October 23, 2012 – 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
   1.1 Appointment of Ad Hoc CEO Annual Performance Review Committee

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 Retirement Applications
     o Robert Belmont
     o Liz Cervantes
     o Rosemary Grady
     o Dhrup Maharaj
     o Louis Williams
   • Continuances Deferred Retirements
   • Member Account Refunds
   • Member Account Rollovers
   • Approval of Addendum to June 30, 2012, Actuarial Valuation – Probation Rates
   • Service Retirements

5. Benefit & Actuarial Services
   5.1 Consideration of Agenda Items, if any, Removed From the Consent Agenda
   5.2 Approval of Amendment to Regulation 4.14 Required Break in Service Prior to Post Retirement Employment
   5.3 Approval of a Resolution Defining Compensation Earnable Pursuant to Government Code § 31461
   5.4 Approval of a Resolution Defining Pensionable Compensation Pursuant to Government Code § 7522.34

6. Investment Services
   6.1 Monthly Portfolio Performance Report
   6.2 Annual Review of Commodities, Hedge Fund, Risk Parity and Real Estate Managers (SSGA Multisource Commodities, AQR Delta Fund II, AQR Risk Parity, Invesco)
   6.3 Approval of Angelo Gordon Securitized Asset Recovery Fund L.P. (Presentation at Investment Committee Meeting)
   6.4 Approval of Screening Criteria and Schedule for Large Cap Growth Fund Search
   6.5 Discussion Regarding Real Rate Hedging Within TIPS Portfolio

7. Board & Management Support Services
   7.1 Monthly Financial Report
   7.2 Quarterly Budget Report
   7.3 Report on Meeting of the Audit Committee of the Board of Retirement
   (The Audit Committee will meet at 12 noon, October 23, in the SamCERA Conference Room.)
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7.5 Approval of the Comprehensive Annual Financial Report (CAFR)
7.6 Annual Review of Independent Auditor—Brown Armstrong
7.7 Update on Technology Modernization Project
7.8 Approval to Establish Retirement Information Technology Position
7.9 Approval of Amendments to the SamCERA Education Policy
7.10 Discussion of Issues to be Considered at the SACRS Fall 2012 Business Meeting
7.11 Approval to Cancel the November Meeting and Reschedule the December 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 Chief Legal 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

9. Report on Actions Taken in Closed Session

10. Adjournment in Memory of the Following Deceased Members:

McVay, Helen                  August 30, 2012                  Public Works
Hart, Travis                  September 1, 2012               Behavioral Health
Odenheimer, John              September 1, 2012               San Mateo Medical Center
Waldron, Russell              September 2, 2012               General Services
Warner, Walter                September 2, 2012               Ben of Weston, Elaine
Weston, John                  September 4, 2012               General Services
Sorensen, Robert              September 7, 2012               Public Health
Harrigan, Helen               September 9, 2012               Def'd from General Services
Redmond, Carmen               September 11, 2012

David Bailey, Chief Executive Officer
1012.1 **Call to Order, Roll Call and Miscellaneous Business**

**Call to Order:** Ms. Sandie Arnott, Chair, called the Public Session of the Board of Retirement to order at 1:06 p.m.

**Roll Call:**
*Present:* Sandie Arnott, Lauryn Agnew, Ben Bowler, Albert David, Paul Hackleman, Natalie Kwan Lloyd, Michal Settles, David Spinello and Eric Tashman.
*Alternates Present:* Christopher Miller, John Murphy
*Staff:* David Bailey, Michael Coultrip, Brenda Carlson, Gladys Smith, Mabel Wong, Lilibeth Dames and Kristina Perez.

1012.1.1 **Appointment of Ad Hoc CEO Annual Performance Review Committee:** Ms. Arnott appointed Ms. Settles as Chair, and Mr. Spinello and Mr. David as members of the Ad Hoc CEO Annual Performance Review Committee.

1012.2.1 **Oral Communications From the Board:** Ms. Settles gave a report regarding her attendance at the IFEBP training in Washington, D.C., and Mr. Spinello reported his attendance at the CALAPRS Trustees' roundtable in Burbank.

1012.2.2 **Oral Communications From the Public:** Mr. Miller reported on his first time attendance at the CALAPRS Trustees' roundtable.

1012.3 **Approval of the Minutes:** Ms. Arnott asked if there were any corrections to the minutes. Ms. Arnott stated that the requested clarification changes to agenda item 0812.5.1 in the September regular meeting minutes should be reflected accordingly. There were no changes to the special meeting minutes.
*Action:* Mr. David moved to approve the minutes from the regular meeting held on September 25, 2012, with the corrections as discussed. The motion was seconded by Ms. Agnew, and carried unanimously.
*Action:* Mr. David moved to approve the minutes from the special meeting held on September 25, 2012. The motion was seconded by Ms. Agnew, and carried unanimously.

1012.4 **Approval of the Consent Agenda:** Ms. Arnott asked if there were any items to be taken off the Consent Agenda. The service-connected disability applications for Liz Cervantes and Robert Belmont were removed, and were heard in closed session.
*Action:* Mr. Hackleman moved to approve the remaining items on the Consent Agenda, as listed below. The motion was seconded by Ms. Kwan Lloyd and carried unanimously.

1012.4 **Consent Agenda**

**Disability Retirements**

The Board found that *Rosemary Grady* is (1) disabled from performing her usual and customary duties as a Lead Health Benefits Analyst II, (2) found that her disability is service-connected and (3) granted her application for a service-connected disability retirement.

The Board found that *Dhurup Maharaj* is (1) not permanently incapacitated for the performance of his duties as a Financial Services Manager I and (2) denied his application for a service-connected disability retirement.
Disability Retirements

The Board found that Louis Williams is (1) disabled from performing his usual and customary duties as a Utility Worker II, (2) found that his disability is service-connected and (3) granted his application for a service-connected disability retirement.

Service Retirements

The Board ratified the actions as listed below for the following members regarding service retirements:

<table>
<thead>
<tr>
<th>Member Name</th>
<th>Effective Retirement Date</th>
<th>Department</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fernandez, Jose</td>
<td>July 28, 2012</td>
<td>San Mateo Medical Center</td>
</tr>
<tr>
<td>Alexander, Susan</td>
<td>August 6, 2012</td>
<td>QDRO of Dean Johnson</td>
</tr>
<tr>
<td>Reed, Edward</td>
<td>August 6, 2012</td>
<td>Def’d from Behavioral Health</td>
</tr>
<tr>
<td>Mah, Rita</td>
<td>August 7, 2012</td>
<td>Def’d from Superior Court</td>
</tr>
<tr>
<td>Klein, Janice</td>
<td>August 8, 2012</td>
<td>Def’d from Behavioral Health</td>
</tr>
<tr>
<td>Carey, Betsi</td>
<td>August 9, 2012</td>
<td>Def’d from Correctional Health</td>
</tr>
<tr>
<td>Baert, Gwendolyn</td>
<td>August 11, 2012</td>
<td>Def’d from Environmental Health</td>
</tr>
<tr>
<td>Onate, Joseph</td>
<td>August 14, 2012</td>
<td>Def’d from Family Health</td>
</tr>
<tr>
<td>Levy, Cheroyal</td>
<td>August 20, 2012</td>
<td>Def’d from Social Services</td>
</tr>
<tr>
<td>Gershon, David</td>
<td>August 28, 2012</td>
<td>Public Health</td>
</tr>
<tr>
<td>Brown, William</td>
<td>August 31, 2012</td>
<td>Library</td>
</tr>
<tr>
<td>Cuadra, Manuel</td>
<td>August 31, 2012</td>
<td>Public Health</td>
</tr>
<tr>
<td>Gibson, Dayna</td>
<td>September 1, 2012</td>
<td>Human Services Agency</td>
</tr>
</tbody>
</table>

Continuances

The Board ratified the actions as listed below for the following members regarding continuances:

<table>
<thead>
<tr>
<th>Survivor's Name</th>
<th>Beneficiary of</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cookson, Florence</td>
<td>Cookson, Paul</td>
</tr>
<tr>
<td>Gaddini, Lona</td>
<td>Gaddini, John</td>
</tr>
<tr>
<td>Remedios, Beatrice</td>
<td>Remedios, Roy</td>
</tr>
<tr>
<td>Smith, Margaret</td>
<td>Smith, Roderick</td>
</tr>
</tbody>
</table>

Deferred Retirements

The Board ratified the actions as listed below for the following members regarding deferred retirements:

<table>
<thead>
<tr>
<th>Member Name</th>
<th>Retirement Plan Type</th>
</tr>
</thead>
<tbody>
<tr>
<td>Saludes, Marissa</td>
<td>G4 Vested</td>
</tr>
<tr>
<td>Navarro, Christian</td>
<td>G4 Vested</td>
</tr>
<tr>
<td>Prehn Despota, Cara N.</td>
<td>G4 Vested</td>
</tr>
<tr>
<td>Swaroop, Asha</td>
<td>G4 Vested</td>
</tr>
<tr>
<td>Clipper, Marguerite</td>
<td>G4 Vested</td>
</tr>
<tr>
<td>Leong, Ligi</td>
<td>G4 Vested</td>
</tr>
<tr>
<td>Lavilla, Florentino</td>
<td>G4 Vested</td>
</tr>
<tr>
<td>Estipona, Lino</td>
<td>G4 Vested</td>
</tr>
<tr>
<td>Garcia, Myla</td>
<td>G4 Vested - Reciprocity</td>
</tr>
</tbody>
</table>
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1012.4 **Member Account Refunds**
The Board ratified the actions as listed below for the following members regarding refunds:

<table>
<thead>
<tr>
<th>Member Name</th>
<th>Retirement Plan Type</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gotinga, Rosa</td>
<td>G4 Vested</td>
</tr>
<tr>
<td>Kanaga, Gregory</td>
<td>G4 Non-vested</td>
</tr>
<tr>
<td>Marelich, Jessica</td>
<td>G4 Non-vested</td>
</tr>
<tr>
<td>Soto, Rubi</td>
<td>G4 Non-vested</td>
</tr>
<tr>
<td>Torres, Sandra</td>
<td>G4 Non-vested</td>
</tr>
<tr>
<td>Vakaliwaliwa, Ruci</td>
<td>G4 Non-Vested</td>
</tr>
<tr>
<td>Vunipola, Ana</td>
<td>G4 Vested</td>
</tr>
<tr>
<td>Walker, David</td>
<td>G5</td>
</tr>
<tr>
<td>Woods-Williams, Catherine</td>
<td>G4 Vested</td>
</tr>
</tbody>
</table>

**Member Account Rollovers**
The Board ratified the actions as listed below for the following members regarding rollovers:

<table>
<thead>
<tr>
<th>Member Name</th>
<th>Retirement Plan Type</th>
</tr>
</thead>
<tbody>
<tr>
<td>Blackmer, Alexis</td>
<td>G5 Non-vested</td>
</tr>
</tbody>
</table>

1012.4 **Approval of Addendum to June 30, 2012, Actuarial Valuation – Probation Rates**
The Board approved the addendum to the June 30, 2012, actuarial valuation, which included the negotiated rates for the probation department employees.

Ms. Arnott adjourned the board meeting into closed session at 1:14 p.m.

1012.5.1 **Consideration of Agenda Items, if any, Removed From the Consent Agenda:**
The Board adjourned into closed session at 1:14 p.m. to consider the disability application of Robert Belmont. Mr. Belmont was present. The Board reconvened in open session at 1:30 p.m., and Ms. Carlson reported the Board approved a motion to continue the consideration of Robert Belmont's application for 60 days, by a unanimous vote.

In closed session, the Board also considered the disability application of Liz Cervantes, which was continued from the August meeting. Ms. Carlson recused herself and Mr. Dan McGuire served as Board counsel for this matter. Mr. Patrick Richardson represented the Fund. When the Board reconvened in open session at 1:30 p.m., Mr. McGuire reported the Board voted unanimously against continuing this matter, and unanimously approved a motion to accept the hearing officer's recommendation to deny the service-connected disability application of Liz Cervantes.

1012.5.2 **Approval of Amendment to Regulation 4.14 Required Break in Service Prior to Post Retirement Employment:** Mr. Bailey described the changes proposed for Regulation 4.14, in accordance with pension reform legislation. He explained that the required break in service for general retirees returning to work would now be 180 days, as opposed to the 90 days currently necessary.

**Action:** Mr. Hackleman moved to adopt a resolution approving an amendment to Regulation 4.14 of Article IV of the Board of Retirement regulations regarding the required break in service prior to post retirement employment (Resolution 12-13-06). The motion was seconded by Mr. David and carried unanimously.

1012.5.3 **Approval of a Resolution Defining Compensation Earnable Pursuant to Government Code §31461:**
Mr. Bailey discussed the necessity for the Board to review and re-adopt the pay codes that SamCERA accepts as "compensation earnable" for current members, a requirement related to
pension reform legislation. Ms. Carlson explained the current resolution is rescinded as of January 1, 2013, and this will keep SamCERA in compliance. Board members confirmed that additional pay codes added in the future would require an amendment.  
**Action:** Mr. Hackelman moved to adopt a resolution defining compensation earnable pursuant to Government Code §31461 for members who are not subject to Government Code §7522.34 (Resolution 12-13-07). The motion was seconded by Mr. David and carried unanimously.

1012.5.4 **Approval of a Resolution Defining Pensionable Compensation Pursuant to Government Code § 7522.34:** Mr. Bailey presented the staff report and explained this was applicable to new employees hired after January 1, 2013, under PEPEA. He noted there are slightly different pay codes and a listing of “non-pensionable” pay codes detailed in the resolution.  
**Action:** Mr. Tashman moved to adopt a resolution defining pensionable compensation pursuant to Government Code §7522.34 for members who are not subject to Government Code §31461 (Resolution 12-13-08). The motion was seconded by Mr. Hackelman and carried unanimously.

1012.6 **Investment Services**

1012.6.1 **Monthly Portfolio Performance Report:** Mr. Coultrip presented the monthly report, and discussed the portfolio’s performance with the Board. He also handed out a sample report compiled by State Street. With no objection noted, the report was accepted.

1012.6.2 **Annual Review of Commodities, Hedge Fund, Risk Parity and Real Estate Managers (SSGA Multisource Commodities, AQR Delta Fund II, AQR Risk Parity, Invesco):** Mr. Thomas from SIS and Mr. Coultrip summarized the annual review meetings with the four managers, and stated they were all meeting expectations and there were no large concerns.

1012.6.3 **Approval of Angelo Gordon Securitized Asset Recovery Fund L.P. (Presentation at Investment Committee Meeting):** Mr. David reported that the Investment Committee had reviewed Angelo Gordon and recommended Board approval for this investment in the amount of $35 million. Patrick Thomas stated that SIS has also recommended this investment. Board members discussed fees, market strategy and the past history with Angelo Gordon.  
**Action:** Ms. Agnew moved to adopt a resolution approving an investment in the Angelo Gordon Securitized Recovery Fund, L.P. in the amount of $35 million (Resolution 12-13-09). The motion was seconded by Mr. David and approved unanimously.

1012.6.4 **Approval of Screening Criteria and Schedule for Large Cap Growth Fund Search:** Jonathan Brody discussed the proposed screening criteria and timeline for selection of a replacement large-capitilization growth manager for BlackRock, with the Board. The Investment Committee recommended Board approval of the screening criteria submitted with a request for flexibility within the conditions.  
**Action:** Mr. David moved to accept the screening criteria and schedule, granting flexibility within the conditions. The motion was seconded by Ms. Kwan Lloyd and approved unanimously.

1012.6.5 **Discussion Regarding Real Rate Hedging Within TIPS Portfolio:** Mr. Coultrip presented information about TIPS bonds and discussed the risks and benefits of hedging with Board members. This item was for discussion only.

1012.7 **Board & Management Support Services**

1012.7.1 **Monthly Financial Report:** Ms. Wong presented the preliminary monthly report to the Board; this item was informational and no action was taken.

1012.7.2 **Quarterly Budget Report:** Ms. Wong reviewed the quarterly budget report with the Board, and
discussed the current status of the three budget areas of technology, administration and professional fees. This item was for discussion only and no action was taken.

At 2:15 p.m., the Chair adjourned the meeting for a break, and the Board reconvened at 2:21 pm.

1012.7.3 Report on Meeting of the Audit Committee of the Board of Retirement: (The Audit Committee met at 12 noon, October 23, in the SamCERA Conference Room.) Mr. Tashman reviewed the discussion from the Audit Committee meeting with the full Board. He reported the Audit Committee reviewed and discussed the audit findings, and went over the 2011 audit recommendations to affirm compliance. This item was informational only and no action was taken.

1012.7.4 Approval of the Auditor’s Report on the Financial Audit for the Period Ended June 30, 2012: Andy Paulden, Partner at Brown Armstrong, reviewed the audit report with the Board. Mr. Paulden discussed the process and procedure involved in SamCERA’s audit, and continued in detail about specific findings and recommendations provided in the audit report. He concluded his presentation by stating SamCERA has a clean report, and there were no instances of non-compliance or weaknesses in internal controls.
Action: Mr. Bowler moved to approve the auditor’s report on the financial audit for the period ended June 30, 2012. Mr. Spinello seconded the motion and it carried unanimously.

1012.7.5 Approval of the Comprehensive Annual Financial Report (CAFR): Ms. Wong presented the draft CAFR to the Board, and noted there was a new format and bound copies would be printed pending Board approval.
Action: Mr. Hackleman moved to approve the Comprehensive Annual Financial Report; the motion was seconded by Mr. David and carried unanimously.

1012.7.6 Annual Review of Independent Auditor—Brown Armstrong: Ms. Wong discussed the review of the auditor with the Board. She went over the areas where Brown Armstrong scored very well, noting they have expert knowledge of issues that affect 37 Act funds. Lower scoring parts of the review were also discussed. Mr. Paulden explained the peer review process undertaken by Brown Armstrong. This agenda item was for discussion only and no action was taken.

1012.7.7 Update on Technology Modernization Project: Will Morrow, from LRWL, reviewed the current status and discussed recent work performed for the technology modernization project with Board members. He noted the project is on schedule, within budget and within the scope of the original contract. This item was informational only and no action was taken.

1012.7.8 Approval to Establish Retirement Information Technology Position: Mr. Bailey presented the staff report and gave an overview of the workload in the technology division. He discussed the need for an additional position with the Board. Mr. Bailey detailed specific tasks and projects that require more staff. It was noted that PEPRA initiatives would require new programming.
Action: Mr. David moved to approve the establishment of an additional retirement information technology position. The motion was seconded by Mr. Tashman and carried unanimously.

1012.7.9 Approval of Amendments to the SamCERA Education Policy: Mr. Bailey reviewed the proposed amendments to the Education Policy with the Board, and summarized the recent changes in the law. He noted that the new requirement, 24 hours of education for Trustees every two years, would become effective on January 1, 2013.
Action: Mr. Hackleman moved to approve the amendments to the SamCERA Education Policy. The motion was seconded by Ms. Settles and carried unanimously.
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1012.7.10 Discussion of Issues to be Considered at the SACRS Fall 2012 Business Meeting: Mr. Bailey stated SamCERA’s voting delegate for SACRS is Ms. Kwan Lloyd; noting Ms. Agnew serves as the alternate and Mr. Bailey serves as the second alternate. He said there were no issues of particular significance to SamCERA on this ballot, and explained the voting delegate casts the ballot on behalf of SamCERA. Mr. Bailey gave the SACRS voting packet to Ms. Kwan Lloyd. This item was informational only.

1012.7.11 Approval to Cancel the November Meeting and Reschedule the December Meeting of the Board of Retirement: Mr. Bailey discussed changes in the Board meeting schedule for November and December, to avoid conflict with the holidays. He requested the Board approve cancelling the November meeting and rescheduling the December meeting to occur on December 11, rather than December 25.
Action: Mr. David moved to approve the changes in the Board meeting schedule. The motion was seconded by Ms. Settles and carried unanimously.

1012.8 Management Reports

1012.8.1 Chief Executive Officer’s Report: Mr. Bailey reported he and Ms. Smith met with representatives of the Shores Center to discuss office space, and concluded there is no need at this time for expansion. He informed the Board members that CALAPRS is offering a new class for advanced trustee training at UCLA. Mr. Bailey reported that staff would be meeting with HR and bargaining units to discuss the changes resulting from the PEPRA legislation.

1012.8.2 Assistant Executive Officer’s Report: None.

1012.8.3 Chief Investment Officer’s Report: Mr. Coultrip reminded the Board members to look for the performance review survey for SIS in their email. He reported that Steve Siegel would be leaving SamCERA at the end of this month and thanked him for his help.

1012.8.4 Chief Legal Counsel’s Report: None.

1012.9 Report on Actions Taken in Closed Session: None.

1012.10 Adjournment: With no further business Ms. Arnott adjourned the meeting at 3:53 p.m. in memory of the following deceased members:

McVay, Helen  August 30, 2012  Public Works
Hart, Travis  September 1, 2012  Public Works
Odenheimer, John  September 1, 2012  Behavioral Health
Waldron, Russell  September 2, 2012  San Mateo Medical Center
Warner, Walter  September 2, 2012  General Services
Weston, John  September 4, 2012  Ben of Weston, Elaine
Sorensen, Robert  September 7, 2012  General Services
Harrigan, Helen  September 9, 2012  Public Health
Redmond, Carmen  September 11, 2012  Def’d from General Services

David Bailey  
Chief Executive Officer

Kristina Perez 
Retirement Executive Secretary