

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

August 23, 2011

Agenda Item 3.0

July 26, 2011 – Board Agenda

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

1. Call to Order and Roll Call
 - 1.1 Report from Ad Hoc Nominating Committee and Election of 2011-2012 Board Officers
 - 1.2 Appointment of Committees
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
 - Neal Ferguson
 - Dawn Alfonso
 - Loida Rodriguez
 - Deferred Retirements
 - Member Account Refunds
 - Member Account Rollovers
 - Service Retirements
 - Trustee Conference Approval
 - Continuances
5. Benefit & Actuarial Services
 - 5.1 Consideration of agenda items, if any, removed from the Consent Agenda
 - 5.2 Milliman's Triennial Investigation of Experience Report
 - 5.3 Actuarial Auditor's Findings Regarding the Investigation of Experience Report
 - 5.4 Adoption of Milliman's Investigation of Experience Report Recommendations
 - 5.5 Approval of Questions for the Annual Review of *SamCERA's* Actuarial Firm – Milliman Inc.
 - 5.6 Adopt Resolution Ratifying Plan 3 Early Retirement Adjustment Factors
6. Investment Services
 - 6.1 Monthly Portfolio Performance Report
 - 6.2 Approval of Resolution Ratifying Private Equity Investment
 - 6.3 Annual Review of *SamCERA's* Private Equity Implementation
 - 6.4 Approve Request For Information for an International Small Cap Equity Manager Search and Identify Semi-Finalists
 - 6.5 Approve Request For Information for an Emerging Markets Equity Manager Search and Identify Semi-Finalists
 - 6.6 Annual Review of *SamCERA's* Domestic and International Equity Value Portfolios (Summary Report Only)
 - 6.6 a Barrow Hanley – *SamCERA's* Domestic Large Cap Value Manager
 - 6.6 b Mondrian Investment Partners – *SamCERA's* International Value Manager
 - 6.6 c The Boston Company – *SamCERA's* Domestic Small Cap Value Manager
 - 6.7 Semi-Annual Report on the Strategic Investment Solutions' Capital Market & Inflation Outlook
 - 6.8 Approval of a Trust Agreement with State Street Global Advisors for a Commodities Mandate
7. Board & Management Support Services
 - 7.1 Monthly Financial Report
 - 7.2 Quarterly Budget Report for Period Ended June 30, 2011
 - 7.3 Approval of Topics for the Annual Independent Auditor Review – Brown Armstrong
 - 7.4 Amendment of Board Resolution Authorizing *SamCERA's* Corporate Credit Cards Through American Express Corporate Services to Add the Benefits Manager

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- 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
- 10. Adjournment

July 26, 2011 – Board Minutes

0711.1 **Call to Order:** Mr. David, Chair, called the Public Session of the Board of Retirement to order at 1 p.m., July 26, 2011, in *SamCERA's* Board Room, 100 Marine Parkway, Suite 125, Redwood Shores, California.

Roll Call: Ms. Arnott, Ms. Agnew, Mr. Bowler, Mr. David, Mr. Hackleman, Ms. Salas for Ms. Kwan Lloyd, Ms. Settles and Mr. Spinello. *Excused:* Mr. Tashman. *Other Board Members in Attendance:* Mr. Murphy. *Staff:* Mr. Bailey, Ms. Carlson, Mr. Hood, Ms. Dames and Mr. Clifton. *Consultants:* Mr. Brody, Mr. Shooshani and Dr. Fracchia. *Retirees:* 0, *Public:* 1.

0711.1.1 **Report from Ad Hoc Nominating Committee and Election of 2011-2012 Board Officers:** Mr. Hackleman presented the report of the Ad Hoc Nominating Committee, which consisted of Mr. Hackleman, Chair; Mr. Bowler, Ms. Arnott and Ms. Kwan Lloyd. **Motion** by Hackleman, second by Spinello, carried unanimously to retain the current slate of officers, Mr. David, Chair; Ms. Arnott, Vice Chair and Ms. Kwan Lloyd, Secretary, per *Regulation 2.5*.

0711.1.2 **Appointment of Committees:** Mr. David made no changes to committee appointments. He asked that board members relay their requests for committee appointments so he could have that input prior to making appointments at the next board meeting.

0711.2.1 **Oral Communications From the Board:** Mr. Spinello reported that he attended the SACRS Public Pension Investment Management Program at UC Berkeley Haas School of Business. He recommended that new trustees attend the Berkeley course after they attend the SACRS trustee course at Stanford and prior to the Wharton Investment Strategies and Portfolio Management Program.

0711.2.2 **Oral Communications From the Public:** None.

0711.3 **Approval of the Minutes:** **Motion** by Arnott, second by Salas, carried unanimously to approve the minutes from the June 21, 2011, board meeting, as submitted.

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0711.4 **Approval of the Consent Agenda:** Mr. David pulled the disability application of Neal Ferguson from the day's consent agenda to be taken up under closed session per the member's request. Please see agenda item 9.0 for Report on Actions Taken in Closed Session.

Motion by Arnott, second by Salas, carried unanimously, to approve the day's Consent Agenda, as amended, as follows:

Disability Retirements:

The board found that **Dawn Alfonso** is disabled from performing her usual and customary duties as a Courtroom Clerk and granted her a non-service connected disability retirement.

The board found that **Loida Rodriguez** is disabled from performing her usual and customary duties as an Office Services Supervisor and granted her a non-service connected disability retirement.

Service Retirements:

Member Name	Effective Retirement Date	Department
Thomas, Eleftheria	October 12, 2010	Deferred from San Mateo
Resnick, Joyce	April 30, 2011	Deferred from Behavioral Health
Hassell, Chris	May 3, 2011	Deferred from Plan 3
Dirain, Gloria	May 14, 2011	Deferred from Public Health
Woods, Maria	May 18, 2011	Deferred from Human Services
Anderson, Marlys	May 23, 2011	Term Non-vested from San
Clancy, Charlene	May 26, 2011	San Mateo Medical Center
Caballero, Maria	June 1, 2011	San Mateo Medical Center
Cayas, Teresita	June 1, 2011	Human Services Agency
Ferguson, John	June 1, 2011	Deferred from Ag Commission
Knapton, Robert	June 1, 2011	Sheriff's Office
Monmiller, Charles	June 1, 2011	San Mateo Medical Center
Robelet, Linda	June 1, 2011	San Mateo Medical Center

Continuance of Benefits:

Member Name	Beneficiary of:
Irwin, Fred	Irwin, Winifred
Larson, Anne	Larson, Larry
Malerstein, Jean	Malerstein, Abraham

Deferred Retirements:

Member Name	Retirement Plan Type
Ahlberg, Lynn	G4 Vested
Clifford, Cheryl	G4 Vested
Dhillon, Ruby	G4 Vested – Auto
Lasseigne, Suzanne	G4 Vested – Auto
Prior, Marguerite	G4 Vested – Auto
Dennis, Jeremy	G4 Vested – Auto
Harrington, Michaela	G4 Vested – Auto
Cooper, Brenda	3 Vested – Auto Deferred
Cabezas, Athena	G4 Vested – Auto
Cruz-Cornejo, Raul	G4 Vested – Auto

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pay and in most cases well less than that amount. Mr. Bailey recommended that the board approve Milliman's recommended changes.

Motion by Hackleman, second by Arnott, carried unanimously to adopt **Resolution 11-12-01**, approving the recommended changes to assumptions based upon Milliman's Report on Investigation of Experience July 1, 2008 - April 30, 2011, as follows:

"WHEREAS, Government Code §31453 mandates the periodic actuarial valuation of the Retirement Fund and requires that the Board of Retirement...shall... 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 actuarial valuation of the Retirement Fund, including the adequacy of the contribution rates, is based on certain underlying assumptions; and

"WHEREAS, the Board instructs its actuarial firm to provide an Experience Report every third year to assess the reasonableness of the assumptions used in the valuation; and

"WHEREAS, the Board of Retirement has received, reviewed and accepted the "Investigation of Experience July 1, 2008 – April 30, 2011" report prepared by Milliman, Inc., setting forth recommendations to make amend certain assumptions to be used by Milliman when it prepares its June 30, 2011, actuarial valuation; and

"WHEREAS, the Board has reviewed the recommendations and finds it to be in the best interest of the members, retirees and beneficiaries of the Retirement System to adopt certain changes to the assumptions used by its actuary, Milliman, Inc. when performing its actuarial valuation:

"Therefore, be it

"RESOLVED, the Board adopts all demographic and economic assumptions, as recommended in the Milliman, Inc. "Investigation of Experience July 1, 2008 – April 30, 2011," report which shall be used by Milliman, Inc when performing its actuarial valuation and which include but are not limited to the assumptions cited in the tables listed below:

- "Death while Active -- Reduce rates for males (Tables A-6-A-11)
- Retirement -- Reduce rates (Table A-6-A-11)
- Disability -- Increase rates for general members (Tables A-6-A-11)
- Termination -- Reduce rates (Tables A-6-A-11)
- Probability of Refund -- Reduce rates for safety members (Table A-4)
- Mortality -- Reduce rates (increase life expectancies) for healthy Retirees and increase rates for retirees with disabilities (Tables A-2 –A-3)
- Reciprocity -- Reduce rates for general members; increase rates for safety members (Page A-7)"

1107.5.5 **Approval of Questions for the Annual Review of SamCERA's Actuarial Firm – Milliman Inc.:** Mr. Clifton presented the list of topics for Milliman's annual review, which will be held

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on September 27, 2011. Mr. Clifton requested that trustees complete the evaluation form and submit it to staff as soon as possible. Ms. Agnew would like Milliman to discuss its inflation assumption during the review.

Motion by Salas, second by Settles, carried unanimously to approve the list of topics for the Milliman actuarial firm's annual review.

1107.5.6 **Adopt Resolution Ratifying Plan 3 Early Retirement Adjustment Factors:** Mr. Bailey said that this agenda item was a housekeeping matter. General Plan 3 Early Retirement Adjustments (ERA) factors were revised in September 2008 based on the 2008 Investigation of Experience study and updated mortality assumptions. However, the ERA factors were not formally adopted by the board. Mr. Bailey requested that the board ratify the actions of staff in 2008 to implement Plan 3 ERA factors, retroactively, in accordance with actuarial recommendations.

Motion by Hackleman, second by Bowler, carried unanimously to adopt Resolution 11-1-02, approving the revised General Plan 3 Early Retirement Adjustment Factors Retroactive to September 22, 2008, as follows:

“Whereas, Government Code §31453 mandates that “...an actuarial valuation shall be made...at intervals not to exceed three years. The valuation shall be conducted under the supervision of an actuary and shall cover the mortality, service, and compensation experience of the members and beneficiaries...”; and

“WHEREAS, the Board instructs its actuarial firm to provide an Experience Report every third year to assess the reasonableness of the assumptions used in the valuation; and

“WHEREAS, the Board of Retirement received, reviewed and accepted the “Investigation of Experience July 1, 2005 – April 30, 2008” report prepared by Milliman, Inc., setting forth recommendations to amend certain assumptions to be used by Milliman in preparation of its June 30, 2008, actuarial valuation; and

“WHEREAS, Section 31497.3(f) defines a table of early retirement factors to be used to determine actuarially equivalent factors; and this table is to be updated in accordance with the interest and mortality tables adopted by the Board; and

“WHEREAS, the Board finds the implementation of actuarially determined early retirement factors for Plan 3 retirements in accordance with the demographic assumptions of the 2008 Investigation of Experience to be in the best interest of the members, retirees and beneficiaries of the Retirement System:

“Therefore, be it

“Resolved that the board hereby ratifies General Plan 3 Early Retirement Adjustment factors retroactive to September 22, 2008, as recommended by Milliman, Inc., based on the revised mortality assumptions included in the *Investigation of Experience* study report dated August 18, 2008, and adopted by the board on August 26, 2008, and in accordance with the following table:

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Age	2008 Revised ERA Factor	Prior ERA Factor
55	0.40	0.39
56	0.43	0.43
57	0.47	0.47
58	0.52	0.51
59	0.57	0.56
60	0.62	0.61
61	0.68	0.67
62	0.75	0.74
63	0.82	0.82
64	0.91	0.90"

1107.6 **Investment Services**

1107.6.1 **Monthly Portfolio Performance Report:** Mr. Clifton reported that *SamCERA's* -1.06% Total Fund Return for the month outperformed the Total Plan Policy Benchmark return of -1.28%. He said that the fund's return for the trailing twelve months and twenty-four months are 23.78% and 18.16% respectively. The twelve-month period is 1603 basis points (bps) above the Actuarial Discount Rate of 7.75%. For the same period the total fund return is one basis point ahead of *SamCERA's* Total Plan Policy Benchmark of 23.77%. As a reminder, Mr. Clifton said that *SamCERA* should expect to underperform the Total Plan Policy Benchmark for some time while its alternative allocation, specifically private equity, is being fully implemented. In addition, he noted that the numbers do not reflect the performance of all portfolios. As of the board meeting, performance for Angelo Gordon's PPIP, AQR's risk parity, AQR's hedge fund, Sheridan Production Partners and Invesco's core real estate portfolios had not been reported.

Asset Class	Market Value	1-Month	1-year TTWRR*	5-year TTWRR*
<i>Domestic Equity</i>	942,866,145	-1.94%	34.14%	2.04%
<i>International Equity</i>	413,826,908	-1.01%	26.81%	2.37%
Total Equity	\$1,356,693,053	-1.66%	31.84%	2.09%
Private Equity	3,383,419	-6.44%	N/A	N/A
Risk Parity	147,619,360	0.00%	N/A	N/A
Hedge Fund	70,000,000	0.00%	N/A	N/A
Fixed Income	596,979,609	-0.30%	9.00%	6.64%
Real Estate Aggregate	126,673,968	0.00%	16.71%	-1.16%
Cash Equivalents	5,273,628	0.06%	1.00%	1.50%
TOTAL FUND	\$2,306,623,037	-1.06%	23.78%	3.43%
<i>Benchmark</i>		-1.28%	23.77%	4.74%

* Total Time-Weighted Rate of Return

1107.6.2 **Approval of Resolution Ratifying Private Equity Investment:** Faraz Shooshani of SIS was present to discuss a private equity investment with Regiment Capital Special Situations Fund V, L.P., which has a strategy of investing primarily in dislocations in the credit market. Mr. Shooshani then described the strategy in further detail, summarized the opportunities in the

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space and discussed SIS' analysis of Regiment Capital. He then answered several questions from trustees on the strategy as well as fee structure.

Due to the timing requirements of the investment, staff submitted an executed agreement and made the first capital contribution on July 15th. Staff recommended that the board ratify the agreement.

Motion by Hackleman, second by Bowler, carried unanimously to adopt **Resolution 11-12-03**, authorizing (1) the board chair to execute an agreement with Regiment Capital Special Situations Fund V, L.P. for Private Equity Investment Management Services and (2) authorizing the Chief Investment Officer to take all actions necessary to initiate, implement and monitor the agreement, as follows:

“**WHEREAS**, Article XVI, §17 of the Constitution of the State of California vests the Board with *"plenary authority and fiduciary responsibility for the investment of moneys and the administration of the system"*; and

“**WHEREAS**, Government Code §31595 vests in the Board *" . . . exclusive control of the investment of the employees retirement fund."*; and

“**WHEREAS**, Government Code §31596.1 (d) authorizes the Board to retain investment managers *" . . . in connection with administration of the Board's investment program . . . "*; and

“**WHEREAS**, in August 2010, the Board completed an asset-liability study, which designated 8.0% of the total portfolio to be allocated to private equity investments opportunities; and

“**WHEREAS**, the Board's agreement with Strategic Investment Solutions (“SIS”) delegates to SIS discretion to source and perform due diligence for private equity investment opportunities; and

“**WHEREAS**, the Board delegated to staff and legal counsel full discretionary authority for all tasks required in the preparation of documentation necessary to effectuate an alternative investment; and

“**WHEREAS**, the board approved a multi-year private equity implementation plan and charged SIS and staff to begin executing that plan; and

“**WHEREAS**, in June 2011, SIS presented to *SamCERA* their due diligence for the Regiment Capital Special Situations Fund V, L.P. and staff reviewed and prepared the required documentation to subscribe to the investment. Therefore, be it

“**RESOLVED** that the Board hereby authorizes the board chair, vice-chair or if neither is available, the Chief Executive Officer to execute all required documentation on behalf of the Board that has been approved by staff and counsel. Be it further

“**RESOLVED** that the Board hereby designates the Chief Investment Officer as its designee to perform those functions so identified in the investment documentation 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 investment agreement and this resolution.”

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1107.6.3 **Annual Review of *SamCERA's* Private Equity Implementation:** Mr. Shooshani of Strategic Investment Solutions provided an annual review of *SamCERA's* private equity program. He reviewed private equity investment sub-classes, implementation approaches, and the implementation road map developed for *SamCERA*. He then discussed where *SamCERA* is in the implementation of the private equity allocation and where the association is headed regarding future investments.

1107.6.4 **Approve Request For Information for an International Small Cap Equity Manager Search and Identify Semi-Finalists:** Mr. Clifton reported that the Investment Committee reviewed the approved manager search criteria, RFI and discussed the list of semi-finalists for the International Small Cap Equity Manager search with Mr. Brody. He said that the committee recommended board approval. Staff might request that the board meet over two days in October in order to accommodate the number of finalists scheduled for interview for both the International Small Cap Equity Manager Search under this agenda item and the Emerging Markets Equity Manager Search under agenda item 6.5.

Motion by Salas, second by Spinello, carried unanimously to approve the Request for Information and list of semi-finalists for the International Small Cap Equity Manager Search.

1107.6.5 **Approve Request For Information for an Emerging Markets Equity Manager Search and Identify Semi-Finalists:** Mr. Clifton reported that the Investment Committee reviewed the approved manager search criteria, RFI and discussed the list of semi-finalists for the Emerging Markets Equity Manager search with Mr. Brody. He said that the committee recommended board approval.

Motion by Spinello, second by Bowler, carried unanimously to approve the Request for Information and list of semi-finalists for the Emerging Markets Equity Manager Search.

1107.6.6 **Annual Review of *SamCERA's* Domestic and International Equity Value Portfolios (Summary Report Only):** Mr. Clifton reported that the new investment manager annual review structure went well. Staff and consultant reviewed *SamCERA's* value managers (Barrow Hanley, Mondrian Investment Partners, and The Boston Company) on July 7th. Ms. Settles was also present for the annual reviews.

1107.6.6a **Barrow Hanley – *SamCERA's* Domestic Large Cap Value Manager:** Mr. Clifton provided an overview of Barrow Hanley's annual review on July 7th. Mark Giambrone, Managing Director, and Matt Egenes, Director, of Barrow Hanley were present at that meeting to discuss its Diversified Large Cap Value Equity product. Mr. Egenes provided an organizational overview and reported on the status of the firm's equity buy-back from Old Mutual. Mr. Clifton then said that Mr. Giambrone discussed investment performance, positioning, and market outlook. Mr. Clifton said that Barrow Hanley's portfolio is currently above *SamCERA's* target allocation, but will be re-adjusted within the next few months with the upcoming allocations to commodities and new international mandates. This report was informational.

1107.6.6b **Mondrian Investment Partners – *SamCERA's* International Value Manager:** Mr. Clifton provided an overview of Mondrian's annual review on July 7th. Justin Richards, Senior Vice President, of Mondrian Investment Partners was present at that meeting. Russell Mackie, Senior Portfolio Manager, and Steven Dutuat, Portfolio Manager, of Mondrian Investment

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Partners, and Kimberly Aspenleider, Vice President, Client Services, of Delaware Investments, attended the meeting via conference call. Mr. Richards provided an organizational overview and reported on the firm's decision to commit to purchasing the minority stake held by Hellman & Friedman. He then discussed the details of the purchase and said that employees are pleased with the news and that no personnel is leaving as a result of the transaction. Mr. Dutuat and Mr. Mackie then discussed investment performance, positioning, and market outlook. This report was informational.

1107.6.6c **The Boston Company – SamCERA's Domestic Small Cap Value Manager:** Mr. Clifton provided an overview of The Boston Company's annual review on July 7th. Edward Walter, Senior Portfolio Manager, and Paul Leahy, Senior Relationship Manager, of The Boston Company were present at that meeting to discuss its U.S. Small Cap Value Equity product. Mr. Leahy provided an organizational overview and discussed its capacity for the product. Mr. Walter had then discussed investment performance, positioning, and market outlook. Mr. Clifton said that The Boston Company's portfolio is currently above SamCERA's target allocation, but will be re-adjusted within the next few months with the upcoming allocations to commodities and new international mandates. This report was informational.

1107.6.7 **Semi-Annual Report on the Strategic Investment Solutions' Capital Market & Inflation Outlook:** Mr. Brody reviewed SIS' Capital Market Outlook. The outlook allows SamCERA to semi-annually view the expectations for capital market returns. Mr. Brody noted that there are new asset categories on the report, specifically on real assets. In response to a question from Mr. David regarding recent debt-ceiling discussions in Washington, Mr. Brody said that the political environment is not taken into account into SIS' Capital Market Outlook. No action was taken. The report was informational.

1107.6.8 **Approval of a Trust Agreement with State Street Global Advisors for a Commodities Mandate:** Mr. Clifton said that he and Mr. Thomas conducted a site visit to State Street Global Advisors' offices for further due diligence. He gave a brief overview of the site visit and deemed it successful. He said that Ms. Carlson and Ms. Dames negotiated the contract with SSGA. Ms. Carlson discussed the main points of the agreement and said that negotiations went smoothly. Staff recommended that the trustees approve the trust agreement.

Motion by Settles, second by Agnew, carried unanimously to adopt **Resolution 11-12-04**, approving the trust agreement with State Street Global Advisors for a Commodities Mandate, as follows:

“**WHEREAS**, Article XVI, §17 of the Constitution of the State of California vests the Board with *"plenary authority and fiduciary responsibility for the investment of moneys and the administration of the system"*; and

“**WHEREAS**, Government Code §31595 vests in the Board *" . . . exclusive control of the investment of the employees retirement fund."*; and

“**WHEREAS**, Government Code §31596.1 (d) authorizes the Board to retain investment managers *" . . . in connection with administration of the Board's investment program . . ."*; and

“**WHEREAS**, in August 2010, the Board completed an asset-liability study, which designated 3.0% of the total portfolio to be allocated to commodities investment opportunities; and

“**WHEREAS**, the Board delegated to staff and legal counsel full discretionary authority for all

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tasks required in the preparation of documentation necessary to effectuate an alternative investment; and

“**WHEREAS**, on May 24, 2011, the Board considered proposals from nine firms for investment management services under a commodities mandate. Gresham Investment Management, Cargill Risk Management, INVESCO and State Street Global Advisors were invited to participate in interview at the June board meeting; and

“**WHEREAS**, on June 21, 2011, the Board interviewed representatives from the four finalists, selecting State Street Global Advisors for the mandate to be funded with approximately \$75 million; Therefore, be it

“**RESOLVED** that the Board hereby authorizes the board chair, vice-chair or if neither is available, the Chief Executive Officer to execute all required documentation on behalf of the Board that has been approved by staff and counsel. Be it further

“**RESOLVED** that the Board hereby designates the Chief Investment Officer as its designee to perform those functions so identified in the investment documentation 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 investment agreement and this resolution.”

1107.7 **Board & Management Support Services**

1107.7.1 **Monthly Financial Report:** Mr. Clifton reported that *SamCERA*'s Net Assets Held in Trust for Pension Benefits as of June 30, 2011, totaled \$2,309,049,708. Net assets decreased by approximately \$30.1 million, month over month, primarily due to market depreciation.

1107.7.2 **Quarterly Budget Report for Period Ended June 30, 2011:** Mr. Clifton reported the preliminary Fourth Quarter Budget Reports. He said that with 100% of the fiscal year completed, administrative expenditures to date represent 70.9% of the appropriations. The Salaries & Benefits, Services & Supplies and Capital Assets are all under budget.

SamCERA's Administrative Budget

	ADOPTED BUDGET	YTD Preliminary
Salaries & Benefits	\$2,640,000	\$2,353,184
Services & Supplies	\$2,343,000	\$1,179,602
Capital Assets	\$ 000	\$ 000
Total	\$4,983,000	\$3,532,786

This Asset Management Budget encompasses *SamCERA's* in-house expenditures, which are incurred when managing the association's assets. It currently includes the salaries and benefits of the Chief Investment Officer, Retirement Investment Analyst and a percentage of the salaries and benefits of the Chief Executive Officer, Assistant Executive Officer, and Finance Officer. It also includes overhead related to support of the investment functions. The Asset Management Budget is as follows:

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SamCERA's Asset Management Budget

	ADOPTED BUDGET	YTD Preliminary
Salaries & Benefits	\$ 550,000	\$ 486,626
Services & Supplies	\$ 430,700	\$ 209,126
Capital Assets	<u>\$ 000</u>	<u>\$ 000</u>
Total	<u>\$ 980,700</u>	<u>\$ 695,752</u>

All professional services expenditures are on target in accordance with the budget appropriations. As of June, 30, 2011, the preliminary aggregate professional services fee is approximately 37.7 basis points.

- 1107.7.3 **Approval of Topics for the Annual Independent Auditor Review – Brown Armstrong:** Ms. Wong presented the list of topics for Brown Armstrong’s independent auditor’s review which will be held on October 25, 2011. Ms. Wong asked that trustees complete the evaluation form and submit it to staff as soon as possible.

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

- 1107.7.4 **Amendment of Board Resolution Authorizing *SamCERA's* Corporate Credit Cards Through American Express Corporate Services to Add the Benefits Manager:** Ms. Wong said that in 2003, the board had authorized the CEO, AEO and CIO to hold public sector corporate credit cards in *SamCERA's* name for the purposes business expenditures. She reported that due to the routing purchases made by the Benefits Manager in relation to Board meeting expenses and certain office supplies, it was appropriate that the Benefits Manager also hold a corporate credit card for the purpose of *SamCERA's* business expenditures. The existing combined credit limit of *SamCERA* will not be increased. Ms. Wong also proposed additional amendments to Resolution 08-09-03, “American Express Corporate Services Resolution,” to include meetings and miscellaneous office supplies as approved business expenditures.

Motion by Settles, second by Spinello, carried unanimously to approve the amendments to **Resolution 08-09-03**, including the addition of the Benefits Manager as an authorized *SamCERA* credit card holder, as follows:

“WHEREAS, Article XVI 1 § 7(a) of the Constitution of the State of California states in part that *the retirement board...shall have plenary authority and fiduciary responsibility for investment of monies and administration of the system...; &*

“WHEREAS, Government Code §31580.2 vests authority in the Board of Retirement to *...annually adopt a budget covering the entire expense of administration of the retirement system which expense shall be charged against the earnings of the retirement fund; &*

“WHEREAS, the Board, by motion unanimously adopted March 25, 2003, authorized the Chief Executive Officer, Assistant Executive Officer and Chief Investment Officer to hold public sector corporate credit cards; &

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“Now, therefore, be it

“**RESOLVED**, that the Chief Executive Officer is hereby authorized to enter into and maintain a credit card agreement with American Express Corporate Services or its issuance agent for a credit line not to exceed \$50,000 and to provide said entity with specimen signatures for those who will receive credit cards. Be it further

“**RESOLVED**, that the Chief Executive Officer, the Assistant Executive Officer, Chief Investment Officer and the Benefits Manager are hereby authorized to borrow on behalf of *SamCERA* such sums for such times and upon such terms as each deems advisable and to execute in the name of *SamCERA* notes, drafts or agreements for repayment of any sums so borrowed pursuant to the terms of said credit card agreement. Be it further

“**RESOLVED**, that the Chief Executive Officer, the Assistant Executive Officer, Chief Investment Officer, and the Benefits Manager are hereby ordered to limit their use of said credit card agreement to the following business expenditures: meetings, education, conference, travel, miscellaneous office supplies, and disaster recovery. Be it further

“**RESOLVED**, that *SamCERA* will be and shall remain liable for all amounts owing to the card issuer pursuant to the terms of said credit card agreement. Be it further

“**RESOLVED**, that the terms of this resolution shall continue in force until express written notice of its rescission or modification has been received by said entity. Be it further

“**RESOLVED**, that the Board hereby names the Chief Executive Officer as its designee to perform those functions so identified in the credit card agreement with said entity and hereby authorizes the Chief Executive Officer to take all actions necessary to initiate, implement, approve payments and monitor the agreement with said entity.”

1107.8 **Management Reports**

1107.8.1 **Chief Executive Officer’s Report:** Mr. Bailey reported on the status of a public records request from the LA Times. He then said that Brown Armstrong is requesting information from trustees that seems similar to the information provided on the Form 700. Andrew Paulden of Brown Armstrong said he will modify the request.

Mr. Bailey said he delivered the commencement address at the CALAPRS Management Academy for the second year in a row. Three of *SamCERA*’s managers have attended the academy, Mr. Hood, Ms. Smith and, most recently, Mr. Ali. Mr. Bailey then reported that *SamCERA* has received its 15th consecutive outstanding achievement award from the GFOA for the June 30, 2010, Comprehensive Annual Financial Report. *SamCERA* also received its 8th consecutive GFOA award for the Popular Annual Financial Report.

Mr. Bailey said he had an additional report to make after agenda item 8.4. Mr. David then took up agenda item 8.2.

Following agenda item 8.4, with all trustees present for roll call present, except Ms. Arnott, Mr. Bailey provided an update on the recruitment of *SamCERA*’s Executive Secretary position which is currently vacant.

Mr. David then took up agenda item 10.0.

1107.8.2 **Assistant Executive Officer’s Report:** Mr. Hood provided a status update on *SamCERA*’s

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office expansion. He also reported on the implementation of the recently negotiated new retirement tiers, including an update on the new programming in PensionGold and revised communications for new employees.

Mr. Hood then discussed a contract amendment with Financial Knowledge Network. Staff had a meeting with the County's training department and discussed the possibility of making the classes available to not only county employees but local cities, as well. The addition of city employees is cost neutral. Financial Knowledge Network is okay with the amendment to the contract, which is expiring later this year.

Finally, Mr. Hood said that the results of the Alameda survey are now available. He will present the results at the next meeting.

1107.8.3 **Chief Investment Officer's Report:** Mr. Clifton reported that Angelo Gordon made its second capital distribution on July 25th in the amount that represents approximately 1.50% of each limited partner's paid-in capital as of June 30th. A total of approximately 6.08% of each limited partner's paid-in capital has been returned. Mr. Clifton then reported that the INVESCO Core Fund purchased a property on Park Avenue in Manhattan. The building currently represents the biggest office holding in the portfolio.

1107.8.4 **Chief Legal Counsel Report:** Ms. Carlson reported that since she is now a *SamCERA* employee, the contract with Hanson Bridgett, tax counsel, should be directly with the Board of Retirement and not County Counsel. She will bring back a revised contract at a future board meeting. Ms. Carlson then briefly discussed ethics training and will distribute certificates to those trustees that have completed the mandatory training hours on ethics. Lastly, she said that staff is revamping *SamCERA's* Conflict of Interest Code, refining who is designated and the categories of disclosure. A revised version of the code has been drafted and will be brought back to the board for approval.

1107.9 **Report on Actions Taken in Closed Session:** Ms. Carlson reported that Mr. David took the board meeting into closed session, with all trustees present for roll call in attendance. The board met in closed session to discuss the disability application of Neal Ferguson. Mr. Ferguson was present for the discussion via tele-conference.

The board referred the disability of application of Neal Ferguson to a hearing officer.

Mr. David adjourned the closed session and took up agenda item 6.1.

1107.10 **Adjournment in Memory of Deceased Members:** There being no further business, Mr. David adjourned the meeting at 4:28 p.m., in memory of the following deceased members:

Oskea, Kathleen	June 5, 2011	Probation
Estes, Jack	June 8, 2011	Assessor
Sherman, Marcia	June 8, 2011	Beneficiary of Sherman, Fred
Swinehart, Mary	June 8, 2011	Beneficiary of Swinehart, William
Vanderford, Mary	June 11, 2011	Library
Larson, Larry	June 12, 2011	Sheriff's Office
Malerstein, Abraham	June 12, 2011	Mental Health
Gretter, William	June 15, 2011	Beneficiary of Gretter, Rita

AL DAVID, CHAIR