October 25, 2011 – Board Agenda

PUBLIC SESSION – The Board will meet in Public Session at 1:00 p.m.

1. Call to Order, Roll Call and Miscellaneous Business

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
     - Gene Palo
   - Service Retirements
   - Continuances
   - Deferred Retirements
   - Member Account Refunds
   - Member Account Rollovers
   - Placement Agent Policy

5. Benefit & Actuarial Services
   5.1 Consideration of agenda items, if any, removed from the Consent Agenda
   5.2 Approval of Fiscal Year 2012-13 Contribution Rates for New Plans
   5.3 Approval of Amendment to Agreement with Milliman, Inc.

6. Investment Services
   6.1 Presentation of the Monthly Portfolio Performance Report
   6.2 Interview Finalists for SamCERA’s Emerging Market Manager Mandate (Special Meeting Item 4)
   6.3 Discussion and Selection of SamCERA’s Emerging Market Manager (Special Meeting Item 5)
   6.4 Selection of Finalists to Interview for SamCERA’s International Small Cap Manager Search
   6.5 Report on the Annual Review of SamCERA’s Bond “Strategy” Portfolios
     - Angelo Gordon & Company – AG GECC Public-Private Investment Fund
     - Brigade Capital Management -
     - Brown Brothers Harriman - Treasury Inflation Protected Securities (TIPS)
     - Franklin Templeton Institutional – Global Multi-Sector Plus
   6.6 Presentation of Private Equity Investment Opportunity

7. Board & Management Support Services
   7.1 Presentation of the Monthly Financial Report
   7.2 Approval of the Financial Audit Report for the Period Ended June 30, 2011
   7.3 Approval of the Comprehensive Annual Financial Report (CAFR) for the Period Ended June 30, 2011
   7.4 Annual Review of SamCERA’s Independent Auditor
   7.5 Discussion and Approval of SamCERA’s Internal Control Structure
   7.6 Presentation of Quarterly Budget Report for Period Ended September 30, 2011
   7.7 Discussion of Items for the Fall SACRS Business Meeting
   7.8 Discussion of Board/Staff Retreat Agenda, Scheduled for April 24 & 25, 2012
   7.9 Appointment of Ad Hoc CEO Review Committee
San Mateo County Employees' Retirement Association

Minutes of the Meeting of the Board of Retirement

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 may meet in closed session prior to adjournment
C1 Consideration of disability items, if any, removed from the Consent Agenda and appropriate for closed session
C2 Conference with Legal Counsel-Existing Litigation Frias v. Dendreon Corp. et al U.S.D.C. Western District of Washington, Seattle Office
   2:11-CV-01291

9. Report on Actions Taken in Closed Session

10. Adjournment in memory of the following deceased members:

   October 25, 2011 – Board Minutes

0811.1 Call to Order: Mr. David, Chair, called the Public Session of the Board of Retirement to order at 1:01 p.m., October 25, 2011, in SamCERA’s Board Room, 100 Marine Parkway, Suite 160, Redwood Shores, California.

   Roll Call: Ms. Arnott, Mr. David, Ms. Kwan Lloyd, Mr. Tashman, Mr. Bowler, Ms. Agnew, Mr. Spinello, Mr. Murphy for Mr. Hackleman and Ms. Settles. Excused: Ms. Salas. Staff: Mr. Bailey, Mr. Clifton, Ms. Carlson, Mr. Hood, Ms. Wong, Ms. Smith and Ms. Meitz. Consultants: Mr. Brody and Mr. Thomas, Strategic Investment Solutions. Retirees: 0, Public: 0.

0811.2.1 Oral Communications From the Board: Mr. Spinello reported attending a very informative CALAPRS Roundtable, and mentioned it being one of the best trustee sessions he ever attended. He noted being interested in attending an upcoming panel that will address the future of the pension system. Mr. Bailey mentioned Ms. Carlson is monitoring proposed “pension reform” legislation, and is planning on submitting a report to the board. Mr. David also reported attending the CALAPRS Roundtable and agreed it was most informative. He also noted he would be interested in attending the next session.

0811.2.2 Oral Communications From the Public: None.

0811.3 Approval of the Minutes: Ms. Arnott submitted the following corrections to the minutes:
   0811.5.3 future corrected to read future, 0811.5.4 Be if further, corrected to read Be it further, 0811.6.5- 6.5a Aberdeen asset, corrected to read Aberdeen Asset, 0811.6.7 Would authorized, corrected to read Would authorize, and 0811.5.4 in accordance with the was deleted.

   Motion by Settles, second by Kwan Lloyd, carried unanimously to approve the board minutes of the September 27, 2011, meeting, as amended.

0811.4 Approval of the Consent Agenda: Mr. David pulled the disability application of Gene Palo from the day’s consent agenda to be taken up under closed session. Please see agenda item 9.0 for Report on Actions Taken in Closed Session.

   Motion by Spinello, second by Kwan Lloyd, carried unanimously to approve the day’s Consent Agenda, as amended, as follows:
### Service Retirements:

<table>
<thead>
<tr>
<th>Member Name</th>
<th>Effective Retirement Date</th>
<th>Department</th>
</tr>
</thead>
<tbody>
<tr>
<td>Miskel, Jeanne</td>
<td>July 26, 2011</td>
<td>Def’d from District Attorney</td>
</tr>
<tr>
<td>Mix, Evangeline</td>
<td>August 1, 2011</td>
<td>QDRO of Steven Freedman</td>
</tr>
<tr>
<td>Venzor-Dunn, Maria</td>
<td>August 4, 2011</td>
<td>Def’d from SMMC</td>
</tr>
<tr>
<td>Larcina, Teresita</td>
<td>August 6, 2011</td>
<td>Environmental Health</td>
</tr>
<tr>
<td>Moreno, Celia</td>
<td>August 8, 2011</td>
<td>Behavioral Health</td>
</tr>
<tr>
<td>Noble, Candice</td>
<td>August 8, 2011</td>
<td>Building and Planning</td>
</tr>
<tr>
<td>Coffman, Douglas</td>
<td>August 13, 2011</td>
<td>Environmental Health</td>
</tr>
<tr>
<td>Romero, Felipe</td>
<td>August 17, 2011</td>
<td>Def’d from Public Works</td>
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<tr>
<td>Paulo, Ronald</td>
<td>August 20, 2011</td>
<td>Human Services Agency</td>
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<tr>
<td>Gatto, Tim</td>
<td>August 21, 2011</td>
<td>Probation</td>
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<td>Pierrie, Herbert</td>
<td>August 31, 2011</td>
<td>Def’d from Public Health</td>
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<tr>
<td>Vura-Weis, Dorothy</td>
<td>August 31, 2011</td>
<td>Public Health</td>
</tr>
<tr>
<td>Bygdnes, Jodi</td>
<td>September 1, 2011</td>
<td>Def’d from SMMC</td>
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<td>Kim, Solomon</td>
<td>September 1, 2011</td>
<td>Def’d from SMMC</td>
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<td>Sapling, Ana</td>
<td>September 1, 2011</td>
<td>Information Services</td>
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### Continuances

<table>
<thead>
<tr>
<th>Survivor’s Name</th>
<th>Beneficiary of:</th>
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<tbody>
<tr>
<td>Fronberg, Dorothy</td>
<td>Fronberg, Raymond</td>
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</tbody>
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### Deferred Retirements:

<table>
<thead>
<tr>
<th>Member Name</th>
<th>Retirement Plan Type</th>
</tr>
</thead>
<tbody>
<tr>
<td>Edwards, Michael</td>
<td>G4 Vested</td>
</tr>
<tr>
<td>Grimley, Diana</td>
<td>G4 Vested</td>
</tr>
<tr>
<td>Sibbring, Justin</td>
<td>G4 Vested - Reciprocity</td>
</tr>
<tr>
<td>Kremer, Diana</td>
<td>G4 Non-vested - Reciprocity</td>
</tr>
<tr>
<td>Eugenio, Angelo</td>
<td>G4 Vested - Reciprocity</td>
</tr>
</tbody>
</table>

### Member Account Refunds

<table>
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<tr>
<th>Member Name</th>
<th>Retirement Plan Type</th>
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</thead>
<tbody>
<tr>
<td>Carr, Rahsaan</td>
<td>G4 Non-vested</td>
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<tr>
<td>Dorman, Jefferson</td>
<td>G4 Non-vested</td>
</tr>
<tr>
<td>Gonzalez, Anamaria</td>
<td>G4 Non-vested</td>
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<tr>
<td>Gutierrez, Nestor</td>
<td>G4 Non-vested</td>
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<tr>
<td>Nand, Kajal</td>
<td>Ben of Kaliappan, Madu</td>
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<tr>
<td>Nand, Navneel</td>
<td>Ben of Kaliappan, Madu</td>
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<tr>
<td>Serafica, Anthony</td>
<td>G4 Non-vested</td>
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<tr>
<td>Yumang, Ma</td>
<td>G4 Non-vested</td>
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</tbody>
</table>

### Member Account Rollovers

<table>
<thead>
<tr>
<th>Member Name</th>
<th>Retirement Plan Type</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bodin, Gregory</td>
<td>G4-Non-vested</td>
</tr>
<tr>
<td>Drake, Carole</td>
<td>G2-Non-vested</td>
</tr>
<tr>
<td>Geller, Elizabeth</td>
<td>G4-Non-vested</td>
</tr>
<tr>
<td>Samaro, Louis</td>
<td>G4 Non-vested</td>
</tr>
</tbody>
</table>
Approval of Amendments to *SamCERA*’s Policy Regarding Placement Agents: Mr. Bailey reported that Government Code section 7513.85, enacted in 2010, requires all public pension systems to adopt a policy regarding “placement agents.” The Board adopted a policy in compliance with this requirement. Since its enactment, the law has been amended twice, with the most recent amendment occurring on October 9, 2011, with the chaptering of SB 398. This latest amendment, which is urgency legislation, modifies the statutory definition of “External Manager”, “Investment Vehicle”, and “Placement Agent.” *SamCERA*’s policy needs to be amended to reflect these changes. Mr. Bailey also noted that the changes are for clarification purposes and will not affect the implementation of *SamCERA*’s policy.

**Motion** by Spinello, second by Kwan Lloyd, carried unanimously to approve and adopt **Resolution** 11-12-10, amending Policy Requiring Disclosure of Placement Agent Fees, Gifts, and Campaign Contributions.

SAN MATEO COUNTY EMPLOYEES’ RETIREMENT ASSOCIATION
Board of Retirement

RESOLUTION 11-12-10

SAN MATEO COUNTY EMPLOYEES’ RETIREMENT ASSOCIATION
RESOLUTION AMENDING POLICY REQUIRING DISCLOSURE OF PLACEMENT AGENT FEES, GIFTS, AND CAMPAIGN CONTRIBUTIONS

**WHEREAS**, Government Code §7513.85 requires the board to develop and implement, a policy requiring the disclosure of payments to placement agents in connection with system investments in or through external managers; and

**WHEREAS**, Government Code §7513.85 mandates that the policy include certain requirements and this board has read the attached policy "Requiring Disclosure of Placement Agent Fees, Gifts, and Campaign Contributions" and determined that all such requirements are included in the policy; and

**WHEREAS**, Government Code §7513.8 was amended in October 9, 2011, to change certain definitions; and

**WHEREAS**, this board has determined that adopting this amendment to the current policy is consistent with its fiduciary responsibilities; now, therefore be it

**RESOLVED** that the board hereby adopts the attached "Policy Requiring Disclosure of Placement Agent Fees, Gifts, and Campaign Contributions."
SamCERA Policy

DISCLOSURE OF PLACEMENT AGENT FEES, GIFTS, AND CAMPAIGN CONTRIBUTIONS

Adopted by the Board of Retirement
December 14, 2010, last amended October 25, 2011

This policy is effective immediately upon adoption. This policy is intended to supplement any applicable provisions of state or federal law.

I. PURPOSE

This Policy sets forth the circumstances under which the San Mateo County Employees’ Retirement Association (SAMCERA) shall require the disclosure of payments to Placement Agents, as that term is defined by Government Code section 7513.8, in connection with SAMCERA investments in or through External Managers, as that term is defined by Government Code section 7513.8. This Policy is intended to apply broadly to all of the types of investment partners with whom SAMCERA does business, including the general partners, managers, investment managers and sponsors of hedge funds, private equity funds, real estate funds and infrastructure funds, as well as investment managers retained pursuant to a contract. SAMCERA adopts this Policy to require broad, timely, and updated disclosure of all Placement Agent relationships, compensation and fees. The goal of this Policy is to help ensure that SAMCERA investment decisions are made solely on the merits of the investment opportunity by individuals who owe a fiduciary duty to SAMCERA.

II. APPLICATION

This Policy applies to all agreements with External Managers that are entered into after the date this Policy is adopted. This Policy also applies to existing agreements with External Managers if, after the date this Policy is adopted, the agreement is amended in any way to continue, terminate, or extend the term of the agreement or the investment period, increase the commitment of funds by SAMCERA or increase or accelerate the fees or compensation payable to the External Manager (Referred to hereafter as “Amendment”.) In the case of an Amendment, the disclosure provisions of this Policy shall apply to the Amendment and not to the original agreement.

IV. RESPONSIBILITIES

A. The Board is responsible for:

1. not entering into any agreement with an External Manager that does not agree in writing to comply with this policy.
2. not entering into any agreement with an External Manager who has violate this policy within the previous five years. However, this prohibition may be reduced by a majority vote of the board at a public session upon a showing of good cause.

B. Each External Manager is responsible for:

1. Providing a statement in writing that the External Manager will comply with this policy.

2. Providing the following information to the SAMCERA Investment Staff within 45 days of the time investment discussions are initiated by the External Manager, but in any event, prior to the completion of due diligence. In the case of Amendments, the Placement Agent Information Disclosure is require prior to execution of the Amendment.

   a. Disclosure of payments or compensation by the External Manager or any of its principals, employees, agents or affiliates, directly or indirectly, to any person or entity to act as a Placement Agent in connection with SAMCERA investments.

   b. A resume for each officer, partner, principal of the Placement Agent detailing the person’s education, professional designations, regulatory licenses and investment and work experience. If any such person is a current or former SAMCERA Board Member, employee or Consultant or a member of the immediate family of any such person, this fact shall be specifically noted.

   c. A description of any and all compensation of any kind provided or agreed to be provided to a Placement Agent, including the nature, timing and value thereof. Compensation to Placement Agents shall include, but not be limited to, compensation to third parties as well as employees of the External Manager who solicit or market investments to SAMCERA or who are paid based upon investment commitments secured by such employees.

   d. A description of the services to be performed by the Placement Agent and a statement as to whether the Placement Agent is utilized by the External Manager with all prospective clients or only with a subset of the External Manager’s prospective clients.

   e. A written copy of any and all agreements between the External Manager and the Placement Agent.

Fiscal Year 2011-2011 page 6
f. A statement whether the placement agent, or any of its affiliates, are registered with the Securities and Exchange Commission or the Financial Industry Regulatory Association, or any similar regulatory agent in a country other than the United States, and the details of that registration or explanation as to why no registration is required.

g. A statement whether the placement agent, or any of its affiliates, is registered as a lobbyist with any state or national government.

h. The names of any current or former SAMCERA Board Members, employees, or Consultants who suggested the retention of the Placement Agent.

4. Providing an update of any changes to any of the information provided pursuant to section B.2 above within 14 calendar days of the date that the External Manager knew or should have known of the change in information.

5. Representing and warranting the accuracy of the information described in section B.2 above.

6. Causing its engaged Placement Agent to disclose, prior to acting as a Placement Agent to SAMCERA,

   a. all campaign contributions made by the Placement Agent to any publicly elected SAMCERA Board Member during the prior 24-month period. Additionally, any subsequent campaign contribution made by the Placement Agent to any publicly elected SAMCERA Board Member during the time the Placement Agent is receiving compensation in connection with a SAMCERA investment shall also be disclosed.

   b. all gifts, as defined in Government Code Section 82028, given by the Placement Agent to any SAMCERA Board Member during the prior 24-month period. Additionally, any subsequent gift made by the Placement Agent to any SAMCERA Board Member during the time the Placement Agent is receiving compensation in connection with a SAMCERA investment shall also be disclosed.

7. SAMCERA reserves the right to deem the failure to disclose the information required by 5(a) and 5(b) as a material breach of the agreement with the External Manager.

D. SAMCERA Investment Staff (“Staff”) are responsible for:

1. Providing External Managers with a copy of this Policy at the time that discussions are initiated with respect to a prospective investment or
2. Confirming that the information in section B above has been received within 45 days of the time investment discussions are initiated, but in any event, prior to the completion of due diligence and any recommendation to proceed with the contract or Amendment.

3. For new contracts and amendments to contracts existing as of the date of the initial adoption of this Policy, securing the agreement of the External Manager in the final written agreement between SAMCERA and the External Manager to provide in the event that there was or is an intentional material omission or inaccuracy in the Placement Agent Information Disclosure or any other violation of this Policy, SAMCERA is entitled to the greater of the reimbursement of any management or advisory fees paid by SAMCERA for the prior two years or an amount equal to the amounts paid or promised to be paid to the Placement Agent as a result of the SAMCERA investment; and

4. Prohibiting any External Manager or Placement Agent from soliciting new investments from SAMCERA for five years after they have committed a material violation of this Policy; provided, however, that SAMCERA’s Board, by majority vote at a noticed, public meeting, may reduce this prohibition upon a showing of good cause.

5. Providing a quarterly report to the Board containing (a) the names and Amount of compensation agreed to be provided to each Placement Agent by each External Manager as reported in the Placement Agent Information Disclosures and (b) any material violations of this Policy; and maintaining the report as a public record.
DEFINITIONS:
The following definitions are current as of October 9, 2011. Should the legislature subsequently amend the definitions below, the definition of these terms as amended shall supersede the definitions contained in this policy.

As defined in California Government Code section 7513.8 “External Manager” means either of the following: (1) a Person who is seeking to be, or is, retained by a board or an Investment Vehicle to manage a portfolio of securities or other assets for compensation; (2) a Person who manages an Investment Fund and who offers or sells, or has offered or sold, an ownership interest in the Investment Fund to a board or an Investment Vehicle. (All code section references are to the Government Code, unless otherwise noted.)

As defined in section 7513.8, “Person” means an individual, corporation, partnership, limited partnership, limited liability company, or association, either domestic or foreign.

As defined in section 7513.8, “Investment Vehicle” means a corporation, partnership, limited partnership, limited liability company, association, or other entity, either domestic or foreign, managed by an External Manager in which a board is the majority investor and that is organized in order to invest with, or retain the investment management services of, other External Managers.

As defined in section 7513.8, “Investment Fund” means a private equity fund, public equity fund, venture capital fund, hedge fund, fixed income fund, real estate fund, infrastructure fund, or similar pooled investment entity that is, or holds itself out as being, engaged primarily, or proposes to engage primarily, in the business of investing, reinvesting, owning, holding, or trading securities or other assets. Notwithstanding the preceding sentence, an investment company that is registered with the Securities and Exchange Commission pursuant to the Investment Company Act of 1940 (15 U.S.C. Sec. 80a-1 et seq.) and that makes a public offering of its securities is not an Investment Fund.

As defined in section 7513.8, “Placement Agent” means any Person directly or indirectly hired, engaged, or retained by, or serving for the benefit of or on behalf of, an External Manager or an Investment Fund managed by an External Manager, and who acts or has acted for compensation as a finder, solicitor, marketer, consultant, broker or other intermediary in connection with the offer or sale to a board or an Investment Vehicle either of the following: in the case of an External Manager as defined in subpart (1) of the definition of an External Manager, the investment management services of the External Manager; in the case of an External Manager as defined in subpart (2) of the definition of an External Manager, an ownership interest in an Investment Fund managed by the External Manager. Notwithstanding the preceding sentence, an individual who is an employee, officer, director, equityholder, partner, member, or trustee of an External Manager and who spends one-third or more of his or her time, during a calendar year, managing the securities or assets owned, controlled, invested, or held by the External Manager is not a Placement Agent.

0811.5 Benefit & Actuarial Services

0811.5.1 Consideration of Agenda Items, if any, removed from the Consent Agenda: Please see agenda item 9.0 for Report on Actions Taken in Closed Session.
Approval of Fiscal Year 2012-13 Contribution Rates for New Plans: Mr. Bailey recommended that the board adopt a resolution amending “Resolution number 11-12-09, ‘Accepting Contribution Rates To Recommend To The Board of Supervisors for the 2012-2013 Fiscal Year.’ ” Mr. Bailey reported that at the September meeting, the board accepted the 2011 Actuarial Valuation and approved the 2012-2013 employer and employee contribution rates for most general and safety employees. With the adoption of this amendment, the resolution will contain all employer and member contribution rates, for members in old plans and new plans that will go into effect in July 2012.

Motion by Agnew, second by Kwan Lloyd, carried unanimously to amend Resolution 11-12-09, as follows:

RESOLUTION 11-12-11

RESOLUTION AMENDING RESOLUTION 11-12-09 ACCEPTING CONTRIBUTION RATES TO RECOMMEND TO THE BOARD OF SUPERVISORS FOR THE 2012-2013 FISCAL YEAR.

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 Board has received and accepted the June 30, 2011, valuation report from its Actuarial firm, Milliman, Inc.; and

WHEREAS, maintaining payment of the 2011-12 employer rates will lower the level of expected future increases and help keep SamCERA on a path toward greater fiscal strength; and

WHEREAS, on September 27, 2011, this board adopted Resolution 11-12-09 Accepting Contribution Rates to Recommend to the Board of Supervisors for the 2012-2013 Fiscal Year for members hired prior to the implementation of new benefit formulas in 2011 and 2012; and

WHEREAS, Milliman, Inc. has provided employer and employee contribution rates to recommend to the Board of Supervisors for those hired after implementation of new benefit formulas in 2011 and 2012; and

WHEREAS, this board now desires to amend the resolution in order to add the 2012-13 employer and employee rates for all general and safety members hired after the implementation of new benefit formulas in 2011 and 2012; and

WHEREAS, the Chief Executive Officer has recommended, in agreement with Milliman, Inc., the 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 in the attached schedules and letters from Milliman, Inc. for the fiscal year 2012-2013.

Be it further

RESOLVED that the Board of Retirement hereby recommends that the Board of Supervisors adopt the recommended entry age member contribution rates for members hired prior to the implementation of new benefit formulas in 2011 and 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 schedules set forth in the attachments provided by Milliman, Inc., entitled “Exhibit D-2: Basic Plus Cost-Sharing Member Contribution Rates (Attachment 1), and “Exhibit D-3: Basic Plus Cost-Sharing Member Contribution Rates, With 25% COLA Share” (attachment 2), as a percentage of covered salaries, effective July 1, 2012;

RESOLVED that the Board recommends that the Board of Supervisors adopt the recommended employer contribution rates for members hired prior to the implementation of new benefit formulas in 2011 and 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 schedules provided by Milliman, Inc. in a letter of September 26, 2011, to David Bailey, Chief Executive Officer, Re: “Update to County Contribution Rates for Fiscal Year Beginning July 1, 2012” as a percentage of covered salaries, effective July 1, 2012; (Attachment 3) and

RESOLVED that the Board recommends that the Board of Supervisors adopt the recommended employer contribution rates for members hired after the implementation of new benefit formulas in 2011 and 2012 for the County of San Mateo, the San Mateo Superior Court and the San Mateo County Mosquito & Vector Control District in accordance with schedules provided by Milliman, Inc. in a letter of October 18, 2011, to David Bailey, Chief Executive Officer, Re: “June 30, 2011 Actuarial Valuation Addendum – New Plans” as a percentage of covered salaries, effective July 1, 2012; (Attachment 4) and;

RESOLVED that the Board of Retirement hereby recommends that the Board of Supervisors adopt the recommended entry age member contribution rates for members hired after the implementation of new benefit formulas in 2011 and 2012 of the County of San Mateo, the San Mateo Superior Court and the San Mateo County Mosquito & Vector Control District in accordance with schedules set forth in the attachments provided by Milliman, Inc., entitle “in accordance with schedules provided by Milliman, Inc. in a letter of October 18, 2011, to David Bailey, Chief Executive Officer, Re: “June 30, 2011 Actuarial Valuation Addendum – New Plans” as a percentage of covered salaries, effective July 1, 2012; (Attachment 4) and;

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, 2012.

INDEX OF ATTACHMENTS
TO RESOLUTION AMENDING RESOLUTION 11-12-09 ACCEPTING CONTRIBUTION RATES TO RECOMMEND TO THE BOARD OF SUPERVISORS FOR THE 2012-2013 FISCAL YEAR.

1. “Exhibit D-2: Basic Plus cost-Sharing Member Contribution Rates

(Member contribution rates for members hired prior to the implementation of new Benefit formulas in 2011 and 2012.)

2. “Exhibit D-3: Basic Plus Cost-Sharing Member contribution Rates, With 25% COLA Share” as a percentage of covered salaries, effective July 1, 2012”

(Member contribution rates for members hired prior to the implementation of new benefit formulas in 2011 and 2012.)

3. Letter of September 26, 2011, to David Bailey, Chief Executive Officer, Re: “Update to County Contribution Rates for Fiscal Year Beginning July 1, 2012”

(Employer contribution rates for members hired prior to the implementation of new Benefit formulas in 2011 and 2012.)


(Employer and member contribution rates for members hired after the implementation of new benefit formulas in 2011 and 2012.)

Approval of Amendment to Agreement with Milliman, Inc.: Mr. Bailey reported discussions with Milliman, Inc. regarding the extension of the actuarial contract that will end on December 31, 2011. A three-year extension is being negotiated, with a proposed increase in fees to account for the additional work related to newly implemented benefit formulas, member contributions, and the anticipated services related to the implementation of rule changes by the Government Accounting Standards Board (GASB). Although all Milliman’s projects have been well received by the board and staff, Mr. Bailey said there were ongoing discussions regarding the wording of some contract clauses. Ms. Carlson also noted that she was not comfortable with the legal language in the agreement. After an extensive discussion, no action was taken and Mr. David decided to move this agenda item to the board meeting in December.

Investment Service
0811.6.1 Presentation of the Monthly Portfolio Performance Report: Mr. Clifton reported that SamCERA’s -5.60% Total Fund Return for the month out-performed the Total Plan Policy Benchmark return of -6.24% by 64 basis points. The out performance may be attributed to the underweight to equities and the larger than normal cash balance. He went on to mention that after a dismal first quarter for the fiscal year, the fund's return for the trailing twelve months has suffered. The return at 1.37% is 638 basis points (bps) below the Actuarial Discount Rate of 7.75%. For the same period, the total fund return is 68 basis points ahead of SamCERA’s Total Plan Policy Benchmark of 0.69%. Even though SamCERA out-performed the policy benchmark for the month and the trailing twelve months, the board should remember that the plan is expected to underperform the Total Plan Policy Benchmark in the initial stages of its private equity implementation.

A discussion ensued regarding preliminary reports verses actual. This topic will be continued at the next investment meeting.

<table>
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<tr>
<th>Asset Class</th>
<th>Market Value</th>
<th>1-Month</th>
<th>1-year TTWRR</th>
<th>5-year TTWRR*</th>
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<td>Domestic Equity</td>
<td>736,910,846</td>
<td>-8.10%</td>
<td>-0.69%</td>
<td>-2.49%</td>
</tr>
<tr>
<td>International Equity</td>
<td>336,482,613</td>
<td>-10.35%</td>
<td>-10.97%</td>
<td>-2.82%</td>
</tr>
<tr>
<td>Total Equity</td>
<td>1,073,393,458</td>
<td>-8.82%</td>
<td>-4.01%</td>
<td>-2.63%</td>
</tr>
<tr>
<td>Private Equity</td>
<td>11,105,153</td>
<td>0.96%</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Risk Parity</td>
<td>146,355,440</td>
<td>-2.59%</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Hedge Fund</td>
<td>69,042,470</td>
<td>-0.81%</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Fixed Income</td>
<td>572,210,079</td>
<td>-2.07%</td>
<td>4.03%</td>
<td>5.66%</td>
</tr>
<tr>
<td>Real Estate Aggregate</td>
<td>135,475,106</td>
<td>0.00%</td>
<td>16.15%</td>
<td>-0.31%</td>
</tr>
<tr>
<td>Commodities</td>
<td>67,006,505</td>
<td>-8.32%</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Cash Equivalents</td>
<td>43,626,850</td>
<td>0.03%</td>
<td>0.91%</td>
<td>1.34%</td>
</tr>
<tr>
<td>TOTAL FUND</td>
<td>2,118,215,061</td>
<td>-5.60%</td>
<td>1.37%</td>
<td>0.44%</td>
</tr>
<tr>
<td>Benchmark</td>
<td>-6.24%</td>
<td>0.69%</td>
<td>1.62%</td>
<td></td>
</tr>
</tbody>
</table>

0811.6.2 Interview Finalists for SamCERA’s Emerging Market Manager Mandate: See minutes of October 25, 2011, Special Board Meeting.

0811.6.3 Discussion and Selection of SamCERA’s Emerging Market Manager: Mr. Clifton reported that there were ten firms that passed the board’s screening criteria for the mandate. From that field, the board invited three firms to interview: Dimensional Fund Advisors, Eaton Vance Management (Parametric), and Schroder Investment Management. The board discussed the merits of the three finalists and selected Eaton Vance Management (Parametric) at the 8:00 a.m. Special Meeting of the Board of Retirement.
0811.6.4 **Selection of Finalists to Interview for SamCERA’s International Small Cap Manager Search:** Mr. Brody of Strategic Investment Solutions, Inc. (SIS) performed an overview of the RFI (Request for Information) process for the international small cap manager search. He reported sending out 9 RFI packets. SIS then reviewed and ranked the responses based on the main search criteria. Mr. Brody said that there were several strong candidates, but based on the information gathered from the responses to the RFI, SIS in conjunction with staff, recommended the following four candidates: (1) Dimensional Fund Advisors, (2) Franklin Templeton Investments, (3) Pyramis Global Advisors, and (4) Wells Capital Management Incorporated.

After discussing the pros and cons of each candidate, the board chose three of the four finalists to interview at the December 13, 2011, meeting of the Board of Retirement.

**Motion** by Spinello, second by Settles, carried unanimously to invite: (1) Dimensional Fund Advisors, (2) Pyramis Global Advisors, and (3) Wells Capital Management Incorporated, to interview at the December 13, 2011, Board of Retirement meeting.

0811.6.5 **Reports on the Annual Reviews of SamCERA’s Bond “Strategy” Portfolios**

**6.5a Angelo Gordon & Company- AG GECC Public-Private Investment Fund:** Mr. Thomas provided an overview of Angelo Gordon’s annual review on October 6, 2011. Those present were: Lauryn Agnew, *SamCERA* Trustee; Ben Bowler, *SamCERA* Trustee; Patrick Thomas, SIS; Steve Masarik, SIS; David Bailey, *SamCERA*’s Chief Executive Office; Andrew L. Solomon, Angelo Gordon & Company- Portfolio Manager, Managing Director, and Ruth Gitlin, Angelo Gordon & Company – Managing Director, Client Services. Staff and consultants reviewed *SamCERA*’s special strategy bond managers in *SamCERA*’s building conference room. Mr. Thomas gave a short informational report on Angelo Gordon’s strategy and investment performance, and later answered questions from the board.

**6.5b Brigade Capital Management:** Mr. Thomas provided an overview of Brigade Capital Management’s annual review held on October 6, 2011. Those present were: Lauryn Agnew, *SamCERA* Trustee; Ben Bowler, *SamCERA* Trustee; Patrick Thomas, SIS; Steve Masarik, SIS; David Bailey, *SamCERA*’s Chief Executive Officer; Don Morgan, Brigade Capital Management, CFA, Portfolio Manager, Managing Partner (Don was on the telephone), Gregory Soeder, Brigade Capital Management – CFA, Director, Product Specialist, and Rob Brady, Brigade Capital Management – Director of Institutional Sales. Mr. Thomas gave a short informational report on Brigade’s strategy and investment performance, and later answered questions from the board.

**6.5c Brown Brothers Harriman – Treasury Inflation Protected Securities (TIPS):** Mr. Thomas provided an overview of Brown Brothers’ annual review on October 6, 2011. Those present were: Lauryn Agnew, *SamCERA* Trustee; Ben Bowler, *SamCERA* Trustee; Patrick Thomas, SIS; Steve Masarik, SIS; David Bailey, *SamCERA*’s Chief Executive Officer, and John P. Nelson, Managing Director. Mr. Thomas gave a short informational report on Brown Brothers’ strategy and investment performance, and later answered questions from the board.

**6.5d Franklin Templeton Institutional – Global Multi-Sector Plus:** Mr. Thomas provided an overview of Franklin Templeton’s annual review, held on October 6, 2011. Those present were Lauryn Agnew, *SamCERA* Trustee; Ben Bowler, *SamCERA* Trustee; Patrick Thomas, SIS; Steve Masarik, SIS; David Bailey, *SamCERA*’s Chief Executive Officer; Brian Henry, CFA –
Vice President, Institutional Portfolio Manager, and Thomas J. Dickson, Senior Vice President, Client Services. Mr. Thomas gave a short informational report on Franklin Templeton’s strategy and investment performance, and later answered questions from the board.

0811.6.6 **Presentation of Private Equity Investment Opportunity**: Moved to December’s Agenda.

0811.7 **Board & Management Support Services**

0811.7.1 **Presentation of the Monthly Financial Report**: In an informational report, Ms. Wong reported that SamCERA’s Net Assets Held in Trust for Pension Benefits as of September 30, 2011, totaled $2,121,737,332. Net assets held in trust for pension benefits decreased by approximately $126.4 million, month over month. The decrease is primarily due to market depreciation in assets.

0811.7.2 **Approval of the Financial Audit Report for the Period Ended June 30, 2011**: Ms. Wong welcomed and introduced Mr. Andrew Paulden, SamCERA’s Independent Auditor, of Brown Armstrong Accountancy Corporation. Mr. Paulden began his report by first providing an overview of how the audit is conducted. On the **Independent Auditor’s Report**, he noted conformity with accounting principles generally accepted in the United States of America. On the **Auditor’s Report on Internal Control over Financial Reporting**, he said there were no matters involving the internal control over financial reporting and its operation that they considered to be material weaknesses. On the **Required Communications to the Audit Committee**, he stated that the communication provided an overview of the auditor’s responsibility under the U.S. Generally Accepted Auditing Standards. The report provided the reader with useful information to assist in understanding the audit process and accounting policies utilized to complete the audit. 4) On the **Report to Management**, this report had two current year findings: a) timely reconciliation of the securities lending account, and b) reconciliation of certain alternative asset manager’s statements with the custodian’s postings. In conclusion, Mr. Paulden said it was a clean report. A short discussion ensued regarding the audit process.

**Motion** by Arnott, second by Kwan Lloyd, and unanimously carried to approve the Financial Audit Report for the Period Ended June 30, 2011.

0811.7.3 **Approval of Comprehensive Annual Financial Report (CAFR) for the Period Ended June 30, 2011**: Ms. Wong introduced SamCERA’s Comprehensive Annual Financial Report for the period ended June 30, 2011. She thanked Mr. Colin Bishop, SamCERA’s new Communications Specialist, for his efforts in updating the look. It was also noted that for the fourteenth consecutive year, the Government Finance Officers Association (GFOA) awarded SamCERA its Certificate of Achievement for Excellence in Financial Reporting.

**Motion** by Bowler, second by Kwan Lloyd, and unanimously carried to approve the Comprehensive Annual Financial Report (CAFR) for the Period Ended June 30, 2011.

0811.7.4 **Annual Review of SamCERA’s Independent Auditor**: Mr. Andrew Paulden provided a summary of Brown Armstrong’s organizational update, answering questions from an audit services questionnaire and responded to board questions and comments. It was noted that the staff and trustees are pleased with the quality of advice and services provided by Brown Armstrong Accountancy Corporation.
0811.7.5 **Discussion and Approval of SamCERA’s Internal Control Structure**: Mr. Clifton noted that at the conclusion of the June 30, 2006, audit, the Audit Committee opined that staff should develop and implement an internal controls system to identify and assess SamCERA’s risks. Five internal control standards, issued by the United States General Accounting Office, were addressed. Mr. Clifton noted that the purpose of the controls is to guide SamCERA’s management in carrying out its goals and objectives. This guidance is not intended to take the place of management’s judgment or to dictate how management chooses to carry out its responsibilities.

**Motion** by Tashman, second by Settles, and carried unanimously to approve SamCERA’s Internal Control Structure.

0811.7.6 **Presentation of Quarterly Budget Report for Period Ended September 30, 2011**: Mr. Clifton reported the preliminary First Quarter Budget Reports. He said that the adopted administrative budget by category, versus the preliminary fiscal expenditures is shown in the table below. SamCERA expended 19.9% of the appropriations. The administrative budget expenditures are not linear. Many of the appropriations will be expended later in the fiscal year. In prior years, SamCERA separated administrative expenditures and asset management expenditures. Those two budgets have been combined beginning this fiscal year. Under Salaries & Benefits, SamCERA budgets all positions and benefits. Under Service & Supplies, the association budgets all overhead and operational expenditures. This year’s budget has not allocated any appropriation for Capital Assets.

### SamCERA’s Administrative Budget

<table>
<thead>
<tr>
<th></th>
<th>Adopted Budget</th>
<th>YTD Preliminary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries &amp; Benefits</td>
<td>$3,465,963</td>
<td>$627,245</td>
</tr>
<tr>
<td>Services &amp; Supplies</td>
<td>$1,268,237</td>
<td>$316,664</td>
</tr>
<tr>
<td>Capital Assets</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$4,734,200</td>
<td>$943,909</td>
</tr>
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</table>

This Technology Budget provides a review of the line item technology appropriations versus the preliminary expenditures. Most of the appropriations for this budget will occur later in the fiscal year.

### SamCERA’s Technology Budget

<table>
<thead>
<tr>
<th></th>
<th>Adopted Budget</th>
<th>YTD Preliminary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property &amp; Equipment</td>
<td>$60,000</td>
<td>$15,263</td>
</tr>
<tr>
<td>IT Infrastructure</td>
<td>$1,806,000</td>
<td>$120,278</td>
</tr>
<tr>
<td><strong>IT Total</strong></td>
<td><strong>$1,866,000</strong></td>
<td><strong>$135,541</strong></td>
</tr>
</tbody>
</table>

0811.7.7 **Discussion of Items for the Fall SACRS Business Meeting**: Mr. Bailey reported that at the September 27th board meeting, the board selected its Fall SACRS Business Meeting voting delegates. The delegates were: Mr. David, as the Voting Delegate, Mr. Spinello as the First Delegate Alternate, and Mr. Bailey as the Second Delegate Alternate. Ms. Carlson reviewed and discussed the proposals recommended by the Legislative Committee for 2012 SACRS.
Sponsorship. Those topics included: Electronic Signature, Group Dental Plan, 1937 Act Trustee Continuing Education, and Heart Illness Rebuttable Presumption.

0811.8 **Discussion of Board/Staff Retreat Agenda, Scheduled for April 24 & 25, 2012:** Mr. Bailey asked the board for input and direction for the 2012 Board/Staff Retreat to be held on April 24 & 25th. He provided a draft handout entitled **Agenda & Presenters** and reviewed the contents. After a lengthy discussion on different topics, Mr. Bailey said he would return at the December meeting with an updated agenda.

0811.9 **Appointment of Ad Hoc CEO Review Committee:** Mr. Bailey recommended that the board chair appoint a committee to conduct the annual CEO performance review. That committee will report its conclusions to the full board after the first of the year. Mr. David appointed Ms. Settles to head the committee. To assist Ms. Settles, Mr. David appointed Mr. Bowler and Mr. Spinello. Mr. David encouraged the new committee members to reach out to Ms. Agnew and Ms. Arnott, prior committee chairs, for assistance, if needed.

0811.8 **Management Reports**

0811.8.1 **Chief Executive Officer’s Report:** None

0811.8.2 **Assistant Executive Officer’s Report:** Mr. Hood reported slow moving progress, but anticipates completion of the office spaces by the December board meeting.

0811.8.3 **Chief Investment Officer’s Report:** Mr. Clifton thanked his staff for a job well done on the CAFR report, and briefly reminded the board of upcoming interviews.

0811.8.4 **Chief Legal Counsel’s Report:** Ms. Carlson had nothing to report.

0811.9 **Report on Actions Taken in Closed Session:** Ms. Carlson reported that Mr. David took the board meeting into closed session (item C1) to discuss the disability application of Gene Palo. The board unanimously approved staff’s recommendation to grant her application for a service-connected disability.

Mr. David adjourned the closed session and took up agenda item 5.2

The board also went into closed session for item C2. No reportable action was taken.

0811.10 **Adjournment in Memory of Deceased Members:** There being no further business, Mr. David adjourned the meeting at 4.05 p.m., in memory of the following deceased members:

<table>
<thead>
<tr>
<th>Name</th>
<th>Date of Death</th>
<th>Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eisenberg, Esther</td>
<td>August 24, 2011</td>
<td>Chope Hospital</td>
</tr>
<tr>
<td>Morse, Robert</td>
<td>September 2, 2011</td>
<td>District Attorney’s Office</td>
</tr>
<tr>
<td>Hocking, Bonnie</td>
<td>September 5, 2011</td>
<td>Library</td>
</tr>
<tr>
<td>Clark, Marjorie</td>
<td>September 8, 2011</td>
<td>Health Services</td>
</tr>
<tr>
<td>Nance, E. Jean</td>
<td>September 10, 2011</td>
<td>Mental Health Dept.</td>
</tr>
<tr>
<td>Stiefelmaier, Charles</td>
<td>September 20, 2011</td>
<td>Parks Dept.</td>
</tr>
<tr>
<td>McMillan, Robert</td>
<td>September 23, 2011</td>
<td>Social Services</td>
</tr>
<tr>
<td>Carey, Sally</td>
<td>September 25, 2011</td>
<td>Library</td>
</tr>
<tr>
<td>Tibbs, Jacqueline</td>
<td>September 29, 2011</td>
<td>General Hospital</td>
</tr>
</tbody>
</table>

**AL DAVID, CHAIR**

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