements. Mr. Bailey noted that no one had applied for the positions to date.

0907.8.2 **Assistant Executive Officer's Report:** Mr. Hood reported that staff was involved in discussions with the San Mateo County Superior Courts department. The court is researching various options in order to save money. One of the options discussed was to offer incentives for employees to retire.

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Mr. Hood then said that there have been preliminary discussions with the Elections Division regarding conducting future trustee elections online. Internet voting would save money as well as possibly increase voter turnout.

Lastly, Mr. Hood brought to the attention of the board that *SamCERA*'s building now has an address sign on both sides of the building.

0907.8.3 **Chief Investment Officer's Report:** Mr. Clifton reported that the transitions out of BGI Russell 1000 Alpha Tilts and Brandes Investment Partners will occur at the end of July. He then distributed a chart detailing the rebalancing of *SamCERA*'s portfolio which will also occur at the end of July. Regarding *SamCERA*'s redemption request with its INVESCO Core Fund, Mr. Clifton stated that, with the recent real estate valuations, the association's request had decreased from \$70 million to \$20 million to stay in line with its target allocation to real estate.

Mr. Clifton reported that BlackRock had acquired BGI from Barclays for \$13.5 billion. He opined that the two firms will complement each other. He then said that Aberdeen has reported that twelve issues have been downgraded below investment quality. Mr. Clifton also said that ratings for the San Mateo County pool had just been published and received a high rating with low sensitivity to changes in interest rates.

0907.8.4 **County Counsel's Report:** Ms. Carlson reported that she attended the NAPPA conference. The conference discussed federal legal issues.

0907.9 **Report on Actions Taken in Closed Session:** None.

0907.10 **Adjournment in Memory of Deceased Members:** There being no further business, Ms. Jadallah adjourned the meeting at 3:52 p.m., in memory of the following deceased members:

Castolo, Cecilia	April 19, 2009	Beneficiary of Castolo, Rodrigo
Vojta, Rosemary	May 1, 2009	Chope Hospital
Horton, Rubelia	May 3, 2009	Family Support Division
Palmore, Georgina	May 4, 2009	San Mateo Medical Center
Kennelly, Joseph	May 6, 2009	Beneficiary of Kennelly, Jane
Woods, Margaret	May 8, 2009	Library
Johnson, Rosetta	May 11, 2009	Chope Hospital
Robinson, Catherine	May 15, 2009	Social Service
Mendell, Preston	May 18, 2009	Assessor
Gurevitz, Howard	May 19, 2009	Mental Health Services
Seid, Melvin	May 23, 2009	Health Dept.
Lemoine, LaVonne	May 26, 2009	Superior Court
Brown, Audrey	June 1, 2009	Beneficiary of Brown, Keith
Willard, Kelley	June 1, 2009	Sheriff's Office
Jones, Willie	June 2, 2009	Engineer-Road
Prehn, Henrietta	June 3, 2009	Social Service
Werder, Constance	June 6, 2009	Beneficiary of Werder, Ernest
Herz, Roger	June 10, 2009	Community Hospital
Brinkman, Harold	June 11, 2009	Beneficiary of Brinkman, Gertrude
Thomson, Nathalie	June 11, 2009	Human Services Agency

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Denning, Orlando	June 12, 2009	Building and Grounds
Murphy, Mary	June 15, 2009	Engineer
Cohen, Sandra	June 16, 2009	Human Resources
Ferrigno, Gary	June 24, 2009	San Mateo Medical Center
Arevalo, Mela Rose	June 25, 2009	Beneficiary of Trundle, Beverly
Lowder, Nina	June 29, 2009	Superior Court

MARGARET JADALLAH, CHAIR