

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

November 19, 2009

Agenda Item 3.0

October 27, 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](#)
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](#)
6. Investment Services
 - 6.1 [Monthly Portfolio Performance Report](#)
 - 6.2 [Annual Investment Manager Review – Barclays Global Investors](#)
(Interviewed by the Investment Committee at 9:15 a.m.)
 - 6.3 [Annual Investment Manager Review – INVESCO Realty Advisors – Core](#)
(Presentation at the Board)
 - 6.4 [Approval of Amendments to Barclays Global Investors' Management Agreement](#)
 - 6.5 [Acceptance of Report on Implementation of Angelo Gordon PPIP Fixed Income Strategy](#)
 - 6.6 [Approval of Semi-Finalists for a Fixed Income Treasury Inflation Protected Securities \(TIPS\) Manager Search](#)
 - 6.7 [Approval of Request For Proposal \(RFP\) for Investment Consultant Services](#)
7. Board & Management Support Services
 - 7.1 [Monthly Financial Report](#)
 - 7.2 [Acceptance of Auditors Reports on the Financial Audit for the Period ended June 30, 2009](#)
 - 7.3 [Annual Review of SamCERA's Independent Auditor – Brown Armstrong](#)
 - 7.4 [Distribution of SamCERA's Comprehensive Annual Financial Report for the Period Ended June 30, 2009](#)
 - 7.5 [Quarterly Budget Report](#)
 - 7.6 [Report on SamCERA's Request for Proposal for Audit Services](#)
 - 7.7 [Approve Topics for SamCERA's Board of Retirement Retreat to be Held January 25 & 26, 2010](#)
 - 7.8 [Discussion of Issues Planned for the Fall SACRS Business Meeting](#)
 - 7.9 [Approval to Cancel the December 22, 2009, Board of Retirement Meeting](#)
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](#)
- C2 [Conference with Legal Counsel – Anticipated Litigation - Initiation of litigation pursuant to subdivision \(c\) of Government Code Section 54956.9](#)
9. [Report on Actions Taken in Closed Session](#)
10. [Adjournment](#)

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October 27, 2009 – Board Minutes

0910.1 **Call to Order:** Ms. Jadallah, Chair, called the Public Session of the Board of Retirement to order at 1:05 p.m., October 27, 2009, in *SamCERA's* Board Room, 100 Marine Parkway, Suite 125, Redwood Shores, California.

0910.2.1 **Roll Call:** Ms. Arnott for Mr. Buffington, Mr. Bowler, Mr. David, Ms. Jadallah, Ms. Kwan Lloyd, Mr. Murphy for Ms. Stuart, Mr. Spinello and Ms. Tashman (arr 1:48 p.m.). *Excused:* Mr. Hooley. *Other Board Members in Attendance:* Ms. Salas. *Staff:* Mr. Bailey, Mr. Clifton, Ms. Dames, Mr. Hood, Ms. LeBlanc, Ms. Milan, Ms. Smith and Ms. Wong. *Consultants:* Ms. Carlson, Mr. Thomas, Dr. Fracchia and Mr. Brody. *Retirees:* 1, *Public:* 1.

0910.3 **Approval of the Minutes:** Ms. Arnott submitted the following correction to the minutes: 0909.4.2 L2: "...its officers, ~~not~~ and its Board of Directors have not had an opportunity..." **Motion** by Murphy, second by Bowler, carried unanimously to approve the minutes from the September 22, 2009, board meeting, as amended.

0910.4.1 **Oral Communications From the Board:** Ms. Kwan Lloyd reported that she attended the Investment Strategies and Portfolio Management Program at the Wharton School of Business. She said that the class was very educational and informative.

Mr. Arnott reported that the Ad Hoc Medical Advisor Review Committee met with Dr. Charles Fracchia, M.D., for his annual review. Mr. David, Mr. Murphy for Ms. Stuart, and Ms. Arnott, Chair, were present for the committee meeting. Ms. Arnott stated that the committee found that Dr. Fracchia has met the expectations as *SamCERA's* medical advisor and recommended that the board commend Dr. Fracchia for his role.

0910.4.2 **Oral Communications From the Public:** None.

0910.5 **Benefit & Actuarial Services**

0910.5.1 **Adoption of Consent Agenda:** **Motion** by Murphy, second by Kwan Lloyd, carried unanimously to approve the day's consent agenda, as submitted.

Disability Retirements: The board finds that **Stacey Bonilla** is unable to perform her usual and customary duties as a Deputy Sheriff/Bailiff, finds that her incapacity is permanent and **GRANTS** her application for a service-connected disability retirement.

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

Service Retirements:

Galvan, Ricarda	September 25, 2009	Superior Court
Pepe, Christine	September 28, 2009	Superior Court
Flagg, Maria	October 1, 2009	Superior Court
Morneau, Francis	October 1, 2009	Superior Court
Kantaris, Christina	October 1, 2009	Superior Court
Toschi, Karen	October 1, 2009	Superior Court

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Dowdy, Marcos	October 3, 2009	Sheriff's Office
Ferini, Andre	October 10, 2009	Def'd from Assessor's
Route, Rosalind	October 17, 2009	Behavioral Health
Chasey, Gene	October 31, 2009	Public Works
Crist, Jerome	October 31, 2009	Human Services Agency
Dell'Ara, Susan	October 31, 2009	Sheriff's Office
Holm, Carl	October 31, 2009	Def'd from District Attorney
Kauscha, Theresa	October 31, 2009	San Mateo Medical Center
Liu, Lee	October 31, 2009	Aging and Adult Services
Orbeta, Irene	October 31, 2009	Admin & Emergency Med
Wagner, Constance	October 31, 2009	Public Works
Windle, Jene	October 31, 2009	Sheriff's Office

Continuance of Benefits:

Hartnett, Lois	Beneficiary of Hartnett, Robert
Perritt, Lauren	Beneficiary of Perritt, Wade
Roeder, Lois	Beneficiary of Roeder, Harvey

Deferred Retirements:

Nguyen, Paul	G4 Vested	
Klein, Janice	G4 Vested	
Franchi, Don	G4 Vested	
Sharma, Kamlesh	G4 Vested	
Hirsch, Kathleen	G2 Vested	
Gallucci, Susan	G4 Vested	Reciprocity
Kleinhenz, Adam	G4	Reciprocity

Refunds:

Barraza, Omar	G4 Non-Vested
Campbell, Parry	G4 Non-Vested
Dunham, April	G4 Vested
Fidyk, Peter	G4 Vested
Garcia, Michael	G4 Non-Vested
Lovewell, Julie	G4 Non-Vested
Lyubimova, Yelena	G4 Non-Vested
McDonald, Sandra	G2 Non-Vested
Ortiz, Sylvia	3/ G4 Vested
Perez, Joanne	G4 Non-Vested
Pettee, William	Beneficiary of Carter, Todd
Rivera-Hancock, Nancy	G4 Non-Vested
Vetterli, Richard	G4 Non-Vested

Rollovers:

Bowen, Kimberly	G4 Non-Vested
Brown, Daniel	G4 Non-Vested
Deaton, Bethanne	G4 Non-Vested
Schader, Elizabeth	G4 Non-Vested
Sorrell, John	G4 Non-Vested
Williams-Vivian, Angela	G4 Non-Vested

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0910.5.2 **Consideration of Items Removed from Consent Agenda:** None.

0910.6 **Investment Services**

0910.6.1 **Monthly Portfolio Performance Report:** Mr. Clifton reported that *SamCERA*'s 3.48% Total Fund Return for September 2009 outperformed the Total Plan Policy Benchmark return of 3.39%. The outperformance is primarily due to the fixed income portfolios. *SamCERA*'s three bond portfolios substantially outperformed the Barclays Capital Aggregate Index. The fund's return for the trailing twelve months is -2.26, which is 1,001 basis points (bps) below the Actuarial Discount Rate, 7.75%, and 303 basis points below *SamCERA*'s Total Plan Policy Benchmark of 0.77%.

Mr. Clifton reported that SIS provided an update on Aberdeen's recent announcement that Dan Taylor, Senior Portfolio Manager, has decided to leave the firm effective June 30, 2010. Mr. Thomas stated that three out of the five professionals identified in 2008 have now left the firm. Ms. Jadallah suggested that *SamCERA* conduct a due diligence site visit to Aberdeen to confirm the association's view of its current status. Mr. Clifton said that Mr. David, Ms. Jadallah, SIS and himself will plan a visit to Aberdeen in mid-January, along with Angelo Gordon, *SamCERA*'s newly hired PPIP manager.

Asset Class	Market Value	1-Month	1-year TTWRR*	5-year TTWRR*
<i>Domestic Equity</i>	\$800,426,273	4.48%	-8.00%	0.42%
<i>International Equity</i>	392,954,844	4.73%	0.94%	7.60%
Total Equity	\$1,193,381,117	4.56%	-4.97%	2.30%
Fixed Income	461,463,770	1.86%	11.10%	3.83%
Real Estate Aggregate	110,601,490	-7.07%	-35.26%	2.89%
Cash Equivalents	22,968,814	0.07%	1.78%	2.40%
TOTAL FUND	\$1,788,381,003	3.00%	-2.72%	2.97%
<i>Benchmark</i>		3.19%	0.57%	4.34%

* Total Time-Weighted Rate of Return

0910.6.2 **Annual Investment Manager Review – Barclays Global Investors:** Mr. Clifton reported that the investment committee had met with Trey Heiskell and Marco Merz of Barclays Global Investors for the firm's annual review. Mr. Heiskell briefly discussed its acquisition by BlackRock and organizational changes. He also discussed small changes to transition management and security lending. Mr. Thomas reported that the committee asked several questions regarding security lending and said the liquidity issues from 2008 no longer exist. The collateral pool has more conservative guidelines in 2010 and there are no liquidity restrictions on the fund.

0910.6.3 **Annual Investment Manager Review – Invesco Realty Advisors – Core:** Max Swango and Bill Grubbs were present for Invesco's annual review. Mr. Swango gave a brief overview of Invesco's real estate business. Despite the decline in the valuation of assets, assets under management have remained the same relative to 2008 due to acquisition of new business. He also briefly discussed Invesco's acquisition of Morgan Stanley's retail asset-management business, including the Van Kampen unit. Mr. Swango stated that the acquisition does not

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impact Invesco's real estate business.

Mr. Grubbs discussed key points in the current U.S. real estate market. He noted that U.S. economic conditions have brought about unprecedented events and will continue to impact commercial real estate as a lagging asset class. He said that there is limited liquidity in real estate transaction markets. Mr. Grubbs also noted the rapid recognition of valuation changes. A 35% depreciation was recognized by ODCE over 5 quarters as of the second quarter of 2009. Comparatively, the same depreciation took 25 quarters to recognize in the early 1990's. Mr. Grubbs said that it is a very challenging time for all markets and property types. He added that job growth will be required for material recovery.

Mr. Grubbs then performed an overview of the portfolio's positioning, performance and future expectations. In terms of the redemption queue, several redemption requests have been rescinded due the declining valuations. Mr. Grubbs stated that the fund's main objectives are (1) performance, (2) balance sheet/operational flexibility and (3) ensure fund liquidity for debt maturities/paydowns, redemptions and new acquisitions. He briefly discussed the top asset management strategies for the current tough market environment. He said that real estate fundamentals will remain under pressure for the next several quarters. The fund has experienced a 31% (gross unlevered) decline in valuations through Q3 2009 and Invesco research projects total declines will range between 37% - 40%. Mr. Grubbs said that he is confident in the portfolio's current positioning.

Ms. Jadallah then took up agenda item 7.2.

0910.6.4 **Approval of Amendments to Barclays Global Investors' Management Agreement:** Mr. Clifton presented the amendment to the Amended and Restated Investment Management and Custody Agreement with Barclays Global Investors. The amendment extends the previous contract for a period of three (3) years beginning December 1, 2009, through November 30, 2012, with all terms and conditions to remain the same. The investment committee recommended board approval.

Motion by David, second by Bowler, carried unanimously to adopt **Resolution 09-10-05**, approving the amendments to Barclay Global Investors' IMA, as follows:

"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, Board Resolution 06-07-08 approved the Amended and Restated Investment Management and Custody Agreement between the Board and BGI for a term of three-years, effective November 30, 2006; and

"WHEREAS, the provisions of *SamCERA's Investment Plan*, BGI's Collective Investment

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Fund Guidelines and Investment Management Fees, including any amendment(s) thereto are incorporated into the agreement as Exhibit A, Exhibit B and Exhibit C respectively; and

“**WHEREAS**, the Board wishes to amend the November 30, 2006 Amended and Restated Investment Management and Custody Agreement for an additional term of three-years, beginning December 1, 2009 through November 30, 2012, with all terms and conditions to remain the same; and

“**WHEREAS**, County Counsel has approved the amendment as to form and the Chief Investment Officer has recommended approval of the amendment. Therefore, be it

“**RESOLVED** that the Board hereby approves an amendment to the Amended and Restated Investment Management and Custody Agreement dated November 30, 2006, which the Board may terminate on thirty days notice, with Barclays Global Investors for a term of three years. Be it further

“**RESOLVED** that the Board hereby delegates full discretionary authority to Barclays Global Investors to manage the assets of the Retirement Fund as allocated by the Board in accordance with the terms of the contract, the *Investment Plan*, 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 amendment to 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 contract and hereby authorizes the 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.”

- 0910.6.5 **Acceptance of Report on Implementation of Angelo Gordon PPIP Fixed Income Strategy:** Mr. Clifton reported that the investment committee reviewed the PPIP evaluation process with SIS and staff. At last month's meeting, the committee had narrowed the finalists to Alliance Bernstein and Angelo Gordon. Due to the timing of when the investment was scheduled to close, the board delegated further due diligence and selection of a provider to staff and SIS. Angelo Gordon was selected as the PPIP provider that would be utilized and negotiations for an agreement were begun. County Counsel referred the Angelo Gordon PPIP subscription documentation to Scott Smith of Hanson Bridgett. Mr. Clifton presented *SamCERA's* draft side letter with Angelo Gordon. The closing is scheduled for October 29th with a 5% capital call.

Without objection, Ms. Jadallah accepted the report.

- 0910.6.6 **Approval of Semi-Finalists for a Fixed Income Treasury Inflation Protected Securities (TIPS) Manager Search:** Mr. Clifton reported that the investment committee thoroughly discussed the pros and cons of each of the six semi-finalists that passed the screening process for the TIPS manager search. The committee recommended that the board select (1) Brown

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Brothers Harriman, (2) Standish Melon and (3) Wellington as the finalists.

Motion by David, second by Kwan Lloyd, carried unanimously to accept the investment committee's recommendation. The three managers will be interviewed in front of the board at its November meeting.

- 0910.6.7 **Approval of Request For Proposal (RFP) for Investment Consultant Services:** Mr. Clifton reported that the investment committee reviewed the RFP for Investment Consultant Services. Minor amendments to the RFP were made where appropriate. The RFP will be distributed to investment consulting firms with a significant public fund client base. The committee narrowed the list to receive the RFP and recommended that the board approve the issuance of the RFP.

Motion by Arnott, second by Bowler, carried unanimously to approve the issuance of the Public Pension Fund Investment Consultant RFP, as amended.

0910.7 **Board & Management Support Services**

- 0910.7.1 **Monthly Financial Report:** Mr. Clifton reported that *SamCERA's* Net Assets Held in Trust for Pension Benefits as of September 30, 2009, totaled \$1,794,656,150. Net assets held in trust for pension benefits increased by approximately \$60 million, month over month. Even though the market appears to be optimistic and net assets continue to appreciate, *SamCERA* is still down approximately \$95 million year over year.

Ms. Jadallah then took up agenda item 7.4.

- 0910.7.2 **Acceptance of Auditors Reports on the Financial Audit for the Period ended June 30, 2009:** Andrew Paulden of Brown Armstrong was present to discuss the auditor's reports for *SamCERA's* June 30, 2009, financial audit. He provided the board with a thorough overview of the June 30, 2009, audit process. Brown Armstrong rendered an unqualified ("clean") opinion on *SamCERA's* financial statements. Brown Armstrong recommended one agreed-upon finding which has been discussed with the appropriate members of management. All prior year findings have been resolved. No reportable conditions which would be considered material weaknesses were found.

Mr. Paulden also reviewed key elements in *SamCERA's* Comprehensive Annual Financial Report for the board.

Motion by David, second by Kwan Lloyd, carried unanimously to approve the auditor's reports for *SamCERA's* June 30, 2009, financial audit.

- 0910.7.3 **Annual Review of *SamCERA's* Independent Auditor – Brown Armstrong:** Andrew Paulden of Brown Armstrong was present for the firm's annual review. Mr. Paulden conducted a presentation of Brown Armstrong as an organization. He discussed its organizational structure, changes to management structure and public clients gained or lost recently. He also listed Brown Armstrong's available services, business philosophy and personnel changes to *SamCERA's* audit team. Mr. Paulden stated that an external peer review of Brown Armstrong's audit products is conducted every three years. An internal review is conducted on an annual basis. Brown Armstrong has also increased its liability insurance from \$5 million to \$10 million. Mr. Paulden concluded by discussing issues concerning other

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clients and trends in the retirement industry.

Mr. Clifton reported that the board and staff provided Brown Armstrong with high marks on the overall evaluation. Staff is pleased with the auditor's performance. Ms. Jadallah thanked Mr. Paulden for Brown Armstrong's audit services.

Ms. Jadallah then took up agenda item 6.4.

- 0910.7.4 **Distribution of *SamCERA*'s Comprehensive Annual Financial Report for the Period Ended June 30, 2009:** Mr. Clifton presented *SamCERA*'s Comprehensive Annual Financial Report (CAFR) for the period ended June 30, 2009.

Without objection, Ms. Jadallah accepted *SamCERA*'s Comprehensive Annual Financial Report for the period ended June 30, 2009.

- 0910.7.5 **Quarterly Budget Report:** Mr. Clifton presented the quarterly budget report for the period ended September 30, 2009. He reported that with 25% of the fiscal year completed, *SamCERA* has expended 19.2% of the appropriations. All major categories are under budget.

Mr. Clifton discussed the possibility of bringing back certain IT projects that were initially postponed due the decline in the association's assets. Such IT projects would be (1) digital imaging and (2) researching a new pension administration system. Mr. Bailey said that Linea Solutions will be hosting a conference in Marin County in November. The four major pension administration software firms will be in attendance.

***SamCERA*'s Administrative Budget**

	ADOPTED BUDGET	YTD Preliminary
Salaries & Benefits	\$2,287,000	\$ 443,300
Services & Supplies	\$1,459,100	\$ 313,300
Capital Assets	<u>\$ 200,000</u>	<u>\$ 0</u>
Total	\$3,946,100	\$ 756,627

The following provides a review of the line item asset management appropriations versus the preliminary expenditures. This budget encompasses *SamCERA*'s in-house expenditures, which are incurred when managing the association's assets. It currently includes the salary and benefits of the Chief Investment Officer, Retirement Investment Analyst and a percentage of the salary and benefits of the Chief Executive Officer, Assistant Executive Officer, and Finance Officer. It also includes overhead related to support of the investment functions.

***SamCERA*'s Asset Management Budget**

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	ADOPTED BUDGET	YTD Preliminary
Salaries & Benefits	\$ 555,000	\$ 83,000
Services & Supplies	\$ 186,500	\$ 34,700
Capital Assets	<u>\$ 0</u>	<u>\$ 0</u>
Total	\$ 741,500	\$ 117,700

The preliminary aggregate professional services fees as of September 30, 2009, are approximately 30.4 basis points. At the beginning of this fiscal year *SamCERA* converted a portion of BGI's index strategies to fundamental asset management, which resulted in an increase of approximately five basis points in overall management expense.

- 0910.7.6 **Report on *SamCERA*'s Request for Proposal for Audit Services:** Mr. Clifton provided a report on the Request for Proposal (RFP) for audit services. He recommended that the RFP be sent to five entities which currently provide audit services for members of the State Association of County Retirement Systems (SACRS) or California Association of Public Retirement Systems (CALAPRS).

Without objection, Ms. Jadallah accepted the report.

- 0910.7.7 **Approve Topics for *SamCERA*'s Board of Retirement Retreat to be Held January 25 & 26, 2010:** Mr. Bailey presented a draft agenda for the Board of Retirement Retreat early next year. He requested that trustees provide input to staff regarding plans for the January Retreat. Topics that will be discussed range from investments to disabilities and pension law to IT.

- 0910.7.8 **Discussion of Issues Planned for the Fall SACRS Business Meeting:** Mr. Bailey reviewed two issues that will be discussed at the SACRS Fall Conference business meeting: (1) proposed reciprocity legislation and (2) proposed SACRS bylaw changes. Mr. David is *SamCERA*'s voting delegate. Mr. Spinello is first alternate and Mr. Bailey is second alternate.

- 0910.7.9 **Approval to Cancel the December 22, 2009, Board of Retirement Meeting:** Mr. Bailey stated that the board has the authority to cancel a regular meeting per Article II, Regulation 2.4 of the Regulations of the Board of Retirement. The December board meeting, which, like all board meetings is held on the fourth Tuesday, would fall on December 22nd. Because the board usually cancels the December meeting, staff and consultants have altered their schedules to compensate for the change in the normal monthly workflow and to reduce delays in the processing of member issues. Staff recommends canceling the December meeting.

Mr. Bailey noted that the investment committee will meet in December to review responses to the RFP for investment consultant services.

Motion by Kwan Lloyd, second by Spinello, carried unanimously to approve the cancellation of the December 22, 2009, Board of Retirement meeting.

- 0910.8 **Management Reports**

- 0910.8.1 **Chief Executive Officer's Report:** Mr. Bailey provided a report on the possibility of online

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voting for future trustee elections. The negotiated price will be less than the costs of a paper ballot election. Staff will bring a vendor to the November meeting for a presentation. The meeting will be informational.

Mr. Bailey said that staff will be holding their annual retreat the following two days. Staff will focus on the customer service survey, workload data and developing the 2010 strategic plan.

Mr. Bailey reported that he has conducted presentations for the County, unions and other interested parties regarding the association's funded status and rising employer contribution rates.

- 0910.8.2 **Assistant Executive Officer's Report:** Mr. Hood reported that Ms. Smith, Ms. LeNguyen and he attended the NPEA 2009 conference. The conference had great speakers.

Mr. Hood then distributed a flyer for *SamCERA*'s upcoming Financial Knowledge Network courses. Representatives from Financial Knowledge Network joined *SamCERA* at the annual employee benefits fair.

- 0910.8.3 **Chief Investment Officer's Report:** Mr. Clifton reported that INVESCO has announced the acquisition of Morgan Stanley's retail asset-management business, including the Van Kampen fund unit. Mr. Clifton said that *SamCERA*'s allocation to real estate has dropped to 6.8% and is near the association's target real estate allocation. Staff will ask the board in November to rescind its redemption request from the INVESCO Core fund redemption queue. Mr. Clifton then reported on Western Asset Management's precautions against the H1N1 virus. Individuals entering WAMCO must have their thermal temperature taken in order to gain access to the building. Mr. Clifton also reported that he will be attending the INVESCO Client Conference with Ms. Dames in early November. *SamCERA* is a member of the INVESCO Core Fund Advisory Committee. Mr. Clifton and Mr. Bailey will also attend the BGI Client Conference in mid-November.

- 0910.8.4 **County Counsel's Report:** Ms. Carlson distributed a summary of 1937 Act related legislation that will be discussed at SACRS. Ms. Carlson will present the legislation in further detail at the Board Retreat in January. Ms. Carlson also reminded the trustees of rules regarding the reporting of gifts.

- 0910.9 **Report on Actions Taken in Closed Session:** Ms. Carlson reported that Ms. Jadallah convened the board in closed session at 4:40 p.m., with all trustees present for roll call in attendance.

The board discussed anticipated litigation - initiation of litigation pursuant to subdivision (c) of Government Code Section 54956.9, with counsel.

No reportable actions were taken.

Ms. Jadallah adjourned the closed session at 4:59 p.m.

- 0910.10 **Adjournment in Memory of Deceased Members:** There being no further business, Ms. Jadallah adjourned the meeting at 5 p.m., in memory of the following deceased members:

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Demma, Wendy	August 30, 2009	Probation
Yost, Harriet	September 2, 2009	Beneficiary of Yost, Ralph
Penna, Ida	September 5, 2009	Probation
Heick, Birdene	September 8, 2009	Hospital
Mcguire, Gloriette	September 8, 2009	Beneficiary of McGuire, Edward
Silva, Shirley	September 22, 2009	Purchasing
Roundsley, Betty	September 30, 2009	Accounting

MARGARET JADALLAH, CHAIR