

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

April 27, 2010

Agenda Item 3.0

March 30, 2010 – Board Agenda

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

1. [Call to Order and Roll Call](#)
2. Oral Communications
 - 2.1 [Oral Communications From the Board](#)
 - 2.2 [Oral Communications From the Public](#)
3. [Approval of the Minutes](#)
4. [Approval of the Consent Agenda](#)
5. Benefit & Actuarial Services
6. Investment Services
 - 6.1 [Monthly Portfolio Performance Report](#)
 - 6.2 [Quarterly Investment Performance Analysis for Period Ended December 31, 2009](#)
 - 6.3 [Select Fixed Income Finalists – Credit Opportunities Mandate](#)
 - 6.4 Investment Consultant Interviews –
 - 6.4a [NEPC \(New England Pension Consulting\)](#) (Set for 1:15 p.m. time certain.*)
 - 6.4b [Strategic Investment Solutions](#) - (Set for 2:15 p.m. time certain.*)
 - 6.5 [Introduction of Criteria for a Global Bond Search](#)
7. Board & Management Support Services
 - 7.1 [Monthly Financial Report](#)
 - 7.2 [Selection of SamCERA's Independent Auditor](#)
 - 7.2 a [Finalist Interview for Audit Services – Brown Armstrong Accountancy Corporation](#)
(Set for 9:15 a.m. time certain.*)
 - 7.2 b [Finalist Interview for Audit Services – Macias Gini & O'Connell, LLP](#)
(Set for 10:15 a.m. time certain.*)
 - 7.3 [Approval of SamCERA's Staffing Plan](#)
 - 7.4 [Status Report on SamCERA's 2010/2011 Budgets](#)
 - 7.5 [Acceptance of Report on Prepayment of the County's Contribution for FY 2010/2011](#)
 - 7.6 [Approval of SACRS Voting Delegate and Alternates; and Recommended Slate of Officers](#)
 - 7.7 [Approval of June 14, 2010, Trustee Election Plan](#)
 - 7.8 [Annual Review & Approval of Amendments to SamCERA's Conflict of Interest Code](#)
 - 7.9 [Approval of Securities Litigation Request for Proposals](#)
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 [Public Employee Performance Evaluation in accordance with Government Code section 54957](#)
[Title: Chief Executive Officer](#)
 - C3 [Conference with Legal Counsel – Existing Litigation in accordance with Government Code section 5495.9](#)
["San Mateo County Employees' Retirement Association v. IKB Deutsche Industriebank AG"](#)
9. [Report on Actions Taken in Closed Session](#)

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10. [Adjournment](#)

March 30, 2010 – Board Minutes

1003.1 **Call to Order:** Mr. David, Vice Chair, called the Public Session of the Board of Retirement to order at 9:05 a.m., March 30, 2010, in *SamCERA's* Board Room, 100 Marine Parkway, Suite 125, Redwood Shores, California.

Roll Call: Ms. Arnott for Mr. Buffington, Ms. Agnew (arr. 9:13 a.m.), Mr. Bowler, Mr. David, Ms. Kwan Lloyd, Mr. Murphy for Ms. Stuart, Mr. Spinello and Mr. Tashman. *Excused:* Ms. Jadallah. *Other Board Members in Attendance:* Ms. Salas. *Staff:* Mr. Bailey, Mr. Clifton, Ms. Dames and Mr. Hood. *Consultants:* Ms. Carlson. *Retirees:* 2, *Public:* 1.

1003.2.1 **Oral Communications From the Board:** Mr. Bowler reported that he attended the CALAPRS Stanford Trustee Training Program. He said the program was very intensive and highly recommended other trustees to register for the program. The CALAPRS Trustee Training Program is held once a year and is limited to a small number of registrants.

1003.2.2 **Oral Communications From the Public:** None.

1003.3 **Approval of the Minutes:** Ms. Arnott submitted the following changes to the minutes:

1002.5.1 Consent Agenda under Refunds L6: "Williams, Bedwendolyn".

Motion by Bowler, second by Arnott, carried unanimously to approve the minutes from the February 23rd and March 1st board meetings, as amended.

1003.4 **Approval of the Consent Agenda:** Mr. Bailey introduced the new format of the consent agenda. He noted the inclusion of agenda items in the 6.0 Investment Services series to the Consent Agenda and the new numbering system. Any items may be pulled from the Consent Agenda and be discussed according to their numerical order on the board agenda. Mr. Tashman said that staff should highlight any items that are worthy of note. Mr. Bailey said staff would not intend to place contentious items on the consent agenda.

Mr. David pulled the following items from the day's consent agenda to be taken up later in the board agenda:

- 6.12 Approval of Certificate of Compliance – Aberdeen Asset Management
- 6.18 On-site Due Diligence Report – Aberdeen Asset Management
- 6.20 Approval of Topics for Manager Review – Aberdeen Asset Management

Motion by Tashman, second by Murphy, carried unanimously to approve the day's consent agenda, as amended:

5.1 Disability Retirements:

- 5.1a Board finds that **Diana Talavera** is unable to perform her usual and customary duties as a Benefits Analyst; board further finds that her disability is non-service connected; board approves her application for a non-service connected disability retirement.

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5.2 Service Retirements:

Member Name	Effective Retirement Date	Department
Siegel, Catherine	December 31, 2009	Def'd from Human Services Agency
Hall, Ramona	January 1, 2010	Superior Court
Smith, Peter	January 9, 2010	Environmental Health
Strunin, Harold	January 10, 2010	Human Services Agency
Lawrence, Kelly	January 12, 2010	Tax Collector
Volanti, John	January 16, 2010	Def'd from San Mateo Medical
Noland, Gail	January 20, 2010	Assessor
McEvoy, Thomas	January 24, 2010	Sheriff's Office
Wilms, Mary	January 30, 2010	Human Services Agency
Ekhardt, Sandra	February 1, 2010	QDRO of Ekhardt, Jeffrey

5.3 Continuance of Benefits:

Member Name	Effective Retirement Date	Department
None		

5.4 Deferred Retirements:

Member Name	Retirement Plan Type	
Gallucci, Susan	G4 Non-vested	Reciprocity
Ugbaja, Chika	G4 Vested	
Khan, Salma	G4 Vested	

5.5 Member Account Refunds:

Member Name	Retirement Plan Type
Alvarado, Joe	G4 Non-vested
Bura, Marc	G4 Non-vested
Castro, Danielle	G4 Non-vested
Combs, Michelle	G4 Non-vested
Galindo, Daniel	G4 Non-vested
Grilli, Randal	G4 Non-vested
Scheiman, Stephen	G4 Non-vested
Woolsey, Valerie	G4 Non-vested

5.6 Member Account Rollovers:

Member Name	Retirement Plan Type
Barbara, Philip	S2 Non-vested
Solis, Carlos	G2 Non-vested
Spencer, Brent	G4 Non-vested

6.0 Investment Services

- 6.6 Approval of Certificate of Compliance – The Boston Company
- 6.7 Approval of Certificate of Compliance – Chartwell Investment Partners
- 6.8 Approval of Certificate of Compliance – Jennison Associates
- 6.9 Approval of Certificate of Compliance – Artio Global Investors

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- 6.10 Approval of Certificate of Compliance – Mondrian Investment Partners
- 6.11 Approval of Certificate of Compliance – Pyramis Management Trust Co.
- 6.13 Approval of Certificate of Compliance – Western Asset Management
- 6.14 On-site Due Diligence Report – Artio Global Investors
- 6.15 On-site Due Diligence Report – Angelo Gordon
- 6.16 On-site Due Diligence Report – D.E. Shaw
- 6.17 On-site Due Diligence Report – Jennison Associates
- 6.19 On-site Due Diligence Report – Brown Brothers Harriman
- 6.21 Approval of Topics for Manager Review – Pyramis Management Trust Co.
- 6.22 Approval of Topics for Manager Review – Western Asset Management

Mr. David then took up agenda item 7.2.

1003.5 **Benefit & Actuarial Services**

1003.6 **Investment Services**

- 1003.6.1 **Monthly Portfolio Performance Report:** *SamCERA's* 1.55% Total Fund Return for February 2010 slightly underperformed the Total Plan Policy Benchmark return of 1.73%. The fund's return for the trailing twelve months is 33.46%, which is 2,571 basis points (bps) above the Actuarial Discount Rate, 7.75%. However it is 554 basis points below *SamCERA's* Total Plan Policy Benchmark of 39.00%.

Asset Class	Market Value	1-Month	1-year TTWRR*	5-year TTWRR*
<i>Domestic Equity</i>	\$848,636,901	3.52%	57.03%	-0.48%
<i>International Equity</i>	<u>381,287,874</u>	-0.81%	47.34%	3.24%
Total Equity	\$1,229,924,775	2.14%	54.02%	0.46%
Fixed Income	497,981,995	0.62%	22.15%	4.50%
Real Estate Aggregate	106,113,595	0.00%	-32.20%	1.19%
Cash Equivalents	50,479,618	0.07%	1.20%	2.16%
TOTAL FUND	\$1,884,499,983	1.55%	33.46%	1.81%
<i>Benchmark</i>		1.73%	39.00%	3.26%

* Total Time-Weighted Rate of Return

Mr. Clifton said that *SamCERA* and Brown Brothers Harriman have been in negotiations and have finally agreed to the liability language in the TIPS mandate IMA. The agreement will be executed soon.

- 1003.6.2 **Quarterly Investment Performance Analysis for Period Ended December 31, 2009:** Mr. Thomas presented the quarterly investment performance for the period ended December 31, 2009. The composite fund returned 3.8% in the fourth quarter of 2009 and ranked 18th among other public funds greater than \$100 million (median of 3.4%). The fund beat its policy index (3.4%) during this time period. Longer term, the three and five-year returns of -3.6% (94th percentile) and 2.1% (90th percentile), respectively, were below median among large public plans (-1.4% and 3.2%).

The Association's fixed income managers performed well for the quarter. Aberdeen Asset

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Management (1.9%) led the Barclays Aggregate Index (0.2%) and ranked above the median core bond manager (0.9%). The Pyramis Broad Market Duration Fund gained 1.5% and ranked in the 25th percentile among core bond managers (median of 0.9%). Western Asset Management's quarter was above par, carrying a return of 2.5% and ranked ahead of the core bond manager median of 0.9%.

SamCERA's small cap managers also enhanced returns for the quarter. Jennison (6.4%) ranked in the 12th percentile among its small cap core peers (median of 5.0%) and led the Russell 2000 Index return of 3.9%. In its first full quarter, The Boston Company returned 5.0%, versus 3.6%, for the Russell 2000 Value Index and ranked in the 49th percentile among its peers (median 4.9%). Chartwell gained more value, 6.6%, than the Russell 2000 Index, 3.9%.

Fourth quarter results were hindered by the following factors: The INVESCO Core Real Estate-USA Fund returned -3.9% for the quarter, trailing the NCREIF Index (-2.1%) and the NCREIF ODCE (-3.5%), and ranked in the third quartile among real estate investments. In its first full quarter, BlackRock (7.0%) and AXA Rosenberg (5.9%) trailed their benchmarks, the Russell 1000 Growth Index (7.9%) and Russell 1000 Index (6.1%), respectively. BlackRock was hindered by its security selection in the Financials (MetLife, JP Morgan) and Healthcare (Amgen) sectors. AXA Rosenberg's negative performance attribution was derived from its intra-quarter trading and below-par returns from its Consumer Discretionary investments.

Mr. Thomas briefly discussed whether or not Aberdeen's dramatic underperformance during the downturn was acceptable. He noted that it was a wise decision to have waited and not terminate Aberdeen because the portfolio has had a significant bounce back in performance. However, much of the bounce bank was in commercial and residential mortgage-backed securities and a lot of those returns have now been captured.

- 1003.6.3 **Select Fixed Income Finalists – Credit Opportunities Mandate:** Mr. Thomas, Mr. Brody and Mr. Masarik of Strategic Investment Solutions were present to discuss the Credit Opportunities Manager Search. They provided a list of twelve firms who were asked to respond to the Credit Opportunities RFP covering fourteen strategies. Mr. Masarik reviewed the organizational and strategic details of each product.

Following extensive analysis and discussion, **Motion** by Agnew, second by Bowler, carried unanimously to select (1) Loomis Sayles: Credit Asset Fund, (2) Seix Investment Advisors: Credit Dislocation Strategy, (3) Brigade Capital Management: Opportunistic Credit Strategy and (4) GoldenTree Asset Management: High Yield Value Fund, as the finalists for the Credit Opportunities mandate. Interviews will be held at the April board meeting.

Mr. David then took up agenda item 6.5.

- 1003.6.4 **Investment Consultant Interviews:** Please see agenda item 6.4a and 6.4b for a summary of each interview.

Following the two interviews, the board discussed the pros and cons of both firms. Trustees discussed SIS' private equity manager search and due diligence process. The board opined that SIS's recommendation to invest in direct investments in private equity would be more likely to benefit *SamCERA* than NEPC's recommendation to invest in a private equity fund of

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funds. The board was also impressed with SIS' extensive private equity direct investment research and due diligence process. They also thought that the relative cost of SIS' private equity consulting services would save the Association a significant amount in private equity fees versus the proposal recommended by NEPC. Trustees liked NEPC's recommendation to decrease the fund's equity exposure as well as NEPC's continual educational process. Several trustees agreed that SIS is guiding the fund in the appropriate direction as shown by *SamCERA*'s recent implementation of the PPIP program and with credit opportunities and global fixed income manager searches under way.

Motion by Murphy, second by Bowler, carried unanimously to retain Strategic Investment Solutions as the Association's investment consulting firm. The Investment Committee will discuss the Investment Consultant performance review process and develop performance standards and guidelines to be incorporated into the Investment Consultant agreement.

- 1003.6.4a **NEPC (New England Pension Consulting):** Mr. Clifton re-introduced Carolyn Smith, Partner, and Don Stracke, Senior Consultant, of New England Pension Consultants (NEPC) for the firm's second round of interviews for *SamCERA*'s investment consulting services. Ms. Smith and Mr. Stracke provided a 45-minute presentation, providing in-depth answers to the board's supplemental questions.

Mr. David then took up agenda item 7.2b.

- 1003.6.4b **Strategic Investment Solutions:** Patrick Thomas, Senior Vice President; Jonathan Brody, Vice President; and Faraz Shooshani, Vice President, of Strategic Investment Solutions were present for the firm's second round of interviews for *SamCERA*'s investment consulting services. Mr. Thomas, Mr. Brody and Mr. Shooshani provided a 45-minute presentation, providing in-depth answers to the board's supplemental questions.

Mr. David then took up agenda item 7.8.

- 1003.6.5 **Introduction of Criteria for a Global Bond Search:** Mr. Thomas and Mr. Masarik introduced the preliminary search criteria and schedule for *SamCERA*'s global fixed income manager search. Finalist interviews are scheduled for August 2010.

Motion by Agnew, second by Spinello, carried unanimously to approve SIS' recommended search criteria and schedule for the global bond manager search.

- 1003.6.12 **Approval of Certificate of Compliance – Aberdeen Asset Management:** This agenda item was pulled from the day's consent agenda. In response to concerns from Ms. Agnew, Mr. Thomas referred to his discussion regarding Aberdeen during agenda item 6.1. The Investment Committee will review *SamCERA*'s fixed income structure within the next few months and recommend any appropriate changes to the full board. Following discussion, Ms. Agnew said she was comfortable with the three items (6.12, 6.18 and 6.20) pulled from the consent agenda.

Following extensive discussion, **motion** by Agnew, second by Bowler, carried unanimously to approve agenda items 6.12, 6.18 and 6.20.

- 1003.6.18 **On-site Due Diligence Report – Aberdeen Asset Management:** This agenda item was pulled from the day's consent agenda. Please see agenda item 6.12.

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- 1003.6.20 **Approval of Topics for Manager Review – Aberdeen Asset Management:** This agenda item was pulled from the day's consent agenda. Please see agenda item 6.12.

Mr. David then took up agenda item 7.9.

1003.7 **Board & Management Support Services**

- 1003.7.1 **Monthly Financial Report:** Mr. Clifton reported that *SamCERA's* Net Assets Held in Trust for Pension Benefits as of February 28, 2010, totaled \$1,882,055,395. Net assets increased by approximately \$21 million, month over month. Year over year, *SamCERA's* assets increased by approximately \$290 million. The increase is mainly attributed to the market appreciation of assets, although *SamCERA* also received ~\$131 million in employee and employer contributions year to date.

Mr. David then took up agenda item 8.1.

- 1003.7.2 **Selection of *SamCERA's* Independent Auditor:** Please see agenda item 7.2a and 7.2b for a summary of each interview.

Following the two interviews and discussion, **motion** by Murphy, second by Kwan Lloyd, carried unanimously to retain Brown Armstrong as the Association's auditor.

- 1003.7.2a **Finalist Interview for Audit Services – Brown Armstrong Accountancy Corporation:** Mr. Clifton re-introduced Andrew Paulden, Partner, of Brown Armstrong Accountancy Group. Mr. Paulden provided a 45-minute presentation on the firm's audit services and answered trustees questions and concerns.

Mr. David then took up agenda item 7.3.

- 1003.7.2b **Finalist Interview for Audit Services – Macias Gini & O'Connell, LLP:** Mr. Clifton presented Richard A. Green, Partner; Debbie Chan, Senior Manager; Joe Earl, Senior Associate; and Greg Matayoshi, EDP Consultant, of Macias Gini & O'Connell, LLP of Macias Gini & O'Connell, LLP (MGO). MGO provided a 45-minute presentation on their audit services and answered trustee questions and concerns.

Mr. David then took up agenda item 6.4b.

- 1003.7.3 **Approval of *SamCERA's* Staffing Plan:** Mr. Bailey said that the last time the board reviewed *SamCERA's* Staffing Plan was in 2006. He reviewed the projects that had been delayed due to budget restrictions. Mr. Bailey also discussed the various areas of increased workload, current and future, due to the implementation of new IRS rules, proposals and/or changes to retirement benefits as a result of the county's structural budget deficit and other increased administrative complexities.

He said staff will likely recommend two additional positions: (1) A communications assistant who will be in charge of all newsletters, website, forms and all other publications, and (2) an administrative assistant that will provide all administrative support for the board, CEO, CIO and other management. These duties are currently being performed by staff with other

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primary responsibilities. The addition of these two new positions would allow staff to concentrate on their principal duties. Mr. Tashman said *SamCERA* should be mindful of the current economic environment and county lay-offs when researching the possibility of adding positions.

A detailed report on *SamCERA*'s Staffing Plan will be brought to the board at the next meeting.

1003.7.4 **Status Report on *SamCERA*'s 2010/2011 Budgets:** Mr. Clifton provided a status report on *SamCERA*'s Budget for Fiscal Year 2010/2011. He said that *SamCERA* is in its early stages of preparing next year's budget. The 1937 Act stipulates how much the Association can spend on expenses, up to 23 basis points of total assets. Last fiscal year, *SamCERA* along with many of its peers, separated asset management-related expenses from its administrative budget. There are three different budgets: (1) administrative, (2) professional and (3) asset management. Mr. Clifton briefly discussed the various expenses among the three budgets.

1003.7.5 **Acceptance of Report on Prepayment of the County's Contribution for FY 2010/2011:** Mr. Clifton provided the report on the Prepayment of the County's Contribution for Fiscal year 2010/2011. He reported that the county's contribution for the upcoming fiscal year is \$151,297,248. The calculated amount of the advance prepayment is due on July 2, 2010. This contribution is a significant increase over the estimated contribution of \$107 million for the current fiscal year.

1003.7.6 **Approval of SACRS Voting Delegate and Alternates; and Recommended Slate of Officers:** Mr. Bailey presented the *SamCERA* board and staff attendees to the SACRS Spring 2010 Conference. The highest ranking board officer who will attend the conference is normally selected as the voting delegate.

Mr. Bailey also presented the recommended slate of officers for the SACRS Board of Directors. The elections will be held at the spring conference business meeting.

Motion by Arnott, second by Kwan Lloyd, carried unanimously to approve the recommended slate of officers.

Motion by Tashman, second by Kwan Lloyd to authorize Al David, Vice Chair, as Voting Delegate; David Spinello, Trustee, as the First Delegate Alternate; and Alma Salas, Alternate Safety Trustee, as the Second Delegate Alternate to cast *SamCERA*'s votes at the SACRS Spring 2010 conference.

Mr. David then took up agenda item 6.1.

1003.7.7 **Approval of June 14, 2010, Trustee Election Plan:** David Tom of the County's Election Division was present to discuss and highlight the changes with Internet voting for the June 14th trustee election.

Active members will be sent information for voting via the Internet. These members will also be able to request a paper ballot and opt-out of Internet voting. Whereas, retired members will receive a paper ballot in the mail and will be able to opt-in for Internet voting. Mr. Tom said that, as usual, Elections staff will audit all results, also ensuring that individuals do not vote twice using both methods. The voting system will be programmed to give Internet votes

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precedence. Providing flexibility in voting will support the goal of greater participation in the upcoming trustee election. Notices will be distributed to members prior to the election to inform them of the introduction of Internet voting. Mr. Hood then presented the plan and timeline for the upcoming June 14th trustee election. He said that the changes to voting will not affect *SamCERA* staff's workload.

Motion by Murphy, second by Spinello, carried unanimously to approve the June 14, 2010, Trustee Election Plan.

Mr. David then took up agenda item 6.4a.

- 1003.7.8 **Annual Review & Approval of Amendments to *SamCERA's Conflict of Interest Code*:** Ms. Carlson presented the amendments to *SamCERA's* Conflict of Interest Code, including the recommendation to change the trustees' filing status from Government Code §87100 to §87200 when completing the annual FPPC Form 700 Statements of Economic Interests. Mr. Bowler said he learned that trustees from other retirement systems are also becoming §87200 filers from the CALAPRS Stanford course he recently attended. Ms. Carlson noted that the amendments will not be effective until the 2011 filing.

Motion by Agnew, second by Kwan Lloyd, carried unanimously to approve the amendments to **Resolution 98-99-15**, *SamCERA's* Conflict of Interest Code, 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.*

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"List of Designated Positions in the San Mateo County Employees' Retirement Association and Financial Disclosure Categories

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“Each person holding any position listed below must file statements disclosing the kinds of financial interest shown for the designated employee’s position. Statements 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.

	Disclosure Category
“Trustees and Alternate Trustees	*
Chief Executive Officer	*
Chief Investment Officer	*
“Designated Employees	Disclosure Category
Investment and Finance Manager	1,2,3,4
“Assistant Executive Officer	1,2,3,4
“Consultants**	1,2,3,4
County Counsel Acting As Chief Counsel to the Board	1,2,3,4
Actuary	1,2,3,4
Investment Managers	1,2,3,4

“* The Trustees, Alternate Trustees, Chief Executive Officer, and Chief Investment Officer must file Statements of Economic Interest in accordance with Government Code Section 87200 et seq and California Code of Regulations, Regulation 18701 (b) with respect to all disclosure categories: However, the original statements will be filed with SamCERA and with a copy to County Clerk. The County Clerk does not need to forward the Statement of Economic Interest to the Fair Political Practices Commission.

“**In addition to the consultants listed, the Chief Executive Officer, after consultation with the County Counsel, shall review the duties and authority of all consultants retained by San Mateo County Employees’ Retirement Association. Those consultants who, within the meaning of. California Code of Regulations 18700 (a)(2) are required to file statements of economic interests, shall do so.

“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.

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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, Angelo Gordon, Artio Global Investors, AXA Rosenberg Investment Management LLC, Barrow Hanley Mewhinney & Strauss, Inc., BlackRock Capital Management, Inc., Brown Brothers Harriman, 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 annual disclosure Form 700s to all trustees and all individuals in the *Designated Positions*. Each individual receiving said form 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. 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.”

Mr. David then took up agenda item C3.

1003.7.9 **Approval of Securities Litigation Request for Proposals:** Mr. Bailey briefly discussed the outline of the Securities Litigation Request for Proposals. Staff will have a completed RFP for the board’s approval at the next board meeting.

Mr. David then took up agenda item 7.1.

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1003.8 **Management Reports**

1003.8.1 **Chief Executive Officer's Report:** Mr. Bailey said that the county is in the process of offering retirement enhancements to a number of positions in the county, proposing one additional year of service credit to the individuals if they retire by a certain deadline. These positions will eventually be eliminated. Mr. Hood said there are approximately sixty-five individuals that were offered this enhancement. *SamCERA* is working with its actuary, Milliman, Inc., to develop a calculator to determine the associated costs of the additional year of service credit offered in the enhancement. The county will then transfer the amount due to *SamCERA* for the extra cost of the individuals who accept the offer. Mr. Bailey distributed a sample letter that was sent to a group of employees regarding the enhancement offer.

1003.8.2 **Assistant Executive Officer's Report:** Mr. Hood distributed a flyer for the upcoming *SamCERA*-sponsored financial education classes taught by Financial Knowledge Network. He also said that he will be participating in the CALAPRS Management Academy which is a series of classes aimed at management staff that takes place over several months.

1003.8.3 **Chief Investment Officer's Report:** Mr. Clifton reported that Angelo Gordon issued another capital call request. *SamCERA* has funded approximately 52% of its \$35 million total capital commitment in the Angelo Gordon PPIP fund.

Mr. Clifton then reported that he received an e-mail regarding INVESCO's Core Portfolio Manager, Bill Grubbs. Earlier in the month, *SamCERA* was notified that Mr. Grubbs accepted an offer to work at another real estate firm in his hometown of Denver, Colorado. Last week, *SamCERA* received an e-mail from Mr. Grubbs indicating his decision to no longer leave INVESCO.

Mr. Clifton said that the San Diego County Employees' Retirement Association had outsourced its Chief Investment Officer position and is now also planning to outsource other investment staff positions. Mr. Clifton said that, although outsourcing such positions is something new in the public sector, some endowments have been doing it for quite some time.

Mr. David then took up agenda item C2 in closed session.

1003.8.4 **County Counsel's Report:** None.

1003.9 **Report on Actions Taken in Closed Session:**

(C2) First Closed Session:

Mr. David reported that he took the board meeting into closed session at 12:38 p.m., with all trustees present for roll call in attendance. The board met in closed session for the Public Employee Performance Evaluation in accordance with Government Code section 54957 Title: Chief Executive Officer.

No action was taken.

Mr. David commended Mr. Bailey for his services as CEO and adjourned the closed session and took up agenda item 7.7.

San Mateo County Employees' Retirement Association
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(C3) Second Closed Session:

Ms. Carlson reported that Mr. David took the board meeting into closed session at 4:45 p.m., with all trustees present for roll call, except for Ms. Arnott, in attendance. The board met in closed session for conference with legal counsel regarding Existing Litigation in accordance with Government Code section 5495.9 "San Mateo County Employees' Retirement Association v. IKB Deutsche Industriebank AG".

No action was taken.

Mr. David adjourned the closed session and took up agenda item 6.4.

1003.10 **Adjournment in Memory of Deceased Members:** There being no further business, Mr. David adjourned the meeting at 5:30 p.m., in memory of the following deceased members:

LEIGH, HERMAN
MELLO, EUGENE

JANUARY 31, 2010
FEBRUARY 2, 2010

COUNTY COUNSEL
BUILDING & GROUNDS
MAINTENANCE
LIBRARY
BOARD OF SUPERVISORS

DAVIS, JEAN
VONDRACEK, SHIRLEY

FEBRUARY 24, 2010
FEBRUARY 27, 2010

AL DAVID, VICE CHAIR