

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

January 25, 2010

Agenda Item 3.0

**December 14, 2010 – Board Agenda**

**PUBLIC SESSION** – The Board will meet in Public Session at 1 p.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

(Any items removed from the Consent Agenda for discussion will be inserted into the Regular Agenda and considered in the order chosen by the board chair.)

  - Disability Retirements
    - Kathleen Parkin
    - Kamlesh Singh
    - In the Matter of The Disability Application of Loretta Keenan – Ratification of Subpoena Issuance
  - Service Retirements
  - Continuances
  - Deferred Retirements
  - Member Account Refunds
  - Member Account Rollovers
5. Benefit & Actuarial Services
  - 5.1 Consideration of Benefit & Actuarial Items Removed from the Consent Agenda
6. Investment Services
  - 6.1 Monthly Portfolio Performance Report
  - 6.2 Quarterly Investment Performance Analysis for Period Ended September 30, 2010
  - 6.3 Investment Manager Interviews – Risk Parity Mandate
    - 6.3 a AQR Capital Management: Global Risk Premium Strategy 10% Volatility  
(Board Interview at 9:30 a.m.)
    - 6.3 b Bridgewater Associates: All Weather Strategy  
(Board Interview at 10:30 a.m.)
    - 6.3 c PanAgora Asset Management: Risk Parity  
(Board Interview at 11:30 a.m.)
  - 6.4 Investment Management Agreement – Franklin Templeton
  - 6.5 Semi-Annual Capital Market & Inflation Assumption Review
7. Board & Management Support Services
  - 7.1 Monthly Financial Report
  - 7.2 Amendment to Regulations Regarding Purchase of Credit for Public Service
  - 7.3 Amendment to Regulations Regarding Disability Retirements
  - 7.4 Approval of Board/Staff Retreat Agenda – Retreat Scheduled for March 2011
  - 7.5 Appointment of the Chief Executive Officer Review Committee
  - 7.6 Approval of Policy Regarding Securities Litigation & Lead Plaintiff Status
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 disability items, if any, removed from the Consent Agenda and appropriate for closed session
9. Report on Actions Taken in Closed Session

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10. Adjournment

**December 14, 2010 – Board Minutes**

1012.1 **Call to Order:** Mr. David, Chair, called the Public Session of the Board of Retirement to order at 9:03 a.m., December 14, 2010, in *SamCERA's* Board Room, 100 Marine Parkway, Suite 125, Redwood Shores, California.

**Roll Call:** Ms. Arnott for Mr. Buffington, Ms. Agnew, Mr. Bowler (arr. 9:10 a.m.), Mr. David, Mr. Hackleman (dep. 2:25 p.m.), Ms. Kwan Lloyd, Mr. Spinello (dep. 3 p.m.) and Mr. Tashman (arr. 9:07 a.m, dep. 2:50 pm.). *Other Board Members in Attendance:* Ms. Salas for Mr. Hackleman (2:25 p.m.). *Staff:* Mr. Bailey, Mr. Hood, Ms. Dames, Mr. Clifton, Ms. Smith, Ms. LeBlanc and Ms. Wong. *Consultants:* Ms. Carlson, Dr. Fracchia, Mr. Brody and Mr. Thomas. *Retirees:* 0, *Public:* 0.

1012.2.1 **Oral Communications From the Board:** Mr. Spinello reported that he attended the IFEBP Annual Benefits Conference and found the sessions very informational. Ms. Arnott also attended the conference and highlighted a session that discussed options for benefits and retirement tiers. She appreciated the opportunity to attend the IFEBP Benefits conference, which she considers an outstanding educational conference. Ms. Kwan Lloyd found the session on alternative investments and risks of leverage very informative. Mr. Hackleman was a guest speaker at the conference and offered a copy of all presentation slides to staff and trustees. Ms. Agnew also attended the IFEBP Masters Trustees Program before the conference and found it educational. She also attended the SACRS Fall Conference and thought that the chance to meet with other 1937 Act county retirement systems makes SACRS a great and unique opportunity for trustees.

Mr. David then reported that Mr. Murphy's wife, Marjorie, recently passed away and honored her memory.

1012.2.2 **Oral Communications From the Public:** None.

1012.3 **Approval of the Minutes: Motion** by Spinello, second by Kwan Lloyd, carried unanimously to approve the minutes from the October 26, 2010, board meeting, as submitted.

Mr. David then took up agenda item 6.1.

1012.4 **Approval of the Consent Agenda:** Mr. David removed the disability applications of Kathleen Parkin (Bailey) and Kamlesh Singh (Agnew) from the consent agenda to be taken under consideration in closed session. **Motion** by Spinello, second by Kwan Lloyd, carried unanimously to approve the day's consent agenda, as amended. Mr. Hackleman recused himself from voting in the matter of the disability application of Loretta Keenan.

**Disability Retirements:**

The board ratified the issuance of subpoena in the matter of the disability application of Loretta Keenan.

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**Service Retirements:**

<b>Member Name</b>	<b>Effective Retirement Date</b>	<b>Department</b>
Anderson-Potts, Rebecca	September 4, 2010	Public Health
Chavez, Cynthia	September 4, 2010	Def'd from Child Support
Granucci, James	September 8, 2010	Sheriff's Office
Minuti, Charles	September 8, 2010	Def'd from Communications
Hebert, Michelle	September 9, 2010	Def'd from San Mateo Medical
Ashton, Charles	September 10, 2010	Def'd from Library
James, Alice	September 10, 2010	Human Services Agency
Wilson, Julia	September 10, 2010	Family Health
Celaya, Patricia	September 13, 2010	Probation
Brackinridge, Eugene	September 14, 2010	QDRO of Sandra Alexander
Shortz, Claudia	September 16, 2010	Def'd from Superior Court
McCoy, Lori	September 20, 2010	Def'd from Human Resource
Pines, Deborah	September 22, 2010	Def'd from San Mateo Medical
Wilson, Brent	September 22, 2010	Public Works
Hernandez, Simon	September 23, 2010	Def'd from San Mateo Medical
Fernandez, Maria	September 25, 2010	Superior Court
Preston, Rena	September 30, 2010	Def'd from District Attorney
McLaughlin, Dennis	October 1, 2010	Def'd from San Mateo Medical
Radcliffe, Robert	October 1, 2010	Public Works
Gurney, Ruth	October 6, 2010	Def'd from Mental Health
Buckmaster, Jaime	October 13, 2010	Def'd from Human Services
McKinney, Janet	October 15, 2010	Def'd from Revenue Services
Gonzalez, Manuel	October 18, 2010	San Mateo Medical Center
Lopez, Rebecca	October 23, 2010	San Mateo Medical Center
Charan, Daya	October 25, 2010	San Mateo Medical Center
Collins, Bruce	October 30, 2010	Probation
Tolden, William	October 30, 2010	Aging and Adult Services

**Continuance of Benefits:**

<b>Member Name</b>	<b>Beneficiary of:</b>
Evans, Myriam	Evans, James
Hendrick, Andrea	Hendrick, Hugh
Ng, Newman	Ng, Christine
San, Beverly	Sans, William
Van Cantfort, Marilyn	Van Cantfort, Rollin
Washkuhn, Margaret	Washkuhn, Jack

**Deferred Retirements:**

<b>Member Name</b>	<b>Retirement Plan Type</b>	
Billingsley, Randall O.	G4-Vested	Reciprocity
Fermin Casteneda,	G4-Vested	Reciprocity
Lawton, Vanessa G.	G4-Vested	
O'Malley-Riley, Marsi	G4-Vested	

**Member Account Refunds:**

<b>Member Name</b>	<b>Retirement Plan Type</b>
Delisle, Jennifer	G4 Non-vested

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Pauli, Ana	G4 Vested
Pineda, Juan	G4 Vested
Reinhart, Charles	G4 Non-vested

**Member Account Rollovers:**

<b>Member Name</b>	<b>Retirement Plan Type</b>
Jani, Farisha	G4 Non-vested
Perry, Joseph	Beneficiary of Perry, Cindy
Rogers, Kathleen	G4 Vested

Mr. David then took up agenda item 6.3.

**1012.5 Benefit & Actuarial Services**

**1012.5.1 Consideration of Benefit & Actuarial Items Removed from the Consent Agenda:** Please see agenda item 9.0 for reports on actions taken in closed session.

**1012.5.2 Approval of an Amendment to Resolution 10-11-03, Fiscal Year 2011-2012 Employer and Employee Contribution Rates:** Ms. Wong reported that when the board elected to retain the current employer rates from FY 2010-2011 to FY 2011-2012 during the September board meeting, the breakdown between Normal Cost and Unfunded Actuarial Liability was different than originally reported in the valuation study. The following amendment allocates Employer Contributions to the appropriate reserve accounts.

**Motion** by Spinello, second by Salas, carried unanimously to approve the amendment to Resolution 10-11-03, as follows:

**“WHEREAS**, Government Code §31453 mandates the periodic actuarial valuation of the Retirement Fund and requires that the Board...”*shall, at least 45 days prior to the beginning of the succeeding fiscal year, recommend to the Board of Supervisors such changes in the rates of interest, in the rates of contributions of members, and in the county and district appropriations as are necessary...*” and

**“WHEREAS**, the County of San Mateo and its bargaining units have entered into agreements to enhance benefit formulas contingent on supplementing basic member contribution rates with cost sharing percentages and those benefit formulas and cost sharing percentages are assumed to continue, and

**“WHEREAS**, the Board has received and accepted the June 30, 2010, valuation report from its actuarial firm, Milliman, Inc., and

**“WHEREAS**, Milliman, Inc. expects the employer contribution rate to escalate significantly in the years following 2011-12 as all the losses of the 2007-08 and 2008-09 fiscal years are fully recognized in the actuarial process, and

**“WHEREAS**, maintaining payment of the 2010-11 employer rates will lower the level of expected future increases and help keep *SamCERA* on a path toward greater fiscal strength, and

**“WHEREAS**, the Chief Executive Officer has recommended, in agreement with Milliman, Inc.,

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the contribution rates necessary to assure the actuarial soundness of the Retirement Fund,

*Therefore, be it*

**“RESOLVED** that the Board hereby accepts the employer and member contribution rates as set forth below for the fiscal year 2011-2012.

*Be it further*

**“RESOLVED** that the Board recommends that the Board of Supervisors adopt the recommended employer contribution rates for fiscal year 2011-2012 for the County of San Mateo, the San Mateo Superior Court and the San Mateo County Mosquito & Vector Control District in accordance with the following schedule, as a percentage of covered salaries, effective July 1, 2011:

	<u>Tier 1</u>	<u>Tier 2</u>	<u>Tier 3</u>	<u>Tier 4</u>
<b>“COUNTY OF SAN MATEO AND SAN MATEO SUPERIOR COURT</b>				
<b><u>General Member Rates:</u></b>				
Employer Normal Cost				
	11.18%	10.83%	7.81%	9.79%
Contribution to Unfunded Actuarial Accrued Liability	<u>18.26%</u>	<u>18.51%</u>	<u>18.39%</u>	<u>18.42%</u>
<b>Total General Member Rates</b>	<b>29.44%</b>	<b>29.34%</b>	<b>26.20%</b>	<b>28.21%</b>
<b><u>Safety Member Rates:</u></b>				
Employer Normal Cost				
	25.55%	20.31%	none	18.06%
Contribution to Unfunded Actuarial Accrued Liability	<u>50.65%</u>	<u>51.94%</u>	<u>none</u>	<u>52.03%</u>
<b>Total Safety Member Rates</b>	<b>76.20%</b>	<b>72.25%</b>		<b>70.09%</b>
<b><u>Probation Member Rates:</u></b>				
Employer Normal Cost				
	24.36%	22.13%	none	18.88%
Contribution to Unfunded Actuarial Accrued Liability	<u>23.95%</u>	<u>23.90%</u>	<u>none</u>	<u>23.86%</u>
<b>Total Probation Member Rates</b>	<b>48.31%</b>	<b>46.03%</b>		<b>42.74%</b>
 <b>SAN MATEO COUNTY MOSQUITO &amp; VECTOR CONTROL DISTRICT</b>				
<b><u>General Member Rates:</u></b>				
Employer Normal Cost				
	10.76%	16.52%	none	10.93%
Contribution to Unfunded Actuarial Accrued Liability	<u>18.26%</u>	<u>18.51%</u>	<u>none</u>	<u>18.42%</u>
<b>Total General M&amp;VCD Member Rates</b>	<b>29.02%</b>	<b>35.03%</b>		<b>29.35%</b>

*Be it further*

**“RESOLVED** that the Board of Retirement hereby recommends that the Board of Supervisors adopt the recommended basic entry age member contribution rates for the County of

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San Mateo, the San Mateo Superior Court and the San Mateo County Mosquito & Vector Control District in accordance with the schedule set forth in the attachment entitled *Basic Member Contribution Rates*, as a percentage of covered salaries, effective July 1, 2011. "Cost sharing" percentages are member contributions in addition to the basic rates. They are not included in the *Basic Member Contribution Rates* table, but are assumed to continue at their current levels in the valuation assumptions. These cost sharing percentages are for San Mateo County and Superior Court employee members in Plans 1, 2 and 4 and are as follows:

General Members: 3.0%.

Safety Members (except Deputy Sheriffs): 5.0%.

Safety Members (Deputy Sheriffs only): varying rates based on age and service.

If age 45 or older: 4.5%.

If age is less than 45 and:

- Service is less than 5 years: 3.0%.
- Service between 5 & 15 years: 3.5%.
- Service is more than 15 years 4.5%.

Probation Members: 3.5%.

*Be it further*

**“RESOLVED** that the Chief Executive Officer is hereby authorized to transmit these rates and recommendations to the Board of Supervisors and to take all actions necessary to provide for their implementation effective July 1, 2011.

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**Basic Member Contribution Rates**

Entry	Age *	<u>General (County and Court)</u>		<u>General (SMCM&amp;VCD)</u>		<u>Probation</u>		<u>Safety</u>	
		Plans 1&2	Plan 4	Plans 1&2	Plan 4	Plans 1&2	Plan 4	Plans 1&2	
16		5.12%	4.90%	5.12%	4.90%	5.55%	5.31%	6.93%	6.64%
17		5.21%	4.99%	5.21%	4.99%	5.65%	5.41%	7.06%	6.76%
18		5.31%	5.08%	5.31%	5.08%	5.75%	5.51%	7.19%	6.88%
19		5.41%	5.18%	5.41%	5.18%	5.86%	5.61%	7.32%	7.01%
20		5.51%	5.27%	5.51%	5.27%	5.96%	5.71%	7.45%	7.14%
21		5.61%	5.37%	5.61%	5.37%	6.07%	5.81%	7.59%	7.27%
22		5.71%	5.47%	5.71%	5.47%	6.18%	5.92%	7.73%	7.40%
23		5.82%	5.57%	5.82%	5.57%	6.30%	6.03%	7.87%	7.53%
24		5.92%	5.67%	5.92%	5.67%	6.41%	6.14%	8.01%	7.67%
25		6.03%	5.78%	6.03%	5.78%	6.53%	6.25%	8.16%	7.81%
26		6.14%	5.88%	6.14%	5.88%	6.64%	6.36%	8.31%	7.95%
27		6.25%	5.99%	6.25%	5.99%	6.76%	6.48%	8.46%	8.10%
28		6.37%	6.10%	6.37%	6.10%	6.89%	6.59%	8.61%	8.24%
29		6.48%	6.21%	6.48%	6.21%	7.01%	6.71%	8.77%	8.39%
30		6.60%	6.32%	6.60%	6.32%	7.14%	6.84%	8.93%	8.55%
31		6.72%	6.43%	6.72%	6.43%	7.27%	6.96%	9.09%	8.70%
32		6.84%	6.55%	6.84%	6.55%	7.40%	7.09%	9.26%	8.86%
33		6.97%	6.67%	6.97%	6.67%	7.54%	7.22%	9.43%	9.03%
34		7.09%	6.79%	7.09%	6.79%	7.68%	7.36%	9.60%	9.19%
35		7.22%	6.91%	7.22%	6.91%	7.83%	7.49%	9.78%	9.37%
36		7.35%	7.04%	7.35%	7.04%	7.98%	7.63%	9.97%	9.54%
37		7.49%	7.17%	7.49%	7.17%	8.13%	7.77%	10.16%	9.71%
38		7.63%	7.30%	7.63%	7.30%	8.28%	7.90%	10.35%	9.88%
39		7.77%	7.44%	7.77%	7.44%	8.43%	8.04%	10.53%	10.05%

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40	7.92%	7.58%	7.92%	7.58%	8.57%	8.17%	10.72%	10.21%
41	8.07%	7.72%	8.07%	7.72%	8.72%	8.29%	10.90%	10.36%
42	8.22%	7.86%	8.22%	7.86%	8.86%	8.40%	11.07%	10.50%
43	8.37%	8.00%	8.37%	8.00%	8.99%	8.50%	11.23%	10.63%
44	8.52%	8.13%	8.52%	8.13%	9.10%	8.59%	11.38%	10.74%
45	8.67%	8.26%	8.67%	8.26%	9.21%	8.66%	11.52%	10.83%
46	8.82%	8.38%	8.82%	8.38%	9.30%	8.70%	11.63%	10.88%
47	8.96%	8.50%	8.96%	8.50%	9.37%	8.70%	11.71%	10.88%
48	9.09%	8.60%	9.09%	8.60%	9.40%	9.01%	11.75%	11.26%
49	9.21%	8.69%	9.21%	8.69%	9.40%	9.34%	11.75%	11.68%
50	9.32%	8.76%	9.32%	8.76%	9.40%	9.34%	11.75%	11.68%
51	9.41%	8.80%	9.41%	8.80%	9.40%	9.34%	11.75%	11.68%
52	9.48%	8.80%	9.48%	8.80%	9.40%	9.34%	11.75%	11.68%
53	9.51%	9.11%	9.51%	9.11%	9.40%	9.34%	11.75%	11.68%
54	9.51%	9.45%	9.51%	9.45%	9.40%	9.34%	11.75%	11.68%
55	9.51%	9.45%	9.51%	9.45%	9.40%	9.34%	11.75%	11.68%
56	9.51%	9.45%	9.51%	9.45%	9.40%	9.34%	11.75%	11.68%
57	9.51%	9.45%	9.51%	9.45%	9.40%	9.34%	11.75%	11.68%
58	9.51%	9.45%	9.51%	9.45%	9.40%	9.34%	11.75%	11.68%
59	9.51%	9.45%	9.51%	9.45%	9.40%	9.34%	11.75%	11.68%
60	9.51%	9.45%	9.51%	9.45%	9.40%	9.34%	11.75%	11.68%

\* For County General members entering after age 55, the rate equals the rate at age 55. Likewise for Safety and Probation members entering after age 50, the rate equals the rate at age 50. Only Probation rates reflect employer pick-up.

\* Beginning with the 2010 actuarial valuation, all current and future Mosquito and Vector Control District members contribute the same member rates as General County Members."

Mr. David then took up agenda item 7.1.

## 1012.6 Investment Services

1012.6.1 **Monthly Portfolio Performance Report:** Mr. Clifton reported that *SamCERA's* -0.38% Total Fund Return for November 2010 outperformed the Total Plan Policy Benchmark return of -0.53%. The fund's return for the trailing twelve months is a robust 10.50%, which is 275 basis points (bps) above the Actuarial Discount Rate, 7.75%. It is 22 basis points above *SamCERA's* Total Plan Policy Benchmark of 10.28%.

Asset Class	Market Value	1-Month	1-year TTWRR*	5-year TTWRR*
<i>Domestic Equity</i>	\$933,067,357	1.29%	14.87%	0.23%
<i>International Equity</i>	<u>409,712,402</u>	-3.91%	2.66%	3.31%
Total Equity	\$1,342,779,759	-0.35%	10.85%	0.98%
Private Equity	250,000	0.00%	N/A	N/A
Fixed Income	621,110,254	-0.52%	10.94%	5.89%
Real Estate Aggregate	117,068,313	0.00%	7.19%	0.09%
Cash Equivalents	3,432,516	0.09%	1.09%	1.84%
<b>TOTAL FUND</b>	<b>\$2,084,640,842</b>	<b>-0.38%</b>	<b>10.50%</b>	<b>2.52%</b>
<i>Benchmark</i>		-0.53%	10.28%	3.89%

\* Total Time-Weighted Rate of Return

Mr. Clifton said that *SamCERA's* international equity was an area of concern. The association last reviewed both managers at the July board meeting. Mr. Clifton also reported that Franklin Templeton's IMA was on the day's agenda for board approval. He said, if approved, Franklin Templeton will be funded with *SamCERA* assets on December 27<sup>th</sup> for a global bond fixed income mandate.

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1012.6.2 **Quarterly Investment Performance Analysis for Period Ended September 30, 2010:** Mr. Brody and Mr. Thomas of Strategic Investment Solutions performed a thorough presentation of the quarterly investment performance for the period ended September 30, 2010. The composite fund returned 9.7% in the third quarter of 2010 and ranked 18<sup>th</sup> among other public funds greater than \$100 million (median of 8.6%). The one year return of 10.4% was ahead of the policy and ranked in the 54<sup>th</sup> percentile of the universe. Longer term, the three and five-year returns of -3.6% (87<sup>th</sup> percentile) and 2.2% (94<sup>th</sup> percentile), respectively, were below median among large public plans (-1.9% and 3.5%).

Two of the association's large cap core equity managers hindered third quarter results. DE Shaw's return of 10.1% ranked in the bottom quartile among large cap core managers (median 11.3%) and fell below its benchmark, the Russell 1000 Index (11.6%). T. Rowe Price's return of 10.8% trailed the S&P 500 Index (11.3%) and its peer median (11.3%).

Artio Global, *SamCERA's* international growth manager, also hindered quarterly returns. It's third quarter result of 15.4% was below the MSCI ACWI –ex US Growth Index (17.1%) and ranked in the 68<sup>th</sup> percentile among international equity managers. Artio's underweight to financials and commodities, as well as currency exposure, carried an impact on results.

Several factors enhanced the association's third quarter results. Chartwell gained more value, 16.4%, than the Russell 2000 Growth Index, 12.8% and ranked in the 7<sup>th</sup> percentile among small cap growth managers (median of 11.2%). Jennison (11.9%) ranked in the 24<sup>th</sup> percentile among its small cap core peers (median of 10.7%) and led its benchmark. The BlackRock Russell 1000 Index Fund, 11.6%, ranked in the 24<sup>th</sup> percentile among large cap core managers (median of 11.3%) and matched its benchmark. The Angelo Gordon GECC PPIP Fund appreciated at 11.1% while the Barclays Aggregate was up 2.5%. The fund carries approximately 48% and 51% RMBS and CMBS assets, respectively. The INVESCO Core Real Estate-USA Fund returned 7.4% for the quarter, positioned above the NCREIF Index (3.9%) and the NCREIF ODCE (5.5%), and ranked in the top quartile among real estate investments. There was an overall gross write up of \$120.4 million or 5.1%.

**INVESTMENT PERFORMANCE SUMMARY**  
**September 30, 2010**

	Last Quarter		One Year		Last 3 Years	
	Return	Rank	Return	Rank	Return	Rank
<i>Fund Composite</i>	9.68%	18	10.36%	54	-3.59%	87
<i>Policy Index</i>	9.76%	16	9.99%	65	-2.05%	54
Large Cap Equity						
Black Rock Russell 1000 Index Fund	11.56%	24	10.84%	26	-6.72%	39
D.E. Shaw	10.13%	84	8.66%	73	N/A	N/A
<i>Russell 1000 Index</i>	11.55%	25	10.75%	28	-6.79%	41
T. Rowe Price	10.84%	70	9.11%	68	N/A	N/A
<i>S&amp;P 500 Index</i>	11.29%	54	10.16%	55	N/A	N/A
Barrow Hanley	11.11%	33	12.07%	15	N/A	N/A
<i>Russell 1000 Value Index</i>	10.13%	68	8.90%	56	N/A	N/A
BlackRock	14.14%	30	12.70%	44	N/A	N/A
<i>Russell 1000 Growth Index</i>	13.00%	51	12.65%	45	N/A	N/A
<i>Large Cap Composite</i>	11.70%	35	10.21%	52	-7.45%	70



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<i>Russell 1000 Index</i>	11.55%	39	10.75%	37	-6.79%	49
Small Cap Equity						
Jennison Associates	11.92%	24	19.10%	9	N/A	N/A
<i>Russell 2000 Index</i>	11.29%	36	13.35%	62	N/A	N/A
The Boston Company	8.71%	77	12.13%	76	N/A	N/A
<i>Russell 2000 Value Index</i>	9.72%	63	11.84%	84	N/A	N/A
Chartwell Investment Partners	16.39%	7	21.82%	16	-5.84%	73
<i>Russell 2000 Growth Index</i>	12.83%	33	14.79%	58	-3.75%	56
<b><i>Small Cap Composite</i></b>	<b>12.24%</b>	<b>26</b>	<b>18.08%</b>	<b>19</b>	<b>-6.80%</b>	<b>88</b>
<i>Russell 2000 Index</i>	11.29%	41	13.35%	65	-4.29%	70
<b><i>U.S. Equity Composite</i></b>	<b>11.81%</b>	<b>37</b>	<b>11.77%</b>	<b>51</b>	<b>-7.26%</b>	<b>77</b>
International Equity						
Artio Global Investment	15.41%	68	5.42%	54	-10.82%	91
<i>MSCI ACWI –ex US Growth Index</i>	17.14%	27	11.76%	14	-6.73%	42
Mondrian Investment Partners	16.23%	49	5.35%	54	-6.92%	45
<i>MSCI ACWI –ex US Value Index</i>	16.16%	51	4.35%	66	-7.28%	48
<b><i>International Equity Composite</i></b>	<b>15.82%</b>	<b>60</b>	<b>5.39%</b>	<b>54</b>	<b>-8.86%</b>	<b>71</b>
<i>MSCI ACWI-ex US Index Free</i>	16.66%	36	8.00%	37	-6.98%	45
<b><i>Total Equity Composite</i></b>	<b>13.04%</b>	<b>N/A</b>	<b>9.65%</b>	<b>N/A</b>	<b>-7.66%</b>	<b>N/A</b>
Fixed Income						
Aberdeen Asset Management	3.49%	21	13.00%	9	4.17%	99
Angelo Gordon	11.15%	N/A	N/A	N/A	N/A	N/A
Pyramis Global Advisors	3.08%	34	11.25%	22	7.98%	48
Western Asset Management	4.22%	7	14.09%	6	7.25%	77
<b><i>U.S. Fixed Income Composite</i></b>	<b>3.97%</b>	<b>33</b>	<b>13.32%</b>	<b>29</b>	<b>6.65%</b>	<b>76</b>
<i>BC Aggregate Index</i>	2.48%	79	8.16%	71	7.42%	60
Alternative Investments						
Private Equity						
Sheridan Production Partners	N/A	N/A	N/A	N/A	N/A	N/A
Risk Parity	N/A	N/A	N/A	N/A	N/A	N/A
Hedge Funds	N/A	N/A	N/A	N/A	N/A	N/A
Commodities	N/A	N/A	N/A	N/A	N/A	N/A
<b><i>Alternative Investment Composite</i></b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
<i>Aggregate Index</i>	N/A	N/A	N/A	N/A	N/A	N/A
Real Estate						
INVESCO Core Fund	7.44%	22	7.19%	30	-9.68%	40
<b><i>Real Estate Composite</i></b>	<b>7.44%</b>	<b>22</b>	<b>7.19%</b>	<b>30</b>	<b>-9.68%</b>	<b>40</b>
<i>NCREIF ODCE – Equal Weight</i>	5.45%	32	6.97%	31	-10.56%	45
Cash						
<b><i>Cash Composite</i></b>	<b>0.33%</b>	<b>14</b>	<b>0.98%</b>	<b>19</b>	<b>0.44%</b>	<b>95</b>
<i>91 Day T-Bill Index</i>	0.04%	59	0.13%	62	1.13%	80

1012.6.3 **Investment Manager Interviews – Risk Parity Mandate:** The board interviewed the following three finalists for SamCERA’s Risk Parity mandate: (1) AQR Capital Management, (2) Bridgewater Associates, and (3) PanAgora Asset Management.

Please see agenda items 6.3a, 6.3b, and 6.3c for a summary of each interview.

Following the three interviews, the board discussed the pros and the cons of each of the three finalists and reviewed their investment profiles.

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**Motion** by Tashman, second by Spinello, carried unanimously to select AQR Capital Management as the association's Risk Parity manager, subject to an on-site due diligence visit.

- 1012.6.3a **AQR Capital Management: Global Risk Premium Strategy 10% Volatility:** Mr. Clifton introduced Gregor Andrade, Principal, and Joey Lee, Associate, of AQR Capital Management. The firm provided a 45-minute presentation and answered trustee questions and concerns.
- 1012.6.3b **Bridgewater Associates: All Weather Strategy:** Mr. Clifton introduced Patrick Dimick, Senior Portfolio Strategist, and Joel Whidden, Senior Relationship Manager, of Bridgewater Associates. The firm provided a 45-minute presentation and answered trustee questions and concerns.
- 1012.6.3c **PanAgora Asset Management: Risk Parity:** Mr. Clifton introduced Eric Sorenson, President, Chief Executive Officer; Edward Qian, CIO and Head of Macro Strategies; Bryan Belton, Director of Macro Strategies; and Michael Anderson, Director, Strategic Relations, of PanAgora Asset Management. The firm provided a 45-minute presentation and answered trustee questions and concerns.

Mr. David then took up agenda item 4.0.

- 1012.6.4 **Investment Management Agreement – Franklin Templeton:** Mr. Clifton reported that he along with Mr. Whitlock completed IMA negotiations with Franklin Advisers for the global fixed income mandate. He noted that Exhibit C of the agreement include the broadest guidelines that *SamCERA* has given to an investment manager to date but opined it was appropriate given the mandate. Mr. Tashman raised some concern regarding the high yield and single corporate issuer provisions. Mr. Thomas said that SIS will follow the portfolio closely and expects enhanced reporting for the account.

Counsel and staff have reviewed the documents and recommended that the board authorize the Chair to execute them. **Motion** by Tashman, second by Spinello, carried unanimously to approve **Resolution 10-11-09**, approving the Investment Management Agreement, fee agreement and side letters, with Franklin Advisers for the Global Fixed Income mandate:

“**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**, following discussion of the criteria and initial screening process for a global bond manager search at the April 27, 2010, Board meeting, ten firms were approved to receive a Request for Information (RFI.); and

“**WHEREAS**, on June 22, 2010, the Board considered proposals from those ten firms for a global bond mandate. Then four firms, Brandywine Global Investment Management, Franklin Templeton Institutional (Franklin Advisors, Inc.), Loomis Sayles &

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Company, L.P. and Pacific Investment Management Company LLC (PIMCO) were invited to participate in an interview at the July board meeting; and

**“WHEREAS**, on July 27, 2010, the Board interviewed representatives from the four finalists, selecting Franklin Templeton Institutional (Franklin Advisors, Inc.) to manage the mandate, which will be funded with approximately \$100 million; Therefore, be it

**“RESOLVED** that the Board hereby approves the contract between the Board and Franklin Advisors Inc. 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 Franklin Advisors, Inc. to manage the assets of the Retirement Fund as allocated by the Board in accordance with the terms of 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 Fee Agreement of the Investment Management Agreement 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 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.”

Mr. David then took up agenda item 7.6.

- 1012.6.5    **Semi-Annual Capital Market & Inflation Assumption Review:** 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.

Mr. David then took up agenda item 5.2.

1012.7    **Board & Management Support Services**

- 1012.7.1    **Monthly Financial Report:** Mr. Clifton reported that *SamCERA's* Net Assets Held in Trust for Pension Benefits as of November 30, 2010, totaled \$2,082,517,267. Net assets held in trust for pension benefits decreased by approximately \$16.0 million, month over month.

- 1012.7.2    **Amendment to Regulations Regarding Purchase of Credit for Public Service:** Mr. Bailey said that in preparation for *SamCERA's* tax determination letter submission and in order to provide guidance to *SamCERA* members and staff, the regulations relating to the purchase of service credit should be revised. Staff recommended that the regulations be

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broadened to address all purchases and that they be amended to comply with the most recent recommendations of tax counsel. The proposed regulations repeal and replace Article VI to set forth the criteria that allow certain members to purchase service credit. Mr. Bailey said that the amendments have no impact on members who have already signed service credit purchase contracts.

**Motion** by Agnew, second by Kwan Lloyd, carried unanimously to adopt **Resolution 10-11-10**, approving the amendment to the Regulations Regarding Purchase of Credit for Public Service, as follows:

**“WHEREAS**, Government Code §31525 provides that this Board, with the approval of the Board of Supervisors, may establish regulations that govern the operation of *SamCERA* that are not inconsistent with the California Employees' Retirement Law of 1937; and

**“WHEREAS**, other government entities such as (but not limited to) the Legislature, Congress, and Internal Revenue Service may establish rules regarding the purchase and payment for service credit which take precedence over actions by the Retirement Board and the Board of Supervisors of San Mateo County; and

**“WHEREAS**, *SamCERA* is an Internal Revenue Code § 401(a) tax-qualified retirement system; and

**“WHEREAS**, this board has determined that the current regulations regarding the purchase of service credit should be amended by repealing the current regulations contained in Article VI and adding new regulations to Article VI; now, therefore, be it

**“RESOLVED**, that the board hereby repeals the entire Article VI regarding the Purchase of Credit for Public Service consisting of sections 6.1 to 6.4 and adds new Article VI sections 6.1 to 6.7 regarding the Purchase of Credit for Public Service consisting of regulations that shall read as follows:

<b>ARTICLE VI.</b>	
<b>PURCHASE OF CREDIT FOR PUBLIC SERVICE</b>	
<b>6.1</b>	All service credit purchases and redeposits of previously withdrawn contributions are to be made in accordance with the Internal Revenue Code ("IRS Code"), the Treasury Regulations promulgated thereunder, and the County Employees' Retirement Law of 1937 ("Government Code"). If there is a conflict between federal and state law, federal law will govern in order to maintain <i>SamCERA</i> 's tax qualified status.
<b>6.2</b>	<b>Permissive Service Credit and Applicable Federal Statutory Tax Limits:</b>  Service Credit purchases may be limited by the applicable requirements set forth in IRS Code Section 415. IRS Code Section 415 tax limits do not apply to the redeposit of previously withdrawn contributions and related interest. Service Credit purchases must comply with the provisions of Government Code §31482.5.
<b>6.3</b>	<b>Service Credit Available for Purchase by Active Members:</b>  (a) Prior Public Service: Any active member who is a County employee or a

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member of a participating employer and was a member prior to January 1, 1970 may purchase service credit for service performed for military or federal, state, and other public agencies credited in California that do not qualify for reciprocity. Such public service may be purchased pursuant to the terms of Government Code §31641.1 & §31641.2.

- (b) Employment through CETA: Any active member (1) who was employed by the County or a participating employer while compensated pursuant to the provisions of the Comprehensive Employment Training Act (CETA) and (2) who subsequently became a permanent employee of the County or District, is eligible to purchase credit for the Public Service performed for the County or District while a CETA participant. Applications for the purchase of such CETA public service must include a detailed documentation accounting the period of service and compensation in the form and manner prescribed by the Chief Executive Officer. Such public service may be purchased pursuant to the terms of Government Code §31641.5.
- (c) Service Credit. In accordance with Government Code §31641.5, a member may purchase service he or she rendered with San Mateo County or another employer participating in *SamCERA* prior to the member's membership in *SamCERA* during which time the member was ineligible for membership. A member must make this service purchase at the time they are employed with that participating employer.
- (d) Leave of Absence Credit. In accordance with Government Code §31646, an eligible member may purchase his or her uncompensated leave of absence on account of illness, not to exceed 12 consecutive months, provided the eligible member returned directly to active service following such uncompensated leave.
- (e) Plan 3 Noncontributory Plan Credit. Members currently in a *SamCERA* contributory plan contained in Government Code §31496, et seq. may upgrade their past service credit in the *SamCERA* noncontributory plan by paying the difference between the employer contributory and noncontributory plan contributions plus the member's contributions for the contributory plan for the period of service being upgraded along with the interest the contributions would have earned had they been on deposit with *SamCERA*. Contributions are based on the current entry age.
- (f) Redeposit of Previously Withdrawn Contributions.
  - (1) An active member may redeposit to *SamCERA* an amount that is equal to all previously withdrawn contributions, plus interest, in accordance with Government Code §31652. *SamCERA* will charge interest for the period from the date of separation from *SamCERA* until the member has paid the required redeposit amount.
  - (i) A member's age for purposes of calculating contribution

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	<p>rates will be based on the member's age at the nearest birthday at the time of the member's reentrance into employment, unless the member is otherwise eligible under Government Code §31652 to have his or her original entrance age reinstated.</p> <p>(ii) <i>SamCERA</i> will treat a member who does not redeposit all contributions previously withdrawn plus interest as a new member without credit for any previous service.</p> <p>(iii) If for any reason a member fails to complete the redeposit of previously withdrawn contributions plus interest, <i>SamCERA</i> will not reinstate the member's related prior service credit in accordance with Government Code §31652. <i>SamCERA</i> will instead return the eligible member's related payment in a manner and at a time permitted under federal tax law.</p> <p>(iv) <i>SamCERA</i> will credit the member's related service credit upon completion of full payment of all previously withdrawn contributions plus interest.</p> <p>(2) Prior to filing an application for retirement, an eligible former member may redeposit to <i>SamCERA</i> an amount that is equal to all previously withdrawn contributions, plus interest, in accordance with Government Code §31652. The former member must qualify for this type of redeposit under the terms of Government Code §31831.3. Under the provisions <i>SamCERA</i> will charge interest for the period from the date of separation from <i>SamCERA</i> until the member has paid the required redeposit amount. Redeposits of this type may only be executed by lump sum payment.</p> <p>(3) Additional Retirement Credit (ARC): Eligible active members in a contributory plan who have completed at least 5 years of credited service with <i>SamCERA</i> may purchase up to 5 years of ARC in increments of one year. ARC cannot be used to meet the minimum eligibility requirements for either a service retirement, a non-service disability retirement, additional ad hoc cost-of-living benefits based on service credit, or eligibility for any other benefits based on service credit or toward a cancellation of contributions for certain members who attain 30 years of service credit. Service may include purchased extra-help time, upgraded Plan 3 service, and redeposited time. Reciprocal service is not included. Government Code §31658.</p> <p>(4) Prior Military Service. See Regulation 6.5 for purchase of prior military service.</p>
<b>6.4</b>	<b>Payment Options:</b>

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	<p>Federal and State Law Limitations. Eligible members may purchase Permissive Service Credit or make a redeposit of previously withdrawn contributions plus required accumulated interest using the following payment methods or a combination thereof. Payments are subject to the rules and/or conditions set forth below and any applicable tax limits under IRS Code section 415. All purchase agreements containing installment payments will include interest calculated using the actuarially assumed rate of earnings in effect as of the date each agreement is signed.</p> <p>a) Lump Sum After-Tax Payments and Terminal Pay: An eligible member may pay with a single lump sum payment of after-tax dollars. Terminal Pay (the cash out of accrued hours of compensation paid to a member by the member's employer after terminating employment) can be used for lump sum after-tax payments. Terminal pay must be received by <i>SamCERA</i> by a separate payment issued after termination and not as a part of the member's last pay check.</p> <p>b) Pre-Tax Rollover Contributions: An eligible member may pay with a pre-tax rollover contribution to <i>SamCERA</i> from a qualified retirement plan, an individual retirement account or annuity, an annuity contract described in IRS Code section 403(b), or a governmental 457(b) plan.</p> <p>c) Plan-to-Plan Transfers: An eligible member may pay with an in-service trustee-to-trustee transfer from a governmental eligible deferred compensation plan described in IRS Code Section 457(b) or an annuity contract described in IRS Code Section 403(b), provided the transfer plan or annuity contract provides for such transfers. Such transfers are subject to the requirements of IRS Code Section 457(e)(17) or 403(b)(13), as applicable.</p> <p>d) Payroll Deductions: An eligible member may elect to pay installments by post tax payroll deduction.</p>
6.5	<p><b>Time Limitations for Installment Payments:</b></p> <p>The time period over which a member may make installment payments is subject to the following limitations:</p> <p>(a) Prior Public Service: For a purchase of service credit for prior public service under Government Code §31641.1 and §31641.2, installment payments may be made over a period of time not to exceed five years.</p> <p>(b) Service Credit, including employment through CETA: For a purchase of service credit for prior service under Government Code §31641.5, installment payments may be made over a period of time that does not exceed the length of time for which the member has elected to receive service credit, as determined by <i>SamCERA</i>.</p>

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	<ul style="list-style-type: none"><li>(c) Leave of Absence Credit: For a purchase of service credit for an unpaid leave of absence under Government Code §31646, installment payments may be made over a period of time that does not exceed the length of unpaid leave that the member has elected to purchase, as determined by <i>SamCERA</i>.</li><li>(d) Plan 3 Service Credit Upgrade: For upgrades of Plan 3 service credit pursuant to Board of Supervisor's Resolution 64827, installment payments may be made over a period of time that does not exceed twice the length of service being upgraded.</li><li>(e) Redeposit of Previously Withdrawn Contributions: For redeposits of previously withdrawn contributions under Government Code §31652, installment payments may be made over a period of one year.</li><li>(f) Additional Retirement Credit: For a purchase of ARC under Government Code §31658, installment payments may be made over a period not to exceed 10 years.</li><li>(g) Completion of Purchase after separation of service: If a member terminates, retires or goes into deferred retirement before the purchase has been completed, the purchase must be completed no later than the date specified in the purchase agreement or 120 days after the effective date of retirement, whichever date is earlier.</li></ul>
<b>6.6</b>	<b>Procedures</b> <ul style="list-style-type: none"><li>(a) Administrative Procedures: <i>SamCERA</i> will establish administrative procedures for processing service credit purchases and redeposits of previously withdrawn contributions and will determine the amounts required for service credit purchases and redeposits, including required interest.</li><li>(b) Required Documentation: All purchases and redeposits shall be set forth in a written <i>SamCERA</i> election form and agreement. Members shall provide any required documents and information associated with their purchase or redeposit in a manner and form acceptable to <i>SamCERA</i>.</li><li>(c) Requirement To Complete Purchase: Except as otherwise provided below, service credit will not be credited to a member's account until the entire purchase has been completed. If for any reason a member fails to complete his or her service credit purchase, credit will be given in accordance with the contract or applicable provisions of the Government Code. <i>SamCERA</i> or the employer may return the eligible member's related overpayment in a manner and at a time permitted under federal tax law.</li><li>(d) Partial Service Credit: <i>SamCERA</i> will allow partial service credit for purchases of prior public service credit under Government Code §31641.1 and §31641.2 even though the member has not completed</li></ul>



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	payment of the entire period he or she has elected.
<b>6.7</b>	<p><b>Prior Military Service:</b></p> <p>Eligible active members can purchase prior military service in accordance with the provisions of Government Code §31641.97.</p> <ul style="list-style-type: none"><li>(a) <b>Notice:</b> Eligible members will have given written notice when they file with <i>SamCERA</i> a signed Purchase of Military Service Credit Application form as prescribed by the Chief Executive Officer.</li><li>(b) <b>Certification:</b> The Application must include verification of military service (DD214 or its equivalent) and an affidavit that the applicant is not eligible to receive credit for this service under any other retirement plan.</li><li>(c) <b>Calculation of Cost to the Member:</b> Government Code §31641.97 requires that the full cost, including interest, of the employee and county liability for the additional credit under this section shall be determined by the Board of Retirement on actuarial advice, and shall be the actuarial equivalent of the difference between the retirement benefits the person will receive with and without the credit for military service.</li><li>(d) <b>Actuarial Assumptions:</b> The actuarial factors used shall be those used for the actuarial valuation of the Retirement Fund at the time of the calculation, except that the member shall select the age of retirement.</li><li>(e) <b>Method Used to Determine the Cost:</b> The cost shall be the Actuarial Equivalent of the Difference between the benefit the member will receive with and without the credit for military service.</li><li>(f) <b>Lump Sum Purchase:</b> Eligible persons may purchase credit for their Military service at any time prior to the effective date of their retirement by lump-sum payment of an amount equal to the full cost, including interest, of the employee and county liability for the additional credit within 180 days prior to receipt of the lump-sum payment.</li><li>(g) <b>Installment Purchase:</b> Eligible persons may purchase credit for their military service at any time prior to the effective date of their retirement by authorizing biweekly post-tax payroll deductions over a period not to exceed five years in equal payments which will accumulate the full cost, including interest, of the employee and county liability for the additional credit within 180 days prior to commencement of the deductions.</li><li>(h) <b>Purchase of Partial Credit:</b> Eligible persons may purchase less than the full credit for which they are eligible, so long as the payment, or payments, accumulate the full cost, including interest, of the employee and employer liability for the additional credit. Additional credit may be purchased at any time prior to the effective date of retirement, so long as the payment or payments are based on the full cost within 180 days prior to receipt of the lump-sum payment or commencement of biweekly</li></ul>

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payroll deductions.

- (i) **Recording of Members' Assets & Crediting of Interest:** All funds deposited into the Retirement Fund pursuant to this regulation shall be recorded in individual Military Service Credit Reserve accounts established in the name of the member. Funds on deposit shall be credited on the same terms and at the same rate of interest as the county's accounts in the Retirement Fund, regardless of the subsequent status of the member. On the effective date of retirement, all principal and interest in the Reserve will be transferred to the member's regular account in the Retirement Fund.
- (j) **Calculation of Benefit Payable at Time of Retirement:** When the member files an application for retirement there shall be a recalculation of the Military Service Benefit and Member Service Credit Reserve as set forth in Step 2 and Step 3 of subsection (e), using the information then available and the assumptions in effect at the time of recalculation.
- (k) **Surplus:** If the calculations performed pursuant to subsection (j) indicate that the principal and interest in the Military Service Credit Reserve exceeds the amount required, the surplus balance will be refunded to the member, at a time and in a manner that complies with applicable tax laws.
- (l) **Deficiency:** If the calculations performed pursuant to subsection (j) indicate that the principal and interest in the Military Service Credit Reserve is not sufficient to fund the full Military Service Benefit, the Chief Executive Officer shall allow the member to make one of the following two elections: (1) Lump Sum Purchase: The member may immediately purchase the unfunded military service credit and receive the full Military Service Benefit; or (2) Pro Rata Credit: The member may elect to not purchase the unfunded military service credit and receive a reduced Military Service Benefit.
- (m) **Payment of Military Service Benefit:** On the effective date of retirement, the years of military service for which payment-in-full has been received shall be added to the member's years of county service in the computation of the retirement allowance and will, thereafter, be an integral part of the base allowance for the purpose of calculating cost-of-living increases and survivor benefits.
- (n) **Disability:** The member who retires on account of disability may elect either (1) a refund of all principal and interest in the account maintained pursuant to subsection (i), or (2) an annuity based upon the years-of-military-service for which payment-in-full has been received. If the member elects an annuity, all principal and interest in the account on the effective date of the Disability Retirement shall be converted to an annuity which will be based on the Board's Actuarial Assumptions, including Disability Retirement Life Expectancy Factors, in effect at that time. Subject to applicable tax laws, the annuity shall be payable for life

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in equal monthly installments, plus annual cost-of-living adjustments equal to those granted to retirees in the member's Plan. An eligible surviving spouse shall receive the applicable survivor allowance. The Chief Executive Officer shall determine the amount of the annuity on the effective date of the Disability Retirement.

- (o) **Death Before Retirement:** If the member was not eligible to retire, all principal and interest in the account maintained pursuant to subsection (i) will go to the member's beneficiary. If the member was eligible to retire, the surviving eligible spouse may elect to receive (1) a refund of all principal and interest in the account maintained pursuant to subsection (i), or (2) a monthly allowance which includes military service credit based on the provisions of subsections (j) and (l). The surviving eligible spouse may elect to receive any surplus, make a lump-sum payment for any deficiency, or accept pro-rata credit, as provided for in subsection (j).
- (p) **Death After Retirement With a Surviving Spouse:** The Military Service Credit Reserve has been merged with the member's regular account. Therefore, the surviving eligible spouse will receive a monthly allowance based on the same survivor option formula elected by the member at the time of retirement.
- (q) **Death After Retirement Without a Surviving Spouse:** The Military Service Credit Reserve has been merged with the members' regular account and, therefore, the balance, if any, goes to the beneficiary.
- (r) **Termination of Employment:** Upon termination of employment, a member may elect to withdraw the funds; or, if eligible, may elect a deferred retirement, in which case the funds will remain on deposit and will continue to be subject to the provisions of subsection (i) until the effective date of retirement.
- (s) **Election to Discontinue Installment Purchase Plan:** The decision to purchase military service credit is irrevocable. However, unless otherwise prohibited by law, any member may discontinue the installment purchase plan at any time. All funds on deposit will continue to be subject to the provisions of subsection (i). Unless otherwise prohibited by law, the member may elect to reinstate the purchase plan at any time prior to the effective date of retirement, but shall be subject to re-computation of the balance due as calculated pursuant to subsections (c)(f)(g)(h). At the time of retirement, the member will receive proportional military service credit, as provided for in subsection (j) and (m).
- (t) **Dissolution of Marriage:** If the final decree does not specifically identify the member's Military Service Credit Reserve, the Chief Executive Officer shall administer the assets in the account in the same manner as stipulated in the final decree for the disposition of the member's retirement benefits.

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- 1012.7.3 **Amendment to Regulations Regarding Disability Retirements:** Mr. Hood said that in order to provide guidance to *SamCERA* members and staff, the regulations relating to the processing of disability retirement applications should be revised. Mr. Hood reported that *SamCERA* has recently experienced significant delays in the processing of some disability applications. Such instances include when applicants wait until the staff has informed them that the staff recommendation will be for denial and then ask that their applications be pulled from the board agenda so they can submit additional disabling conditions for considerations. *SamCERA* has never experienced a case in which this kind of delay resulted in a different recommendation from staff or the board's medical advisor. The regulation changes and the corresponding procedural changes will make it clearer for all parties what kind of additional information may be submitted before staff completes the file for the Board's determination.

**Motion** by Kwan Lloyd, second by Bowler, carried unanimously to adopt **Resolution 10-11-11**, approving the amendment to the Regulations Regarding Disability Retirements, as follows:

**"WHEREAS**, Government Code §31525 provides that this Board, with the approval of the Board of Supervisors, may establish regulations that govern the operation of *SamCERA* that are not inconsistent with the California Employees' Retirement Law of 1937; and

**"WHEREAS**, Article V of the Board's regulations govern disability retirement; and

**"WHEREAS**, this board has determined that the current regulations regarding disability retirement should be amended; now, therefore, be it

**"RESOLVED** that regulations 5.1, 5.3 and 5.6 of Article V are amended to read as follows:

**5.1**

(e) When the applicant indicates that all necessary information, including information not requested by *SamCERA*, has been submitted, the Chief Executive Officer shall forward the complete record to the Board's medical consultant for his or her evaluation of the applicant's condition.

(f) After the record has been forwarded to the Board's medical consultant, the member cannot amend his or her application to add a new disabling condition that is unrelated or not caused by the condition set forth in the application; member must file a new application which would be subject to all regular statutory deadlines.

**5.3.**

(b) **Hearing is Limited to the Disability Set Forth in the Application:** Both the informal and formal hearing shall be limited to the disability set forth in the application for disability retirement.

**5.6. Grounds for Termination of an Application for Disability**

**Retirement:** An application for disability retirement may be terminated and considered null and void by the Board one year after the date of its filing for one or more of the following reasons:

- (a) Failure of the member to submit to a medical examination at the request of the Board pursuant; or
- (b) Any failure to cooperate by the member or applicant or any other

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act or omission by the member or applicant or member or applicant's representative which prevents the Board from hearing and adjudicating the application for disability retirement within one year of its filing.

“**IT IS FURTHER RESOLVED** that, the Chief Executive Officer is hereby authorized under Government Code §31525 to transmit these amended regulations to the Board of Supervisors and to take all actions necessary to provide for their implementation upon approval by the Board of Supervisors.”

- 1012.7.4    **Approval of Board/Staff Retreat Agenda – Retreat Scheduled for March 2011:** Mr. Bailey presented the latest version of the agenda for the March 21 and 22, 2010, board/staff retreat. The agenda incorporated the board’s input from the last board meeting. Without objection, Mr. David **approved** the board/staff retreat agenda.

- 1012.7.5    **Appointment of the Chief Executive Officer Review Committee:** Mr. David **appointed** Ms. Agnew, Chair; Mr. Spinello, Ms. Kwan Lloyd and Ms. Arnott to the Ad Hoc Chief Executive Officer Review Committee.

Mr. David then took up agenda item 8.1.

- 1012.7.6    **Approval of Policy Regarding Securities Litigation & Lead Plaintiff Status:** *SamCERA* recently retained three firms to monitor its investment portfolio and make recommendations as to when *SamCERA* should pursue lead or named plaintiff status in fraud litigation. Mr. Bailey said that the board should adopt a policy regarding securities litigation which will provide guidance regarding those cases in which *SamCERA* should seek lead plaintiff status.

Mr. Bailey reported that staff, counsel and Ms. Agnew inquired about various securities litigation policies of its peers and met with one of the association’s securities litigation firms. Mr. Bailey presented a proposed policy that resulted from the research and discussion.

After Mr. Bailey reviewed the policy with trustees, Mr. Tashman opined that staff should seek active participation only if the potential litigation is unique to *SamCERA*. Following extensive discussion, the board deferred the approval of the policy regarding securities litigation and lead plaintiff status to a future board meeting,

Mr. David then took up agenda item 6.5.

1012.8       **Management Reports**

- 1012.8.1    **Chief Executive Officer’s Report:** Mr. Bailey provided a status update on the recruitment to fill the vacant seat on the Board of Retirement. He drafted a letter to local corporations and forwarded it to County Manager, David Boesch, for approval.

- 1012.8.2    **Assistant Executive Officer’s Report:** Mr. Hood distributed a draft layout of a new board room located in Suite 160. The acquisition of the new office space is still pending.

- 1012.8.3    **Chief Investment Officer’s Report:** Mr. Clifton reported that Sheridan Production Partners, the association’s new Private Equity manager, has hard-closed its product in November. He also received notice that Jennison Associates is being reviewed for possible insider trading by

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the SEC. Mr. Clifton did not have further information regarding the investigation. Mr. Clifton then mentioned a FundFire article regarding the significant management changes at AXA Rosenberg, a firm that the association terminated earlier in the year as a result of a coding error.

1012.8.4 **County Counsel's Report:** Ms. Carlson reported on her attendance at the most recent SACRS Fall Conference. She found the attorney breakout sessions to be very informative.

1012.9 **Report on Actions Taken in Closed Session:** Ms. Carlson reported that Mr. David convened the board in closed session at 1:20 p.m., with all trustees present for roll call in attendance. Ms. Carlson was not present during the discussion of the matter of Kathleen Parkin. Mr. Hackleman recused himself from voting in the matter regarding Ms. Parkin.

The board referred the disability application of Kathleen Parkin to a hearing officer.

The board found that Kamlesh Singh is able to perform her usual and customary duties as a Patient Services Specialist and denied her application for a service-connected disability retirement.

Mr. David then adjourned the closed session and reconvened the meeting in open session at 1:45 p.m.

1012.10 **Adjournment in Memory of Deceased Members:** There being no further business, Mr. David adjourned the meeting at 3:18 p.m., in memory of the following deceased members:

Williams, Eleanor	October 8, 2010	Probation Dept.
Washkuhn, Jack	October 17, 2010	Health and Welfare
Sausedo, Joseph	October 19, 2010	San Mateo Medical Center
Barsotti, Frank	October 22, 2010	Ben of Barsotti, Lillah
Van Cantfort, Rollin	October 23, 2010	Probation Dept.
Haylett, Clarice	October 25, 2010	Mental Health
Baker, Henry	October 29, 2010	Building & Grounds
Grimmett, Helen	October 31, 2010	Social Services
Yee, Dorothy	November 6, 2010	Recorder's Office
Teuteberg, William	November 11, 2010	Ben of Teuteberg, Kathryn
Spencer, Beryl	November 12, 2010	District Attorney's Office
Berenberg, Feliz	November 12, 2010	Mental Health
Caughey, June	November 14, 2010	Ben of Caughey, Daniel
Thomas, Grace	November 18, 2010	Ben of Thomas, Rex
Miller, Josephine	November 19, 2010	County Manager's Office

ALBERT P. DAVID, CHAIR