

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

September 27, 2011

Agenda Item 3.0

August 23, 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 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
 - Brian Haslinger
 - Sharon Condon
 - Chas Mercurio
 - Gerardo Garcia
 - Neal Ferguson
 - Service Retirements
 - Continuances
 - Deferred Retirements
 - Member Account Refunds
 - Member Account Rollovers
 - Anticipation of Litigation – One Matter
5. Benefit & Actuarial Services
 - 5.1 Consideration of agenda items, if any, removed from the Consent Agenda
 - 5.2 Approval for the Chief Executive Officer to Contract with Medical Consultants
6. Investment Services
 - 6.1 Monthly Portfolio Performance Report
 - 6.2 Quarterly Investment Performance Analysis for period ended June 30, 2011
 - 6.3 Presentation on Trade Cost Analysis, Commission Recapture, and Directed Brokerage (Board Presentation)
 - 6.4 Report on *SamCERA's* Security Lending Program for the Period Ended June 30, 2011
 - 6.5 Annual Review, Revision & Reaffirmation of the Investment Committee Charter
 - 6.6 Select Finalists for International Developed Markets Growth Manager
 - 6.7 Initial Review of *SamCERA's* Redrafted Investment Policy
 - 6.8 Report on the Annual Review of *SamCERA's* Domestic and International Equity Growth Portfolios
 - 6.8 a Artio Global Investors
 - 6.8 b BlackRock Capital Management
 - 6.8 c Chartwell Investment Partners
7. Board & Management Support Services
 - 7.1 Monthly Financial Report
 - 7.2 Report on Status of the Financial Audit for the Period Ended June 30, 2011
 - 7.3 Report on Results of the Alameda Retirement Administration Survey
 - 7.4 Approval of Amendment to Member Education Agreement – Financial Knowledge Network
 - 7.5 Approval of Amendments to *SamCERA's* Conflict of Interest Code
 - 7.6 Approval of Agreement for Legal Services - Hanson, Bridgett, Marcus, Vlahos & Rudy, LLP
 - 7.7 Discussion of Topics and Dates for a 2012 Board/Staff Retreat
 - 7.8 Amendment to Board of Retirement Regulation 4.1 Relating to “Membership”
8. Management Reports
 - 8.1 Chief Executive Officer's Report

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- 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
- C2 Further deliberation on service-connected disability application – Neal Ferguson
- C3 Anticipated Litigation – One matter, if removed from the consent agenda
- 9. Report on Actions Taken in Closed Session
- 10. Adjournment

August 23, 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., August 23, 2011, in *SamCERA's* Board Room, 100 Marine Parkway, Suite 160, Redwood Shores, California.

Roll Call: Ms. Agnew, Mr. Bowler (dep. 4:32 p.m.), Mr. David, Mr. Hackleman, Ms. Salas for Ms. Kwan Lloyd, Ms. Settles, Mr. Spinello and Mr. Tashman. *Excused:* Ms. Arnott. *Other Board Members in Attendance:* Mr. Murphy. *Staff:* Mr. Bailey, Ms. Carlson, Mr. Hood, Ms. Dames, Mr. Clifton, Ms. Meitz and Ms. Smith. *Consultants:* Mr. Brody and Mr. Thomas, Strategic Investment Solutions. *Retirees:* 0, *Public:* 5.

Mr. Bailey introduced Ms. Nilita Meitz, *SamCERA's* new Executive Secretary, to the board. He then commended Mr. Hood and Ms. Smith for their efforts in coordinating *SamCERA's* new board room. Mr. Hood provided a brief overview of the features of the new room.

0811.1.1 **Appointment of Committees:** Mr. David thanked trustees for expressing their preferences for committee appointments. Mr. David **re-appointed** Mr. Bowler, Chair; Ms. Agnew, Mr. Hackleman and himself to the Investment Committee per *Regulation 2.51*.

Mr. David **re-appointed** Ms. Kwan Lloyd, Chair; Ms. Arnott, Mr. Tashman and Mr. Spinello to the Audit Committee per *Regulation 2.5.1*.

0811.2.1 **Oral Communications From the Board:** Ms. Agnew reported that she had written a paper regarding impact investing that she has forwarded to staff. Ms. Kwan Lloyd said that she recently attended a Wharton course in San Francisco on international and emerging markets. The class proved timely with *SamCERA's* current manager searches in the asset class.

0811.2.2 **Oral Communications From the Public:** None.

0811.3 **Approval of the Minutes:** Ms. Agnew submitted the following change to the minutes: “Milliman recommended several changes to the demographic assumptions with the most significant change being ~~the strengthening~~ changing of the mortality assumption to reflect actuarial experience.”

Motion by Hackleman, second by Bowler, carried unanimously to approve the board minutes of the July 26, 2011, meeting, as amended.

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0811.4 **Approval of the Consent Agenda:** Mr. David said that there was a correction to Mr. Haslinger's job title. Mr. David then removed the disability applications of Gerardo Garcia and Neal Ferguson from the day's consent agenda to be taken under consideration in closed session. Mr. David also removed the one matter regarding the anticipation of litigation from the consent agenda to be taken under consideration in closed session.

Motion by Kwan Lloyd, second by Settles, carried unanimously to approve the day's consent agenda, as amended, as follows:

Disability Retirements:

The board found that **Sharon Condon** is able to perform her duties as a Fiscal Office Services Supervisor and denies her application for a service-connected disability retirement.

The board found that **Brian Haslinger** is permanently unable to perform his duties as a Deputy Sheriff, found the heart presumption contained in Government Code section 31720.5 applies, and further found that there is not sufficient evidence to rebut the presumption and granted his application for a service-connected disability retirement.

The board found that **Chas Mercurio** is unable to perform her duties as a Financial Services Manager II, found that her disability is not service-connected and denied her application for a service-connected disability retirement.

Service Retirements:

Member Name	Effective Retirement Date	Department
Klemish, Mary	June 2, 2011	San Mateo Medical Center
Shek, William	June 4, 2011	Ag Commission Sealer
Fonseca, Anthony	June 6, 2011	Deferred from Sheriff's Office
Dorn, Martha	June 11, 2011	San Mateo Medical Center
Len Wai, Diana	June 11, 2011	San Mateo Medical Center
Barile, Maureen	June 18, 2011	Library
Hassell, Mark	June 18, 2011	Deferred from Plan 3
Dobson, Clive	June 25, 2011	Human Services Agency
Diadula, Nelson	June 30, 2011	Superior Court
Coddington, Kay	June 30, 2011	Superior Court
Skucas, John	June 30, 2011	Superior Court
Smolen, Steve	June 30, 2011	Superior Court
Congdon, Patrick	July 1, 2011	Deferred from Parks Dept
Fuentes, Louie	July 1, 2011	Sheriff's Office
Longworth, Teresa	July 1, 2011	Deferred from Sheriff's Office
Taumoepeau, Leafa	July 1, 2011	Behavioral Health

Continuance of Benefits:

Member Name	Beneficiary of:
Clark, Leslie	Clark, John
Constant, Kaliope	Constant, Constantine
Fletcher, Ellen	Fletcher, Lindsay

Deferred Retirements:

Member Name	Retirement Plan Type
Hernandez, Christeta R.	G4 Vested

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Lee, Michele P.	G4 Vested
Shukla, Jagruti	G4 Vested
Galassi, Patrick A.	G2/3 Vested
Feasel, Christopher J.	G4 Vested
Bonar, Michael N.	G4 Vested
Thompson, Dayna E.	G2 Vested
Dulal, Abul K.	G4 Non-vested
Bourland, Beau J.	G4 - Reciprocity

Member Account Refunds:

Member Name	Retirement Plan Type
Couch, Alan	G4 Non-vested
Debbs, Louis	QDRO of Debbs, Josephine
Duignan, Padriac	G4 Non-vested
Khoshabian, Rensen	G4 Non-vested
Mekathikom,	G4 Non-vested
Orozco, Anel	G4 Vested
Pacheco, Veronica	G4 Vested
Shurtleff, Margaret	G4 Non-vested
Whittinghill, John	G4 Non-vested

Member Account Rollovers:

Member Name	Retirement Plan Type
Aarhus, Jennifer	G4 Non-vested
Cocchi, Marie	G4 Non-vested
Dau, Birgitt	G4 Non-vested
Feirman, Lawrence	QDRO of Feirman, Nina
Nakagawa, Karen	G2 Vested
Pedersen, Scott	G4 Non-vested

0811.5 **Benefit & Actuarial Services**

0811.5.1 **Consideration of Benefit & Actuarial Items, if any, removed from the Consent Agenda:**
Please see agenda item 9.0, Report on Actions Taken in Closed Session.

0811.5.2 **Approval for the Chief Executive Officer to Contract with Medical Consultants:** Mr. Bailey reported that Dr. Fracchia has determined to stop providing medical advisory services for *SamCERA*. Staff has discussed this with Dr. Scott Morrow, the County's Health Officer. Dr. Morrow is attempting to find potential candidates as a successor to Dr. Fracchia. In addition, staff has been in contact with other 1937 Act systems for potential candidates. Staff recommended that the Chief Executive Officer be authorized to enter into an agreement with one or more medical professionals to assist in the processing of the disability applications until a successor advisor (or advisors) is recommended and approved by the board.

Motion by Hackleman, second by Bowler, carried unanimously to adopt **Resolution 11-12-05**, authorizing the Chief Executive Officer to execute agreements for interim medical advisory services for amounts payable up to \$50,000, as follows:

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“**WHEREAS**, Government Code § 31732 authorizes the board to secure such medical, investigatory and other services as is necessary; and

“**WHEREAS**, this board has determined that it is necessary to secure the services of a new medical advisor for the purposes of reviewing disability applications submitted by members; and

“**WHEREAS**, as this board has further determined that the Chief Executive Officer should secure such medical advisor services as is needed on an interim basis until the new medical advisor or medical advisors are selected by the board; now, therefore, be it

“**RESOLVED**, that the Chief Executive Officer is hereby authorized to execute agreements as he deems necessary for interim medical advisory services for amounts payable up to \$50,000.”

0811.6 **Investment Services**

0811.6.1 **Monthly Portfolio Performance Report:** Mr. Clifton reported that *SamCERA*'s -0.40% Total Fund Return for the month outperformed the Total Plan Policy Benchmark return of -0.74%. The fund's return for the trailing twelve months and twenty-four months are 17.83% and 14.64% respectively. The twelve-month period is 1008 basis points (bps) above the Actuarial Discount Rate of 7.75%. For the same period the total fund return is 97 basis points ahead of *SamCERA*'s Total Plan Policy Benchmark of 16.86%. As a reminder, Mr. Clifton said that *SamCERA* should expect to underperform the Total Plan Policy Benchmark in the initial stages of its private equity implementation. In addition, the above portfolio returns do not reflect the performance of all portfolios. As of the date of the report, monthly performance for Angelo Gordon's PPIP, AQR's risk parity, AQR's hedge fund, various private equity 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>	\$893,781,073	-2.64%	22.30%	1.59%
<i>International Equity</i>	<u>409,977,733</u>	-0.93%	16.36%	1.74%
Total Equity	\$1,303,758,806	-2.12%	20.44%	1.62%
Private Equity	6,709,693	-0.02%	N/A	N/A
Risk Parity	145,620,720	0.00%	N/A	N/A
Hedge Fund	69,986,280	0.00%	N/A	N/A
Fixed Income	603,838,513	3.16%	10.70%	6.95%
Real Estate Aggregate	135,475,106	0.00%	24.80%	0.18%
Cash Equivalents	20,901,068	0.07%	1.02%	1.45%
TOTAL FUND	\$2,361,290,186	-0.40%	17.83%	3.27%
<i>Benchmark</i>		-0.74%	16.86%	4.57%

* Total Time-Weighted Rate of Return

0811.6.2 **Quarterly Investment Performance Analysis for period ended June 30, 2011:** Mr. Thomas and Mr. Brody of Strategic Investment Solutions provided a brief overview of the quarterly investment performance for the period ended June 30, 2011. Mr. Thomas and Mr. Brody performed a review of the portfolio's performance with the Investment Committee. The composite fund returned 1.2% in the second quarter of 2011 and ranked 47th among other

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public funds greater than \$100 million (median of 1.2%). It beat the policy index return of 0.8%. The one year return of 23.9% was behind the policy index return of 24.1% and ranked in the 15th percentile of the universe. Longer term, the three and five-year returns of 3.3% (75th percentile) and 3.5% (95th percentile), respectively, were below median among large public plans (4.4% and 4.8%).

- 0811.6.3 **Presentation on Trade Cost Analysis, Commission Recapture, and Directed Brokerage:** Ms. Dames introduced Vinod Pakianathan, Senior Consultant, and Brian Greene, Senior Vice President, of Zeno Consulting Group. They provided a 45-minute educational presentation on trading cost and trade cost analysis. The firm also answered several questions and concerns from trustees.

At the conclusion of the presentation, Mr. Hackleman said that a one-time trade cost analysis would be beneficial for the association. Mr. David said that a lot of information could be gained from the analysis. **Motion** by Hackleman, second by Kwan Lloyd, carried unanimously to direct staff to research *SamCERA*'s options for trade cost analysis.

- 0811.6.4 **Report on *SamCERA*'s Security Lending Program for the Period Ended June 30, 2011:** Ms. Dames provided a report on *SamCERA*'s security lending program, including details on the program's impetus, fee split, collateral pool guidelines and earnings income. For the fiscal year ended June 30, 2011, the *SamCERA*'s security lending program earned \$530,310 for the association. In the four years since the program's inception, the program has earned \$4,523,376 for *SamCERA*.

- 0811.6.5 **Annual Review, Revision & Reaffirmation of the Investment Committee Charter:** Mr. Clifton reported that the Investment Committee thoroughly reviewed the charter at the day's Investment Committee meeting. The board unanimously reaffirmed the charter. **Motion** by Hackleman, second by Bowler, carried unanimously to reaffirm the investment committee charter.

- 0811.6.6 **Select Finalists for International Developed Markets Growth Manager:** Mr. Brody of SIS performed an overview of the RFI process for the international developed markets growth manager search. He said that *SamCERA* received responses from ten of the eleven firms that received the RFI. SIS then reviewed and ranked the responses based on the main search criteria. Mr. Brody had reviewed each firm's pros and cons with the Investment Committee.

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 recommend the following three candidates be invited to finalist interviews with the board at the September 2011 meeting of the Board of Retirement: (1) Baillie Gifford & Company, (2) Franklin Templeton, and (3) Gryphon International Investment Corporation.

Motion by Hackleman, second by Kwan Lloyd, carried unanimously to invite the following three candidates to the September 2011, board meeting for interviews: (1) Baillie Gifford & Company's EAFE Plus Focus, (2) Franklin Templeton's Non-US Equity, and (3) Gryphon International Investment Corporation's EAFE Equities.

- 0811.6.7 **Initial Review of *SamCERA*'s Redrafted Investment Policy:** Mr. Clifton reported that the Investment Committee is now beginning the process of developing a new investment policy that incorporates the multiple changes to the portfolio structure that the board has undertaken.

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Mr. Clifton said that he had thoroughly reviewed the first portion of the redrafted policy with the committee and that the committee will continue to review the various section of the redrafted investment policy within the next several months.

- 0811.6.8 **Report on the Annual Review of *SamCERA*'s Domestic and International Equity Growth Portfolios:** On August 11, 2011, staff conducted annual interviews of *SamCERA*'s value managers in the 100 Marine Parkway conference room. Staff and consultant interviewed the association's equity growth portfolios: (1) Artio Global Investors, (2) BlackRock Capital Management, and (3) Chartwell Investment Partners.
- 0811.6.8a **Artio Global Investors:** Mr. Brody had provided a report on Artio Global Investor's annual review which took place on August 11th with *SamCERA* staff and consultant to the Investment Committee. Brett Gallagher, Deputy Chief Investment Officer, Senior Portfolio Manager, and Melvin Lindsey, Senior Vice President, Director of Institutional Investments, of Artio Global had been present at the review. Mr. Brody said that Mr. Gallagher and Mr. Lindsey discussed the portfolio's underperformance for the past few years. He indicated that poor stock selection was the biggest negative factor in 2009-2010. Mr. Gallagher had discussed the major themes in the portfolio, including the increase in consumers in the emerging markets with the rise of the middle class.
- 0811.6.8b **BlackRock Capital Management:** Mr. Brody had provided a report on BlackRock's Capital Management's annual review which took place on August 11th with *SamCERA* staff and consultant to the Investment Committee. Anthony Freitas, Managing Director, and Christopher Morahan, Director, of BlackRock Capital Management had been present at the review. Mr. Brody said that Mr. Freitas discussed the firm's repurchasing of the stake formerly held by Bank of America. He also indicated that the integration of systems between BlackRock and BGI was 90% complete. Mr. Morahan then discussed a change to the team, replacing an analyst in the communications/media sector. For the fiscal year period ended June 30, 2011, the portfolio underperformed the Russell 2000 Growth Index (23.55% vs. 24.75%).
- 0811.6.8c **Chartwell Investment Partners** Mr. Brody had provided a report on Chartwell Investment Partner's annual review which took place on August 11th with *SamCERA* staff and consultant to the Investment Committee. John Heffern, Managing Partner, Senior Portfolio Manager, and Brian Ward, Vice President, Client Services & Marketing, of Chartwell Investment Partners had been present at the annual review. Mr. Brody said that Mr. Heffern extensively discussed the firm's organizational and ownership structure, including the purchase of phantom equity by junior members. Mr. Heffern then discussed performance. For the fiscal year period ended June 30, 2011, the portfolio significantly outperformed the Russell 2000 Growth index (49.87% vs. 43.50%). Mr. Heffern said the strategy does work in the long run.
- 0811.7 **Board & Management Support Services**
- 0811.7.1 **Monthly Financial Report:** Mr. Clifton reported that *SamCERA*'s net assets held in trust for pension benefits as of July 31, 2011, totaled \$2,358,550,693. Net assets increased by approximately \$41.1 million, month over month. The increase is due to the semi-annual prepayment of contributions, which was approximately \$75 million. During the month, the market value of the assets decreased, eroding the increase in contributions.

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0811.7.2 **Report on Status of the Financial Audit for the Period Ended June 30, 2011:** Mr. Clifton provided an oral report on the interim field work and current status for the June 30, 2011, Financial Statement Audit conducted by *SamCERA*'s auditor, Brown Armstrong. A Brown Armstrong audit team headed by Ms. Brooke DeCuir-Baird and Ms. Ashley Casey conducted interim audit work in *SamCERA*'s office the weeks of June 27th and August 8th. The audit is ongoing with the audit team completing the review from Brown Armstrong's office in Bakersfield. Mr. Clifton said that the auditors have not reported a finding but there may be a possible finding regarding a deceased member's benefit.

0811.7.3 **Report on Results of the Alameda Retirement Administration Survey:** Mr. Hood reported that *SamCERA* participated in Alameda County Employees' Retirement Association's (ACERA) operations survey for 1937 Act systems. The primary objective of the survey was to provide administrators with budgeting and strategic planning information based on member service levels, system processes, staffing levels and other statistical data. ACERA compiled the results and made a presentation at the Spring SACRS Conference. At that time two additional systems decided to participate in the survey. ACERA then republished the survey to include the additional systems. Mr. Hood briefly discussed the results of the survey with trustees.

0811.7.4 **Approval of Amendment to Member Education Agreement – Financial Knowledge Network:** Mr. Hood said that staff has been pleased with the quality and variety of classes offered by Financial Knowledge Network for *SamCERA*'s members. The current agreement ends on December 30, 2011, and staff recommended that it be extended until June 30, 2015. The current cost of the classes is approximately \$45,000 annually. The proposed amendment to the agreement increases the current maximum from \$180,000 to \$260,000 to cover the extended term of the agreement. The total amount expended under the current contract thus far is \$130,000.

Mr. Hood said that the classes, in general, have had room for additional participants. To address this, staff coordinated with the county's Training and Development Division. This division organizes employee classes through the County's Learning Management System, which is also used by the Regional Training & Development Consortium of Public Agencies. The Consortium is a collaboration between cities in San Mateo County and the County. The County suggested opening up participation in the financial education classes to Consortium members. *SamCERA* members would get priority and *SamCERA* would get reimbursed for the cost of attendance by these non-*SamCERA* members. The contract amendment includes language that would allow consortium member attendance.

Mr. David said that members have told him that the financial classes have been very helpful, especially due to the 2008 financial crisis as well as recent layoffs.

Motion by Tashman , second by Settles, carried unanimously to adopt **Resolution 11-12-06**, authorizing the Chief Executive Officer to execute an amendment to the agreement with Financial Knowledge Network for financial education services, 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

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“**WHEREAS**, Board of Retirement Resolution 10-11-24 approved the budget for Fiscal Year 11-12, including \$45,000 for member education; and

“**WHEREAS**, Financial Knowledge Network LLC has been providing financial educational services to members of *SamCERA* since 2009 and the Board has determined that it is in the best interest of the members to continue the provision of such services with Financial Knowledge Network LLC; and

“**WHEREAS**, the Board has reviewed and approved the amendment to the agreement with Financial Knowledge Network LLC and desires to entered into the amended agreement:

“**RESOLVED**, that the Board hereby authorizes the Chief Executive Officer to execute the attached amendment to the agreement, on behalf of the Board, for financial education services with Financial Knowledge Network for a term ending June 30, 2015, cancelable by either party on thirty days written notice. Be it further

“**RESOLVED**, that the Board directs that the total amount payable under the amended agreement to be increased from \$180,000 to not to exceed \$260,000. Be it further

“**RESOLVED**, that the Board hereby designates the Chief Executive Office as its designee to perform those functions so identified in the contract and hereby authorizes the Chief Executive 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 amended agreement.”

0811.7.5 **Approval of Amendments to *SamCERA*'s Conflict of Interest Code:** Mr. Bailey said that *SamCERA*'s movement into alternative investments prompted a discussion earlier this year regarding the board's Conflict of Interest Code, which sets forth the requirements for board members, certain staff members and contractors to file Form 700s. After discussion, staff committed to bring the matter back to a later board meeting for further review.

0811.7.6 **Approval of Agreement for Legal Services - Hanson, Bridgett, Marcus, Vlahos & Rudy, LLP:** Mr. Bailey said that Bob Blum of Hanson, Bridgett, Marcus, Vlahos & Rudy, LLP, provides legal services for *SamCERA* in relation to IRS tax issues from time to time, including assisting *SamCERA* with its tax determination letter in order to maintain its tax qualified status. In addition, Hanson Bridgett has assisted in the review of certain documents related to the board's private equity investments.

Currently, Hanson Bridgett is providing these legal services through an agreement between the County Counsel's Office and Hanson Bridgett. Due to the creation of the Chief Legal Counsel position, staff recommended that the board directly contract with Hanson Bridgett. Mr. Bailey said that the proposed agreement delegates the general supervision and direction of Hanson Bridgett to the Chief Executive Officer and the Chief Legal Counsel, and expires on June 30, 2014. The total amount payable under the three-year agreement is \$100,000. All charges would be service-based with no retainer fee. In response to a question from Mr. Tashman, Ms. Carlson said that the rates were no less favorable than what the County has with the firm.

Mr. Tashman recommended that staff performs its best efforts to negotiate on specific language regarding indemnification in the contract. Ms. Carlson will report back to the board regarding this part of the agreement.

Motion by Tashman, second by Agnew, carried unanimously to adopt **Resolution 11-12-07**,

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authorizing the board chair to execute an agreement with Hanson, Bridgett, Marcus, Vlahos & Rudy, LLP for legal services, as follows:

“**WHEREAS**, Government Code §31529.9 provides that this board may contract with attorneys in private practice or employ staff attorneys for legal services; and

“**WHEREAS**, through an arrangement with County Counsel, this board currently receives legal services in relation to tax, investment and other matters from the Hanson, Bridgett, Marcus, Vlahos & Rudy, LLP law firm; and

“**WHEREAS**, as this board has created a Chief Legal Counsel position, this board has now determined that it would be preferable to have an agreement directly with Hanson, Bridgett, Marcus, Vlahos & Rudy, LLP for these specialized legal services; and

“**WHEREAS**, this board has read and approved the agreement with Hanson, Bridgett, Marcus, Vlahos & Rudy, LLP and desires to enter into the agreement; now, therefore, be it

“**RESOLVED**, that the Chair is hereby authorized to execute an agreement with Hanson, Bridgett, Marcus, Vlahos & Rudy, LLP ("Contractor") for legal services.”

0811.7.7 **Discussion of Topics and Dates for a 2012 Board/Staff Retreat:** Mr. Bailey said that the board opined that the April 2011 Board/Staff retreat was beneficial and that they would like to schedule a retreat in 2012. He said that staff recommends that the 2012 Board/Staff Retreat be held on Tuesday, April 26 and Wednesday, April 27, 2012. He presented various topic areas that may be appropriate for the 2012 retreat and noted topics of interest mentioned by trustees at the day's board meeting, including the assumed return rate, infrastructure, securities lending, GASB changes, IRS tax determination letter, IT changes, and trade cost analysis. He requested that trustees submit any additional topics to staff. The topics and agenda for the retreat will be brought forth to the board a few more times as the details evolve toward finalization.

0811.7.8 **Amendment to Board of Retirement Regulation 4.1 Relating to “Membership”:** Mr. Bailey said that in the process of preparing *SamCERA*'s request to the IRS for a tax determination letter, staff determined that Regulation 4.1, which defines “membership”, should be amended. In addition, a recent amendment to the 1937 Act modified the authority of retirement boards regarding the establishment of reciprocity by giving members more flexibility in the date used for commencing and terminating retirement system membership. Mr. Bailey then highlighted the proposed modifications to Regulation 4.1.

Motion by Agnew, second by Hackleman, carried unanimously to adopt **Resolution 11-12-08**, approving the amendment to Regulation 4.1 of Article IV of the Board of Retirement Regulations regarding Membership, as follows:

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

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“**WHEREAS**, Board of Retirement regulation 4.1 sets forth certain membership criteria and from time to time it must be updated in order to reflect changes in participating employers and changes in law; and

“**WHEREAS** by statute, the Superior Court of the County of San Mateo became a separate employer from the County of San Mateo and Court employees continue to be *SamCERA* members; and

“**WHEREAS**, in 2010, legislation was passed authorizing the Board to adopt a regulation extending the period that an employee can delay entering membership from 6 to 12 weeks and allowing the termination of membership up to 12 weeks prior to the member's employment termination for purposes of establishing reciprocal membership with another public entity; and

“**WHEREAS**, this board has reviewed the amendment to regulation 4.1 which incorporates these changes in statute and desires to adopt such amendment: now, there be it **RESOLVED** that the board hereby amends regulation 4.1 of Article 4 of the Regulations of the Board of Retirement to read as follows:

4.1 Membership: An individual entering full time or permanent part time employment with a SamCERA employer, which shall be either the County of San Mateo, the Superior Court of the County of San Mateo, or the Mosquito and Vector Control District prior to July 1, 1996, shall become a member of SamCERA on the first day of the first pay period commencing after the date of employment. An individual entering such employment on or after July 1, 1996, shall become a member of SamCERA on the first day of employment. Members may delay the effective start date of their membership with SamCERA up to twelve weeks after the date of employment and/or terminate accrual of service credit with SamCERA up to twelve weeks prior to termination of employment with a SamCERA employer, for the purpose of establishing reciprocity with another public retirement system as described in the 1937 Act.”

0811.8 **Management Reports**

0811.8.1 **Chief Executive Officer's Report:** Mr. Bailey reported that *SamCERA's* contract with the association's actuary, Milliman Inc., will expire before the end of the year. Mr. Bailey would like to wait until the finalization of the actuarial valuation and valuation audit report prior to making any recommendations regarding Milliman's contract.

Mr. Bailey also reported that *SamCERA* has implemented new retirement tiers into its PensionGold system. There was an increase from four retirement formulas to seven, with various contribution rate structures. He said that the county has taken substantial actions to renegotiate for lower formulas and higher contribution rates for new hires. Changes have complicated *SamCERA's* system which will result in higher actuarial, audit and software costs. *SamCERA* will also need to train staff on the complexities of the new retirement tiers.

Mr. Bailey distributed attestation forms at the request of *SamCERA's* audit firm, Brown Armstrong. Trustees are to complete and sign the form. He also distributed a contact information sheet for trustees. He requested that trustees review their contact information and inform him of any necessary updates.

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0811.8.2 **Assistant Executive Officer's Report:** Mr. Hood said that *SamCERA* has hired a new vendor, Office Depot, to print *SamCERA*'s annual member statements. The new vendor will save the association \$2,000 to run the statements and will be printing them the following week.

Mr. Hood then provided an update on the integration of the new retirement tiers in *SamCERA*'s PensionGold system. He said the first round of employees in the new tiers will occur this Thursday. The new tiers required additional programming to PensionGold and cost approximately \$40,000.

0811.8.3 **Chief Investment Officer's Report:** Mr. Clifton reported on some organizational changes in mid- to senior-management due to the untimely death by an executive at Pyramis Global Advisors. The changes do not have an impact on *SamCERA*'s portfolio. Mr. Clifton also highlighted some articles on Artio's outflows in assets under management. He then reported that one of *SamCERA*'s private equity managers, Sheridan Production Partners, announced the purchase of oil fields as part of its investment strategy. Mr. Clifton also reported that the association's custodian, State Street Bank & Trust, has moved its local Alameda office to Sacramento for cost savings. Lastly, regarding the debt ceiling crisis, Mr. Clifton reported that he instructed *SamCERA*'s fixed income managers to not trade anything immediately.

0811.8.4 **Chief Legal Counsel Report:** Ms. Carlson said that she would provide a legislative update at next month's board meeting, including two particular bills that staff is watching closely. In reference to *SamCERA*'s IRS Tax Determination Letter, Ms. Carlson said that staff had a conference call with tax counsel and provided a brief update. Lastly, Ms. Carlson discussed the issue of *SamCERA*'s asset management budget, in which the salaries and expenses of the association's in-house investment staff are treated as a professional versus administrative expense.

0811.9 **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 applications of Neal Ferguson and Gerardo Garcia, and one matter regarding anticipated litigation.

The board found that **Gerardo Garcia** is unable to perform his duties as a Patient Services Assistant II, found that his disability is not service-connected, and denied his application for a service-connected disability retirement.

The board found that **Neal Ferguson** is disabled from performing his usual and customary duties as a Forensic Specialist II, found that his disability is service-connected, and granted his application for a service-connected disability retirement.

Ms. Carlson said that there were no reportable actions taken for the matter regarding anticipated litigation.

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

0811.10 **Adjournment in Memory of Deceased Members:** There being no further business, Mr. David adjourned the meeting at 5:45 p.m., in memory of the following deceased members:

Barrow, Robert
Clark, John

July 28, 2011
July 22, 2011

Assessor's Office
Building & Grounds

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Constant, Constantine	July 18, 2011	Superior Court
Dunsmore, Margene	July 2, 2011	District Attorney's Office
Fletcher, Lindsay	July 11, 2011	Controllors
Fronberg, Raymond	July 30, 2011	Environmental Services
Ham, James	July 1, 2011	Probation
Hartnett, Lois	July 18, 2011	Beneficiary of Hartnett, Robert
Howell, James	July 14, 2011	Ben of Neta, Lora
McQueen, William	July 4, 2011	Def'd from Housekeeping
Owens, Evelyn	July 16, 2011	Superior Court
Rice, Edna	July 5, 2011	Superior Court
Washington , Nell	July 13, 2011	San Mateo Medical Center
Wider, Frederick	July 21, 2011	Sheriff's Office

AL DAVID, CHAIR